



Friday, May 31st, 2024

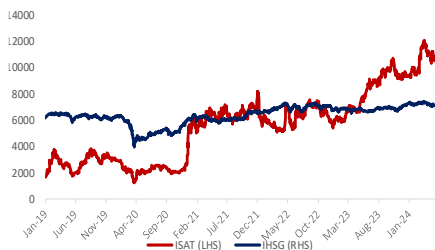
Buy

Price (May 27 th , 24)	9,800
Target Price	12.200
Potential Upside	23.60%
Market Cap	79.01 T
Number of Share	8.06 B
52w Lo/Hi	7,850-12,250

Source : IDX | Phintraco Sekuritas Research

| as of May 27th, 2024

IHSG vs ISAT



Source : Company | IDX | Phintraco Sekuritas Research

Source : IDX

Shareholder	%
Government (A)	0.00
Ooredo Hutchison Asia Pte. Ltd (B)	65.64
PT Perusahaan Pengelola Aset (B)	9.63
TTI (B)	8.33
Muhammad Buldansyah (B)	0.00
Public (B)	16.38

Source : Company | as of fin. statement FY2023

EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	644.57	672.72	-4.18
2025F	785.76	805.99	-2.51

Source : *marketscreener | as of May 27th, 2023

Research Analyst

Aditya Prayoga

+62 21 255 6138 Ext. 8302

adit@phintracosekuritas.com

Valdy Kurniawan

+62 21 255 6138 Ext. 8302

valdy@phintracosekuritas.com

PT Indosat Tbk

(ISAT.JK / ISAT.IJ)

Transforming into a Tech Powerhouse

ISAT recorded revenue growth of 16% YoY (1% QoQ) to Rp13.84 trillion in 1Q24. The increase in revenue was driven by a 14% YoY (-3% QoQ) increase in ARPU to Rp37.5k. The subscribers grew by 2% YoY (2% QoQ) to 100.80 thousand. The increase in 2G and 4G Base Transceiver Station (BTS) by 11% QoQ and 21% QoQ, respectively, signaled ISAT's expansion in expanding and improving internet services more evenly, especially outside Java. However, the number of BTS towers increased operating expenses by 15.50% YoY, reaching Rp11.10 trillion. Despite the rise in costs, ISAT managed to record EBITDA growth of 22.10% YoY to Rp6.5 trillion, with EBITDA margin at 47%. As a result, ISAT booked a net profit of IDR1.3 trillion (39% YoY, -8% QoQ).

Management has allocated a capex of approximately ~Rp12 trillion, focusing mainly on network expansion in eastern Indonesia (Figure 1). In 1Q24, ISAT successfully added 32k new 4G Base Transceiver Station (BTS) towers, bringing the total to 184k 4G BTS towers (Figure 2). This significant expansion has led to a more extensive and faster 4G network, directly contributing to an improved customer experience, which is a key focus of our management. This addition is considered efficient as it utilizes the pre-existing 1,800MHz spectrum. Management projects that it will achieve an EBITDA margin of around ~50%, while revenue growth is expected to be in the mid-single digit range or even better than the industry.

ISAT began a strategic collaboration with Nvidia in a US\$200 million contract.

This move confirms the company's position as a critical partner in providing cloud services in Indonesia while adopting the latest chips from Nvidia. In addition, it announced a partnership with Netcracker to upgrade its IT infrastructure, mainly to accommodate the rapid expansion of its fiber optic customer base. ISAT also established partnerships with Mastercard and Cisco, which focus on cybersecurity. In the future, we expect IT Services revenue to account for 5-7% to revenue in FY24 -FY29.

We project that the company will record revenue of IDR 54.63 trillion (+7% YoY). Revenue growth is projected to be driven by the data segment, which we expect to grow by 6.70% (CAGR 2024-2029), and the number of subscribers is growing by 4% (CAGR 2024-2029). In addition, we estimate that there will be an increase in operating expenses (+6% YoY), driven by the company's expansion measures, especially outside Java, to IDR43.23 trillion. The estimated EBITDA generated is IDR26.37 trillion with an EBITDA Margin of 48%. With these points in mind, we forecast a net profit of IDR5.19 Trillion (+15.32% YoY) in FY24.

Using Discounted Free Cash Flow method with a Required Return of 9.00% and terminal growth of 3.00% as terminal value. We assess that ISAT has an upside potential of 23.40% or IDR12,200 per share (implying PBV at 2.04X and PE at 14.54x for FY24F). Thus, we give a BUY rating for ISAT. Risks to consider are 1) the ARPU war in the low-price segment, 2) the potential merger of EXCL and FREN that could disrupt ISAT's market share, and 3) the presence of Starlink will disrupt the FMC business that is being intensified.

Key Operational Highlight

PT Indosat Tbk						
(in Billion IDR)	1Q23	1Q24	YoY	4Q23	1Q24	QoQ
Revenue	11,945	13,835	15.82%	13,766	13,835	0.50%
Cost of Revenue	(8,931)	(9,344)	4.63%	(9,119)	(9,344)	2.46%
Gross Profit	3,014	4,492	49.00%	4,647	4,492	-3.35%
Operating Income	2,359	2,766	17.24%	3,361	2,766	-17.70%
Net Income	929	1,295	39.36%	1,719	1,295	-24.69%
EPS (IDR)	115	161	39.36%	213	161	-24.69%
Gross Profit Margin (%)	25.24%	32.46%	723 bps	33.76%	32.46%	-129 bps
Operating Profit Margin (%)	19.75%	19.99%	24 bps	24.41%	19.99%	-442 bps
Net Profit Margin (%)	7.78%	9.36%	158 bps	12.49%	9.36%	-313 bps

Source : Company | Phintraco Sekuritas Research

PT Indosat Tbk						
Operational Highlight	1Q23	1Q24	YoY	4Q23	1Q24	QoQ
Subscriber Postpaid (in Million)	1.60	1.60	0.00%	1.60	1.60	0.00%
Subscriber Prepaid (in Million)	96.90	99.30	2.48%	97.20	99.30	2.16%
Total Subscriber (in Million)	98.50	100.80	2.34%	98.80	100.80	2.02%
ARPU Postpaid (In Thousand)	68.40	85.90	25.58%	80.80	85.90	6.31%
ARPU Prepaid (In Thousand)	32.40	36.70	13.27%	37.80	36.70	-2.91%
ARPU Blended	32.90	37.50	13.98%	38.50	37.50	-2.60%
MoU (In Minutes)	7.90	6.10	-22.78%	6.90	6.10	-11.59%
Traffic Data (Petabytes)	3,376.00	3,858.00	14.28%	3,716.00	3,858.00	3.82%
Traffic SMS (In Billion)	0.60	0.70	16.67%	0.60	0.70	16.67%

Source : Company | Phintraco Sekuritas Research

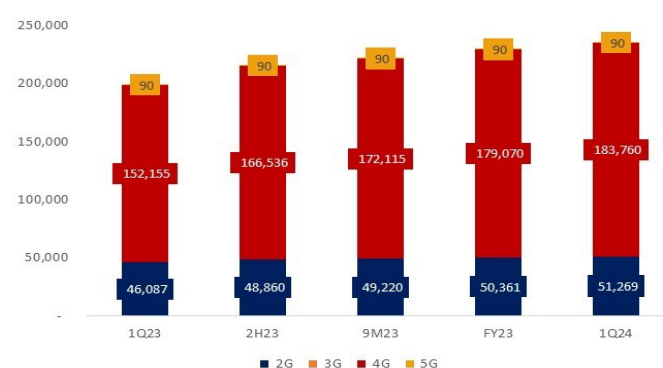
Performance Highlight

Figure 1. Indosat's Signal Coverage Map in Indonesia



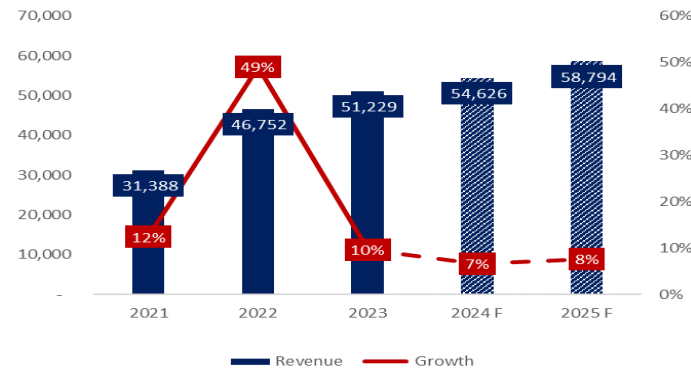
Source : Nperf

Figure 2. Indosat's BTS Tower Portfolio Expansion



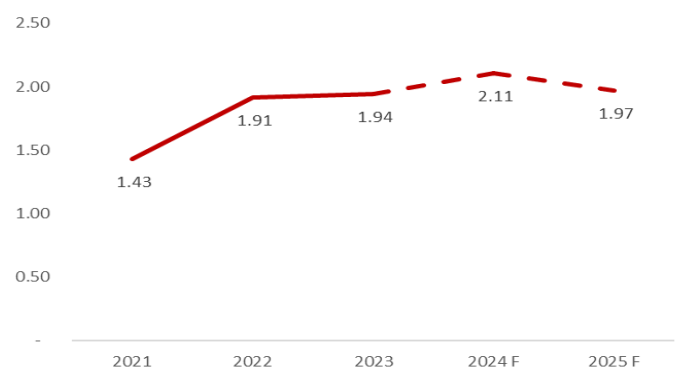
Source : Company | Phintraco Sekuritas Research

Figure 3. Revenue Trajectory



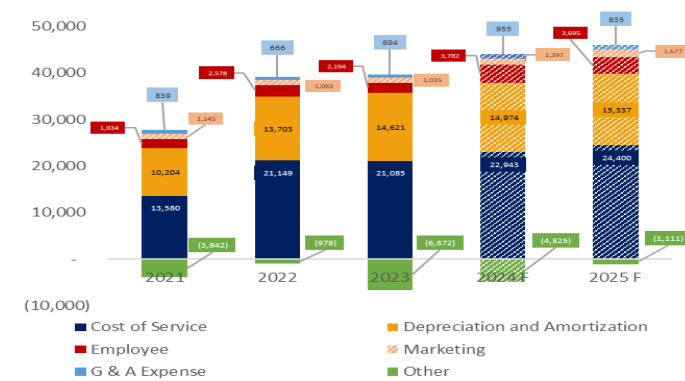
Source : Company | Phintraco Sekuritas Research

Figure 4. Net Debt / EBITDA



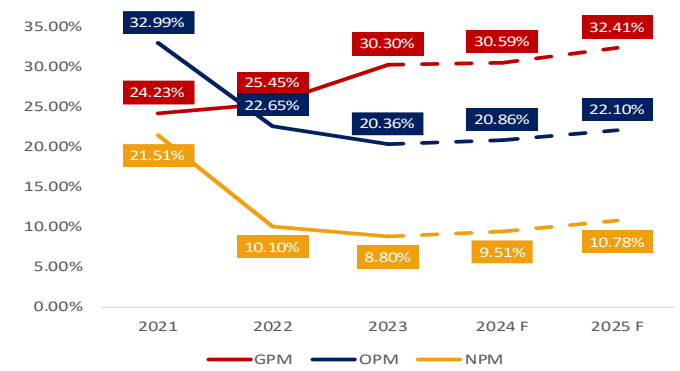
Source : Company | Phintraco Sekuritas Research

Figure 5. Deconstructing Indosat's Cost Structure



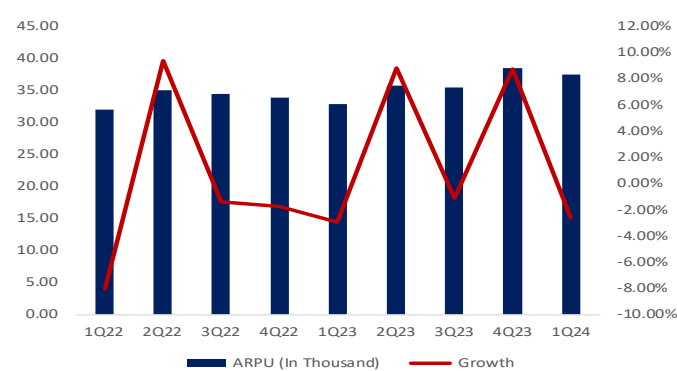
Source : Company | Phintraco Sekuritas Research

Figure 6. Profitability Ratios



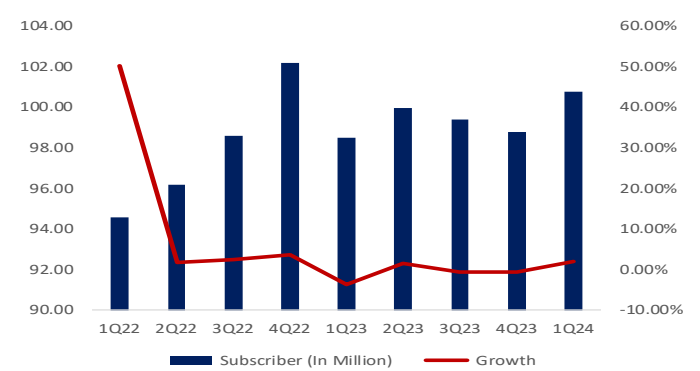
Source : Company | Phintraco Sekuritas Research

Figure 7. Indosat's Quarterly ARPU Trends



Source : Company | Phintraco Sekuritas Research

Figure 8. Indosat's Quarterly Subscriber Trends



Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

BALANCE SHEET	FY21	FY22	FY23	3M24	FY24F	FY25F
Asset						
Cash	4,087	9,516	5,190	7,883	5,281	5,628
Accounts Receivable	2,060	2,374	3,139	3,106	3,389	3,578
Inventories	18	73	226	116	240	258
Total Current Assets	11,499	18,683	15,480	5,948	15,329	17,209
Fixed Assets	45,515	69,070	72,861	72,385	73,350	74,427
Total Non Current Assets	51,898	95,197	99,243	98,561	102,929	104,367
Total Asset	63,397	113,880	114,722	115,614	118,258	121,577
Liabilities						
Trade Payables	10,238	11,555	11,460	11,252	10,858	10,763
St Debt Bond	7,667	4,269	2,487	2,453	2,810	2,834
Obligations under finance lea:	2,682	7,106	6,970	7,067	7,877	7,945
Total Current Liabilities	28,658	35,874	34,134	33,343	33,459	33,222
LT Debt Bond	8,824	17,025	12,295	12,097	13,895	14,014
Obligations under finance lea:	14,292	27,584	32,119	32,458	29,996	30,253
Total Non Current Liabilities	24,436	46,391	46,879	47,232	47,784	47,602
Total Liabilities	53,094	82,265	81,013	80,575	81,243	80,825
Equity	10,303	31,615	33,709	35,039	37,015	40,752

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

INCOME STATEMENT	FY21	FY22	FY23	3M24	FY24F	FY25F
Revenue	31,388	46,752	51,229	13,835	54,626	58,794
<i>Growth (YoY)</i>	<i>12.40%</i>	<i>48.95%</i>	<i>9.57%</i>	<i>15.82%</i>	<i>6.63%</i>	<i>7.63%</i>
Cost of Service	(13,580)	(21,149)	(21,085)	(9,344)	(22,943)	(24,400)
Gross Profit	7,604	11,900	15,523	4,492	16,709	19,057
<i>GPM</i>	<i>24.23%</i>	<i>25.45%</i>	<i>30.30%</i>	<i>32.46%</i>	<i>30.59%</i>	<i>32.41%</i>
EBITDA	20,558	24,294	25,049	6,498	26,369	28,332
<i>EBITDA Margin</i>	<i>65.50%</i>	<i>51.96%</i>	<i>48.90%</i>	<i>46.97%</i>	<i>48.27%</i>	<i>48.19%</i>
EBIT	10,354	10,591	10,428	2,766	11,395	12,994
<i>EBIT Margin</i>	<i>32.99%</i>	<i>22.65%</i>	<i>20.36%</i>	<i>19.99%</i>	<i>20.86%</i>	<i>22.10%</i>
Finance Cost	(2,761)	(3,045)	(3,002)	(1,094)	(4,345)	(4,725)
Profit Before Tax	7,507	6,536	5,932	1,769	6,789	8,203
<i>EBT Margin</i>	<i>23.92%</i>	<i>13.98%</i>	<i>11.58%</i>	<i>12.79%</i>	<i>12.43%</i>	<i>13.95%</i>
Net Profit After Tax	6,751	4,723	4,506	1,295	5,197	6,335
<i>NPM</i>	<i>21.51%</i>	<i>10.10%</i>	<i>8.80%</i>	<i>9.36%</i>	<i>9.51%</i>	<i>10.78%</i>

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

CASH FLOW	FY21	FY22	FY23	FY24F	FY25F
Cash Flow from Operating					
Net Income	6,751	4,723	4,506	5,197	6,335
Depreciation & Amortization	(1,006)	23,666	3,679	488	1,077
Working Capital	1,059	948	(1,014)	(865)	(302)
Others	(359)	3,487	70	(800)	(1,559)
Net-CFFO	6,446	32,824	7,241	4,021	5,551
Cash Flow from Investing					
CAPEX	2,013	(47,221)	(7,469)	(977)	(2,154)
Others	279	(19,744)	(255)	(3,197)	(362)
Net-CFFI	2,292	(66,966)	(7,725)	(4,175)	(2,516)
Cash Flow from Financing					
Short Term Debt	5,695	1,026	(1,918)	1,230	92
Long Term Debt	(51)	21,493	(195)	(523)	376
Change in other non-current liabilities	(2,607)	2,621	332	1,791	(558)
Equity	-	16,430	-	-	-
Net-CFFF	(6,462)	39,570	(3,843)	245	(2,689)
NET CASH FLOW	2,275	5,428	(4,326)	91	347

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

RATIOS	FY21	FY22	FY23	FY24F	FY25F
Profitability Ratio (%)					
<i>GPM</i>	24.23%	25.45%	30.30%	30.59%	32.41%
<i>OPM</i>	32.99%	22.65%	20.36%	20.86%	22.10%
<i>NPM</i>	21.51%	10.10%	8.80%	9.51%	10.78%
<i>ROA</i>	10.65%	4.15%	3.93%	4.39%	5.21%
<i>ROE</i>	73.54%	16.67%	14.66%	15.26%	16.77%
Activity Ratio (X)					
<i>Receivables Turnover</i>	15.24	19.69	14.34	16.12	16.43
<i>Inventory Turnover</i>	1,733	638	226	228	228
<i>Payables Turnover</i>	3.07	4.05	4.47	3.49	3.69
<i>Days of Receivables</i>	23.63	18.28	25.10	22.34	21.91
<i>Days of Inventory</i>	0.21	0.56	1.59	1.58	1.58
<i>Days of Payables</i>	117.42	88.98	80.53	103.09	97.50
<i>Cash Conversion Cycle</i>	(93.59)	(70.13)	(53.84)	(79.17)	(74.02)
Leverage Ratio					
<i>Debt to Asset Ratio (x)</i>	0.53	0.49	0.47	0.51	0.51
<i>Debt to Equity Ratio (x)</i>	3.65	1.98	1.75	1.79	1.62
<i>Interest Rate (%)</i>	8.97%	7.76%	8.77%	8.50%	8.34%
<i>Net Debt / EBITDA (x)</i>	1.43	1.91	1.94	2.11	1.97
Liquidity Ratio (X)					
<i>Current Ratio</i>	0.40	0.52	0.45	0.46	0.52
<i>Quick Ratio</i>	(0.40)	(0.52)	(0.45)	(0.45)	(0.51)
<i>Cash Ratio</i>	0.36	0.51	0.34	0.34	0.33
Price Ratio					
<i>EPS (IDR) (annualized)</i>	1,242	586	559	645	786
<i>BVPS (IDR)</i>	1,896	3,921	4,181	4,591	5,054
<i>PER(X)</i>	4.19	10.20	16.77	14.54	11.93
<i>PBV(X)</i>	2.74	1.52	2.24	2.04	1.85
<i>EV/EBITDA (annualized)</i>	3.57	5.00	6.65	6.58	6.13
Dividend					
<i>DPS</i>	1,748	248	256	279	322
<i>DPR</i>	94%	42%	46%	50%	50%
<i>Div. Yield</i>	2.97	24.09	36.66	33.55	29.09

Source : Company | Phintraco Sekuritas Research

Glossarium

ARPU	: <i>Average Revenue per User</i>
BVPS	: <i>Book Value per Share</i>
CFFF	: <i>Cash Flow from Financing</i>
CFFI	: <i>Cash Flow from Investing</i>
CFFO	: <i>Cash Flow from Operating</i>
DPR	: <i>Dividend Payout Ratio</i>
DPS	: <i>Dividend per Share</i>
EBIT	: <i>Earning Before Interes & Tax</i>
EBITDA	: <i>Earning Before Interest, Tax, Depreciation & Amortization</i>
EBT	: <i>Earning Before Tax</i>
EPS	: <i>Earning per Share</i>
EV	: <i>Enterprise Value</i>
FBB	: <i>Fixed Broadband</i>
FMC	: <i>Fixed Mobile Convergence</i>
FTTH	: <i>Fiber to the Home</i>
NPM	: <i>Net Profit Margin</i>
NPM	: <i>Net Profit Margin</i>
OPM	: <i>Operating Profit Margin</i>
PBV	: <i>Price to Book Value</i>
PER	: <i>Price to Earning Ratio</i>
ROA	: <i>Return on Asset</i>
ROE	: <i>Return on Equity</i>



PHINTRACO SEKURITAS

Rating for Stocks :

- Buy : The stock is expected to give total return (price appreciation + dividend yield) of $> +10\%$ over the next 12 months.
- Hold : The stock is expected to give total return of $> 0\%$ to $\leq +10\%$ over the next 12 months.
- Sell : The stock is expected to give total return of $< 0\%$ over the next 12 months.
- Outperform : The stock is expected to do slightly better than the market return. Equal to "moderate buy"
- Underperform : The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

PHINTRACO SEKURITAS
Kantor Cabang & Mitra GI BEI



DISCLAIMER : The information on this document is provided for information purpose only, It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any trading or investment strategy, nor does it constitute any prediction of likely future movement in prices, Users of this document should seek advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to on this document and should understand that statements regarding future prospects may not be realized, Opinion, Projections and estimates are subject to change without notice, Phintraco Sekuritas is not an investment adviser, and is not purporting to provide you with investment advice, Phintraco Sekuritas accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents, This report may not be reproduced, distributed or published by any recipient for any purpose.