

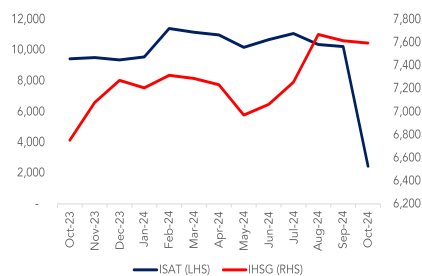
Friday, Nov 1st, 2024

BUY

Price (Oct 31 st , 24)	2,500
Target Price	3,000
Potential Upside	18.80%
Market Cap	72.82 T
Number of Share	32.25 B
52w Lo/Hi	2,160 / 3,053

Source : IDX | Phintraco Sekuritas Research
| as of Oct 31st, 2024

IHSG vs ISAT



Source : IDX

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

Source : Company | as of fin. statement FY2023

EPS Consensus vs Forecast			
	AT	Consensus*	%Diff
2024F	144.04	165.20	-12.81
2025F	152.07	202.00	-24.72

Source : *marketscreener | as of Oct 31st, 2024

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PT Indosat Ooredoo Hutchison Tbk

(ISAT.JK / ISAT.IJ)

Strong EBITDA, Sustainable Growth amidst Tight Competition

ISAT posted revenue of IDR13.84 trillion in 3Q24 (vs. IDR14.14 trillion in 2Q23; -2.16% QoQ; +8.20% YoY). The cumulative 9M24 figure reached Rp41.82 trillion, marking an increase of 11.61% YoY and representing 78% of our 2024F estimate. The Multimedia, Data Communication, and Internet (MIDI) segment supported revenue growth, which reached Rp2 trillion (-2.35% QoQ; 31.91% YoY). However, the cellular segment was under pressure. This segment recorded revenue of IDR11.63 trillion (-2.60% QoQ; 5.80% YoY). This decline aligned with the decrease in 3Q24 data traffic ([Figure 1](#)). In addition, there was a slight decrease in the subscriber base of 2.18% QoQ (9M24: 98.70 million, 9M23: 99.40 million). ARPU declined 3.12% QoQ to 37.70k 3Q24 (vs Rp38.40k 2Q24). ISAT recorded EBITDA of Rp6.59 trillion in 3Q24 (-4.55% QoQ; +8.29% YoY). Cumulatively, ISAT booked EBITDA of IDR20 trillion, which reflects 80% of our FY2024F estimate. EBITDA margin experienced a slight decline; the recorded EBITDA Margin in 3Q24 reached 47.62% compared to the previous quarter (48.81%). ISAT posted a net profit of IDR1.04 trillion in 3Q24 (-22.23% QoQ; 40.50% YoY) with a cumulative net profit of IDR3.87 trillion in 9M24. This net profit achievement reflects 83% of FY2024F.

With the increasingly fierce competition in the telecommunications market, ISAT continues to be committed to improving customer experience. 2024 ISAT has added 3000 new BTS towers throughout 2024 ([Figure 1](#)), hoping to reach 2.1 million residents and 370 new villages. In addition, ISAT has expanded distribution points to 2000 rural locations and 2500 new service points. ISAT has also launched the Digital Intelligence Operations Center (DIOC), which enables real-time network monitoring to ensure network stability. On the other hand, to build a one-stop ecosystem, ISAT continues to develop its digital applications; through IM3 and bima+ applications, it is expected to become a one-stop service center that combines communication, finance, and entertainment features in one application.

ISAT's performance will show improvement in 4Q24 ([Figure 3](#)). Seasonality-wise, the decline always occurs in Q3, and the performance improves in Q4. We anticipate the momentum of Pilkada Christmas and New Year celebrations in 4Q24 as the main catalysts that will drive an increase in data consumption and positively boost ISAT's performance at the end of the year. Reflecting on what happened in the 1Q24 election, data consumption surged outside of seasonality, which usually drops in the first quarter ([Figure 3](#)). In addition, we are looking forward to the frequency auction that will be conducted by the government, which is scheduled to be held at the end of this year. The benefits for ISAT, if it acquires new frequencies, are improved capacity in accommodating its customer base and faster and more stable network quality.

We maintain our BUY rating on ISAT with a target price of IDR3,000, which has an upside potential of 18.80%. This calculation is based on the DCF method with a WACC of 9.70% and terminal growth of 2%, which implies EV/EBITDA of 5.80x/5.67x for FY24F/FY25F. Key risks include 1) price wars in the low ARPU market, 2) changes in government regulations, and 3) high interest rates.

Key Operational Highlight

Figure 1. Financial Highlight

PT Indosat Tbk									
(in Billion IDR)	9M23	9M24	YoY	3Q23	2Q24	3Q24	YoY	QoQ	Phintas Estimate %Run Rate
Income Statement									
Revenue	37,462	41,812	11.61%	12,788	14,141	13,836	8.20%	-2.16%	53,298 78%
Cellular	32,173	35,235	9.52%	10,996	11,944	11,634	5.80%	-2.60%	44,791
MIDI	4,538	5,907	30.16%	1,509	1,945	1,991	31.91%	2.35%	7,250
Fixed Telecommunications	751	670	-10.72%	283	252	211	-25.31%	-16.08%	1,257
						2.0			
Operational Expenses	(30,927)	(33,425)	8.08%	(10,394)	(11,248)	(11,120)	6.98%	-1.14%	(42,669) 78%
Cost of services	(15,656)	(16,747)	6.97%	(5,183)	(5,539)	(5,596)	7.96%	1.02%	(21,936)
Depreciation and amortization	(10,931)	(11,613)	6.24%	(3,690)	(4,009)	(3,872)	4.94%	-3.42%	(14,535)
Personnel	(2,727)	(2,940)	7.81%	(841)	(999)	(980)	16.52%	-1.84%	(3,731)
Marketing	(1,043)	(1,458)	39.74%	(456)	(459)	(472)	3.52%	2.96%	(1,599)
General and administrative expenses	(570)	(667)	17.11%	(223)	(242)	(199)	-10.65%	-17.64%	(868)
Operating Profit	6,536	8,387	28.33%	2,394	2,893	2,716	13.46%	-6.13%	10,628 79%
Data Usage (Terrabytes)	10,701,000	12,050,000	12.61%	3,505,121	4,107,000	4,085,000	16.54%	-0.54%	
EBITDA	17,467	20,000	14.50%	6,084	6,903	6,588	8.29%	-4.55%	25,090 80%
Finance Cost	3,630	3,359	-7.47%	1,196	1,137	1,128	-5.67%	-0.75%	4,585 73%
Net Profit	2,787	3,878	39.14%	743	1,343	1,044	40.50%	-22.23%	4,646 83%
Profitability Ratios									
Operating Profit Margin (OPM)	17.45%	20.06%		18.72%	20.46%	19.63%			19.94%
EBITDA Margin	46.63%	47.83%		47.58%	48.81%	47.62%			47.07%
Net Profit Margin (NPM)	7.44%	9.28%		5.81%	9.50%	7.55%			8.72%

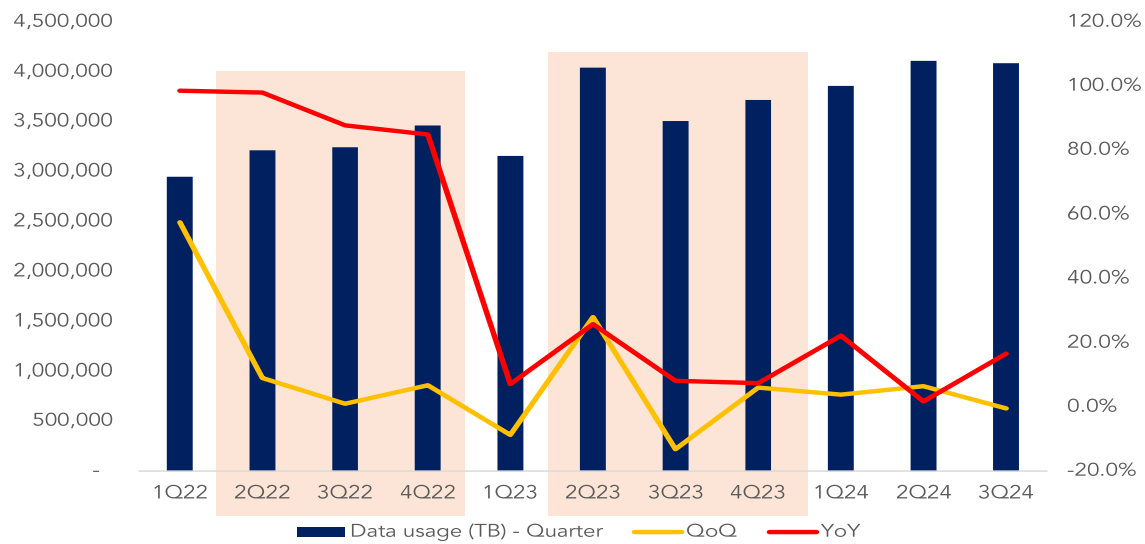
Source : Company | Phintraco Sekuritas Research

Figure 2. Operational Highlight

PT Indosat Tbk						
Operational Highlight	9M23	9M24	YoY	2Q24	3Q24	QoQ
Subscriber						
Subscriber Postpaid (in Million)	1.60	1.40	-12.50%	1.50	1.40	-6.67%
Subscriber Prepaid (in Million)	97.80	97.30	-0.51%	99.40	97.30	-2.11%
Total Subscriber (in Million)	99.40	98.70	-0.70%	100.90	98.70	-2.18%
ARPU						
ARPU Postpaid (In Thousand)	72.30	98.90	36.79%	98.70	97.10	-1.62%
ARPU Prepaid (In Thousand)	34.10	36.90	8.21%	37.50	36.40	-2.93%
ARPU Blended (In Thousand)	34.70	37.70	8.65%	38.40	37.20	-3.12%
Traffic Data (Terrabytes)	10,701,000	12,050,000	12.61%	4,107,000	4,085,000	-0.54%
BTS (units)						
2G	49,220	58,389	18.63%	52,149	58,389	11.97%
3G	-	-	-	-	-	-
4G	172,115	193,562	12.46%	188,218	193,562	2.84%
5G	90	103	14.44%	103	103	0.00%
Total BTS	221,425	252,054	13.83%	240,470	252,054	4.82%

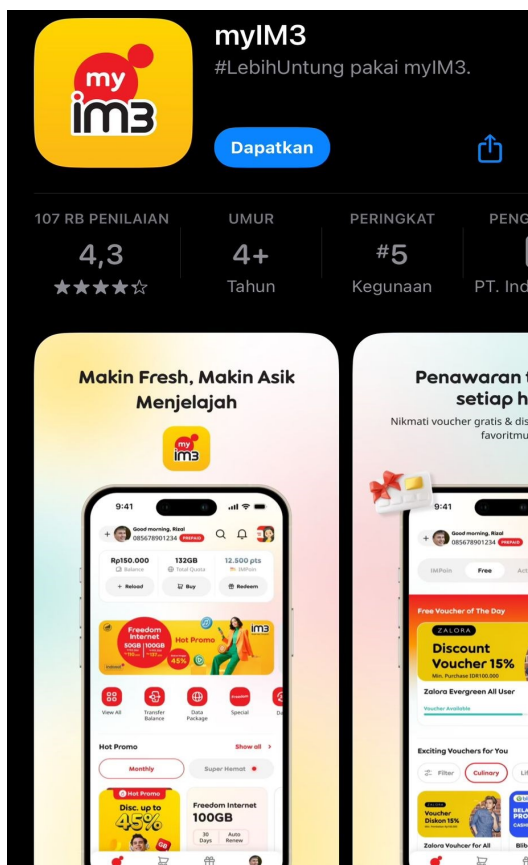
Source : Company | Phintraco Sekuritas Research

Figure 3. Data Usage Quarterly



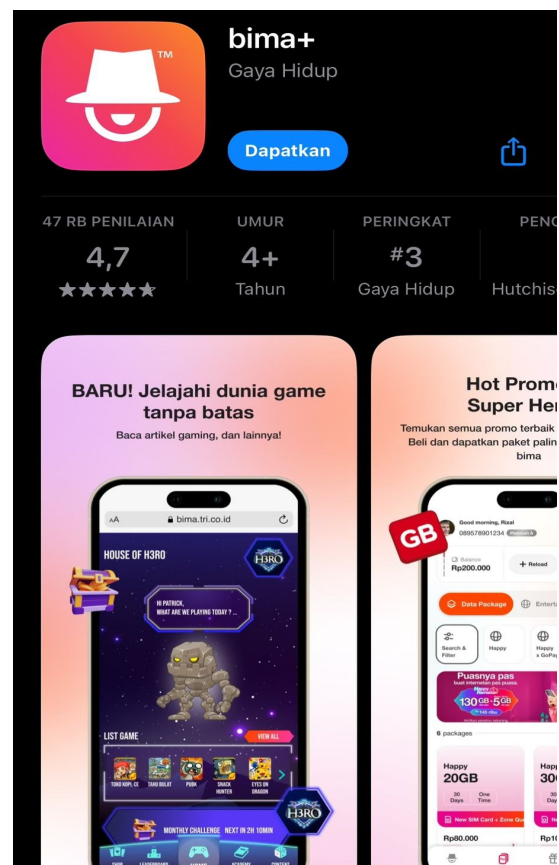
Source : Company | Phintraco Sekuritas Research

Figure 4. Rate the IM3 App in the Appstore



Source : Phintraco Sekuritas Research

Figure 5. Rate the bima+ in the Appstore



Source : Phintraco Sekuritas Research

(in Billion Rupiah)

BALANCE SHEET	FY21	FY22	FY23	FY24F	FY25F
Asset					
Cash	3,789	9,508	5,190	5,833	5,890
Accounts Receivable	2,027	2,333	3,139	3,123	3,246
Inventories	18	73	226	178	146
Total Current Assets	11,499	18,683	15,480	17,050	18,338
Fixed Assets	45,515	69,070	72,861	75,896	80,211
Total Non Current Assets	51,898	95,197	99,243	104,971	110,453
Total Asset	63,397	113,880	114,722	122,022	128,791
Liabilities					
Account Payables	9,839	11,555	11,460	11,848	12,866
Accrued expenses	2,717	3,625	4,088	4,421	4,772
Current maturities of LT borrowings	10,349	11,375	8,951	9,166	9,418
Total Current Liabilities	28,658	35,874	34,134	35,799	38,223
LT debt - net of current maturities	23,116	44,609	44,414	45,479	46,730
Total Non Current Liabilities	24,436	46,391	46,879	48,028	49,367
Total Liabilities	34,544	36,662	35,211	34,919	32,546
Equity	10,303	31,615	33,709	36,516	39,522

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	4,646	4,905
Depreciation & Amortization	6,865	12,400	6,479	8,366	7,454
Working Capital	660	1,356	(1,056)	454	927
Others	(653)	3,768	625	69	15
Net-CFFO	13,624	22,247	10,555	13,535	13,300
Cash Flow from Investing					
CAPEX	(5,858)	(35,955)	(10,269)	(11,401)	(11,770)
Others	191	(20,620)	(226)	(1,015)	(1,166)
Net-CFFI	(5,667)	(56,575)	(10,495)	(12,416)	(12,936)
Cash Flow from Financing					
Short Term Debt	6,095	627	(2,424)	215	252
Long Term Debt	(51)	21,493	(195)	1,065	1,251
Equity Financing	-	16,430	-	0	-
Dividend	(9,475)	(2,000)	(2,062)	(2,028)	(2,090)
Other	(2,607)	2,621	332	273	280
Net-CFFF	(6,038)	39,170	(4,349)	(475)	(308)
NET CASH FLOW	1,919	4,843	(4,289)	644	57

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

INCOME STATEMENT	FY21	FY22	FY23	FY24F	FY25F
Revenue	31,388	46,752	51,229	53,298	57,358
<i>Growth</i>	<i>12.40%</i>	<i>48.95%</i>	<i>9.57%</i>	<i>4.04%</i>	<i>7.62%</i>
Operating Expenses	(27,707)	(40,987)	(41,912)	(42,669)	(46,693)
Operating Profit	3,682	5,766	9,317	10,628	10,665
<i>OPM</i>	<i>11.73%</i>	<i>12.33%</i>	<i>18.19%</i>	<i>19.94%</i>	<i>18.59%</i>
EBITDA	19,860	20,972	24,946	25,090	25,950
<i>EBITDA Margin</i>	<i>63.27%</i>	<i>44.86%</i>	<i>48.70%</i>	<i>47.07%</i>	<i>45.24%</i>
EBIT	9,656	7,269	10,325	10,555	10,592
<i>EBIT Margin</i>	<i>30.76%</i>	<i>15.55%</i>	<i>20.16%</i>	<i>19.80%</i>	<i>18.47%</i>
Finance Cost	(3,002)	(4,345)	(4,725)	(4,585)	(4,290)
Profit Before Tax	7,507	6,536	5,932	6,322	6,676
<i>EBT Margin</i>	<i>23.92%</i>	<i>13.98%</i>	<i>11.58%</i>	<i>11.86%</i>	<i>11.64%</i>
Net Profit After Tax	6,751	4,723	4,506	4,646	4,905
<i>NPM</i>	<i>21.51%</i>	<i>10.10%</i>	<i>8.80%</i>	<i>8.72%</i>	<i>8.55%</i>

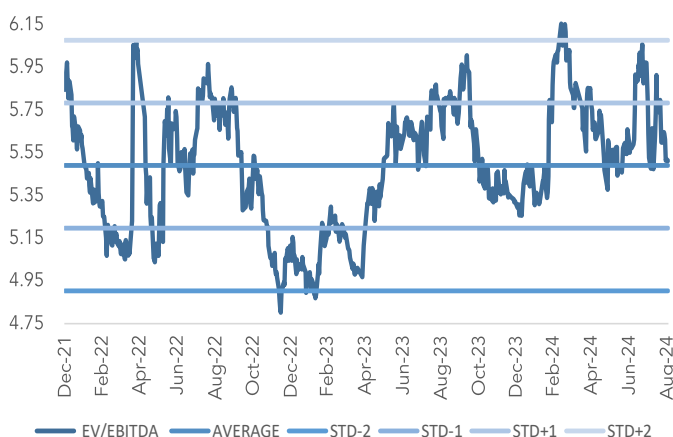
Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

RATIOS	FY21	FY22	FY23	FY24F	FY25F
Profitability Ratio (%)					
OPM	12.33%	18.19%	19.94%	18.59%	19.18%
EBITDA Margin	44.86%	48.70%	47.07%	45.24%	45.25%
NPM	10.10%	8.80%	8.72%	8.55%	9.65%
ROA	4.15%	3.93%	3.81%	3.81%	4.38%
ROAA	5.33%	3.94%	3.92%	3.91%	4.51%
ROE	16.67%	14.66%	13.92%	13.56%	15.00%
ROAE	22.54%	13.80%	13.23%	12.90%	14.43%
ROIC	8.70%	13.60%	15.20%	14.50%	15.20%
Activity Ratio (X)					
Inventory Turnover	1,733	638	226	300	394
Receivables Turnover	15	20	16	17	18
Payables Turnover	2.82	3.55	3.66	3.60	3.63
Days of Inventory	4.81	1.77	0.63	1.20	0.91
Days of Receivables	23.25	17.96	22.06	21.09	20.37
Days of Payables	127.83	101.49	98.43	99.96	99.20
Cash Operating Cycle	(99.77)	(81.76)	(75.74)	(77.67)	(77.91)
Leverage Ratio (%)					
Debt to Asset Ratio	0.53	0.49	0.47	0.45	0.44
Debt to Equity Ratio	3.69	1.98	1.74	1.64	1.55
Net Gearing Ratio	3.24	1.64	1.57	1.46	1.39
Net Debt / EBITDA	1.50	2.22	1.93	1.94	1.94
Interest Coverage Ratio (ICR)	3.22	1.67	2.19	2.30	2.47
Interest Rate	9.73%	9.67%	8.64%	8.39%	7.64%
Liquidity Ratio (X)					
Current Ratio	0.40	0.52	0.45	0.48	0.48
Quick Ratio	0.40	0.52	0.45	0.47	0.48
Cash Ratio	0.27	0.26	0.30	0.31	0.33
Price Ratio					
Price per Share at the end of the year	9,575	9,575	9,575	3,000	3,000
Outstanding Shares (in Billion)	8.06	8.06	8.06	32.25	32.25
EPS (IDR) (annualized)	837	586	559	144	152
BVPS (IDR)	1,278	3,921	4,181	1,132	1,225
PER(X)	11.44	16.34	17.13	20.83	19.73
PBV(X)	7.49	2.44	2.29	2.65	2.45
EV/EBITDA (annualized)	5.40	5.90	5.03	5.80	5.67
Dividends					
DPS	1,178	248	256	63	65
DPR	141%	30%	44%	45%	45%
Div. Yield	0.99	0.21	0.22	0.68	0.70

Source : Company | Phintraco Sekuritas Research

Figure 6. EV/EBITDA Band



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>



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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"

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Kantor Cabang & Mitra GI BEI



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