

FY17 results. In 4Q17, EXCL booked a revenue of IDR 5.97 tn (+13.6% YoY, +0.04% QoQ), bringing FY17 total revenue to IDR 22.88 tn (+7.2% YoY). Data revenue growth remains strong (+6.8% QoQ) supported by data traffic growth (+17.2% QoQ), while legacy remains on a downfall (-9.4% QoQ). Meanwhile, FY17 EBITDA and bottom line results were recorded at IDR 8.3 tn (+3.3% YoY) and IDR 375.2 bn (-0.1% YoY), bringing FY17 EBITDA margin and net profit margin to 36.4% and 1.6% (vs 37.8% and 1.8% in FY16) respectively. Lower than expected margin was due to one off expense on severance benefit under transformation program (~ IDR 400 bn) and higher sales and marketing expense in 4Q17. It is worth to note that without the one off expense, bottom line profit would have been far above our estimate and consensus.

Competition remains tough. As the market has anticipated, data yield keeps on falling amidst fierce market competition especially in December, where data yield was recorded at IDR 9.5 per MB (-8.8% QoQ) in 4Q17. We expect data yield to keep going down and competition to remain tough in FY18 especially in 1Q18 where SIM registration deadline is approaching. However, as the management inform that only ~40% of subscriber (~20 mn subs) has registered, there is a potential delay on the SIM registration deadline, which could pose a downside risk for the sector in the short term. Despite tougher competition and lower data yield, we still believe volume growth could offset the decline in yield. Margin also should be better next year due to company's focus on controlling cost such as lowering the employee head count.

Cautiously optimistic on FY18 guidance. With quite a strong set of FY17 result, the management keeps on maintaining their cautiously optimistic view for FY18, where their top line growth is set according to industry average growth, while EBITDA margin is targeted at high 30's. Based on our assumption, we estimate the top line will grow by middle to high single digit. We believe it is achievable looking at their current progress on maintaining cost in 4Q17. Furthermore, the company will maintain their focus on expanding outside Java where growth is expected to remain robust. Capital expenditure was also maintained at level IDR 7 tn for FY18.

We reiterate our BUY call on EXCL with unchanged FY18 target price at IDR 3,700 derived via EV/EBITDA multiples at 5.3x (-1.5 SD below 3 years average). We continue to like EXCL as we believe valuation is still undemanding and the company will also benefit firsthand from the increase in data volume growth despite potential short term hiccup from tougher competition amidst SIM registration deadline. Downside risks to our call include lower than expected data yield and traffic volume.

Highlights (IDR Bn)	2015	2016	2017	2018F	2019F
Revenue	22,876	21,341	22,876	24,604	26,087
% growth	-2.5%	-6.7%	7.2%	7.6%	6.0%
Gross Profit	8,393	8,058	8,321	9,734	10,604
Net Profit	(25)	376	375	879	1,625
% growth	-96.8%	-1582.0%	-0.1%	134.1%	84.9%
Gross Margin (%)	36.7%	37.8%	36.4%	39.6%	40.7%
Net Margin (%)	-0.1%	1.8%	1.6%	3.6%	6.2%
Return on Equity (%)	-0.2%	1.8%	1.7%	3.9%	6.7%
Return on Assets (%)	0.0%	0.7%	0.7%	1.6%	2.9%
EPS (IDR)	(3)	35	35	82	152

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Stock Information

Sector	Telecommunication
Bloomberg Ticker	EXCL IJ
Market Cap. (IDR tn)	32.06
Share Out./Float (mn)	3,595/10,688
Current Price	IDR 3,000
52-week Target Price	IDR 3,700
Upside (%)	23.3%

Share Price Performance

52W High (09/14/17)	4,060
52W Low (03/07/17)	2,810
52W Beta	0.48
YTD Change (%)	1.7%

Relative Valuations

Trailing P/E	84.9x
Forward P/E	45.2x
P/BV	1.5x
EV/EBITDA	5.6x

Income Statement

(IDR Bn)	2015	2016	2017	2018F	2019F
Revenue	22,876	21,341	22,876	24,604	26,087
% growth	-2.5%	-6.7%	7.2%	7.6%	6.0%
Infrastructure exp	(9,286)	(8,269)	(8,576)	(8,968)	(9,300)
Depreciation exp	(6,889)	(7,828)	(6,757)	(6,908)	(7,145)
Interconnection exp	(2,321)	(1,926)	(2,459)	(2,423)	(2,639)
Salaries exp	(1,089)	(1,156)	(1,351)	(1,036)	(1,121)
Marketing exp	(1,127)	(1,433)	(1,616)	(1,861)	(1,816)
G&A exp	(660)	(498)	(552)	(582)	(606)
Amortization exp	(246)	(218)	(194)	(148)	(33)
Other exp	1,882	1,675	288	0	0
Operating Profit	3,139	1,687	1,658	2,679	3,426
FX and JV loss	(2,690)	31	(142)	(113)	(125)
EBIT	450	1,718	1,516	2,566	3,302
EBITDA	8,393	8,058	8,321	9,734	10,604
% growth	-2.7%	-4.0%	3.3%	17.0%	8.9%
Finance inc. (cost)	(1,080)	(1,533)	(1,295)	(1,394)	(1,135)
EBT	-631	186	221	1,172	2,167
Tax	605	190	154	(293)	(542)
Net Profit	-25	376	375	879	1,625
% growth	-96.8%	-1582%	-0.1%	134.1%	84.9%

Balance Sheet

(IDR Bn)	2015	2016	2017	2018F	2019F
Cash & equivalents	3,312	1,400	2,455	1,099	224
Trade receivables	921	663	632	905	959
Other CA	5,919	4,744	4,094	4,712	4,902
Total current assets	10,152	6,807	7,181	6,715	6,085
Fixed assets	33,427	33,183	34,934	35,026	35,381
Intangible assets	6,326	6,108	5,915	5,767	5,734
Goodwill	6,681	6,681	6,681	6,681	6,681
Other LT Assets	2,258	2,117	1,611	1,983	2,074
Total Assets	58,844	54,896	56,321	56,173	55,955
Trade payables	5,283	6,503	7,476	6,256	6,500
ST loans	4,290	3,973	4,207	5,578	4,086
Other CL	6,175	4,002	3,544	4,065	4,294
Total CL	15,748	14,477	15,227	15,899	14,879
LT loans	25,054	14,394	15,191	12,247	11,094
Other	3,950	4,816	4,273	5,518	5,848
Total Liabilities	44,753	33,687	34,691	33,663	31,821
Share & APIC	6,487	13,208	13,226	13,226	13,226
Retained Earnings	7,605	8,002	8,405	9,284	10,909
Total Equity	14,092	21,209	21,631	22,509	24,134
Total Equity & Lia-	58,844	54,896	56,321	56,173	55,955

Cash Flow

(IDR Bn)	2015	2016	2017	2018F	2019F
Net Income	(25)	376	375	879	1,625
Depreciation	5,678	7,064	6,167	6,908	7,145
Amortization	246	218	194	148	33
Chg. in NWC	(345)	479	1,197	(1,590)	228
CF from Operating	5,554	8,137	7,933	6,344	9,032
Capital Expenditure	(3,897)	(6,821)	(7,918)	(7,000)	(7,500)
Chg. in LT Assets	15	141	506	-372	-90
Chg. In Intg. asset	(413)	0	0	0	0
Chg in LT Liabilities	(2,607)	866	(543)	1,245	330
CF from Investing	(6,902)	(5,813)	(7,955)	(6,128)	(7,261)
Chg. in Share & APIC	36	6,721	18	0	0
Chg. in ST Loans	213	(317)	234	1,371	(1,493)
Chg. in LT Loans	(2,574)	(10,660)	797	(2,944)	(1,153)
Dividends Paid	33	21	28	0	0
CF from Financing	(2,291)	(4,236)	1,077	(1,573)	(2,646)
Change in Cash	(3,639)	(1,912)	1,055	(1,357)	(875)
Beginning Cash	6,951	3,312	1,400	2,455	1,099
Ending Cash	3,312	1,400	2,455	1,099	224

Ratio Analysis and Key Assumptions

	2015	2016	2017	2018F	2019F
Profitability					
ROE	-0.2%	1.8%	1.7%	3.9%	6.7%
ROA	0.0%	0.7%	0.7%	1.6%	2.9%
Operating Margin	13.7%	7.9%	7.2%	10.9%	13.1%
EBITDA Margin	36.7%	37.8%	36.4%	39.6%	40.7%
Net Profit Margin	-0.1%	1.8%	1.6%	3.6%	6.2%
Liquidity					
Current Ratio	0.6	0.5	0.5	0.4	0.4
Solvency					
Debt to Equity	2.1	0.9	0.9	0.8	0.6
Debt to Assets	0.5	0.3	0.3	0.3	0.3
Valuation					
Price to Earning (PE)	-1,213	65.7	90.4	45.2	28.7
Price to Book (PBV)	2.8	1.9	1.8	1.8	1.6
EV/EBITDA	5.7	4.8	5.5	4.7	4.3
Key Assumptions					
Cellular Subs (Mn)	42.1	46.5	53.5	56.2	58.0
Data Subs (Mn)	22.7	30.2	39.1	45.2	49.8
Data/Subs/mth (GB)	0.7	1.4	2.7	4.1	5.2
Price/data (IDR/MB)	31.7	15.8	10.2	7.7	6.4

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