

Buy

(Maintained)

Indosat Ooredoo Hutchison (ISAT IJ)

FY24 earnings missed; Growth story intact despite intensified competition and weak consumption

Last Price (Rp)	1,920
Target Price (Rp)	3,200
Previous Target Price (Rp)	3,800
Upside/Downside	+66.7%
No. of Shares (mn)	32,251
Mkt Cap (Rpbn/US\$m)	61,922/3,788
Avg, Daily T/O (Rpbn/US\$m)	46.0/2.8
Free Float (%)	16.2
Major Shareholder (%)	
Ooredoo Asia Pte. Ltd.	65.6
PPA Investasi Efek	9.6
EPS Consensus (Rp)	
	2025F 2026F 2027F
BRIDS	183.6 206.7 222.2
Consensus	199.6 259.9 396.8
BRIDS/Cons (%)	(8.0) (20.5) (44.0)

- IOH diversifies growth into non-cellular revenue, driving higher OPEX amid intensified mobile competition and weak consumption.
- IOH’s mobile strategy is intact, focused on rural expansion to boost ARPU with personalization and cross-selling, building competitive moat.
- We adjust our valuation, averaging the 3yr EV/EBITDA and DCF valuation, lowering TP to Rp3,200 while maintaining our BUY rating.

4Q24 weak earnings amid competition and more exposure to B2B segment
 IOH posted 4Q24 net profit of Rp1.1tr (-3.4%qoq, -19.2%yoy), impacted by a compressed EBITDA margin of 45.3% (-230bps qoq), well below company guidance. Revenue growth remained soft at Rp14.1tr (+1.7%qoq, +2.2%yoy), with management attributing this to intensified competition at the starter pack level, where prices fell from Rp25k to Rp10k nationwide, and the weak consumer demand. In response, IOH maintained its base of productive subs at 94.7mn while shedding 4mn non-productive ones and improving ARPU to Rp38.8k (+4.6%qoq). Concurrently, IOH focused more on B2B and wholesale projects, driving up installation, partnership, and maintenance OPEX.

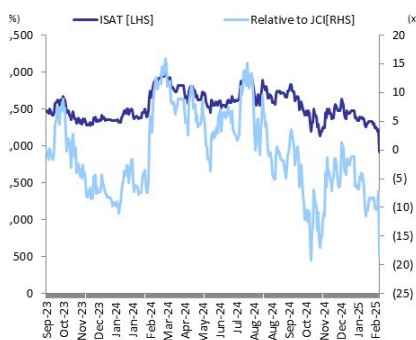
FY24 earnings miss as IOH shifts gear to grow the non-cellular biz

IOH posted FY24 net profit of Rp4.9tr (+38.1%yoy), meeting only 92.6%/94.6% of ours/cons est., hence, below expectations. FY24 revenue reached Rp55.9tr, in line with estimates, while EBITDA of Rp26.4tr was only broadly in line (97.3%/98.2% of ests). IOH expects to again outpace sector revenue growth in FY25, driven by mobile expansion in deep rural areas and higher ARPU through personalization, increased own app MAU, and later, cross-selling fixed BB and FWA. Additionally, IOH will start recording revenue from AI contracts worth US\$30mn p.a. on H100 GPUs from 2Q25, while potentially acquiring GB200 Blackwell GPUs after securing more clients. With a stronger focus on non-cellular business, IOH expects FY25 EBITDA to grow by >10% yoy.

Mobile strategy intact with non-cellular gaining momentum, maintain Buy

Following FY24 earnings, we adjust the OPEX structure, largely aligning with IOH’s FY25 guidance, as its mobile strategy remains intact and its shift to non-cellular businesses gains traction. Accordingly, we revise our 2025-27F earnings by -5.8%/-6.6%/-1.2%. Additionally, we incorporate IOH’s newly implemented dividend policy, targeting a 70% payout ratio for FY26 earnings. We also adjust our valuation, now averaging our DCF method with IOH’s 3yr average EV/EBITDA 4.5x, thus arriving at a lower TP of Rp3,200. We maintain our Buy rating on ISAT’s attractive growth outlook. The key risk remains persistent competition, weak consumption and heavy spectrum costs.

ISAT relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Niko Margaronis

(62-21) 5091 4100 ext. 3512

niko.margaronis@brids.co.id

Kafi Ananta

(62-21) 5091 4100 ext. 3506

kafi.azhari@brids.co.id

Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	51,229	55,887	59,913	64,556	69,630
EBITDA (Rpbn)	23,938	26,375	28,951	31,055	33,070
EBITDA Growth (%)	23.0	10.2	9.8	7.3	6.5
Net Profit (Rpbn)	4,739	4,890	5,922	6,665	7,168
EPS (Rp)	146.9	151.6	183.6	206.7	222.2
EPS Growth (%)	0.3	3.2	21.1	12.5	7.5
BVPS (Rp)	953.3	1,038.7	1,126.4	1,204.5	1,282.1
DPS (Rp)	67.1	95.9	128.5	144.7	0.0
PER (x)	13.1	12.7	10.5	9.3	8.6
PBV (x)	2.0	1.8	1.7	1.6	1.5
Dividen yield (%)	3.5	5.0	6.7	7.5	0.0
EV/EBITDA	5.7	5.2	4.5	3.9	3.3

Source: ISAT, BRIDS Estimates

Exhibit 1. IOH (ISAT: IJ) 4Q/FY24 Financial results

INDOSAT OOREDOO HUTCHISON FY24 financial results												
Rp bn	4Q23	3Q24	4Q24	QoQ, %	YoY, %	FY23A	FY24A	YoY, %	2024F BRIDS	Achiev. %	2024F Cons	Achiev. %
Total revenue	13,766	13,836	14,075	1.7	2.2	51,229	55,887	9.1	55,576	100.6	55,567	100.6
Net Cellular revenue	11,576	11,634	11,801	1.4	1.9	43,750	47,036	7.5				
Multimedia, Data, Internet	1,935	1,991	2,079	4.4	7.5	6,473	7,987	23.4				
Fixed telecommunications	255	211	194	(8.0)	(23.9)	1,006	864	(14.1)				
Total operating expense	(10,405)	(11,120)	(11,705)	5.3	12.5	(40,801)	(45,049)	10.4	(44,082)	102.2		
Cash Costs	(7,295)	(7,247)	(7,700)	6.2	5.5	(27,291)	(29,512)	8.1	(28,475)			
EBITDA	6,471	6,588	6,375	(3.2)	(1.5)	23,938	26,375	10.2	27,101	97.3	26,764	98.5
EBITDA margin (%)	47.0	47.6	45.3	(2.3)	(1.7)	46.7	47.2	0.5	48.8		48.2	
EBIT	2,781	2,716	2,429	(10.5)	(12.6)	9,317	10,817	16.1	11,494	94.1	11,310	95.6
EBIT margin (%)	20.2	19.6	17.3	(2.4)	(2.9)	18.2	19.4	1.2	20.7		20.4	
Operating Profit	3,361	2,716	2,370	(12.7)	(29.5)	10,428	10,838	3.9				
OP margin (%)	24.4	19.6	16.8	(2.8)	(7.6)	20.4	19.4	(1.0)				
Total other income (expenses)	(1,032)	(1,139)	(935)	(17.9)	(9.3)	(4,496)	(4,105)	(8.7)	(4,311)	95.2		
Pre-tax profit / (loss)	2,329	1,577	1,434	(9.0)	(38.4)	5,932	6,733	13.5	7,183	93.7	7,112	94.7
Reported Net profit / (loss)	1,719	1,144	1,033	(9.7)	(39.9)	4,506	4,911	9.0				
Normalized Net profit / (loss)	1,346	1,126	1,088	(3.4)	(19.2)	3,561	4,916	38.1	5,306	92.6	5,196	94.6
Normalized Net margin (%)	12.5	8.3	7.3	(0.9)	(5.2)	7.0	8.8	6.7				

Operational KPIs	4Q23	3Q24	4Q24	QoQ, %	YoY, %	FY23	FY24	YoY, %
Customers - total (mn)	98.8	98.7	94.7	(4.1)	(4.1)	98.8	94.7	(4.1)
Customers - postpaid (mn)	1.6	1.4	1.5	7.1	(6.3)	1.6	1.5	(6.3)
Customers - prepaid (mn)	97.2	97.3	93.2	(4.2)	(4.1)	97.2	93.2	(4.1)
Data traffic (Petabytes)	3,716	4,085	4,119	0.8	10.8	14,417	16,170	12.2
ARPU (blended) (Rp thousand)	38.5	37.2	38.9	4.6	1.0	35.6	38.0	6.7
ARPU (prepaid) (Rp thousand)	37.8	36.4	38.0	4.4	0.5	35.0	37.1	6.0

Source: Company, BRIDS Estimates

Exhibit 2. ISAT reforecast table

Rp bn	2024A	OLD			BRIDS NEW			Δ%		
		2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Revenue	55,887	60,813	66,434	71,140	59,913	64,556	69,630	-1.5	-2.8	-2.1
growth %	9.1	8.8	9.2	7.1	7.2	7.8	7.9	-1.6	-1.5	0.8
EBITDA	26,375	29,900	32,641	34,129	28,951	31,055	33,070	-3.2	-4.9	-3.1
EBITDA margin %	47.2	49.2	49.1	48.0	48.3	48.1	47.5	-0.8	-1.0	-0.5
EBIT	10,817	12,821	13,984	14,249	11,983	12,567	13,259	-6.5	-10.1	-6.9
EBIT margin %	19.4	21.1	21.0	20.0	20.0	19.5	19.0	-1.1	-1.6	-1.0
NPATMI	4,911	6,284	7,136	7,254	5,922	6,665	7,167	-5.8	-6.6	-1.2
NI margin %	8.8	10.3	10.7	10.2	9.9	10.3	10.3	-0.4	-0.4	0.1
ROE	16%	17%	18%	17%	17%	18%	18%	-0.5%	-0.4%	0.5%

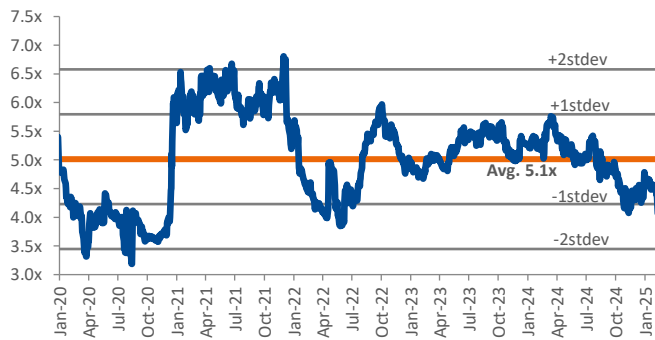
Source: Company, BRIDS Estimates

Exhibit 3. Telco peers valuation

Company	Ticker	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/ EBITDA (x)		P/BV (x)		ROAE %		Dividend yield %	
					'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F
EXCL	EXCL IJ	BUY	2,800	29,673	15.9	13.6	4.2	4.0	1.1	1.1	7.1	8.1	4.9	4.4
ISAT	ISAT IJ	BUY	3,200	61,922	10.5	9.3	4.5	3.9	1.7	1.6	17.0	17.7	6.7	7.5
TLKM	TLKM IJ	BUY	4,250	241,710	10.8	10.4	3.6	3.4	1.8	1.7	16.9	16.9	7.1	7.5

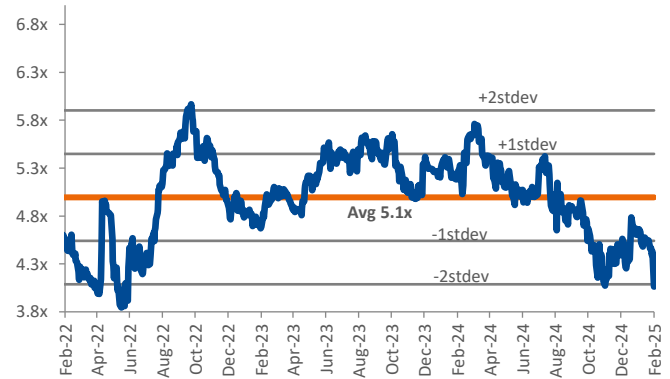
Source: Company, BRIDS Estimates

Exhibit 4. ISAT IJ forward 5-yr EV/EBITDA band



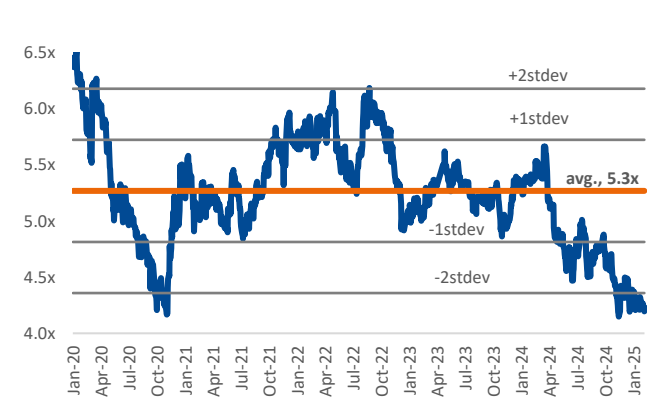
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. ISAT IJ forward 3-yr EV/EBITDA band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. Sector forward 5-yr EV/EBITDA band



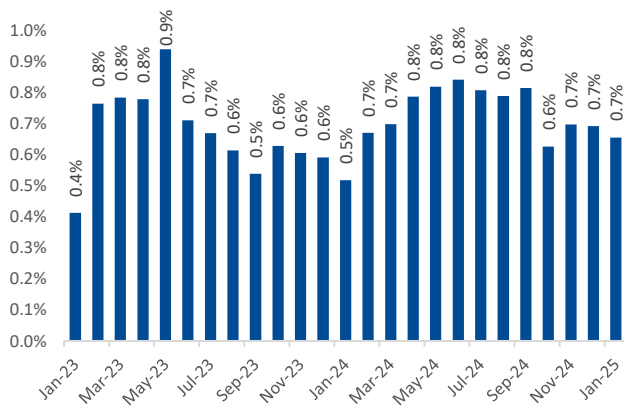
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 7. Sector forward 3-yr EV/EBITDA band



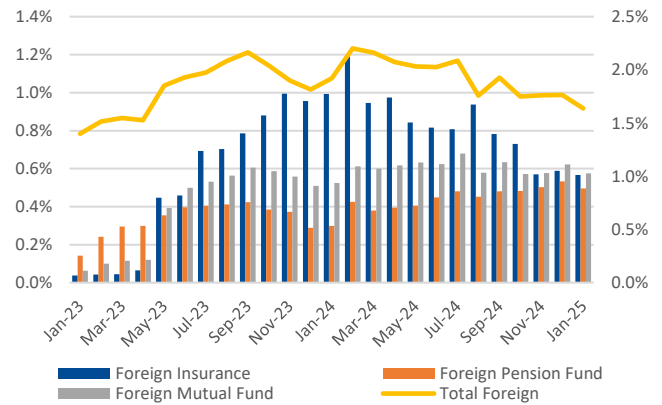
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 8. ISAT IJ forward 5-yr EV/EBITDA band



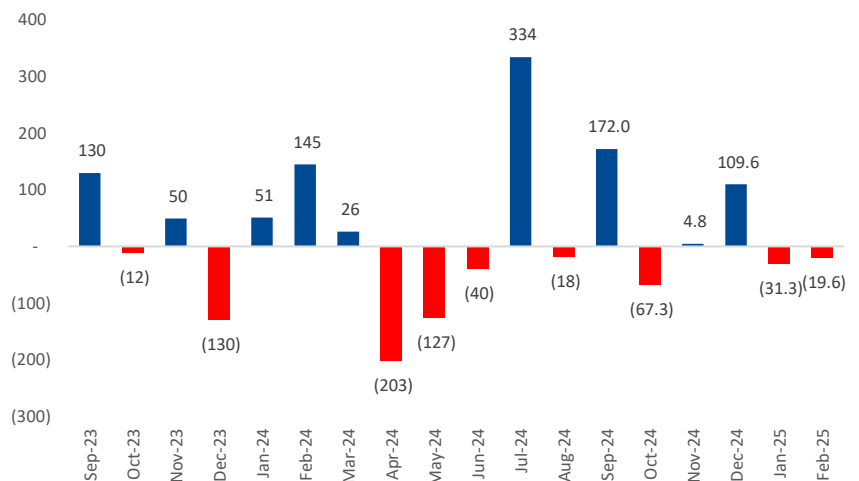
Source: KSEI, BRIDS

Exhibit 9. ISAT IJ forward 3-yr EV/EBITDA band



Source: KSEI, BRIDS

Exhibit 10. ISAT’s Monthly Foreign Flow (Rpbn)



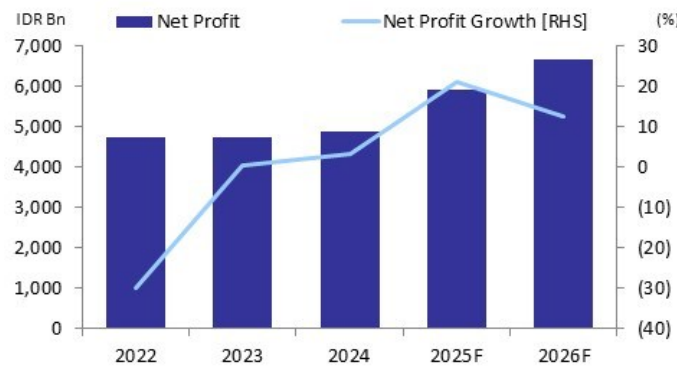
Source: IDX, Bloomberg, BRIDS

Exhibit 11. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 12. Net Profit and Growth



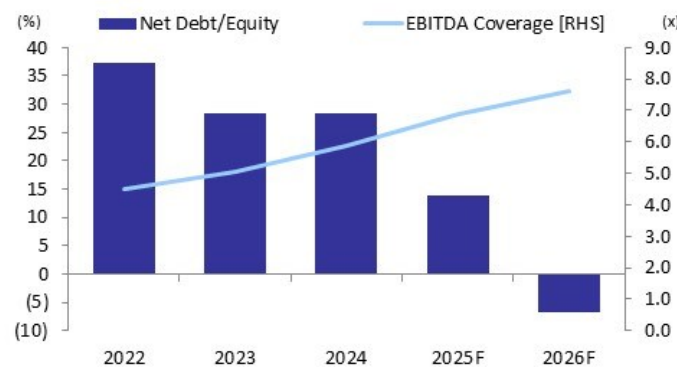
Source: Company, BRIDS Estimates

Exhibit 13. Margins



Source: Company, BRIDS Estimates

Exhibit 14. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 15. Income Statement

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Revenue	51,229	55,887	59,913	64,556	69,630
COGS	(39,007)	(41,751)	(44,484)	(48,253)	(52,320)
Gross profit	12,222	14,136	15,429	16,303	17,310
EBITDA	23,938	26,375	28,951	31,055	33,070
Oper. profit	9,317	10,817	11,983	12,567	13,259
Interest income	331	363	313	609	384
Interest expense	(4,725)	(4,478)	(4,193)	(4,071)	(3,836)
Forex Gain/(Loss)	(103)	9	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	1,343	0	0	0	0
Pre-tax profit	6,164	6,711	8,103	9,105	9,806
Income tax	(1,156)	(1,460)	(1,783)	(2,003)	(2,157)
Minority interest	(269)	(362)	(398)	(438)	(481)
Net profit	4,739	4,890	5,922	6,665	7,168
Core Net Profit	4,841	4,880	5,922	6,665	7,168

Exhibit 16. Balance Sheet

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	5,207	4,472	8,703	15,986	23,124
Receivables	3,144	3,282	3,518	3,791	4,089
Inventory	226	72	76	83	89
Other Curr. Asset	6,902	7,052	7,695	8,287	8,944
Fixed assets - Net	72,861	74,143	63,006	56,228	49,359
Other non-curr.asset	26,382	25,366	30,397	30,724	31,128
Total asset	114,722	114,387	113,394	115,098	116,733
ST Debt	2,487	3,869	4,001	4,149	4,313
Payables	11,460	9,321	9,779	10,317	10,955
Other Curr. Liabilities	20,188	17,818	19,243	21,082	22,453
Long Term Debt	12,295	11,030	9,993	9,060	8,219
Other LT. Liabilities	34,584	35,696	32,497	29,932	27,556
Total Liabilities	81,013	77,735	75,513	74,539	73,496
Shareholder's Funds	30,746	33,498	36,327	38,846	41,348
Minority interests	2,963	3,153	1,554	1,713	1,889
Total Equity & Liabilities	114,722	114,387	113,394	115,098	116,733

Exhibit 17. Cash Flow

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
Net income	4,739	4,890	5,922	6,665	7,168
Depreciation and Amort.	14,621	15,558	16,968	18,487	19,811
Change in Working Capital	(1,064)	194	(194)	(189)	(211)
Other Oper. Cash Flow	4,538	(259)	4,322	5,010	4,567
Operating Cash Flow	22,834	20,383	27,019	29,973	31,334
Capex	(10,779)	(8,823)	(5,322)	(11,200)	(12,432)
Others Inv. Cash Flow	(7,556)	(6,639)	(5,227)	(227)	(530)
Investing Cash Flow	(18,335)	(15,462)	(10,549)	(11,427)	(12,962)
Net change in debt	(2,113)	995	(3,499)	(3,110)	(2,807)
New Capital	(351)	196	(1,599)	159	176
Dividend payment	(2,062)	(2,164)	(3,094)	(4,146)	(4,665)
Other Fin. Cash Flow	(4,042)	(4,705)	(4,046)	(4,167)	(3,936)
Financing Cash Flow	(8,567)	(5,678)	(12,238)	(11,264)	(11,233)
Net Change in Cash	(4,068)	(757)	4,231	7,283	7,139
Cash - begin of the year	9,508	5,207	4,472	8,703	15,986
Cash - end of the year	5,207	4,472	8,703	15,986	23,124

Exhibit 18. Key Ratios

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Sales	9.6	9.1	7.2	7.8	7.9
EBITDA	23.0	10.2	9.8	7.3	6.5
Operating profit	61.6	16.1	10.8	4.9	5.5
Net profit	0.3	3.2	21.1	12.5	7.5
Profitability (%)					
Gross margin	23.9	25.3	25.8	25.3	24.9
EBITDA margin	46.7	47.2	48.3	48.1	47.5
Operating margin	18.2	19.4	20.0	19.5	19.0
Net margin	9.2	8.7	9.9	10.3	10.3
ROAA	4.1	4.3	5.2	5.8	6.2
ROAE	16.0	15.2	17.0	17.7	17.9
Leverage					
Net Gearing (x)	0.3	0.3	0.1	(0.1)	(0.2)
Interest Coverage (x)	2.0	2.4	2.9	3.1	3.5

Source : ISAT, Danareksa Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement, Infrastructure	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Kafi Ananta Azhari	Research Associate	kafi.azhari@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrliech Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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