Axiata Berhad

(6888 | Axiata MK) Main | Telecommunications

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Maintain **NEUTRAL**

Unchanged Target Price **RM1.90**

Corporate Update

A Leaner Edotco in the Making

Unlocking value of its crown jewel. We are keeping our **NEUTRAL** recommendation on Axiata with an unchanged **target price of RM1.90**. This is subsequent to the announcement on the restructuring of Edotco. We view the announcements positively. The move will help to unlock sizeable cash, given the premium valuation, to effectively pare down the borrowings and thus, give them more financial flexibility. It also reduced the risk exposure as Edotco will be left with primarily the Malaysian tower portfolio. On the flip side, the Axiata group still own Link Net which remains loss-making. Also, with the restructuring, we view that Edotco will lose its status as the group's crown jewel. Premised the existing opcos, we are also of the view that future monetisation opportunities maybe harder to come by.

Disposing the bulk of the tower portfolio. Axiata has proposed six transactions involving the telecommunications tower arm, Edotco, which is valued at RM11.8b (i.e enterprise value). On aggregate, the entire exercise will help Axiata to generate RM2.22b in gross proceeds. This involves the reduction of Axiata stake in Edotco from 63% to 47.355% which will be taken up by Khazanah as well as disposal of the tower portfolio outside Malaysia which includes Philippines, Indonesia, Bangladesh, Pakistan and Cambodia. Meanwhile, there is no change to KWAP's stake in Edotco at 5.29%.

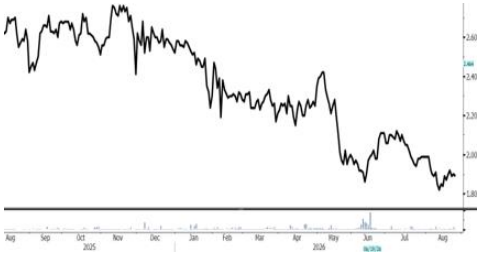
Note that the partial stake disposal to Khazanah (RM659.4m) and the sales of its tower operations in Philippines (RM713.4m), Indonesia (RM43.1m), Bangladesh (RM1.32b) which amounted to an indicative disposal consideration of RM2.73b are inter-conditional and must be completed substantially concurrently. Separately, the disposal of Pakistan (RM384.3m) and 80%-owned Cambodia tower (RM307.8m) will not affect the above-mentioned transactions. On the latter, the Cambodia tower portfolio is being sold to **OCK Group Bhd (NR)**.

From the proceeds, RM2.04b has been earmarked for repayment of borrowings within 12 months, while RM104.4m will be used for transaction expenses and RM72.4m for capital gains and withholding taxes. The load repayment will improve Axiata pro forma gearing ratio to 0.50x from 0.71x. Note that there is no mention of special dividend.

Reducing external risk for Edotco. The disposal of various tower portfolio while retaining the Malaysian ones will lead to: i) decrease exposure to differing regimes, ii) remove operational complexity, iii) sharpen focus on the retained platform.

RETURN STATISTICS	
Price @ 23rd November 2026 (RM)	1.67
Expected share price return (%)	+13.8
Expected dividend yield (%)	+6.6
Expected total return (%)	+20.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.1	7.2
3months	0.6	-0.9
12 months	-39.3	-36.6

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 (%)	6.6	7.2	8.0

KEY STATISTICS

FBM KLCI	1,549.05
Issue shares (m)	9,186.25
Estimated free float (%)	47.12
Market Capitalisation (RM'm)	15,352.76
52-wk price range	RM1.56 – RM2.77
3-mth average daily volume (m)	7.57
3-mth average daily value (RM'm)	12.78
Top Shareholders (%)	
Khazanah Nasional Bhd	36.37
Employees Provident Fund Board	21.41
Amanah Saham Nasional Bhd	13.96

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Good valuation multiple. The above-mentioned transaction translates into an attractive EV/EBITDA of 8.5x which is a premium to the peers in the region. Valuation of the average peers worked out to around 5.3x. Notably, in our Sum-of-Part valuation, we attached EV/EBITDA of 5.4x which is similar to that of the industry average. Note that valuation of Edotco is comparatively higher to the Axiata group blended EV/EBITDA of 5.6x at present. This is also similar to the five-year mean of 5.8x.

Smaller contribution from Edotco. Premised on 1HFY26, Edotco contributed 20% and 28.8% to the group revenue and EBITDA respectively. Should all the disposals be completed, it would reduce Axiata's revenue and EBITDA by 13% and 23% respectively. This means that Edotco revenue and EBITDA's contribution to the group will fall to 8.8% and 12.4% respectively, which primarily reflect the Malaysian operation. Likewise, premised on the anticipated lower EBITDA contribution as well as lower shareholding of Edotco, our SOP-derived target price could potentially reduce to below RM1.90. That being said, we are keeping our earnings estimates unchanged at this juncture, pending further guidance from the management.

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)	21.3	28.6	13.5	11.7	10.0
Dividend Per Share (sen)	10.0	10.0	11.0	12.1	13.3
Dividend yield (%)	6.0	6.0	6.6	7.2	8.0

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