Corporate Update

Axiata Berhad

(5211 | SWB MK) Main | Industrial Products & Services

SHARIAH Compliant | 4 Stars | FTSE4Good

Upgrade to NEUTRAL

Revised Target Price **RM2.29**
(from RM1.88)

Healthier Financial Position

Mixed performance. We are upgrading our recommendation on Axiata to NEUTRAL from Sell previously with a revised SOP-derived targe target price of RM2.29 (previously RM1.88). This is in conjunction with the announcement of the group's 3Q25 financial results. Strong contribution was seen from the frontier market. However, we are concern with the financial performance from the Malaysia and Indonesia market in view of competition. In particular, there is a sizeable impairment seen for Linknet. The group's balance sheet is also in a better position as the net debt/EBITDA improved to 2.61x in 3Q25. This should improve further in the coming quarter. On a seperate note, we view that the valuation remains stretched at this juncture. Currently, the share price is trading at EV/EBITDA of 6.7x. This is +1SD above the 5year EV/EBITDA of 5.7x.

Less earnings volatility. Axiata reported 3QFY25 loss of RM-27.4m. However, after adjusting for exceptional items, the underlying 3QFy25 PATAMI came in at RM165m, a slight decline of -2.4%yoy. Nonetheless, this is a sequential improvement of +7.8%qoq. Note that the bulk of the exceptional items pertained to forex, accelerated depreciation of XLSmart and goodwill impairment for Linknet.

Cumulative earnings on track. This led to 9MFY25 underlying PATAMI of RM378.0m, an improvement of +19.7%yoy. We view that the improvement in earnings was mainly supported by higher contribution from the frontier markets namely Robi, Dialog, Smart as well as Edotco in view of cost efficiencies. However, Linknet continues to underperform which led to impairment of goodwill. Contribution from the jointly controlled entities i.e. Celcomdigi and XL Smart also came in lower. Mixed performance was also observed for the digital businesses. Boost's loss-making position narrowed slightly as the bank startup costs was partly cushioned by lower non-bank costs while ADA recorded higher profits in view of margin improvement in eCommerce solutions.

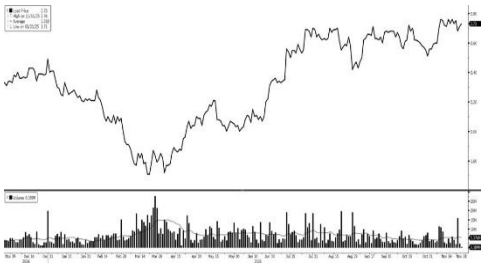
Meanwhile, the group's net finance costs also reduced as the group continues to pare down its borrowings. All in, Axiata's 9MFY25 financial performance came in within our expectations, making up 76.6% of our full year FY25 earnings estimates.

Healthier balance sheet position. The group's net debt/EBITDA show sequential improvement to 2.61x from 2.76x as at 2Q25. This was mainly led by disciplined debt pare down. Note that the proceed from the recent disposal of XL was channeled to repay the borrowings. The group's borrowings stand at RM15.6b as at 3QFY25, a notable reduction of -29.1%yoy.

Revision in target price. No change to our earnings estimates at this juncture. However, we updated our SOP table as we reduced the holding co. net debt (refer to Figure 1). This led to revised target price of **RM2.29**, up from RM1.88 previously.

RETURN STATISTICS	
Price @ 27th Nov 2025 (RM)	2.59
Expected share price return (%)	-11.6
Expected dividend yield (%)	+3.1
Expected total return (%)	-8.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.6	4.3
3months	1.9	3.4
12 months	17.2	16.0

INVESTMENT STATISTICS

FYE Dec (RM'm)	2025E	2026F	2027F
Revenue	17,543.4	15,938.5	16,523.9
Operating Profit	2,143.3	1,975.1	2,186.8
Profit Before Tax	1,085.2	835.6	1,004.1
Core PATAMI	493.7	434.5	522.1
Core EPS	5.4	4.7	5.7
DPS	8.0	8.0	10.0
Dividend Yield (%)	3.1	3.1	3.9

KEY STATISTICS

FBM KLCI	1,617.46
Issue shares (m)	9,182.80
Estimated free float (%)	43.95
Market Capitalisation (RM'm)	25,078.47
52-wk price range	RM1.63 – RM2.79
3-mth average daily volume (m)	5.37
3-mth average daily value (RM'm)	14.05
Top Shareholders (%)	
Khazanah Nasional Bhd	36.40
Employees Provident Fund Board	18.95
Amanah Saham Nasional Bhd	16.59

Analyst
Foo Chuan Loong, **Martin**
martin.foo@midf.com.my
03-2173 8353

Figure 1: Sum-of-part valuation

Entity	Value (RM m)	Stake (%)	Remarks
Celcomdigi - Malaysia	14,251	33.1	DCF using WACC of 8.7% and terminal growth rate of 1.0%
XL Smart- Indonesia	6,646	36.9	DCF using WACC of 8.7% and terminal growth rate of 1.0%
Robi - Bangladesh	4,912	61.8	At 4.5x FY26F EBITDA
Dialog - Sri Lanka	3,648	82.3	At 4.5x FY26F EBITDA
Smart - Cambodia	3,178	72.5	At 4.5x FY26F EBITDA
edotco - Malaysia	3,865	63.0	At 4.5x FY26F EBITDA
Enterprise value	**36,501**		
Less net debt/(cash)	6,413		
Equity value	**30,088**		
No. of shares (m)	9,183		
Equity value per share (RM)	**3.28**		
Discount (RM)	1.0		
Target price	**2.29**		

Source: MBSBR

AXIATA GROUP BHD: 3QFY25 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	3QFY25	% YoY	%QoQ	9MFY25	9MFY24	% YoY
Revenue	2,920.5	-4.7	-1.5	8,778.8	9,573.7	-8.3
EBITDA	1,487.1	-37.2	-5.4	3,446.4	2,833.7	21.6
Depreciation and amortisation	-1,019.1	7.9	-10.1	-2,978.4	-2,900.8	2.7
EBIT	468.0	-67.1	6.7	468.0	-67.1	-797.0
Finance costs	-314.0	-8.4	0.1	-937.5	-1,082.5	-13.4
Finance income	43.1	-9.8	-12.6	129.3	137.8	-6.2
JV and Associate contribution	-27.9	-120.1	-154.1	104.0	395.3	-73.7
Profit before tax	169.2	-86.7	-25.1	635.6	1,603.0	-60.4
Taxation	-155.7	-38.5	-40.2	-539.4	-578.9	-6.8
Profit after tax	13.6	-98.7	-139.2	96.2	1,024.2	-90.6
Non controlling interest	47.4	-77.6	-170.9	129.2	473.9	-72.7
Profit from discontinued operation	6.5	-96.2	-97.3	436.3	621.4	-29.8
PATANCI	-27.4	-102.8	-110.1	403.3	1,171.6	-65.6
Normalised PATANCI	165.0	-2.4	7.8	378.0	315.8	19.7
Normalised EPS (sen)	-0.3	-102.8	-110.1	4.1	3.4	19.6
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	53.0	-26.4	-2.1	39.3	29.6	9.7
EBIT margin (%)	14.8	-30.5	1.2	5.3	-0.7	6.0
Normalised PATAMI margin (%)	9.1	-32.8	-10.1	4.3	3.3	1.0
Effective tax rate (%)	115.3	72.0	-23.3	84.9	36.1	48.8

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	22,318.3	22,334.6	17,543.4	15,938.5	16,523.9
EBITDA	9,691.2	11,534.1	7,394.9	6,569.1	6,899.8
EBIT	1,488.8	4,192.9	2,143.3	1,975.1	2,186.8
Profit before tax	11.0	2,564.5	1,085.2	835.6	1,004.1
PATANCI	-1,994.8	955.8	493.7	434.5	522.1
Normalised PATANCI	342.7	720.1	493.7	434.5	522.1
EPS (sen)	3.7	7.8	5.4	4.7	5.7
EPS Growth (%)	-77.6	110.0	-31.4	-12.0	20.2
PER (x)	69.4	33.1	48.2	54.7	45.6
Dividend Per Share (sen)	10.0	10.0	8.0	8.0	10.0
Dividend yield (%)	3.9	3.9	3.1	3.1	3.9

Balance sheet	2023A	2024A	2025E	2026F	2027F
Fixed assets	27,439.8	25,521.6	27,755.7	30,227.6	32,702.3
Intangible assets	12,237.5	11,576.2	21,722.7	21,722.7	21,722.7
Others	28,156.7	26,823.9	19,165.9	20,258.6	21,409.9
Non-current assets	**67,834.1**	**63,921.8**	**68,644.3**	**72,208.9**	**75,834.9**
Cash	4,612.1	4,860.4	1,279.5	-2,949.1	-6,668.4
Trade debtors	4,784.5	5,349.5	3,472.4	3,154.8	3,270.6
Others	1,187.1	224.2	729.3	717.1	721.6
Current assets	**10,583.7**	**10,434.1**	**5,481.3**	**922.8**	**-2,676.2**
Trade creditors	9,293.2	8,979.9	8,771.5	7,969.0	8,261.7
Short-term debt	2,670.2	4,682.7	4,231.4	4,231.4	4,231.4
Others	3,210.0	2,614.0	2,566.2	2,566.2	2,566.2
Current liabilities	**15,173.3**	**16,276.6**	**15,569.1**	**14,766.7**	**15,059.4**
Long-term debt	22,172.0	18,508.2	23,231.2	23,231.2	23,231.2
Others	12,837.2	11,994.3	3,900.7	3,900.7	3,900.7
Non-current liabilities	**35,009.2**	**30,502.6**	**27,131.9**	**27,131.9**	**27,131.9**
Share capital	13,920.6	13,932.8	13,905.2	13,905.2	13,905.2
Retained earnings	8,143.5	7,260.5	9,212.4	8,912.2	8,516.0
Other reserve	0.0	0.0	0.0	0.0	0.0
Minority interest	6,171.2	6,383.5	8,307.2	8,415.8	8,546.3
Equity	**28,235.3**	**27,576.7**	**31,424.8**	**31,233.2**	**30,967.5**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	11.0	2,564.5	1,085.2	835.6	1,004.1
Depn & amort	-7,200.0	-2,978.4	5,251.6	4,594.1	4,713.0
Others	15,052.0	9,316.9	-3,299.4	-1,816.3	-1,091.9
Operating cash flow	7,863.0	8,902.9	3,037.3	3,613.3	4,625.2
Capital expenditure	-7,126.7	-5,055.2	-7,002.5	-7,065.9	-7,187.8
Others	2,212.4	-521.3	175.6	-41.4	-238.5
Investing cash flow	-4,914.2	-5,576.5	-6,826.8	-7,107.3	-7,426.2
Debt raised/(repaid)	-1,588.0	-446.3	0.0	0.0	0.0
Dividends paid	-1,743.9	-918.2	-918.3	-734.7	-734.7
Others	-1,963.8	-1,747.1	0.0	0.0	0.0
Financing cash flow	-5,295.7	-3,111.6	-918.3	-734.7	-734.7
Net cash flow	-2,346.9	214.9	-4,524.2	-4,228.7	-3,719.3
Effect of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Beginning cash flow	6,326.2	3,388.6	4,056.2	-467.9	-4,696.6
Ending cash flow	3,388.6	3,541.7	-467.9	-4,696.6	-8,415.9

Profitability Margins (%)	2023A	2024A	2025E	2026F	2027F
EBITDA margin	43.4	51.6	42.2	41.2	41.8
PBT margin	0.0	11.5	6.2	5.2	6.1
PATAMI margin	-8.9	4.3	2.8	2.7	3.2

Source: Company, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology