

XL Axiata

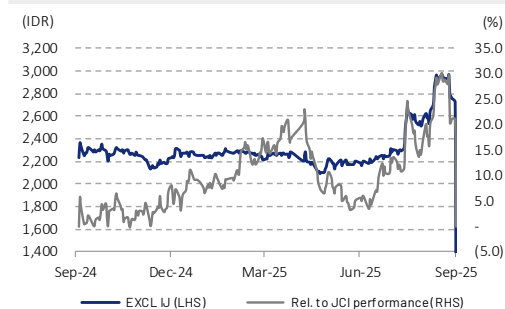
2 September 2025 | Equity Research | Infrastructure

Company Update

BUY

Target Price	:	3,300
Current Price	:	2,720
Upside	:	21.3%

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	20.9%	5.8%	23.6%	22.0%
JCI Return	9.3%	2.6%	7.8%	0.8%
Relative	11.6%	3.2%	15.8%	21.1%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	2,060 - 3,090
12M PE range (x)	15.9 - 19.3
Outstanding shares (mn)	18,200
Market cap (IDRbn)/(USDmn)	49,504 / 3,465
Avg daily turn. (IDRbn/USDmn)	25.5 / 1.8

Source: Bloomberg

SHAREHOLDERS

Axiata Investments	66.2%
Others	33.8%

Source: Bloomberg, BCA Sekuritas

Selvi Ocktaviani

selvi.ocktaviani@bcasekuritas.co.id

+6221 23587222 ext 11105

Seize the Post Merger Potential

Superior network and synergy benefit

EXCL's 2025 net losses were primarily due to accounting treatments that reflected non-cash expenses. On a normalized basis, EXCL still managed to book IDR 5tn EBITDA (47.4% margin) and IDR 313bn PAT (3% margin). Post-merger, EXCL now owns 152 MHz of spectrum, providing a competitive advantage in delivering superior network quality for subscribers. Additionally, the merger is expected to generate a synergy benefit of USD 300–400mn once integration is completed. We maintain our **BUY** rating with **target price of IDR 3,300**.

Restructuring and integration

- One-off expenses.** EXCL recently released its 2Q25 results, the first performance report of the merged entity XL Smart. The company reported IDR 10.5tn in revenue, IDR 4.5tn in EBITDA (42.8% margin), and a net loss of IDR 1.6tn. The negative bottom line was primarily due to one-off integration expenses (IDR 379bn), accelerated depreciation (IDR 739bn), and impairment on Link Net (IDR 802bn). The accelerated depreciation pertains to network equipment related to the 900 MHz spectrum, which must be returned to the government by the end of 2026. Excluding these one-off expenses, EXCL actually reported a normalized profit (after tax) of IDR 313bn.
- Integration costs will continue to appear in upcoming quarters.** EXCL's integration expenses were primarily spent on network-related expenses, including the dismantling of towers. XL Smart operates 67,000 sites, and the company targets to dismantle 17,000 duplicate sites. In the long run, management expects positive impact from lower lease liabilities and ROU assets, which should translate into lower depreciation and finance expenses. Also, a portion of the integration costs in 2Q25 was allocated for employee incentives and updating regions about the merger's commercial aspects.
- Despite below-expected subscribers...** EXCL reported 82.6mn subscribers as of June 2025, significantly below the previous pro-forma estimate of ~94mn. Management clarified that the difference is due to varying subscriber definitions adopted by XL and Smartfren (XL considers a subscriber active if he/she has used the service for at least 75 days). Additionally, EXCL's post-merger ARPU dropped to IDR 36,000 (prev: IDR 40,000).
- ...we remain optimistic about ARPU improvement going forward,** supported by higher-quality service and broader network coverage. The first key step after the merger was the implementation of national roaming, allowing Smartfren users to access EXCL's existing BTS (base transceiver stations). This expansion delivers larger coverage, with 156 new cities now accessible to Smartfren subscribers. XL Smart's competitive advantage lies in its wide spectrum. Post-merger, the company owns 152 MHz of spectrum bandwidth to serve 83 mn subscribers (equivalent to 1.84 MHz/mn users), compared to Telkomsel's 165 MHz for 158.4 mn subscribers (1.04 MHz per/mn users), and IOH's 135 MHz for 95.4 mn subscribers (1.41 MHz/mn users).

Aggressive post-merger integration target

- Timeline.** The integration is expected to be completed in 6-8 quarters, faster than IOH's integration process, with an anticipated USD 300–400mn synergy benefit. Integration costs may be incurred during this period, with management expecting additional IDR 1tn in integration costs in 2H25. However, the synergy benefits are also expected to materialize, with a target of USD 100–200mn that will not only cover the costs but also contribute to posted profits.
- Capex allocation.** Though EXCL has set a capex allocation target of IDR 20–25tn for 2025, it only deployed IDR 2.3tn in 1H25. Therefore, we believe the company may require additional time to fully utilize the remaining budget. The capex is primarily allocated towards equipment replacement to prepare for the 850 MHz and 2300 MHz spectrum acquired from Smartfren, as well as for future spectrum auctions. Funding for this capex will mainly come from internal cash flow and debt financing, while also leveraging favorable payment terms from vendors.

Maintain Buy with target price of IDR 3,300

We remain confident in EXCL's potential growth and the synergies to be unlocked. Therefore, we maintain BUY rating with a new target price of IDR 3,300 (reflecting 5.9x EV/EBITDA 2026F multiple). Our target price is derived from a 5-year DCF model, assuming 11.2% discount rate and 2% terminal growth rate.

Income Statement					
Year-end 31 Dec (IDRbn)	2023	2024	2025F	2026F	2027F
Revenue	32,323	34,392	41,146	45,612	47,980
Operating expense	(27,944)	(28,803)	(38,457)	(40,850)	(41,216)
Operating income	4,378	5,589	2,689	4,762	6,764
Depreciation & amortization	(11,506)	(12,291)	(15,854)	(16,105)	(15,911)
EBITDA	15,885	17,880	18,544	20,868	22,675
Interest expense	(2,940)	(3,113)	(4,148)	(4,309)	(4,419)
Net other income (losses)	252	(49)	(744)	87	106
Pre-tax income	1,690	2,427	(2,203)	540	2,451
Income tax	(420)	(580)	220	(130)	(588)
Minority interest	(13)	(29)	31	(6)	(29)
Net profit	1,257	1,819	(1,952)	404	1,834
Balance Sheets					
Year-end 31 Dec (IDRbn)	2023	2024	2025F	2026F	2027F
Cash and equivalents	966	1,387	796	1,698	1,275
Trade receivables	1,386	1,863	2,794	2,850	2,907
Fixed assets	63,897	61,034	73,502	74,419	72,127
Intangible assets	6,454	6,885	13,367	13,517	13,517
Other assets	14,992	15,010	25,062	25,100	25,143
Total assets	87,695	86,179	115,521	117,584	114,968
ST Debt	6,877	9,090	13,258	13,598	12,755
LT Debt	39,041	36,998	53,032	54,391	51,020
Other liabilities	15,307	13,868	16,593	16,553	16,520
Total liabilities	61,225	59,956	82,883	84,542	80,295
Total equities	26,470	26,222	32,637	33,042	34,673
Total liabilities & equities	87,695	86,179	115,521	117,584	114,968
Cash Flow Statement					
Year-end 31 Dec (IDRbn)	2023	2024	2025F	2026F	2027F
Net Income	1,257	1,819	(1,952)	404	1,834
Depreciation & amortization	11,506	12,291	15,854	16,105	15,911
Working capital	3,332	3,723	648	(127)	(126)
Operating cash flow	16,096	17,834	14,550	16,382	17,619
Net capital expenditure	(10,425)	(7,971)	(13,213)	(15,348)	(11,700)
Others	48	(1,869)	(8,907)	(7)	(7)
Investing cashflow	(10,377)	(11,366)	(22,119)	(15,354)	(11,707)
Dividend paid	(549)	(635)	(1,120)	-	(202)
Net change in debt	1,958	170	20,202	1,699	(4,213)
Other financing	(11,344)	(5,589)	(12,104)	(1,824)	(1,919)
Financing cashflow	(9,935)	(6,054)	6,978	(126)	(6,335)
Cash at beginning period	5,184	966	1,387	796	1,698
Ending cash balance	966	1,387	796	1,698	1,275
Growth and ratios					
2023	2024	2025F	2026F	2027F	
Revenue growth (%)	10.9%	6.4%	19.6%	10.9%	5.2%
EBITDA growth (%)	11.6%	12.6%	3.7%	12.5%	8.7%
Net profit growth (%)	13.3%	44.7%	n.a	n.a	353.5%
Dividend payout ratio (%)	49.5%	50.5%	61.6%	0.0%	50.0%
Dividend growth (%)	0.9%	15.7%	76.3%	n.a	n.a
EBITDA margin (%)	49.1%	52.0%	45.1%	45.8%	47.3%
Net margin (%)	3.9%	5.3%	-4.7%	0.9%	3.8%
ROE (%)	4.7	6.9	(6.0)	1.2	5.3
ROA (%)	1.4	2.1	(1.7)	0.3	1.6
Net debt to EBITDA (x)	2.8	2.5	3.5	3.2	2.8
Key metrics					
2023	2024	2025F	2026F	2027F	
Mobile subscribers (mn)	57.5	58.8	82.9	83.5	83.7
Mobile blended ARPU (IDRk)	41.0	43.0	38.6	40.1	42.1

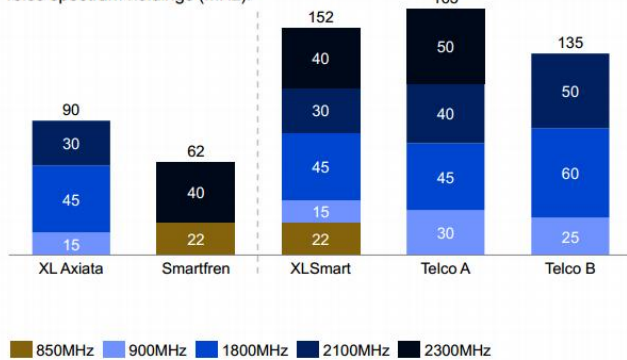
Exhibit 1. 2Q25 Earnings Result

EXCL Results (in IDR Bn)	2024	1Q25	2Q25	yoy %	qoq %	1H24	1H25	yoy %	vs Cons' FY25F
Revenue	8,613	8,601	10,494	21.8%	22.0%	17,052	19,095	12.0%	47.9%
Data & digital service	8,016	7,887	9,577	19.5%	21.4%	15,838	17,464	10.3%	
Others	597	714	917	53.5%	28.3%	1,213	1,631	34.4%	
Op. Exp (ex. D&A)	(4,110)	(4,280)	(6,007)	46.2%	40.3%	(8,094)	(10,287)	27.1%	
D&A Exp	(3,109)	(2,971)	(4,542)	46.1%	52.9%	(6,174)	(7,513)	21.7%	
Op. Profit	1,394	1,350	(55)	n.a	n.a	2,784	1,295	-53.5%	
EBITDA	4,503	4,321	4,487	-0.4%	3.8%	8,958	8,808	-1.7%	44.2%
Finance Cost	(782)	(776)	(1,091)	39.6%	40.6%	(1,540)	(1,867)	21.2%	
Other Inc (exp)	49	(51)	(719)	n.a	1304.4%	94	(770)	n.a	
Pre-Tax Profit	661	523	(1,865)	n.a	n.a	1,338	(1,342)	n.a	
Net Profit	484	385	(1,608)	n.a	n.a	1,025	(1,224)	n.a	-82.2%
Normalized EBITDA	4,503	4,321	4,973	10.4%	15.1%	8,958	9,294	3.8%	
Normalized PAT	490	388	313	-36.0%	-19.3%	1,037	702	-32.4%	
Margins	2024	1Q25	2Q25	yoy (bp)	qoq (bp)	1H24	1H25	yoy (bp)	
Operating Margin (%)	16.2%	15.7%	-0.5%	-1670 bp	-1620 bp	16.3%	6.8%	-950 bp	
EBITDA Margin (%)	52.3%	50.2%	42.8%	-950 bp	-750 bp	52.5%	46.1%	-640 bp	
Normalized EBITDA margin (%)	52.3%	50.2%	47.4%	-490 bp	-290 bp	52.5%	48.7%	-390 bp	
Net Margin (%)	5.6%	4.5%	-15.3%	-2090 bp	-1980 bp	6.0%	-6.4%	-1240 bp	
Normalized PAT margin (%)	5.7%	4.5%	3.0%	-270 bp	-150 bp	6.1%	3.7%	-240 bp	
Operational Numbers	2024	1Q25	2Q25	yoy %	qoq %	1H24	1H25	yoy %	
Subscribers (m)	58.5	58.9	82.6	41.2%	40.2%	58.5	82.6	41.2%	
ARPU Blended (IDR K)	44.0	40.0	36.0	-18.2%	-10.0%	41.0	38.0	-7.3%	

Sources: Company, BCA Sekuritas

Exhibit 2. Spectrum holdings

Telco spectrum holdings (MHz):



Sources: Company, BCA Sekuritas

Exhibit 3. Network integration

Network integration significantly increases coverage and improves user experience

XLSMART

- Fastest National Roaming activation: 100% completed in 60 days
- Bigger spectrum portfolio post-merger
- Wider coverage for 475 cities across Indonesia

156 new cities now accessible for SF subscribers with 11,000 sites enabled

BTS Count: 2024 (163,884) vs 2025 (209,820) (+28%)

XLSMART merger helps accelerate Indonesia's digital aspiration.

2024 BTS numbers are pre-merger, 2025 numbers are post-merger

Sources: Company, BCA Sekuritas

Exhibit 4. EXCL - EV/EBITDA band



Sources: Bloomberg, BCA Sekuritas

Equity Research

research@bcasekuritas.co.id

Institutional Equity Market

ecm@bcasekuritas.co.id

Sales Equity Market

sales@bcasekuritas.co.id

PT BCA Sekuritas

Menara BCA – Grand Indonesia, 4th Floor
 Jl. MH Thamrin No. 1, Jakarta 10310
 Tel. +62 21 2358 7222
 Fax. +62 21 2358 7250/300

DISCLAIMER

By receiving this research report ("Report"), you confirm that: (i) you have previously requested PT BCA Sekuritas to deliver this Report to you and you are legally entitled to receive the Report in accordance with Indonesian prevailing laws and regulations, and (ii) you have fully read, understood and agreed to be bound by and comply with the terms of this Report as set out below. Your failure to comply with the terms below may constitute a violation of law.

This Report is strictly confidential and is for private circulation only to clients of PT BCA Sekuritas. This Report is being supplied to you strictly on the basis that it will remain confidential and that you will maintain its confidentiality at all times. Without the prior written consent of PT BCA Sekuritas authorized representative(s), no part of this Report may be (i) copied or reproduced in any form by any means, (ii) redistributed or delivered, directly or indirectly, to any person other than you, or (iii) used for any other purpose that is not in line with the terms of the Report.

PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (excluding the individual analysts who prepare this Report) may own or have positions in securities of the company(ies) covered in this Report and may from time to time buy or dispose, or may have material interest in, those securities.

Further, PT BCA Sekuritas, its affiliates and its related companies do and seek to do business with the company(ies) covered in this Report and may from time to time: (i) act as market maker or have assumed an underwriting commitment in the securities of such company(ies), (ii) sell to or buy those securities from other investors for its own account, (iii) perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), or (iv) solicit any investment, advisory or other services from any entity covered in this Report. Furthermore, the personnel involved in the preparation of this Report may also participate in the solicitation of the businesses as described above.

The views expressed in this Report reflect the personal views of the individual analyst(s) at PT BCA Sekuritas about the securities or companies mentioned in the Report and the compensation of the individual analyst(s), is, or will be directly or indirectly related to the performance of PT BCA Sekuritas' activities. PT BCA Sekuritas prohibits the individual analyst(s) who prepared this Report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company (including those covered in the Report). However, the individual analyst(s) may receive compensation based on the scope of his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations.

In reviewing this Report, you should be aware that any or all of the above activities of PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees, among other things, may give rise to real or potential conflicts of interest between them and you.

The content of this Report is prepared based on data believed to be correct and reliable on the date of this Report. However, this Report: (i) is not intended to contain all necessary information that a prospective investor may need, (ii) is not and should not be considered as an investment advice in any way, and (iii) cannot be relied as a basis for making an informed investment decision. Accordingly, PT BCA Sekuritas does not guarantee the adequacy, accuracy, completeness, reliability or fairness of any content of this Report and PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (including the analysts) will not be liable in any way for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from or relating to any reliance on or use of the content of this Report by any person (including you).

This Report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst PT BCA Sekuritas' clients only and does not consider any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Report. The entire content of this Report is not and cannot not be construed or considered as an offer, recommendation, invitation or solicitation to enter into any transaction (including trading and hedging) relating to the securities, other financial instruments, and other form of investments issued or offered by the company(ies) covered in this Report.

It is your own responsibility to: (i) independently evaluate the content of this Report, (ii) consider your own individual investment objectives, financial situation and particular needs, and (iii) consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this Report.

Please note that the securities of the company(ies) covered in this Report might not be eligible for sale in all jurisdictions or to all categories of investors. The availability of those securities and your eligibility to invest in those securities will be subject to, among others, the prevailing laws of the relevant jurisdiction covering those securities. Furthermore, the value and income of any of the securities covered in this Report can fall as well as rise and an investor (including you) may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no guarantee regarding future performance is provided in this Report.

This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulation of such jurisdiction.