XLSMART Telecom Sejahtera (EXCL IJ)

Expect Weak 3Q26 With Earnings Recovery Ahead

Highlights

- **Post-merger charges are nearing completion, but weaker mobile trends remain a headwind.** Lower integration costs and accelerated depreciation should support earnings normalisation towards the end of 2026.
- **Superior network quality strengthens EXCL's 5G positioning.** Faster speeds and an extensive spectrum portfolio could attract higher-value subscribers.
- **Maintain BUY** with an unchanged target price of Rp3,600, pending 3Q26 results and the earnings call.

Analysis

- **3Q26 earnings remain pressured, but post-merger charges are nearing completion.** The broader mobile revenue environment remains challenging as both Telkom Indonesia (TLKM) and Indosat (ISAT) recorded qoq declines in cellular revenue in 3Q26, reflecting softer subscriber trends and pressure on new spectrum monetisation. XLSMART Telecom Sejahtera (EXCL) could face similar headwinds, although integration costs should decline to around Rp300b in 2026, down 87% from 2025. Accelerated depreciation is also expected to decline, with approximately Rp1.5t-2t remaining for the year and the bulk of the charges expected to be recognised by 3Q26. This should bring EXCL closer to the end of its post-merger restructuring phase, although reported earnings may remain pressured by the remaining charges.
- **Superior network quality could distinguish EXCL and attract higher-value subscribers.** Industry checks indicate EXCL was among the early movers in 5G rollout, adopting a nationwide blanket-coverage strategy ahead of peers. Its network has also received independent recognition, winning four Ookla Speedtest Awards in 1H26, including Best 5G Network and Fastest 5G in Indonesia. Opensignal's Jul 26 report showed EXCL's 5G download speed at 135.4 Mbps, ahead of Telkomsel (87.8 Mbps) and ISAT (48.1 Mbps). EXCL also holds an extensive spectrum portfolio, recently securing the largest 700MHz allocation of 30MHz and another 50MHz in the 2.6GHz band. Its early 5G expansion and network readiness could help attract new customers, particularly those seeking higher-speed connectivity, while differentiating EXCL from competitors.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
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.)	1,678	1,484	3,069	4,072	4,217
EPS (Rp)	100	(243)	(93)	180	232
PE (x)	15.2	(6.2)	(16.3)	8.4	6.6
P/B (x)	1.1	0.9	1.0	0.9	0.8
EV/EBITDA (x)	4.0	5.2	4.0	3.6	3.4
Dividend yield	2.3	14.5	-	-	7.7
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			(1,483)	3,257	4,050
UOBKH/Consensus (x)			1.15	1.01	1.04

Source: EXCL, Bloomberg, UOB Kay Hian

Analyst(s)

Willinoy Sitorus
willinoysitorus@kh.co.id
+6221 2993 3845

Andrew Agita Buntoro, CFA
andrewagita@kh.co.id
+6221 2993 3907

BUY (Maintained)

Share Price	Rp1,520
Target Price	Rp3,600
Upside	+136.7 %

Stock Data

Sector	Telecommunications
Bloomberg ticker	EXCL IJ
Shares issued (m)	18,200
Market cap (Rpb)	27,664
Market cap (US$m)	1,525
3-mth avg daily t'over (US$m)	1.2

Price Performance (%)

52-week high/low				Rp4,550/Rp1,410
1mth	3mth	6mth	1yr	YTD
(35.0)	(36.9)	(49.7)	(44.7)	(59.5)

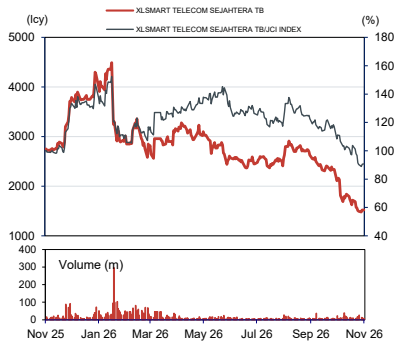
Major Shareholders (%)

PT. Danantara Asset Management	54.5

Balance Sheet Metrics

FY26 NAV/Share (Rp)	1,557
FY26 Net Cash/Share (Rp)	(3,209.9)

Price Chart



Source: Bloomberg

Company Description

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

- **EXCL may follow Indosat's post-merger re-rating path.** ISAT's 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 for 2023. EXCL is showing improving profitability trends as merger costs taper, ARPU is continuing to recover and capitalising on synergies of US$250m-300m. During the 2Q26 earnings call, management maintained its 2026 guidance for revenue growth to remain in line with the industry at mid- to high single-digits, and for EBITDA growth to be at roughly double the rate of revenue growth.

Post-Merger Costs Breakdown

Underlying Profitability Continues to Strengthen

Synergies and lower integration costs drove record normalized EBITDA

XLSMART

(in IDR Bn)	1Q 25	2Q 25	3Q 25	4Q 25	FY 25	1Q 26	2Q 26	1H 26
Reported EBITDA	**4,321**	**4,486**	**4,858**	**4,116**	**17,781**	**5,402**	**5,569**	**10,971**
Integration costs (Opex)	-	475	544	1,338	2,357	28	51	79
Normalized EBITDA	**4,321**	**4,962**	**5,402**	**5,454**	**20,138**	**5,430**	**5,619**	**11,050**
Reported PAT	**388**	**(1,607)**	**(1,377)**	**(1,818)**	**(4,414)**	**(716)**	**(282)**	**(998)**
Integration costs (Opex)*	-	371	424	1,044	1,839	22	39	61
Accelerated depreciation	-	739	1,820	1,930	4,489	2,069	1,597	3,666
Asset impairment	-	802	287	-	1,089	-	-	-
Normalized PAT	**388**	**305**	**1,154**	**1,155**	**3,003**	**1,375**	**1,354**	**2,729**

Synergies increasingly flowing through to the bottom line

Source: EXCL

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Rp3,600,** based on 5.8x 2026F EV/EBITDA, representing a 0.5SD discount to its post-merger average multiple. We await 3Q26 results and the earnings call for further clarity on operating trends and synergy realisation, before we revisit our model.

Earnings Revision/Risk

- **Earnings revision:** None as we are waiting for 3Q26 results and earnings call.
- **Downside risks:** a) Weaker-than-expected ARPU recovery; b) unfavourable changes in regulation; and c) longer-than-expected merger duration.

Share Price Catalyst

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

Full-Year Guidance



Source: EXCL

ISAT's Post-Merger Share Price



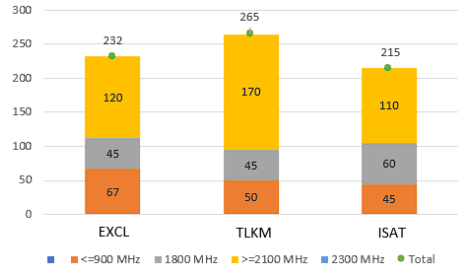
Source: ISAT, UOB Kay Hian, Bloomberg

ISAT's Post-Merger Key Metrics

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

Telco Spectrum Holdings



Source: EXCL, 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
Total other non-operating income	(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 before MI	(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 Metric

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

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