XLSMART Telecom Sejahtera (EXCL IJ)

Sinarmas Consolidation Supports Post-Merger Integration

BUY (Maintained)

Share Price	Rp2,530
Target Price	Rp3,600
Upside	+42.3%

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Highlights

- **Sinarmas consolidation supports funding flexibility.** EXCL's Rp2.6t spectrum payment appears manageable as DSSA continues consolidating Sinarmas Group's digital infrastructure assets and recently injected Rp8.53t into Bali Media Telekomunikasi.
- **Merger headwinds nearing an end.** Most integration costs should be recognised by 3Q26, supporting a stronger earnings recovery despite Rp5t-6t of accelerated depreciation keeping reported earnings under pressure in 2026.
- **Maintain BUY with an unchanged target price of Rp3,600,** based on 5.8x EV/EBITDA.

Analysis

- **Sinarmas consolidation could support EXCL's future growth.** XLSmart Telecom Sejahtera (EXCL) secured one 700MHz and one 2.6GHz spectrum block in the 2026 Komdigi auction, requiring an estimated Rp2.6t cash outflow in 3Q26 (1x upfront fee + 1x annual spectrum fee). While EXCL ended 1Q26 with Rp2.7t cash, we believe funding risk remains manageable as Dian Swastika Sentosa (DSSA) continues consolidating Sinarmas Group's digital infrastructure assets, including the transfer of Sinarmas Group's EXCL stake in Bali Media Telekomunikasi, as well as the acquisition of Mora Telematika Indonesia and Ketrosden Triasmitra. More recently, DSSA injected Rp8.53t into Bali Media Telekomunikasi following the acquisition, reinforcing the group's financial capacity to support future investment. These developments also strengthen our view that Sinarmas could eventually increase its 32.0% stake in EXCL should Axiata decide to divest its 34.7% holding.
- **Accelerated depreciation expected to keep EXCL loss-making in 2026.** In 2025, the company booked Rp7.4t in post-tax one-off charges related to site consolidation, asset retirement, workforce alignment, and network integration. Accelerated depreciation charges are expected to reach Rp5t-6t this year, while integration costs should decline sharply to only around Rp500b as up to 70-80% of the post-merger integration spending has already been recognised. Management expects elevated depreciation costs to continue through 3Q26, while targeting 4Q26 results to be largely free from accelerated depreciation charges. Despite accounting losses, core earnings should continue improving on stronger average revenue per user (ARPU) and rising synergy realisation.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028
Net turnover	34,392	42,446	45,110	48,803	51,527
EBITDA	18,049	16,875	21,498	23,342	25,172
Operating profit	5,758	-1,139	2,607	8,706	9,515
Net profit (rep./act.)	1,819	-4,427	-1,700	3,277	4,217
Net profit (adj.) / Core profit	1,678	1,484	3,069	4,072	4,217
EPS (Rp)	100	-243	-93	180	232
PE (x)	25.3	-10.4	-27.1	14.1	10.9
P/B (x)	1.8	1.5	1.6	1.5	1.4
EV/EBITDA (x)	5.0	6.3	4.9	4.4	4.1
Dividend yield (%.)	1.4	8.7	-	-	4.6
Net margin (%)	5.3	-10.4	-3.8	6.7	8.2
Net debt/(cash) to equity (%)	170.5	200.5	206.2	175.6	171.0
Interest cover (x)	1.8	-0.3	0.6	1.8	2.1
ROE (%)	6.9	-14.8	-6.0	10.3	12.5
Consensus net profit			-1,133	2,970	4,260
UOBKH/Consensus (x)			n.a	1.10	0.99

Source: EXCL, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Telecommunications
Bloomberg ticker:	EXCL IJ
Shares issued (m):	18,200
Market cap (Rpb):	45,682
Market cap (US$m):	2,525
3-mth avg daily t'over (US$m):	1.2

Price Performance (%)

52 week high/low: Rp4,550 / Rp2,280

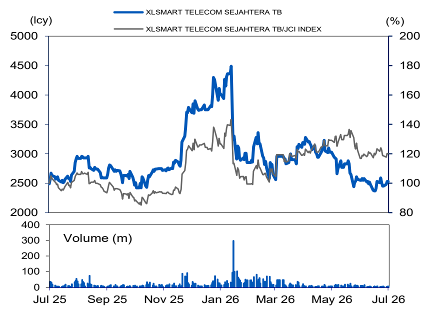
1mth	3mth	6mth	1yr	YTD
(1.6)	(18.6)	(40.6)	10.5	(32.5)

Major Shareholders	%
Axiata Investments (Indonesia) Sdn. Bhd.	34.7
Bali Media Telekomunikasi	24.6

Balance Sheet Metrics

FY25 NAV/Share (Rp)	1,521
FY25 Net Cash/Share (Rp)	(3,223.4)

Price Chart



Source: Bloomberg

Company Description

A telecommunications service provider, with cellular and mobile internet services as its main businesses.

EXCL's Spectrum Ownership

Operator	Band	Status	Uplink (MHz)	Downlink (MHz)
EXCL	850	To be Active	2x15 Mhz	
	850	Active	(exact pair not specified in FS)	
	900	Active (but to be returned to gov latest December 2026)	(exact pair not specified in FS)	
	1800	Active	(exact pair not specified in FS)	
	2100	Active	(exact pair not specified in FS)	
	2300	Active	2360 - 2400	
	2600	To be Active	50 Mhz	

Source: UOB Kay Hian

- **EXCL may follow Indosat's post-merger re-rating path.** Indosat's (ISAT) share price began re-rating meaningfully once EBITDA margin rose from 40.3% in 1Q22 to 44.1% by 4Q22, supported by stronger synergy execution and improved guidance. EXCL is showing improving profitability trends as integration costs taper and ARPU continues to recover. Management maintained its 2026 guidance for revenue growth to remain in line with the industry at mid- to high single digits, EBITDA growth at roughly double the rate of revenue growth, and merger synergies reaching US$250m-300m.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Rp3,600,** based on 5.8x 2026 EV/EBITDA, -0.5SD from its post-merger average EV/EBITDA multiple. EXCL currently trades at 4.9x 2026 EV/EBITDA, approximately 1.4SD below its post-merger historical mean.

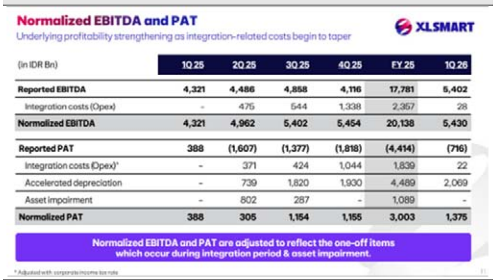
Earnings Revision/Risk

- **Earnings revision:** None.
- **Risks:** a) Weaker-than-expected ARPU recovery; b) unfavourable changes in regulation; c) longer-than-expected merger duration; and d) although we expect core profit growth, we forecast a reported loss this year, front-loaded in 9M26, which may pressure the share price up till 3Q26 results. We view this weakness as a buying opportunity over a 6-12-month horizon.

Share Price Catalyst

- Proper EBITDA margin improvement.
- Sinarmas Group acquiring a higher stake in EXCL.

EXCL's One-Off Costs in 1Q26


Normalized EBITDA and PAT
Underlying profitability strengthening as integration-related costs begin to taper

(in IDR Bn)	1Q25	2Q25	3Q25	4Q25	FY25	1Q26
Reported EBITDA	4,321	4,486	4,858	4,116	17,781	5,402
Integration costs (Opex)	-	475	544	1,338	2,357	28
Normalized EBITDA	4,321	4,962	5,402	5,454	20,138	5,430
Reported PAT	388	(1,607)	(1,377)	(1,818)	(4,414)	(716)
Integration costs (Opex)*	-	371	424	1,044	1,839	22
Accelerated depreciation	-	739	1,820	1,930	4,489	2,069
Asset impairment	-	802	287	-	1,089	-
Normalized PAT	388	305	1,154	1,155	3,003	1,375

Normalized EBITDA and PAT are adjusted to reflect the one-off items which occur during integration period & asset impairment.

Source: EXCL

EXCL's 2026 Guidance

Source: EXCL

ISAT's Share Price During Merger

Source: ISAT, UOB Kay Hian, Bloomberg

ISAT's Key Metrics During Merger

Key Metrics	4Q21	1Q22	2Q22	3Q22	4Q22
Revenue	8,333	10,873	11,654	12,004	12,221
EBITDA	3,497	4,380	4,898	5,109	5,388
EBITDA%	42.0%	40.3%	42.0%	42.6%	44.1%
Reported Net Profit	951	129	3,132	427	1,036
Adj. Net Profit	212	44	105	475	835
Adj. Annualized P/E at release	55.37	320.68	128.16	26.95	14.91

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	42,446	45,110	48,803	51,527
EBITDA	16,875	21,498	23,342	25,172
Deprec, & amort	18,014	18,891	14,636	15,657
EBIT	(1,139)	2,607	8,706	9,515
Associate Contributions	(141)	-	-	-
Net interest income/(expense)	(3,918)	(4,507)	(4,312)	(3,920)
Pre-tax profit	(5,263)	(2,106)	4,188	5,389
Tax	849	432	(859)	(1,106)
Minorities	(13)	(26)	(52)	(66)
Net profit	(4,427)	(1,700)	3,277	4,217

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	35,359	32,690	34,863	34,123
Other LT assets	79,960	83,557	92,300	83,799
Cash/ST investment	2,666	10,913	15,790	10,416
Other current assets	12,354	10,489	14,476	10,615
Total assets	115,318	116,247	127,163	117,922
ST debt	11,216	13,498	13,876	13,115
Other current liabilities	20,624	16,700	22,199	13,947
LT debt	51,611	55,836	57,522	55,116
Other LT liabilities	1,859	1,878	1,902	1,927
Shareholders' equity	29,834	28,135	31,411	33,498
Minority interest	174	200	252	318
Total liabilities & equity	115,318	116,247	127,163	117,922

Cash Flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	17,501	15,178	19,500	15,574
Net profit	(4,414)	(1,674)	3,328	4,283
Deprec, & amort,	18,014	18,891	14,636	15,657
Working capital changes	3,310	(2,039)	1,536	(4,366)
Other operating cashflows	592	-	-	-
Investing	(7,162)	(13,437)	(16,688)	(15,651)
Capex (growth)	(13,927)	(9,737)	(10,002)	(7,520)
ROU	(7,034)	(940)	(960)	(902)
Others	23,401	549	466	396
Financing	(9,063)	6,507	2,065	(5,297)
Dividend payments	(4,014)	-	-	(2,130)
Proceeds & repay borrowings	28,966	6,507	2,065	(3,167)
Others	(34,015)	-	-	-
Net cash inflow (outflow)	1,276	8,247	4,877	(5,374)
Beginning cash & cash equivalent	1,387	2,666	10,913	15,790
Change due to forex impact	4	-	-	-
Ending cash & cash equivalent	2,666	10,913	15,790	10,416

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	39.8	47.7	47.8	48.9
Pre-tax margin	(12.4)	(4.7)	8.6	10.5
Net margin	(10.4)	(3.8)	6.7	8.2
ROA	(3.8)	(1.5)	2.6	3.6
ROE	(14.8)	(6.0)	10.4	12.6
Growth				
Turnover	23.4	6.3	8.2	5.6
EBITDA	(6.5)	27.4	8.6	7.8
Pre-tax profit	(316.8)	(60.0)	(298.9)	28.7
Net profit	(343.4)	(61.6)	(292.8)	28.7
EPS	(343.4)	(61.6)	(292.8)	28.7
Leverage				
Debt to total capital (x)	0.7	0.7	0.7	0.7
Debt to equity (x)	2.1	2.4	2.3	2.0
Net debt/(cash) to equity (x)	200.5	206.2	175.6	171.0
Interest cover (x)	(0.3)	0.6	1.8	2.1