Buy

(Maintained)

Indosat Ooredoo Hutchison (ISAT IJ)

Expecting Inflection in 2H25 as Price Repair Initiatives Progress

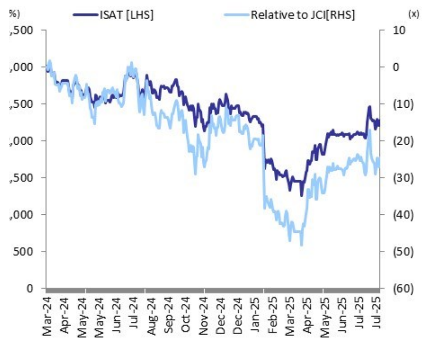
- **We cut our FY25-27F net profit est. by 6.4-1.3%, reflecting weak mobile revenue in 1H25, but see brighter outlook in 2H25 from price repair.**
- **ISAT raised entry-level prices by 10% and continued phasing out freebies in Jun25, supporting ARPU recovery beyond starter pack effects.**
- **We maintain TP at Rp2,600, blending DCF and raised EV/EBITDA to mean, reflecting room for re-rating on 2H25 yield recovery.**

Last Price (Rp)	**2,290**
Target Price (Rp)	**2,600**
Previous Target Price (Rp)	***2,600***
Upside/Downside	**+13.5%**
No. of Shares (mn)	**32,251**
Mkt Cap (Rpbn/US$mn)	**73,532/4,494**
Avg, Daily T/O (Rpbn/US$mn)	**44.5/2.7**
Free Float (%)	**16.2**
Major Shareholder (%)	
Ooredoo Asia Pte. Ltd.	**65.6**
PPA Investasi Efek	**9.6**

EPS Consensus (Rp)

	2025F	**2026F**	**2027F**
BRIDS	167.9	203.7	213.6
Consensus	176.1	200.8	229.1
BRIDS/Cons (%)	**(4.6)**	**1.4**	**(6.8)**

ISAT relative to JCI Index



Source: Bloomberg

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Price repair and AI to drive better monetization in 2H25
ISAT has initiated starter pack price adjustment (to 35k for 3GB), followed by a 10% price increase on entry-level plans and continued phasing out freebies and discounts in Jun25. We expect these efforts to pave way for ARPU recovery by +0.8% yoy in FY25. In the enterprise segment, ~15% of the targeted US$35mn in AI revenue has been booked in 1H25, with the remainder expected to materialize in 2H25, supporting a ramp-up toward US$65mn annually by FY26-27. In FTTH, ISAT aims to reach 400k subscribers by end of FY25. Management lowered FY25 EBITDA growth guidance to low single digits to reflect weakness in B2C business.

Cost efficiencies sustained; Capex execution begins to yield results
Despite soft mobile performance, ISAT managed to sustain profitability, with EBITDA margin improving to 47.6% in 2Q25 (+35bps qoq), supported by a -1% qoq reduction in cash costs. While the decline in personnel costs may be temporary (driven by lower bonus in 2Q25), we see structural efficiencies materializing in marketing, rent, and ongoing operational streamlining. We project EBITDA margin to gradually improve to 47.7-48.5% in FY25-27F. Capex guidance is maintained at Rp13tr for FY25, with 57% already spent by 1H25. The +85.3% qoq capex increase in 2Q25 reflects the accelerated network rollout (~13.6k BTS added vs. ~6k/quarter historical average), underlining its continued focus on network quality — aligns with its strong showing in the 1H25 OpenSignal results (refer to our report: Telco: 1H25 OpenSignal Results).

Forecast cut following lowered guidance; maintain TP at Rp2,600
We revised down our FY25-27F revenue forecast by 3.4-5.5%, factoring in a gradual yield recovery in 2H25, ~US$30mn in AI revenue recognition, and 400k FTTH subs target. We also lowered our FY25F EBITDA growth forecast to 3.4% yoy, down by -5.3% from previous estimate. We maintain our TP at Rp2,600 (implying 5.0x 25F EV/EBITDA), blending DCF and 5-yr EV/EBITDA mean, as we see room for re-rating on potential yield recovery in 2H25. The stock currently trades at 4.7x EV/ EBITDA, -0.5 SD to 5-year mean. Weak purchasing power and price competition remain key risks for the stock.

Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	51,229	55,887	57,208	61,682	64,915
EBITDA (Rpbn)	23,938	26,375	27,261	29,705	31,510
EBITDA Growth (%)	23.0	10.2	3.4	9.0	6.1
Net Profit (Rpbn)	4,739	4,890	5,416	6,570	6,889
EPS (Rp)	146.9	151.6	167.9	203.7	213.6
EPS Growth (%)	0.3	3.2	10.8	21.3	4.9
BVPS (Rp)	953.3	1,038.7	1,123.6	1,209.8	1,280.8
DPS (Rp)	67.1	83.0	117.6	142.6	149.5
PER (x)	15.5	15.0	13.6	11.2	10.7
PBV (x)	2.4	2.2	2.0	1.9	1.8
Dividen yield (%)	2.9	3.6	5.2	6.3	6.6
EV/EBITDA	5.3	4.8	4.6	4.2	4.0

Source: ISAT, BRIDS Estimates

Expecting Inflection in 2H25 as Price Repair Initiatives Progress

2H25 earnings miss; FY25 EBITDA guidance cut on softer mobile

ISAT's core profit 1Q25 fell to Rp1.02tr (-11% qoq, -29% yoy) on softer top line and higher D&A, bringing 1H25 to 38%/40% of BRIDS/cons. Data revenue declined -2.1% qoq, dragging ARPU to Rp38.5k (-1.8% qoq), suggesting the industry-wide price repair has yet to show impact. While data traffic rose a robust +10.3% qoq, partly driven by +1.7mn new IOH app MAUs, data yield fell sharply by -11.2% qoq reflecting a shift toward value-seeking, amid lower spending post-Lebaran.

EBITDA margin improved to 47.6% in 2Q25 (+35bps qoq), supported by a -1% qoq reduction in cash costs, primarily from savings in rent, personnel, and marketing. The earnings miss was partly due to higher D&A (+3% qoq), following the addition of ~13.6k BTS during the quarter (+5.3% qoq, +12.4% yoy). ISAT lowered its FY25 EBITDA growth guidance to low single digits (which in our view at +3.4% yoy) due to weakness in B2C business.

Exhibit 1. ISAT 2Q25 Financial results

Rp bn	2Q24	1Q25	2Q25	QoQ, %	YoY, %	1H24	1H25	YoY, %	2025F BRIDS	Achiev. %	2025F Cons	Achiev. %
Total revenue	**14,141**	**13,578**	**13,532**	***(0.3)***	***(4.3)***	**27,976**	**27,110**	***(3.1)***	**59,251**	***45.8***	**58,452**	***46.4***
Net Cellular revenue	11,944	11,422	11,328	*(0.8)*	*(5.2)*	23,601	22,750	*(3.6)*				
Multimedia, Data, Internet	1,945	1,961	2,000	*2.0*	*2.8*	3,916	3,962	*1.2*				
Fixed telecommunications	252	195	204	*4.5*	*(19.1)*	459	398	*(13.2)*				
Total operating expense	**(11,154)**	**(10,788)**	**(11,138)**	***3.2***	***(0.1)***	**(22,224)**	**(21,926)**	***(1.3)***				
Cash Costs	**(7,238)**	**(7,163)**	**(7,091)**	***(1.0)***	***(2.0)***	**(14,564)**	**(14,254)**	***(2.1)***				
Cost of services	(5,539)	(5,718)	(5,824)	*1.9*	*5.1*	(11,151)	(11,542)	*3.5*				
Gross profit	**8,602**	**7,860**	**7,708**	***(1.9)***	***(10.4)***	**16,825**	**15,568**	***(7.5)***				
Gross margin	*60.8*	*57.9*	*57.0*	*(0.9)*	*(3.9)*	*60.1*	*57.4*	*(2.7)*				
EBITDA	**6,903**	**6,415**	**6,440**	***0.4***	***(6.7)***	**13,412**	**12,855**	***(4.2)***	**28,777**	***44.7***	**27,893**	***46.1***
EBITDA margin (%)	*48.8*	*47.2*	*47.6*	*0.3*	*(1.2)*	*47.9*	*47.4*	*(0.5)*	*48.6*		*47.7*	
EBIT	**2,894**	**2,487**	**2,396**	***(3.7)***	***(17.2)***	**5,671**	**4,883**	***(13.9)***	**11,808**	***41.4***	**11,693**	***41.8***
EBIT margin (%)	*20.5*	*18.3*	*17.7*	*(0.6)*	*(2.8)*	*20.3*	*18.0*	*(2.3)*	*19.9*		*20.0*	
Other non-operating expenses - net	**(1,034)**	**(1,031)**	**(1,069)**	***3.7***	***3.4***	**(2,031)**	**(2,099)**	***3.4***				
Pre-tax profit / (loss)	**1,953**	**1,759**	**1,325**	***(24.7)***	***(32.1)***	**3,722**	**3,084**	***(17.1)***	**7,928**	***38.9***	**7,383**	***41.8***
Reported Net profit / (loss)	1,440	1,311	1,024	*(21.9)*	*(28.9)*	2,735	2,335	*(14.6)*				
Normalized Net profit / (loss)	**1,440**	**1,154**	**1,021**	***(11.5)***	***(29.1)***	**2,702**	**2,175**	***(19.5)***	**5,786**	***37.6***	**5,495**	***39.6***
Normalized Net margin (%)	*10.2*	*9.7*	*7.6*	*(2.1)*	*(2.6)*	*9.8*	*8.6*	***(1.2)***		`		
Book Capex	**2,387**	**2,620**	**4,854**	***85.3***	***103.4***	**4,521**	**7,474**	***5.1***	**13,000**	***57%***		
Capex/sales (intensity) (%)	*16.9*	*19.3*	*35.9*	*16.6*	*19.0*	*16.2*	*27.6*	*(1.3)*	*21.9*			
Net debt /LTM EBITDA (x)	*0.36*	*0.36*	*0.49*	*36.6*	*34.6*							
Net debt/equity (%)	*0.30*	*0.27*	*0.35*	*28.8*	*15.6*							

Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. ISAT 2Q25 Operational KPIs

Operational KPIs	2Q24	1Q25	2Q25	QoQ, %	YoY, %
Customers - total (mn)	**100.9**	**95.4**	**95.4**	***0.0***	***(5.5)***
IOH own app users		45.7	47.4	***3.7***	***n.a.***
Data traffic (Petabytes)	**4,107**	**3,922**	**4,327**	***10.3***	***5.4***
Effective Data Yield (Rp '000/gb)	2.56	2.54	2.26	*(11.2)*	*(11.7)*
Average data usage (in gb)	15.1	14.9	16.4	*10.3*	*9.0*
ARPU (blended) (Rp thousand)	**38.4**	**39.2**	**38.5**	***(1.8)***	***0.3***
Network BTS (# '000)					
Total BTS	**240.5**	**256.7**	**270.3**	***5.3***	***12.4***

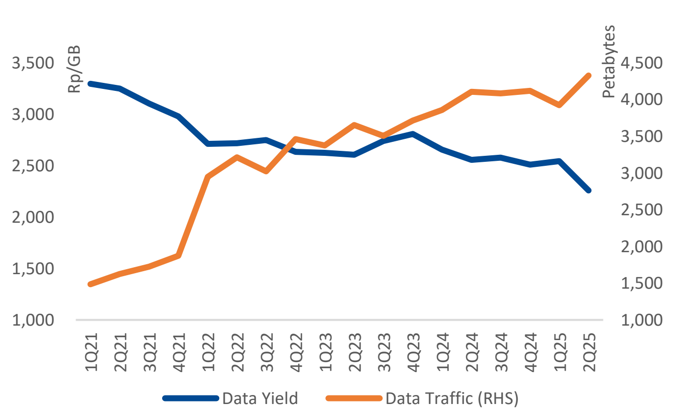
Source: Company

Exhibit 3. ISAT forecast revision summary

Rp bn	2024A	OLD 2025F	OLD 2026F	OLD 2027F	BRIDS NEW 2025F	BRIDS NEW 2026F	BRIDS NEW 2027F	Δ% 2025F	Δ% 2026F	Δ% 2027F
Revenue	**55,887**	**59,251**	**63,926**	**68,668**	**57,208**	**61,682**	**64,915**	***-3.4***	***-3.5***	***-5.5***
growth %	*9.1*	*6.0*	*7.9*	*7.4*	*2.4*	*7.8*	*5.2*	*-3.7*	*-0.1*	*-2.2*
Mobile Revenue	**47,036**	**48,577**	**50,652**	**53,994**	**47,523**	**49,480**	**51,905**	***-2.2***	***-2.3***	***-3.9***
growth %	*7.5*	*3.3*	*4.3*	*6.6*	*1.0*	*4.1*	*4.9*	*-2.2*	*-0.2*	*-1.7*
EBITDA	**26,375**	**28,777**	**31,027**	**32,926**	**27,261**	**29,705**	**31,510**	***-5.3***	***-4.3***	***-4.3***
EBITDA margin %	*47.2*	*48.6*	*48.5*	*47.9*	*47.7*	*48.2*	*48.5*	*-0.9*	*-0.4*	*0.6*
growth %	*10.2*	*9.1*	*7.8*	*6.1*	*3.4*	*9.0*	*6.1*	*-5.7*	*1.1*	*0.0*
EBIT	**10,817**	**11,808**	**12,539**	**13,115**	**11,334**	**12,517**	**12,955**	***-4.0***	***-0.2***	***-1.2***
EBIT margin %	*19.4*	*19.9*	*19.6*	*19.1*	*19.8*	*20.3*	*20.0*	*-0.1*	*0.7*	*0.9*
growth %	*16.1*	*9.2*	*6.2*	*4.6*	*4.8*	*10.4*	*3.5*	*-4.4*	*4.2*	*-1.1*
NPATMI	**4,911**	**5,786**	**6,655**	**7,060**	**5,416**	**6,570**	**6,889**	***-6.4***	***-1.3***	***-2.4***
NI margin %	*8.8*	*9.8*	*10.4*	*10.3*	*9.5*	*10.7*	*10.6*	*-0.3*	*0.2*	*0.3*
growth %	*9.0*	*17.8*	*15.0*	*6.1*	*10.3*	*21.3*	*4.9*	*-7.5*	*6.3*	*-1.2*
ROE	**16%**	**17%**	**18%**	**17%**	**16%**	**17%**	**17%**	***-1.0%***	***-0.1%***	***-0.3%***

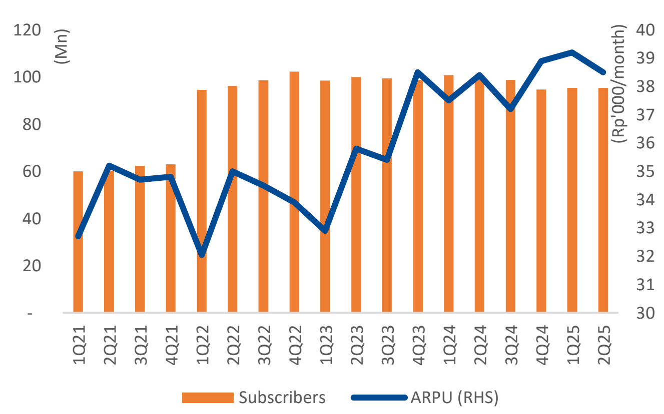
Source: Company, BRIDS Estimates

Exhibit 4. Data traffic & data yield



Source: Company, BRIDS

Exhibit 5. Blended ARPU & subscribers



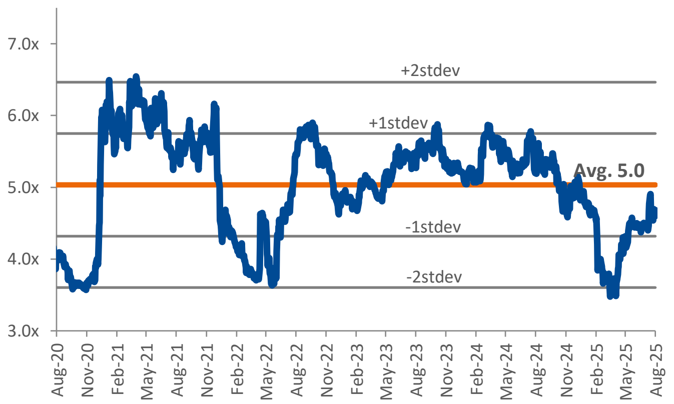
Source: Company, BRIDS

Exhibit 6. Telco peers valuation

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/ EBITDA (x)		P/BV (x)		ROE %		Dividend yield %	
				'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F
EXCL	BUY	2,800	46,955	18.2	15.6	4.4	4.2	1.3	1.2	7.1	8.0	3.8	4.5
ISAT	BUY	2,600	73,532	13.6	11.2	4.6	4.2	2.0	1.9	15.5	17.5	5.3	6.5
TLKM	BUY	3,500	296,196	12.4	11.9	4.3	4.1	2.0	2.0	16.6	17.0	7.5	7.8
Weighted average				**13.5**	**12.3**	**4.4**	**4.1**	**1.9**	**1.9**	**15.0**	**15.8**	**6.4**	**7.0**

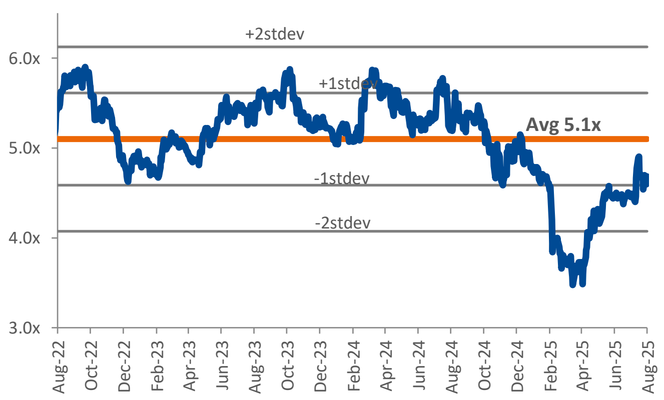
Source: Company, BRIDS Estimates

Exhibit 7. ISAT forward 5-yr EV/EBITDA band



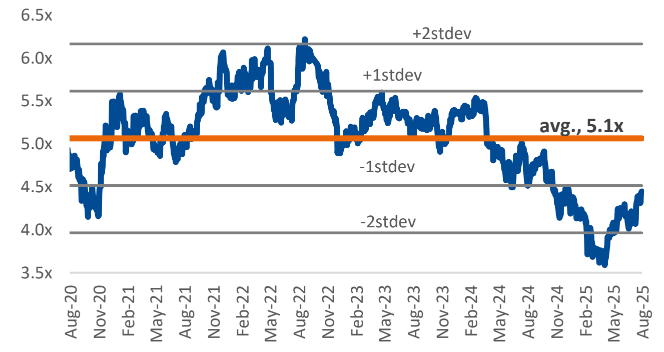
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 8. ISAT forward 3-yr EV/EBITDA band



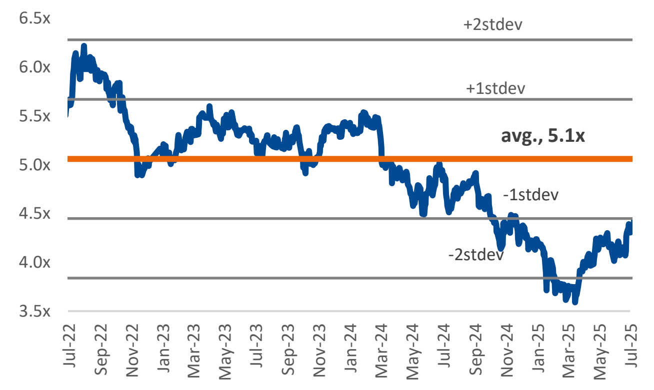
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 9. Sector forward 5-yr EV/EBITDA band



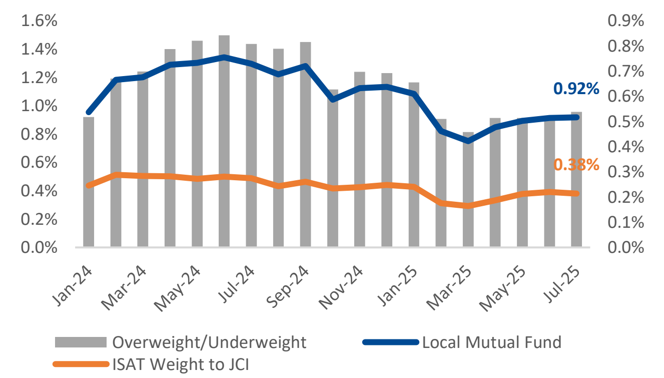
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 10. Sector forward 3-yr EV/EBITDA band



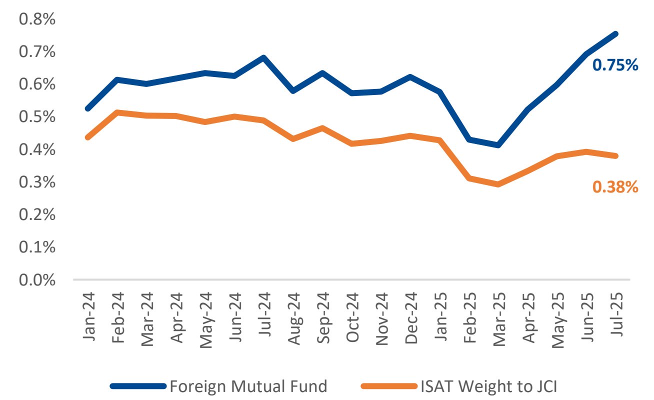
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 11. ISAT's domestic fund positioning



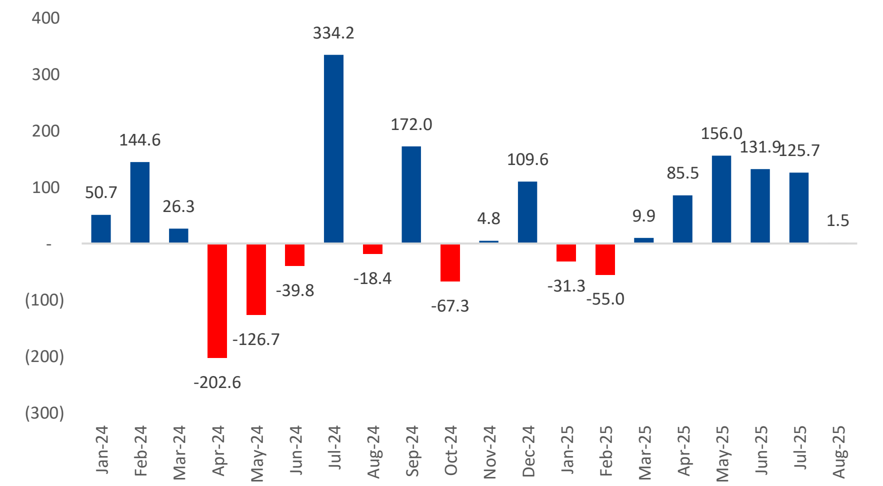
Source: KSEI, BRIDS

Exhibit 12. ISAT's foreign ownership



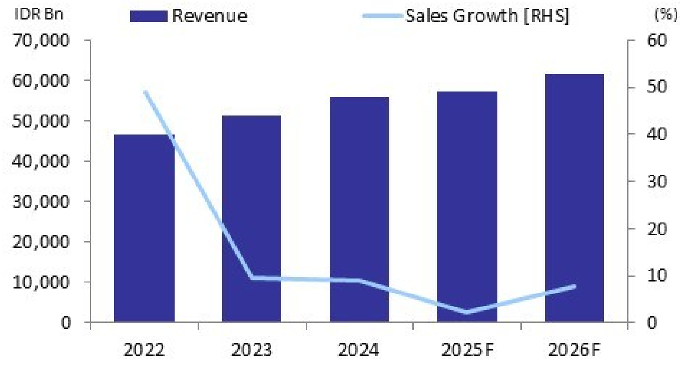
Source: KSEI, BRIDS

Exhibit 13. ISAT's monthly foreign flow (Rpbn)



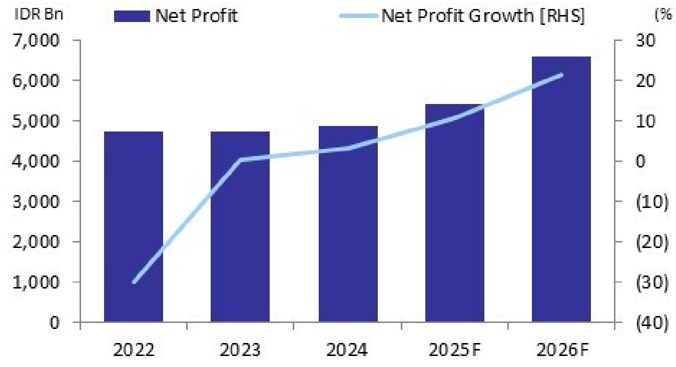
Source: IDX, Bloomberg, BRIDS

Exhibit 14. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 15. Net Profit and Growth

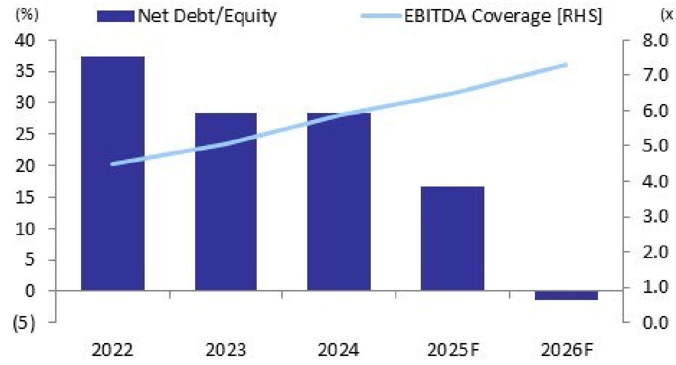


Source: Company, BRIDS Estimates

Exhibit 16. Margins

Source: Company, BRIDS Estimates

Exhibit 17. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 18. Income Statement

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Revenue	**51,229**	**55,887**	**57,208**	**61,682**	**64,915**
COGS	(39,007)	(41,751)	(42,972)	(46,129)	(48,957)
Gross profit	**12,222**	**14,136**	**14,236**	**15,552**	**15,958**
EBITDA	**23,938**	**26,375**	**27,261**	**29,705**	**31,510**
Oper. profit	**9,317**	**10,817**	**11,334**	**12,517**	**12,955**
Interest income	331	363	313	538	331
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**	**7,454**	**8,984**	**9,449**
Income tax	(1,156)	(1,460)	(1,640)	(1,977)	(2,079)
Minority interest	(269)	(362)	(398)	(438)	(481)
Net profit	**4,739**	**4,890**	**5,416**	**6,570**	**6,889**
Core Net Profit	**4,841**	**4,880**	**5,416**	**6,570**	**6,889**

Exhibit 19. Balance Sheet

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	5,207	4,472	7,693	13,776	19,232
Receivables	3,144	3,282	3,360	3,622	3,812
Inventory	226	72	74	80	83
Other Curr. Asset	6,902	7,052	7,426	7,912	8,202
Fixed assets - Net	72,861	74,143	64,048	58,569	52,956
Other non-curr.asset	26,382	25,366	29,910	30,206	30,279
Total asset	**114,722**	**114,387**	**112,509**	**114,165**	**114,564**
ST Debt	2,487	3,869	4,001	4,149	4,313
Payables	11,460	9,321	9,459	9,848	10,010
Other Curr. Liabilities	20,188	17,818	18,783	20,466	21,299
Long Term Debt	12,295	11,030	9,993	9,060	8,219
Other LT. Liabilities	34,584	35,696	32,482	29,916	27,534
Total Liabilities	**81,013**	**77,735**	**74,718**	**73,438**	**71,374**
Shareholder'sFunds	30,746	33,498	36,238	39,017	41,307
Minority interests	2,963	3,153	1,554	1,710	1,883
Total Equity & Liabilities	**114,722**	**114,387**	**112,509**	**114,165**	**114,564**

Exhibit 20. Cash Flow

Year to 31 Dec (IDRbn)	2023A	2024A	2025F	2026F	2027F
Net income	4,739	4,890	5,416	6,570	6,889
Depreciation and Amort.	14,621	15,558	15,927	17,188	18,555
Change in Working Capital	(1,064)	194	(66)	(194)	(151)
OtherOper. Cash Flow	4,538	(259)	3,843	4,899	4,023
Operating Cash Flow	**22,834**	**20,383**	**25,119**	**28,463**	**29,316**
Capex	(10,779)	(8,823)	(5,322)	(11,200)	(12,432)
Others Inv. Cash Flow	(7,556)	(6,639)	(4,740)	(267)	(252)
Investing Cash Flow	**(18,335)**	**(15,462)**	**(10,062)**	**(11,467)**	**(12,684)**
Net change in debt	(2,113)	995	(3,499)	(3,110)	(2,807)
New Capital	(351)	196	(1,600)	156	173
Dividend payment	(2,062)	(2,164)	(2,677)	(3,791)	(4,599)
Other Fin. Cash Flow	(4,042)	(4,705)	(4,061)	(4,168)	(3,943)
Financing Cash Flow	**(8,567)**	**(5,678)**	**(11,837)**	**(10,913)**	**(11,176)**
Net Change in Cash	**(4,068)**	**(757)**	**3,221**	**6,083**	**5,456**
Cash - begin of the year	9,508	5,207	4,472	7,693	13,776
Cash - end of the year	5,207	4,472	7,693	13,776	19,232

Exhibit 21. Key Ratios

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Sales	9.6	9.1	2.4	7.8	5.2
EBITDA	23.0	10.2	3.4	9.0	6.1
Operating profit	61.6	16.1	4.8	10.4	3.5
Net profit	0.3	3.2	10.8	21.3	4.9
Profitability (%)					
Gross margin	23.9	25.3	24.9	25.2	24.6
EBITDA margin	46.7	47.2	47.7	48.2	48.5
Operating margin	18.2	19.4	19.8	20.3	20.0
Net margin	9.2	8.7	9.5	10.7	10.6
ROAA	4.1	4.3	4.8	5.8	6.0
ROAE	16.0	15.2	15.5	17.5	17.2
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.0	(0.2)
Interest Coverage (x)	2.0	2.4	2.7	3.1	3.4

Source : ISAT, Danareksa Estimates

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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