

# Buy

(Maintained)

## XL Axiata (EXCL IJ)

### Merger Plan Advancing Smoothly: Securing Approvals, Buyback Readiness and Valuation Upside

Last Price (Rp)	2,270		
Target Price (Rp)	2,800		
Previous Target Price (Rp)	-		
Upside/Downside	+23.3%		
No. of Shares (mn)	13,072		
Mkt Cap (Rpbn/US\$mn)	29,020/1,765		
Avg, Daily T/O (Rpbn/US\$mn)	52.2/3.2		
Free Float (%)	33.2		
Major Shareholder (%)			
Axiata Investments Indonesia Sdn. Bhd.	66.3		
EPS Consensus (Rp)			
	2025F	2026F	2027F
BRIDS	142.5	167.1	189.4
Consensus	176.9	202.6	225.6
BRIDS/Cons (%)	(19.4)	(17.6)	(16.0)

- Merger plan progresses smoothly as EXCL secures approvals from creditors, vendors, Komdigi all expected before the March 25<sup>th</sup> EGMS.
- Funding secured for buyback of Rp3.09tr initially at Rp2,350/sh, backed by Axiata’s RM1bn facility and DSSA IJ from Sinar Mas side.
- Maintain BUY rating on EXCL; Axiata’s 13.14% stake sale at Rp3,189/sh sets a benchmark for the mergeCo XLSmart, implying a 40%+ upside.

#### EXCL-FREN Merger is well on track; securing approvals well before 2H25

EXCL has secured approvals from bondholders for parent Axiata’s dilution, while two creditors have granted conditional approvals, and vendor objections have been resolved. Smartfren and Smart Telecom have also obtained all required creditor approvals, totaling Rp6.9tr. Komdigi’s approval for the merger and Smart Telecom’s spectrum transfer to EXCL IJ remains in process, with a possibility of spectrum return. According to XL’s timeline, these approvals are expected before the March 25<sup>th</sup> EGMS, where shareholders will vote on the merger plan.

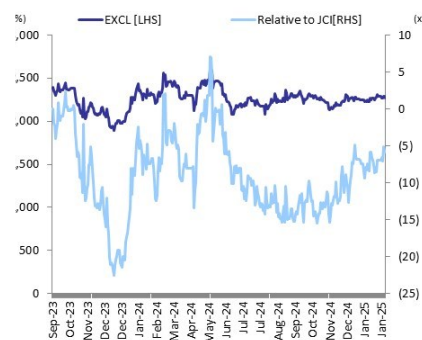
#### Providing funding readiness for share buyback for dissenting shareholders

The merger plan includes a share buyback of up to 10% of XL Axiata’s outstanding shares, amounting to Rp3.09tr at Rp2,350/sh with strategic shareholders may increase the buyback size based on demand. XL Axiata aims to soon submit an adequacy statement regarding funding for dissenting shareholders. Axiata Investments Indonesia Sdn. Bhd. has access to a RM500mn (~Rp1.84tr) credit facility from CIMB Islamic Bank Berhad, with an additional RM500mn facility available for any shortfall. Bali Media Telekomunikasi (affiliated with Sinarmas), has secured sufficient funds through loans from Dian Swastatika Sentosa (DSSA IJ) to execute buybacks from Smartfren, Smart Telecom, and XL Axiata.

#### Significant share price discount to implied merger price; maintain Buy rating

XL will propose a Rp85.7/sh dividend at the March 25 AGMS, reflecting a 62% payout ratio and a ~3.8% yield. The indicative timing implies that current shareholders will be eligible for the dividend (before changes in shareholders’ composition). Meanwhile, EXCL’s disclosure reaffirmed Axiata Investments’ plan to transfer a 13.14% stake in the merged entity to Sinar Mas BMT for US\$475mn, implying a Rp3,189/sh valuation. This represents a premium to the current and merger transaction price (Rp2,350), reflecting expected merger synergies. We maintain Buy rating on EXCL based on attractive standalone performance (TP of Rp2,800), with a potential upgrade upon further clarity on synergy value. Risks are delays in the merger process and significant spectrum return.

#### EXCL relative to JCI Index



Source: Bloomberg

#### BRI Danareksa Sekuritas Analysts

##### Niko Margaronis

(62-21) 5091 4100 ext. 3512

[niko.margaronis@brids.co.id](mailto:niko.margaronis@brids.co.id)

##### Kafi Ananta Azhari

(62-21) 5091 4100 ext. 3506

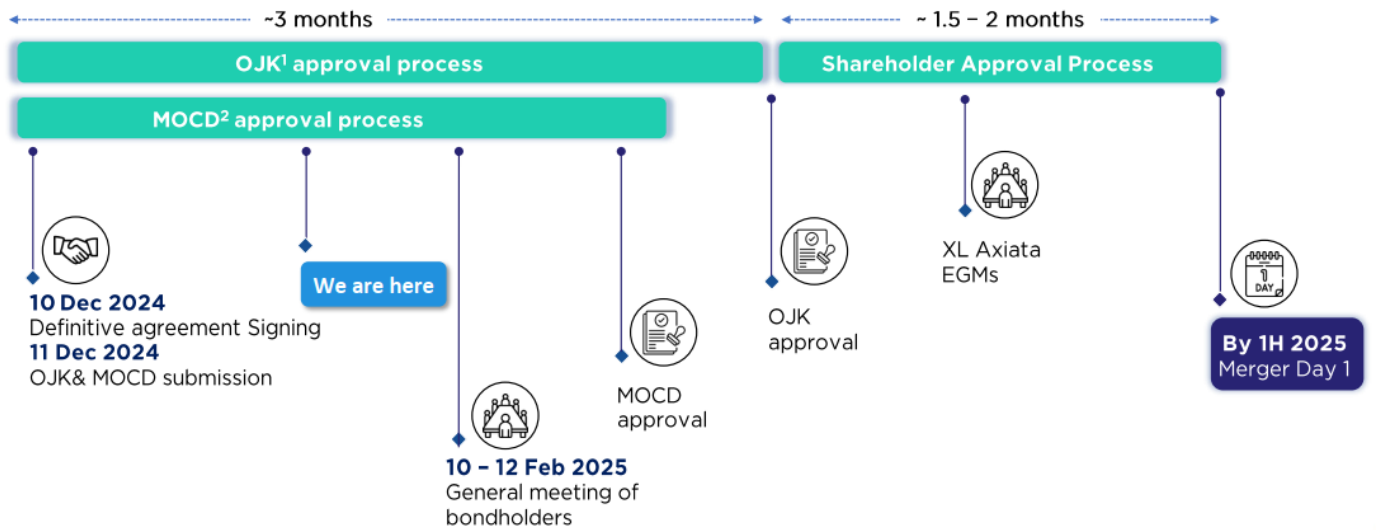
[kafi.azhari@brids.co.id](mailto:kafi.azhari@brids.co.id)

#### Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	32,323	34,392	37,046	38,995	40,861
EBITDA (Rpbn)	15,885	17,879	17,951	18,793	19,629
EBITDA Growth (%)	11.6	12.6	0.4	4.7	4.4
Net Profit (Rpbn)	1,257	1,818	1,863	2,184	2,476
EPS (Rp)	96.2	139.1	142.5	167.1	189.4
EPS Growth (%)	14.0	44.7	2.5	17.2	13.4
BVPS (Rp)	2,013.9	1,993.6	2,024.9	2,092.1	2,164.6
DPS (Rp)	42.0	49.4	111.3	99.8	116.9
PER (x)	23.6	16.3	15.9	13.6	12.0
PBV (x)	1.1	1.1	1.1	1.1	1.0
Dividend yield (%)	1.9	2.2	4.9	4.4	5.2
EV/EBITDA	4.8	4.2	4.2	4.0	3.8

Source: EXCL, BRIDS Estimates

**Exhibit 1. Indicative merger timeline**



<sup>1</sup> Indonesian Financial Services Authority (Otoritas Jasa Keuangan)  
<sup>2</sup> Ministry of Communication and Digital Affairs

1/02/2025

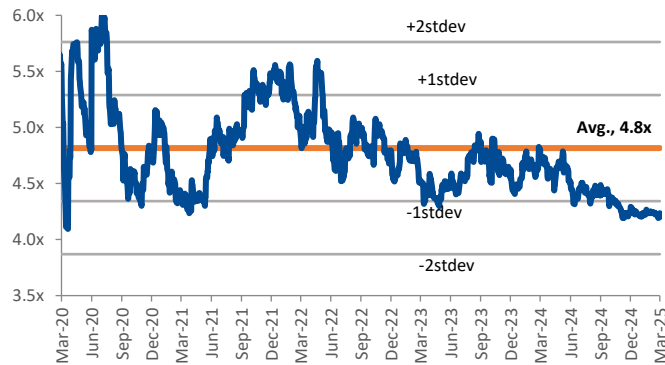
Source: Company

**Exhibit 2. Peers valuation table**

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	'24F	'25F	'26F
EXCL	EXCL IJ	BUY	2,800	29,412	15.8	13.5	4.2	4.0	1.1	1.1	7.1	8.1	2.2	4.9	4.4
ISAT	ISAT IJ	BUY	3,200	51,279	8.7	7.7	3.5	3.3	1.4	1.3	17.0	17.7	6.0	8.1	9.1
TLKM	TLKM IJ	BUY	3,680	243,693	10.5	10.1	3.7	3.5	1.7	1.6	16.3	16.5	7.6	8.0	8.4
<b>Weighted average</b>					<b>10.9</b>	<b>10.1</b>	<b>3.7</b>	<b>3.5</b>	<b>1.5</b>	<b>1.5</b>	<b>15.0</b>	<b>15.4</b>	<b>6.4</b>	<b>7.5</b>	<b>7.9</b>
<b>Simple average</b>					<b>11.6</b>	<b>10.4</b>	<b>3.8</b>	<b>3.6</b>	<b>1.4</b>	<b>1.3</b>	<b>13.5</b>	<b>14.1</b>	<b>5.3</b>	<b>7.0</b>	<b>7.3</b>

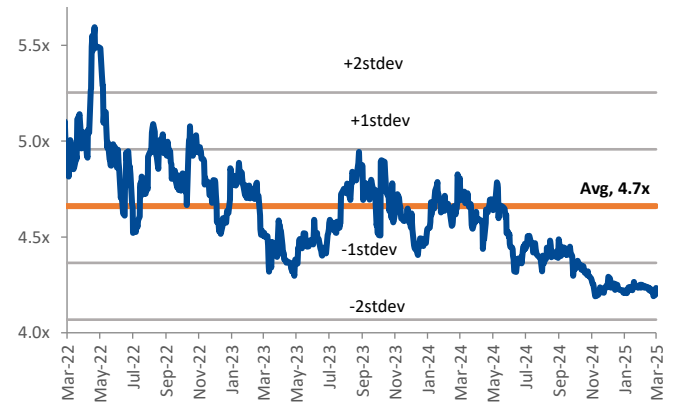
Source: Company, BRIDS Estimates

**Exhibit 3. EXCL IJ 5-year forward EV/EBITDA multiple band**



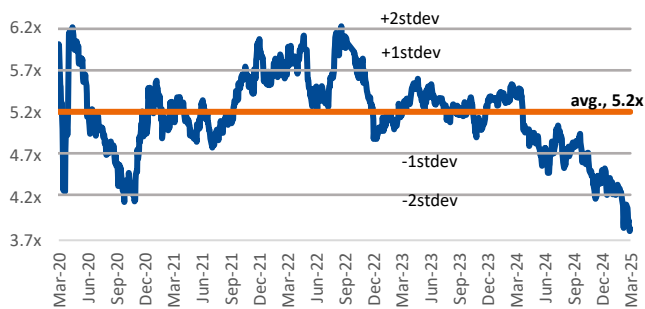
Source: Company, BRIDS Estimates

**Exhibit 4. EXCL IJ 3-year forward EV/EBITDA multiple band**



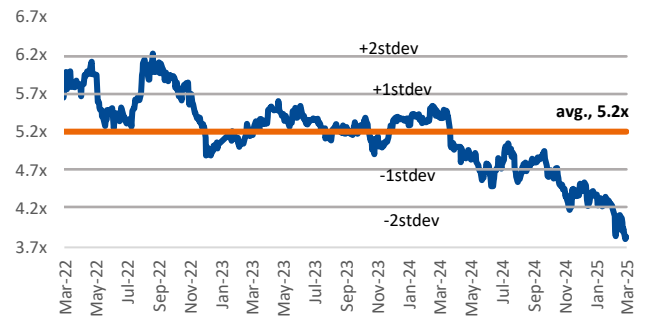
Source: Company, BRIDS Estimates

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



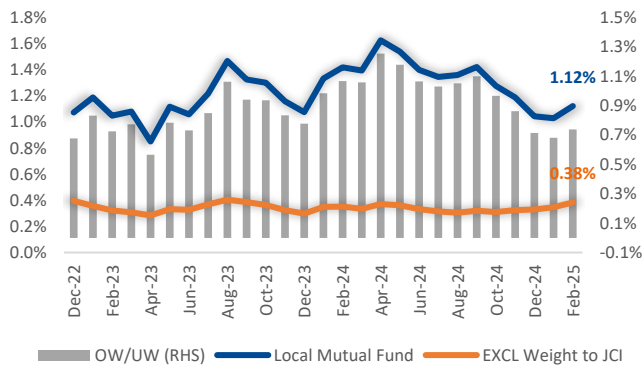
Source: Company, BRIDS Estimates

**Exhibit 6. Sector forward 3-yr EV/EBITDA band**



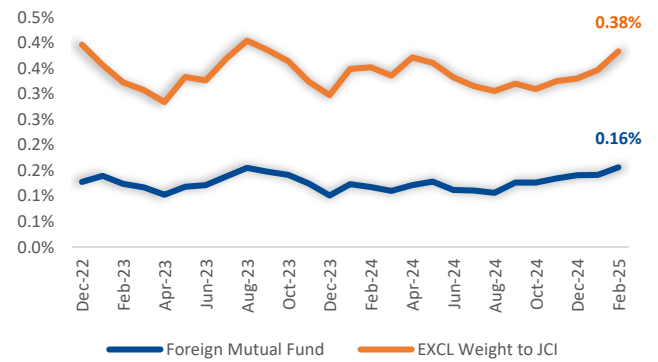
Source: Company, BRIDS Estimates

**Exhibit 7. EXCL’s Domestic Fund Positioning**



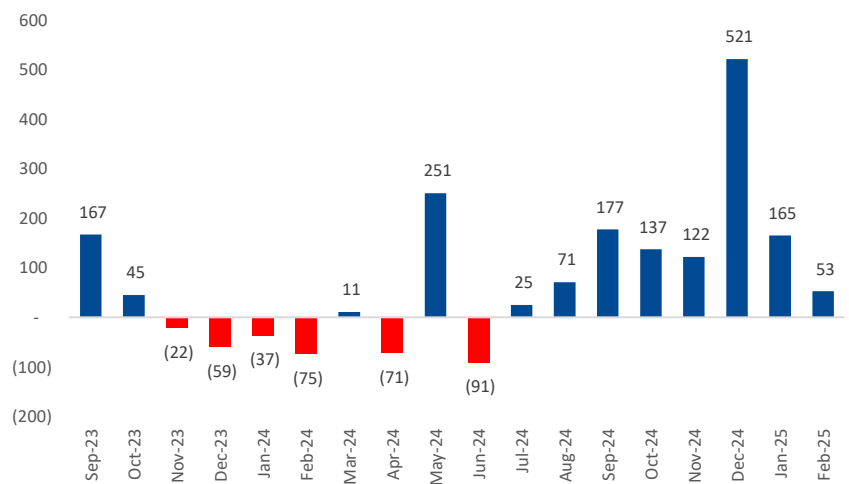
Source: KSEI, BRIDS

**Exhibit 8. EXCL’s Foreign Ownership**



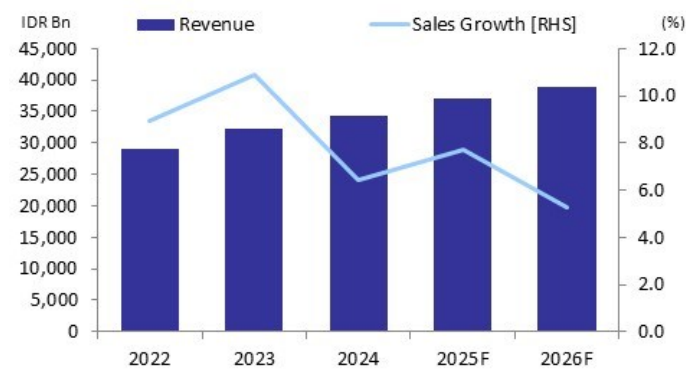
Source: KSEI, BRIDS

**Exhibit 9. EXCL’s Monthly Foreign Flow (Rpbn)**



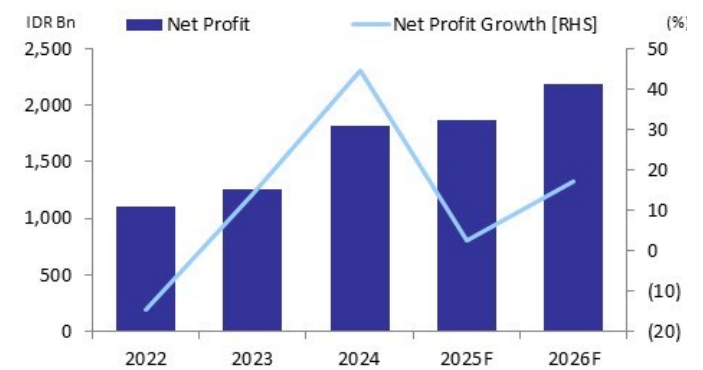
Source: IDX, BRIDS

**Exhibit 10. Revenue and Growth**



Source: Company, BRIDS Estimates

**Exhibit 11. Net Profit and Growth**



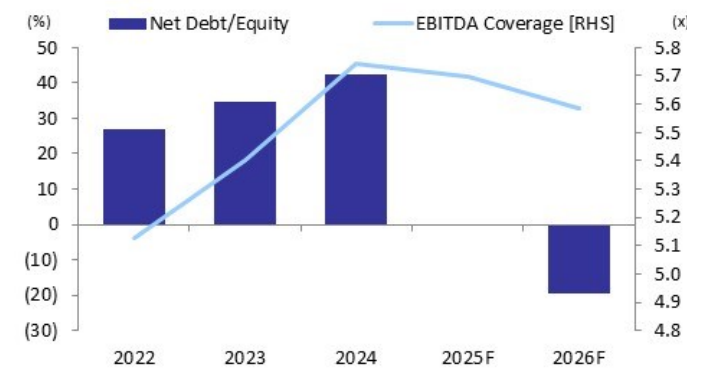
Source: Company, BRIDS Estimates

**Exhibit 12. Margins**



Source: Company, BRIDS Estimates

**Exhibit 13. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 14. Income Statement**

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>32,323</b>	<b>34,392</b>	<b>37,046</b>	<b>38,995</b>	<b>40,861</b>
COGS	(23,674)	(24,518)	(27,211)	(28,280)	(29,076)
<b>Gross profit</b>	<b>8,648</b>	<b>9,873</b>	<b>9,835</b>	<b>10,715</b>	<b>11,785</b>
<b>EBITDA</b>	<b>15,885</b>	<b>17,879</b>	<b>17,951</b>	<b>18,793</b>	<b>19,629</b>
<b>Oper. profit</b>	<b>4,378</b>	<b>5,588</b>	<b>5,654</b>	<b>6,221</b>	<b>6,805</b>
Interest income	100	80	65	74	81
Interest expense	(2,940)	(3,113)	(3,152)	(3,365)	(3,519)
Forex Gain/(Loss)	13	(16)	0	0	1
Income From Assoc. Co's	(191)	(298)	(191)	(128)	(85)
Other Income (Expenses)	330	185	145	145	0
<b>Pre-tax profit</b>	<b>1,690</b>	<b>2,427</b>	<b>2,521</b>	<b>2,947</b>	<b>3,283</b>
Income tax	(420)	(580)	(637)	(739)	(784)
Minority interest	(13)	(29)	(21)	(25)	(23)
<b>Net profit</b>	<b>1,257</b>	<b>1,818</b>	<b>1,863</b>	<b>2,184</b>	<b>2,476</b>
<b>Core Net Profit</b>	<b>1,244</b>	<b>1,835</b>	<b>1,863</b>	<b>2,184</b>	<b>2,475</b>

**Exhibit 15. Balance Sheet**

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	956	1,387	8,090	12,425	19,025
Receivables	1,435	2,175	1,678	1,772	1,834
Inventory	378	194	421	444	460
Other Curr. Asset	4,395	4,680	4,790	4,735	4,763
Fixed assets - Net	63,898	61,035	58,929	56,598	54,065
Other non-curr.asset	16,623	16,708	16,665	16,687	16,676
<b>Total asset</b>	<b>87,685</b>	<b>86,179</b>	<b>90,573</b>	<b>92,661</b>	<b>96,822</b>
ST Debt	854	3,721	3,399	2,658	3,260
Payables	9,383	8,251	10,896	11,223	11,560
Other Curr. Liabilities	9,937	9,044	9,262	9,749	10,215
Long Term Debt	9,251	8,772	9,011	8,892	9,070
Other LT. Liabilities	31,790	30,167	31,374	32,629	34,261
<b>Total Liabilities</b>	<b>61,215</b>	<b>59,956</b>	<b>63,942</b>	<b>65,151</b>	<b>68,364</b>
Shareholder's Funds	26,326	26,060	26,469	27,348	28,296
Minority interests	144	162	162	162	162
<b>Total Equity &amp; Liabilities</b>	<b>87,685</b>	<b>86,179</b>	<b>90,573</b>	<b>92,661</b>	<b>96,822</b>

**Exhibit 16. Cash Flow**

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
Net income	1,257	1,818	1,863	2,184	2,476
Depreciation and Amort.	11,506	12,291	12,297	12,572	12,824
Change in Working Capital	(2,412)	(2,866)	3,022	752	698
Other Oper. Cash Flow	649	1,964	2,893	3,098	3,245
<b>Operating Cash Flow</b>	<b>11,000</b>	<b>13,208</b>	<b>20,076</b>	<b>18,605</b>	<b>19,242</b>
Capex	(3,994)	(5,563)	(7,200)	(7,250)	(7,300)
Others Inv. Cash Flow	(128)	(4)	107	53	91
<b>Investing Cash Flow</b>	<b>(4,123)</b>	<b>(5,567)</b>	<b>(7,093)</b>	<b>(7,197)</b>	<b>(7,209)</b>
Net change in debt	1,112	766	1,124	394	2,411
New Capital	0	(1,499)	0	0	0
Dividend payment	(549)	(646)	(1,455)	(1,304)	(1,529)
Other Fin. Cash Flow	(11,663)	(5,892)	(5,949)	(6,163)	(6,316)
<b>Financing Cash Flow</b>	<b>(11,101)</b>	<b>(7,272)</b>	<b>(6,280)</b>	<b>(7,073)</b>	<b>(5,434)</b>
<b>Net Change in Cash</b>	<b>(4,223)</b>	<b>368</b>	<b>6,703</b>	<b>4,335</b>	<b>6,600</b>
Cash - begin of the year	5,184	956	1,387	8,090	12,425
Cash - end of the year	956	1,387	8,090	12,425	19,025

**Exhibit 17. Key Ratios**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	10.9	6.4	7.7	5.3	4.8
EBITDA	11.6	12.6	0.4	4.7	4.4
Operating profit	19.7	27.6	1.2	10.0	9.4
Net profit	14.0	44.7	2.5	17.2	13.4
<b>Profitability (%)</b>					
Gross margin	26.8	28.7	26.5	27.5	28.8
EBITDA margin	49.1	52.0	48.5	48.2	48.0
Operating margin	13.5	16.2	15.3	16.0	16.7
Net margin	3.9	5.3	5.0	5.6	6.1
ROAA	1.4	2.1	2.1	2.4	2.6
ROAE	4.8	6.9	7.1	8.1	8.9
<b>Leverage</b>					
Net Gearing (x)	0.3	0.4	0.2	0.0	(0.2)
Interest Coverage (x)	1.5	1.8	1.8	1.8	1.9

Source : EXCL, Danareksa Estimates

**BRI Danareksa Equity Research Team**

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

**BRI Danareksa Economic Research Team**

Helmy Kristanto	Chief Economist, Macro Strategy	<a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a>
Dr. Telisa Aulia Falianty	Senior Advisor	<a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a>
Kefas Sidauruk	Economist	<a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>

**BRI Danareksa Institutional Equity Sales Team**

Yofi Lasini	Head of Institutional Sales and Dealing	<a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>
Novrita Endah Putrianti	Institutional Sales Unit Head	<a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a>
Ehrlich Suhartono	Institutional Sales Associate	<a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>
Yunita Nababan	Institutional Sales Associate	<a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>
Adeline Solaiman	Institutional Sales Associate	<a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>
Andreas Kenny	Institutional Sales Associate	<a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>
Christy Halim	Institutional Sales Associate	<a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>
Jason Joseph	Institutional Sales Associate	<a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>

**BRI Danareksa Sales Traders**

Mitcha Sondakh	Head of Sales Trader	<a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a>
Suryanti Salim	Sales Trader	<a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a>

**INVESTMENT RATING**

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

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