Corporate Update

Axiata Berhad

(6888 | Axiata MK) Main | Telecommunications

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Maintain NEUTRAL

Revised Target Price **RM1.90**
(from RM2.07)

Infrastructure Business Underperformed

Earnings volatility to persist. We are keeping our NEUTRAL recommendation on Axiata with a revised SOP-derived target price of RM1.90 (previously RM2.07). This is in conjunction with the announcement of the group's 2Q26 financial results. The quarter-in-review showed a strong year-over-year improvement, mainly supported by more favourable cost structure. Better performance was also seen across the opcos, with the exception of the infrastructure business i.e. edotco and LinkNet. Moving forward, we continue to anticipate earnings volatility premised on the prevailing geopolitical and macroenomic risk. In addition, we anticipate that realisation of the group's monetisation plan may be longer-than-expected. The latter could potentially impact the investors sentiment on the stock.

Revenue compression. Axiata's 2Q26 normalised earnings improved by +82.2%yoy to RM278.7m. This was mainly supported by lower depreciation, impairment and amortisation cost which reduced by -28.7%yoy to RM807.7m. Nonetheless, revenue declined by – 3.2%yoy to RM5,670.2m as edotco and Linknet revenue contracted by -10.6%yoy and -7.8%yoy.

Sequentially, we observed a -36.4%qoq contraction in earnings, mainly led by higher cost especially the lower depreciation, impairment and amortisation cost which increase by +4.6%qoq.

Within expectation. On a cumulative basis, 1HFY26 normalised earnings amounted to RM717m which translate into an improvement of +251.5%yoy. This was mainly supported by better performance across almost all opcos, with the exception of the infrastructure business as well as lower finance cost. The latter is in tandem with the continuous reduction in the group borrowings (-11.1%yoy).

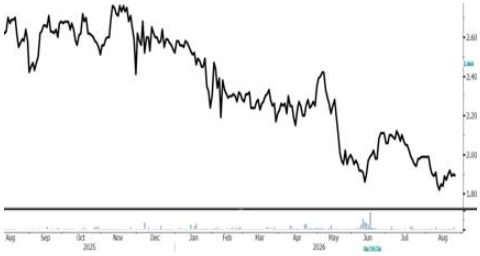
All in, Axiata's 1HFY26 financial performance within our expectation, although arithmetically, it makes up 63.2% of our full year earnings estimates.

Revision in target price. We retained our earnings estimates at this juncture. However, we adjust downwards our SOP-derived target price to RM1.90 from RM2.07 previously. Note that we further increase our holding company discount as we anticipate further delay in the group's monetisation effort, especially with regard to the infrastructure business. Other than this, other parameters remain unchanged at this juncture.

Higher dividend. 2QFY26 dividend increased by +10%yoy to 5.5sen (2QFY256: 5sen). This is in-tandem with the Axiata28's commitment of DPS growth of at least 10% per annum. Note that we have input the 10% annual dividend growth into our assumption.

RETURN STATISTICS	
Price @ 28th August 2026 (RM)	1.82
Expected share price return (%)	+4.4
Expected dividend yield (%)	+5.4
Expected total return (%)	+9.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.5	-6.5
3months	-10.4	-5.8
12 months	-28.4	-35.0

INVESTMENT STATISTICS

FYE Dec (RM'm)	2026E	2027F	2028F
Revenue	11,766.0	12,498.3	13,264.2
Operating Profit	2,264.4	2,460.1	2,758.7
Profit Before Tax	2,179.2	2,524.0	2,953.8
Core PATAMI	1,133.2	1,312.5	1,536.0
Core EPS	12.3	14.3	16.7
DPS	11.0	12.1	13.3
Dividend Yield (%)	5.4	6.0	6.6

KEY STATISTICS

FBM KLCI	1,725.88
Issue shares (m)	9,186.25
Estimated free float (%)	47.05
Market Capitalisation (RM'm)	17,365.78
52-wk price range	RM1.81 – RM2.79
3-mth average daily volume (m)	15.02
3-mth average daily value (RM'm)	29.63
Top Shareholders (%)	
Khazanah Nasional Bhd	36.39
Employees Provident Fund Board	20.16
Amanah Saham Nasional Bhd	13.86

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Figure 1: Sum-of-part valuation

Entity	Value (RM m)	Stake (%)	Remarks
Celcomdigi - Malaysia	13,746	33.1	% of Celcomdigi valuation
XL Smart- Indonesia	4,859	34.8	DCF using WACC of 8.7% and terminal growth rate of 1.0%
Robi - Bangladesh	4,748	61.8	At 4.5x FY26F EBITDA
Dialog - Sri Lanka	4,222	82.3	At 4.5x FY26F EBITDA
Smart - Cambodia	3,178	72.5	At 4.5x FY26F EBITDA
edotco - Malaysia	4,690	63.0	At 5.4x FY26F EBITDA
Enterprise value	**35,444**		
Less net debt/(cash)	6,150		
Equity value	**29,294**		
No. of shares (m)	9,202		
Equity value per share (RM)	**3.18**		
Discount (RM)	1.29		
Target price	**1.90**		

Source: MBSBR

AXIATA GROUP BHD: 2QFY26 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	2QFY26	% YoY	%QoQ	1HFY26	1HFY25	% YoY
Revenue	2,870.3	-3.2	2.5	5,670.2	5,858.3	-3.2
EBITDA	1,323.4	-15.8	-9.3	2,782.0	2,830.3	-1.7
Depreciation and amortisation	-807.7	-28.7	4.6	-1,580.2	-1,959.3	-19.3
EBIT	515.7	17.5	-24.8	1201.8	871.0	38.0
Finance costs	-257.8	-17.8	-2.1	-521.2	-623.5	-16.4
Finance income	35.6	-27.9	2.6	70.3	86.2	-18.5
JV and Associate contribution	55.4	7.5	-9.3	116.6	132.6	-12.1
Profit before tax	348.9	54.5	-32.7	867.4	466.3	86.0
Taxation	-211.3	-18.8	61.6	-342.1	-383.7	-10.8
Profit after tax	137.5	-497.8	-64.5	525.3	82.6	535.6
Non controlling interest	95.0	-242.0	-16.6	209.0	81.7	155.7
Profit from discontinued operation	0.0	n.m.	n.m.	0.0	429.7	n.m.
PATANCI	42.5	-84.3	-84.5	316.3	430.7	-26.5
Normalised PATANCI	278.7	82.2	-36.4	717.0	204.0	251.5
Normalised EPS (sen)	3.0	81.8	-36.4	7.8	2.2	250.9
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	46.1	-6.9	-6.0	49.1	48.3	0.8
EBIT margin (%)	18.0	3.2	-6.5	21.2	14.9	6.3
Normalised PATAMI margin (%)	9.7	0.6	-5.9	12.6	3.5	9.2
Effective tax rate (%)	60.6	-54.7	35.4	39.4	82.3	-42.8

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	22,334.6	11,758.0	11,766.0	12,498.3	13,264.2
EBITDA	11,534.1	4,609.1	5,719.5	6,008.7	6,407.4
EBIT	4,192.9	2,055.4	2,264.4	2,460.1	2,758.7
Profit before tax	2,564.5	995.6	2,179.2	2,524.0	2,953.8
PATANCI	955.8	364.6	1,133.2	1,312.5	1,536.0
Normalised PATANCI	720.1	537.0	1,133.2	1,312.5	1,536.0
EPS (sen)	7.8	5.8	12.3	14.3	16.7
EPS Growth (%)	110.0	-25.5	111.5	15.8	17.0
PER (x)	25.8	34.6	16.4	14.1	12.1
Dividend Per Share (sen)	10.0	10.0	11.0	12.1	13.3
Dividend yield (%)	5.0	5.0	5.4	6.0	6.6

Balance sheet	2024A	2025A	2026E	2027F	2028F
Fixed assets	25,521.6	14,457.1	13,095.6	11,714.8	10,313.8
Intangible assets	11,576.2	4,709.4	4,709.4	4,709.4	4,709.4
Others	26,823.9	23,138.9	24,019.8	24,968.4	25,986.6
Non-current assets	**63,921.8**	**42,305.4**	**41,824.8**	**41,392.6**	**41,009.8**
Cash	4,860.4	3,746.8	5,854.9	7,032.2	8,338.2
Trade debtors	5,349.5	3,590.4	2,328.9	2,473.8	2,625.4
Others	224.2	125.8	143.3	148.9	154.7
Current assets	**10,434.1**	**7,463.0**	**8,327.1**	**9,655.0**	**11,118.3**
Trade creditors	8,979.9	5,905.5	5,882.8	6,249.0	6,631.9
Short-term debt	4,682.7	6,650.6	6,650.6	6,650.6	6,650.6
Others	2,614.0	1,290.9	1,290.9	1,290.9	1,290.9
Current liabilities	**16,276.6**	**13,847.0**	**13,824.3**	**14,190.5**	**14,573.4**
Long-term debt	18,508.2	8,401.8	9,873.4	9,873.4	9,873.4
Others	11,994.3	3,451.1	1,979.5	1,979.5	1,979.5
Non-current liabilities	**30,502.6**	**11,852.9**	**11,852.9**	**11,852.9**	**11,852.9**
Share capital	13,932.8	13,942.3	13,942.3	13,942.3	13,942.3
Retained earnings	7,260.5	6,415.0	6,538.1	6,739.4	7,053.0
Other reserve	0.0	0.0	0.0	0.0	1.0
Minority interest	6,383.5	3,711.1	3,994.4	4,322.5	4,706.5
Equity	**27,576.7**	**24,068.4**	**24,474.7**	**25,004.1**	**25,702.8**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	2,564.5	995.6	2,179.2	2,524.0	2,953.8
Depn & amort	-5,580.2	-3,893.4	3,455.1	3,548.6	3,648.7
Others	11,918.6	6,603.4	-660.4	-1,935.8	-2,207.6
Operating cash flow	8,902.9	3,705.6	4,973.9	4,136.8	4,394.9
Capital expenditure	-5,055.2	-2,040.6	-2,093.7	-2,167.8	-2,247.7
Others	-521.3	2,020.6	238.1	319.5	381.1
Investing cash flow	-5,576.5	-20.0	-1,855.6	-1,848.3	-1,866.6
Debt raised/(repaid)	-446.3	-2,039.3	0.0	0.0	0.0
Dividends paid	-918.2	-918.6	-918.6	-1,010.2	-1,111.2
Others	-1,747.1	-1,229.4	-3,268.8	0.0	0.0
Financing cash flow	-3,111.6	-4,187.3	-4,187.3	-1,010.2	-1,111.2
Net cash flow	214.9	-501.7	2,108.1	1,177.3	1,306.0
Effect of exchange rate changes	0.0	-466.5	0.0	0.0	1.0
Beginning cash flow	3,388.6	3,541.7	2,573.4	4,681.6	5,858.9
Ending cash flow	3,541.7	2,573.4	4,681.6	5,858.9	7,164.8

Profitability Margins (%)	2024A	2025A	2026E	2027F	2028F
EBITDA margin	51.6	39.2	48.6	48.1	48.3
PBT margin	11.5	8.5	18.5	20.2	22.3
PATAMI margin	4.3	3.1	9.6	10.5	11.6

Source: Company, MBSBR

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

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