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Company – Update | Malaysia

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Axiata Group (AXIATA MK)

Monetisation Still On The Table; OpCos Resilient In 2Q26

Analyst(s)

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BUY (Maintained)

Share Price	RM1.91
Target Price	RM2.50
Upside	30.9%
Previous TP	RM3.00

Highlights

- Management continues to articulate that the edotco's monetisation process will happen in 2026. The process may include an initial or partial trade sale of assets and even an IPO beyond this year. Our assessment suggests that edotco's monetisation must happen at 10x EV/EBITDA to be earnings accretive.
- OpCos are expected to deliver resilient 2Q26 results, despite inflationary pressure shrinking consumer wallets in frontier markets. In the longer run, Axiata aims to deliver an annual dividend growth of 10%.
- Maintain BUY with a lower SOTP-based target price of RM2.50. We have raised the holding company discount, factoring in timeline uncertainty with regards to asset monetisation. Downside is supported by a 6% dividend yield.

Analysis

- **Tower asset monetisation to materialise in 2026.** In an analyst briefing, management indicated that the long-awaited monetisation of edotco may proceed through a phased approach, with an initial or partial monetisation potentially being completed in 2026. The group is actively evaluating various monetisation structures, including an IPO or a hybrid strategy comprising an IPO alongside the divestment of selected regional assets, subject to valuation considerations and prevailing market conditions. Our analysis suggests that valuation for edotco is earnings accretive at 10x EV/EBITDA.
- **We expect resilient 2Q26 OpCos performance.** We expect Axiata's key operating companies to report resilient earnings in 2Q26. This is despite concerns over inflationary pressure and consumer affordability across frontier markets. That said, a key risk to 2H26 earnings is likely shrinking consumer wallets due to the prolonged Middle East conflict.
- **Grow underlying dividends by 10%.** Management remains confident that its key OpCos will grow and achieve targeted dividend contribution. This will pave the way for Axiata to achieve at least 10% annual dividend growth rate in the medium term. To recap, OpCos contributed RM1.7b in dividends in 2025, with edotco making a maiden dividend payout of RM53.9m to its shareholders.

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)	20.6	48.1	28.2	16.7	13.9
P/B (x)	0.8	0.9	0.9	0.9	0.9
EV/EBITDA (x)	3.8	6.0	5.6	5.4	5.2
Dividend yield (%)	5.2	5.2	5.8	6.3	7.0
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	-	-	676.7	964.5	1,144.0
UOBKH/Consensus (x)	-	-	0.9	1.1	1.1

Source: Axiata, Bloomberg, UOB Kay Hian

Stock Data

Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	17,549.5
Market cap (US$m)	4,288.0
3-mth avg daily t'over (US$m)	7.9

Price Performance (%)

52-week high/low: RM2.79/RM1.84

1mth	3mth	6mth	1yr	YTD
(9.0)	(18.0)	(20.1)	(27.4)	(24.2)

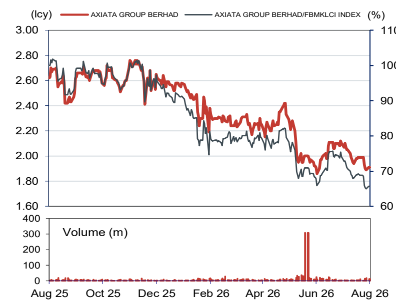
Major Shareholders (%)

Khazanah Nasional Bhd	36.4
Employee Provident Fund	20.1
Skim Amanah Saham	13.9

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.2
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Link Net monetisation in the longer run.** Market volatility and weak foreign investor sentiment towards Indonesia have delayed Axiata's plans to monetise Link Net despite earlier progress in its InfraCo monetisation strategy. Management remains in active discussions with a strategic domestic party, although the timing of any transaction remains uncertain at this stage. Despite generating positive EBITDA, Link Net remained loss-making, reporting a net loss of RM377m in FY25. Management expects the business to return to profitability by end-28. A near-term divestment of Link Net would lift Axiata's earnings, as it continues to drag group earnings. Excluding Link Net's contributions, Axiata's 2025 net profit would have more than doubled to RM716m from RM339m.

Valuation/Recommendation

- **Maintain BUY with a lower SOTP-based target price of RM2.50.** Against a backdrop of timeline uncertainties with regards to infraco's monetisation, we have raised the holding company discount from 15% to 30% and lowered our fair value to RM2.50. We reiterate our BUY rating amid 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 forecasts.

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 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.

Edotco Enterprise Value

	EV/EBITDA Multiple (x)					
	7	8	9	10	11	12
Edotco EBITDA (RMm)	1,766	1,766	1,766	1,766	1,766	1,766
Edotco Enterprise Value (RMm)	12,362	14,128	15,894	17,660	19,426	21,192
Edotco Net Debt (RMm)	4,380	4,380	4,380	4,380	4,380	4,380
Edotco Equity Value (RMm)	7,982	9,748	11,514	13,280	15,046	16,812
Interest savings (5% - net of tax)	299	366	432	498	564	630
Loss of Income (net of tax)	463	463	463	463	463	463
Net impact (RMm)	-164	-97	-31	35	101	167

Source: Axiata, UOB Kay Hian

- **Key re-rating catalysts** include: a) stronger OpCo performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of edotco, allowing for share price discovery.

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 & anti-corruption, whistleblowing, data privacy and cyber security yearly.
- 30% women composition on the board of directors in 2025.

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

Edotco's EBITDA Breakdown By Region

	EBITDA (RMm)	% by region
- Malaysia	670	38%
- Bangladesh	564	32%
- Cambodia	117	7%
- Pakistan	117	7%
- Philippines	300	17%
- Others	(2)	0%
2025 EBITDA	1,766	100%

Source: Axiata, UOB Kay Hian

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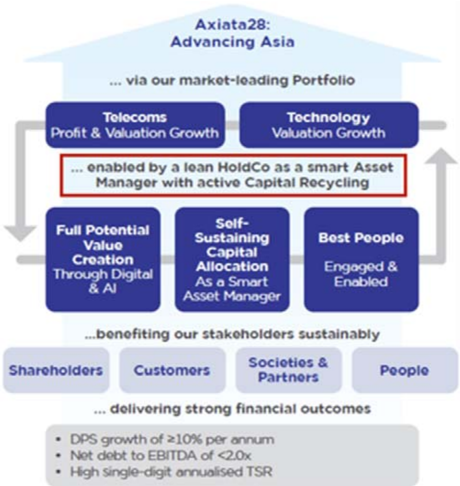

Source: Axiata

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	-	-	-
Other operating cashflows	548	403	387	386
Investing	(20)	(2,821)	(2,924)	(3,045)
Capex (maintenance)	(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	10,944	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