Axiata Group (AXIATA MK)

2Q26: In Line; Partial Monetisation Of Edotco Remains A Key Catalyst

Analyst(s)

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Highlights

- Axiata recorded a weak 2Q26 net profit of RM42.5m (-84% yoy; -85% qoq) attributed to lower ringgit translated earnings, elevated withholding tax expense, and an increase in interest and depreciation expenses.
- Axiata declared a 5.5 sen interim DPS and remains on track to deliver 11 sen net DPS in 2026. Net debt/EBITDA expanded to 2.63x in 2Q26 (1Q26: 2.51x).
- Maintain BUY with an SOTP-based target price of RM2.50. At its current valuation, the stock offers an attractive dividend yield of 6% for 2026.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenues	2,870.3	2.5	(3.2)	5,670.2	(3.2)
Reported EBITDA	1,349.1	(0.5)	(6.3)	2,704.9	1.7
Reported EBITDA Margin (%)	47.0	(1.4)	(1.5)	47.7	2.3
Reported Pre-tax profit	348.9	(32.7)	54.5	867.4	86.0
Reported Net profit (from continued operations)	42.5	(84.5)	(84.3)	316.3	(26.5)
Cost Structure (% of revenue)	2Q25	3Q25	4Q25	1Q26	2Q26
Direct Expenses	7.6%	10.3%	8.2%	10.4%	11.3%
S&M	6.0%	7.3%	7.5%	7.0%	7.7%
Staff cost	7.9%	11.7%	10.6%	10.1%	10.0%
G&A +others	29.8%	23.5%	25.6%	23.1%	22.9%

Source: Axiata, UOB Kay Hian

Analysis

- **2Q26: In line.** Axiata Group (Axiata) reported a 2Q26 net profit of RM42.5m (-84% yoy; -85% qoq). The weaker quarter was due to: a) RM43m forex loss on financing activity; b) lower ringgit translated earnings due to the ringgit strengthening; c) elevated withholding tax (~RM50m) vs a one-off tax credit in 1Q26 (~RM12m); and d) higher depreciation expenses. Qoq revenue growth was supported by healthy performance across all OpCos and associates. 1H26 net profit of RM316.3m (-27% yoy) represents 51% and 47% of house and consensus full-year forecasts respectively.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	11,858.6	12,183.3	12,519.4
EBITDA	11,129.0	5,460.0	5,771.2	6,054.9	6,322.0
Operating profit	3,787.8	1,566.6	1,764.2	2,269.0	2,686.9
Net profit (rep./act.)	946.8	364.6	622.3	1,050.4	1,263.1
Net profit (adj.)	852.2	364.6	622.3	1,050.4	1,263.1
EPS	9.3	4.0	6.8	11.4	13.8
PE (x)	19.6	45.8	26.9	15.9	13.2
P/B (x)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x)	3.7	5.8	5.5	5.3	5.1
Dividend yield (%)	5.5	5.5	6.0	6.6	7.3
Net margin (%)	3.8	3.1	5.2	8.6	10.1
Net debt/(cash) to equity (%)	86.5	55.5	55.2	54.8	54.6
Interest cover (x)	1.5	1.8	2.6	3.6	4.8
ROE (%)	4.0	1.8	3.1	5.3	6.3
Consensus net profit			712.0	961.5	1,114.0
UOBKH/Consensus (x)			0.9	1.1	1.1

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM1.82
Target Price	RM2.50
Upside	+37.4%

Stock Data

Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	16,722.6
Market cap (US$m)	4,156.7
3-mth avg daily t'over (US$m)	4.5

Price Performance (%)

52-week high/low RM2.79/RM1.81

1mth	3mth	6mth	1yr	YTD
(8.1)	(8.1)	(21.6)	(31.1)	(27.8)

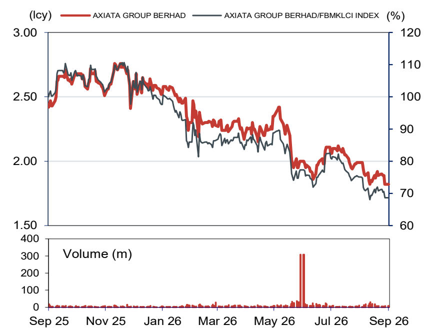
Major Shareholders (%)

Khazanah Nasional Bhd	36.4
Employee Provident Fund	20.2
Skim Amanah Saham	13.9

Balance Sheet Metrics

FY26F NAV/Share (RM)	2.2
FY26F Net Cash/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Dividend in line.** Axiata declared a 5.5 sen interim DPS, broadly in line, and remains on track to deliver 11 sen net DPS in 2026. This is underpinned by the receipt of the RM297m deferred consideration for XL Axiata's disposal in 2Q26, and healthy dividends from OpCos/associates.
- **Balance sheet optimisation.** Axiata's balance sheet remains healthy despite reporting a higher net debt/EBITDA of 2.63x in 2Q26 (1Q26: 2.51x), primarily due to Robi and Dialog leveraging up to fund their network modernisation and 5G rollout. To recap, management targets a net debt/EBITDA of 2.5x by end-26 and a run-rate of < 2.0x by 2028, excluding InfraCo monetisation prospects.

1H26 Performance Of Operating Companies (OpCos)

Robi (Bangladesh)	- On a constant currency (CC) basis, 1H26 revenue rose 8% yoy, driven by strong data demand, reflected by its 7% increase in prepaid data revenue. EBITDA (+16% yoy) and PATAMI (+29% yoy) reflected cost discipline, partly offset by higher interest cost. - Robi saw its net debt/EBITDA expanding to 1.2x to finance its network modernisation investments within the Dhaka region.
Dialog (Sri Lanka)	- On a CC basis, 1H26 revenue rose 9% yoy owing to strong mobile growth momentum and rising prepaid data revenue (+9% yoy) driven by strong demand for sports events streaming. - PATAMI (+>100% yoy) reflected cost discipline, with its net debt/EBITDA rising to 0.6x as the company looks to fund its 5G rollout to maintain network and ARPU leadership. - Dialog continues to deliver its quarterly dividend commitments, with 1H26 dividends amounting to SLR1.40/share.
SMART (Cambodia)	- On a CC basis, ytd revenue rose 8% yoy, thanks to prepaid data growth. - EBITDA was up 3% yoy but PATAMI fell 1% yoy due to elevated finance cost.
Edotco	- Revenue fell 8% yoy in 1H266 due to lower Ringgit translated earnings. - EBITDA (-12% yoy) and PATAMI (-51% yoy) owing to a one-off commercial settlement cost relating to discounts given for early contract extensions. Management remains optimistic of performance improving in 2H26.

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an SOTP-based target price of RM2.50.** Against a backdrop of timeline uncertainties regarding the infraco's monetisation, we have raised the holding company discount from 15% to 30%. We reiterate our BUY rating for its deep asset value. Downside will be supported by an attractive near-term dividend yield of close to 6%.

Earnings Revision/Risk

- No changes to earnings.

Share Price Catalyst

- **Edotco monetisation at a potential valuation of RM8b-17b.** Based on our estimated blended trade-sale valuation of 7-10x EV/EBITDA, we believe the Edotco's Malaysian tower assets would command a premium relative to its frontier market operations, which management has guided could be valued at 4.0-4.5x EV/EBITDA. At 10x EV/EBITDA, the transaction is expected to be earnings accretive.

Environment, Social, Governance (ESG) Updates

Environmental

- Committed to achieving net-zero emission by no later than 2050 and absolute reductions of 42% in Scope 1 and 2 GHG emissions, and 25% in Scope 3 GHG emissions by 2030 from a 2022 base year.

Social

- Achieved 34% women's representation in senior management across the group in 2025.

Governance

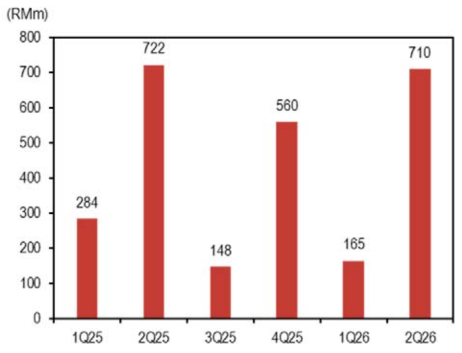
- Over 95% training completion for anti-bribery and anti-corruption, whistleblowing, data privacy and cyber security yearly.

Fair Value At RM2.50/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	28,562	87%
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	16,646	
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	2.50	30% discount

Source: UOB Kay Hian

Dividend Upstream From OpCos



Source: Axiata, UOB Kay Hian

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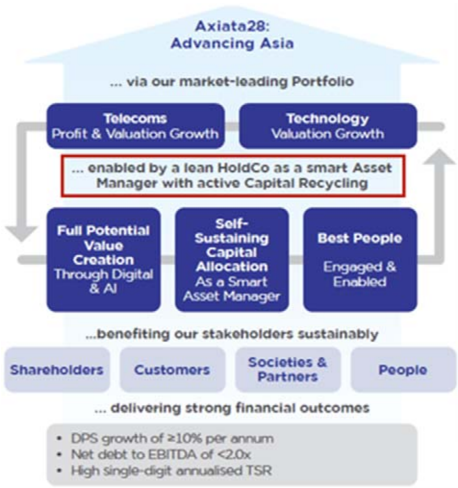

Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,758	11,859	12,183	12,519
EBITDA	5,460	5,771	6,055	6,322
Deprec. & amort.	(3,893)	(4,007)	(3,786)	(3,635)
EBIT	1,567	1,764	2,269	2,687
Total other non-operating income	-	-	-	-
Associate contributions	19	417	753	759
Net interest income/(expense)	(548)	(403)	(387)	(386)
Pre-tax profit	996	1,779	2,635	3,060
Tax	(656)	(889)	(1,317)	(1,530)
Minorities	(267)	(267)	(267)	(267)
Net profit	365	622	1,050	1,263
Net profit (adj.)	365	622	1,050	1,263

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457	13,415	12,675	12,169
Other LT assets	27,848	28,266	29,018	29,778
Cash/ST investment	3,747	3,522	2,652	1,666
Other current assets	3,716	3,748	3,849	3,953
Total assets	49,768	48,950	48,194	47,566
ST debt	6,651	6,401	5,901	5,401
Other current liabilities	7,196	6,999	7,037	7,102
LT debt	8,402	8,152	7,652	7,152
Other LT liabilities	3,451	3,451	3,451	3,451
Shareholders' equity	20,357	19,969	19,908	19,949
Minority interest	3,711	3,978	4,245	4,512
Total liabilities & equity	49,768	48,950	48,194	47,566

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,706	4,653	4,675	4,752
Pre-tax profit	996	1,779	2,635	3,060
Tax	(656)	(889)	(1,317)	(1,530)
Deprec. & amort.	3,893	4,007	3,786	3,635
Associates	(19)	(417)	(753)	(759)
Working capital changes	(1,264)	(229)	(63)	(40)
Non-cash items	209	-	-	-
Investing	548	403	387	386
Capex (growth)	(20)	(2,821)	(2,924)	(3,045)
Investments	(2,041)	(2,965)	(3,046)	(3,130)
Others	2,021	143	122	85
Financing	4,187	(2,057)	(2,620)	(2,694)
Dividend payments	(919)	(1,010)	(1,111)	(1,223)
Issue of shares	10	-	-	-
Proceeds from borrowings	(8,139)	(500)	(1,000)	(1,000)
Others/interest paid	13,235	(546)	(509)	(471)
Net cash inflow (outflow)	7,873	(225)	(869)	(987)
Beginning cash & cash equivalent	3,542	2,573	2,348	1,479
Changes due to forex impact	(470)	-	-	-
Ending cash & cash equivalent	2,573	2,348	1,479	492

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	48.7	49.7	50.5
Pre-tax margin	8.5	15.0	21.6	24.4
Net margin	3.1	5.2	8.6	10.1
ROA	0.7	1.3	2.2	2.7
ROE	1.8	3.1	5.3	6.3
Growth				
Turnover	(47.4)	0.9	2.7	2.8
EBITDA	(50.9)	5.7	4.9	4.4
Pre-tax profit	(61.2)	78.7	48.1	16.2
Net profit	(61.5)	70.7	68.8	20.3
Net profit (adj.)	(57.2)	70.7	68.8	20.3
EPS	(57.2)	70.7	68.8	20.3
Leverage				
Debt to total capital	41.9	40.9	38.4	35.8
Debt to equity	73.9	72.9	68.1	62.9
Net debt/(cash) to equity	55.5	55.2	54.8	54.6
Interest cover	1.8	2.6	3.6	4.8