XLSMART Telecom Sejahtera (EXCL IJ)

3Q26: Merger Cost Normalisation to Support Earnings Recovery

Highlights

- **Core mobile operations remain resilient.** EXCL was the only MNO among peers to record qoq growth in both ARPU and subscribers, while XL Home subscribers increased 7% qoq.
- **Merger cost normalisation could drive an earnings re-rating.** Accelerated depreciation has been completed, and integration costs are nearing an end. 9M26 synergies reached US$294m, supporting an earnings recovery from 4Q26 onwards.
- **Maintain BUY** with a lower target price of Rp3,000.

3Q26 Results

Year to 31 Dec (Rpb)	9M26	9M25	yoy (%)	3Q26	2Q26	3Q25	qoq (%)	yoy (%)
Revenue	35,737	30,547	17.0	15,097	15,432	14,052	-3.5	2.6.
EBITDA	16,707	12,716	31.0	6,471	7,497	6,571	-5.8	15.0
EBIT	1,003	32	3056.0	2,100	3,306	2,658	-30.7	n.a
EBT	-2,018	-2,997	n.a	851	2,277	1,663	n.a	n.a
Net Income	-1,601	-2,603	n.a	613	1,674	1,252	n.a	n.a
Margins (%)								
EBITDA Margin	46.7%	41.6%		45.8%	46.9%	40.8%		
EBIT Margin	2.8%	0.1%		3.1%	4.3%	-4.3%		
EBT Margin	-5.6%	-9.8%		-6.0%	-3.3%	-14.5%		
Net Income Margin	-4.5%	-8.5%		-5.2%	-2.3%	-12.0%		

Source: EXCL, UOB Kay Hian

Analysis

- **Merger-related costs nearing completion, with core operations remaining resilient.** XLsmart's (EXCL) 3Q26 net loss widened to Rp607b from Rp277b in the previous quarter, while revenue declined 3.5% qoq, mainly due to lower project-related revenue. However, core network operations remained resilient, with mobile and fixed broadband (FBB) revenue increasing 0.5% qoq, supported by a 0.9% increase in mobile subscribers and higher average revenue per user (ARPU) of Rp47,500 (vs Rp46,900 in 2Q26). Notably, EXCL was the only mobile network operator (MNO) among its peers to record increases in both ARPU and subscribers. XL Home subscribers also grew 7% qoq.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	34,392	42,446	46,432	49,299	52,205
EBITDA	18,049	16,875	22,458	24,694	26,940
Operating profit	5,758	(1,139)	3,567	9,571	10,660
Net profit (rep./act.)	1,819	(4,427)	-978	3,712	4,302
Net profit (adj.)	1,678	1,484	3,592	4,110	4,302
EPS (Rp)	100	(243)	-54	204	236
PE (x)	17.2	(7.1)	-31.9	8.4	7.3
P/B (x)	1.2	1.0	1.1	1.0	0.9
EV/EBITDA (x)	4.2	5.4	4.3	3.9	3.7
Dividend yield	2.1	12.9	-	-	3.0
Net margin (%)	5.3	(10.4)	-2.1	7.5	8.2
Net debt/(cash) to equity (%)	170.5	200.5	227.2	200.8	192.0
Interest cover (x)	1.8	(0.3)	0.8	2.0	2.1
ROE (%)	6.9	(14.8)	-3.4	11.3	11.9
Consensus net profit			(1,500)	3,259	4,078
UOBKH/Consensus (x)			n.a	1.14	1.05

Source: EXCL, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp1,715
Target Price	Rp3,000
Upside	+74.9 %
Previous TP	Rp3.600

Stock Data

Sector	Telecommunications
Bloomberg ticker	EXCL IJ
Shares issued (m)	18,200
Market cap (Rpb)	31,213
Market cap (US$m)	1,712
3-mth avg daily t'over (US$m)	1.4

Price Performance (%)

52-week high/low				Rp4,550/Rp1,410
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(5.5)	(41.1)	(41.7)	(37.2)	(54.3)

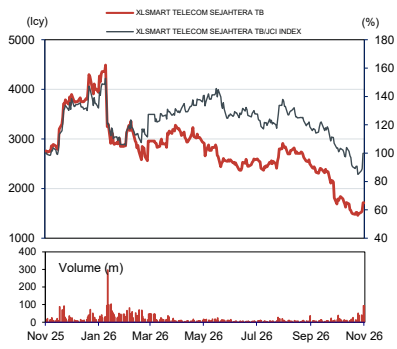
Major Shareholders (%)

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

Balance Sheet Metrics

FY26 NAV/Share (Rp)	1,596
FY26 Net Cash/Share (Rp)	(3,626.5)

Price Chart



Source: Bloomberg

Company Description

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

- **Merger cost normalisation could drive an earnings re-rating.** With accelerated depreciation now completed and integration costs nearing an end, EXCL should see improving earnings quality from 4Q26 onwards, although some Link Net-related impairment may remain. This, alongside continued ARPU recovery and merger synergies, could support a similar re-rating trajectory to Indosat (ISAT), whose share price has re-rated as EBITDA margins improved from 40.3% in 1Q22 to 44.1% in 4Q22. EXCL has already delivered US$294m in gross synergies in 9M26, ahead of its previous FY26 target of US$250m-300m. Management has also raised its FY26 capex guidance to Rp24t to accelerate 5G deployment, with 2026 expected to mark the peak investment year.

Breakdown Of Post-Merger Costs

Stronger Core Earnings, Closer to Sustainable Profitability XLSMART

Accelerated depreciation has been fully completed

(in IDR Bn)	1Q 25	2Q 25	3Q 25	4Q 25	FY 25	1Q 26	2Q 26	3Q 26	9M 26
Reported EBITDA	**4,321**	**4,486**	**4,858**	**4,116**	**17,781**	**5,402**	**5,569**	**5,323**	**16,294**
Integration costs (Opex)	-	475	544	1,338	2,357	28	51	49	128
Normalized EBITDA	**4,321**	**4,962**	**5,402**	**5,454**	**20,138**	**5,430**	**5,619**	**5,372**	**16,422**
Reported PAT	**388**	**(1,607)**	**(1,377)**	**(1,818)**	**(4,414)**	**(716)**	**(282)**	**(606)**	**(1,604)**
Integration costs (Opex)*	-	371	424	1,044	1,839	22	39	38	100
Accelerated depreciation	-	739	1,820	1,930	4,489	2,069	1,597	1,190	4,856
Asset impairment	-	802	287	-	1,089	-	-	234	234
Normalized PAT	**388**	**305**	**1,154**	**1,155**	**3,003**	**1,375**	**1,354**	**856**	**3,585**

Normalized PAT reached IDR 3.6tn, exceeding FY25's IDR 3.0tn as integration is nearly completed

* Adjusted with corporate income tax rate

Source: EXCL

Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp3,000,** based on 4.9x 2027F EV/EBITDA, representing a 1SD discount to its post-merger average multiple, reflecting concerns that elevated 5G capex could strain balance sheets amid persistently high interest rates, with EXCL being the most exposed given its relatively high leverage.

Earnings Revision/Risk

- **Earnings revision.** We revise our earnings to closer reflect the newer guidance from management.

Earnings Revision

	New		Original		Difference (%)	
(Rpb)	**2026F**	**2027F**	**2026F**	**2027F**	**2026F**	**2027F**
Revenue	46,432	49,299	45,110	48,803	0%	0%
EBITDA	22,458	24,694	20,998	23,342	2%	0%
Operating Profit	3,567	9,571	2,107	8,706	24%	0%
Net Profit	-978	3,712	-2,103	3,266	-19%	0%
Core Profit	3,592	4,110	3,461	4,060	-11%	0%
Margins						
EBITDA Margin (%)	48.4%	50.1%	47.7%	47.8%		
Opr Margin	7.7%	19.4%	5.8%	17.8%		
Net Margin	-2.1%	7.5%	-3.8%	6.7%		
Core Net Margin	7.7%	8.3%	6.8%	8.3%		

Source: UOB Kay Hian

- **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



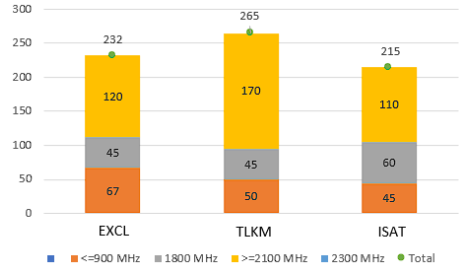
Source: ISAT, UOB Kay Hian, Bloomberg

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	46,432	49,299	52,205
EBITDA	18,049	16,875	22,458	24,694
Deprec. & amort.	18,014	18,891	15,123	16,280
EBIT	(1,139)	3,567	9,571	10,660
Total other non-operating income	(141)	-	-	-
Net interest income/(expense)	(3,918)	(4,572)	(4,621)	(4,956)
Pre-tax profit	(5,263)	(1,211)	4,744	5,498
Tax	849	249	(974)	(1,128)
Minorities	(13)	(15)	(58)	(68)
Net profit	(4,427)	(978)	3,712	4,302

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	35,359	41,803	46,106	47,977
Other LT assets	79,960	78,326	79,184	75,715
Cash/ST investment	2,666	4,857	2,763	2,560
Other current assets	12,354	11,184	14,687	10,592
Total assets	115,318	120,129	125,290	123,693
ST debt	11,216	13,857	13,161	13,869
Other current liabilities	20,624	18,346	21,902	13,319
LT debt	51,611	57,002	55,509	58,319
Other LT liabilities	1,859	1,878	1,902	1,927
Shareholders' equity	29,834	28,857	32,569	35,943
Minority interest	174	189	248	315
Total liabilities & equity	115,318	120,129	125,290	123,693

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	17,501	16,839	18,970	16,189
Net profit before MI	(4,414)	(963)	3,771	4,370
Deprec, & amort,	18,014	18,891	15,123	16,280
Working capital changes	3,310	(1,089)	76	(4,462)
Other operating cashflows	592	-	-	-
Investing	(7,162)	(22,681)	(18,874)	(18,982)
Capex (growth)	(13,927)	(18,850)	(12,608)	(10,739)
ROU	(7,034)	(965)	(969)	(914)
Others	23,401	549	960	396
Financing	(9,063)	8,032	(2,189)	2,589
Dividend payments	(4,014)	-	-	(928)
Proceeds & repay borrowings	28,966	8,032	(2,189)	3,518
Others	(34,015)	-	-	-
Net cash inflow (outflow)	1,276	2,191	(2,094)	(203)
Beginning cash & cash equivalent	1,387	2,666	4,857	2,763
Change due to forex impact	4	-	-	-
Ending cash & cash equivalent	2,666	4,857	2,763	2,560

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	39.8	48.4	50.1	51.6
Pre-tax margin	(12.4)	(2.6)	9.6	10.5
Net margin	(10.4)	(2.1)	7.5	8.2
ROA	(3.8)	(0.8)	3.0	3.5
ROE	(14.8)	(3.4)	11.4	12.0
Growth				
Turnover	23.4	9.4	6.2	5.9
EBITDA	(6.5)	33.1	10.0	9.1
Pre-tax profit	(316.8)	(77.0)	(491.7)	15.9
Net profit	(343.4)	(77.9)	(479.7)	15.9
EPS	(343.4)	(77.9)	(479.7)	15.9
Leverage				
Debt to total capital (x)	0.7	0.7	0.7	0.7
Debt to equity (x)	2.1	2.4	2.1	2.0
Net debt/(cash) to equity (x)	200.5	227.2	200.8	192.0
Interest cover (x)	(0.3)	0.8	2.0	2.1

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