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Axiata Group Berhad

Looking forward to a better 2024

Recommendation: **BUY**

Current Price: **RM 2.37**

Previous Target Price: **RM 3.06**

Target Price: ↔ **RM 3.06**

Upside/Downside: **29.1%**

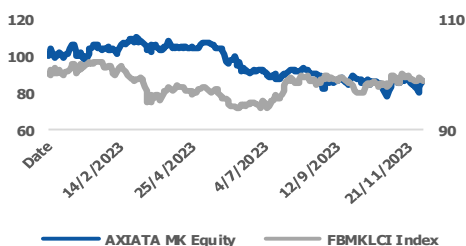
Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6888 / AXIATA MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	☆☆☆☆
Shares issued (m)	9,179.1
Market Cap (RM' m)	21,754.4
52-Week Price Range (RM)	2.16-3.22
Beta (x)	1.4
Free float (%)	24.3
3M Average Volume (m)	4.3
3M Average Value (RM' m)	10.4

Top 3 Shareholders (%)

Khazanah Nasional Bhd	36.7
Employees Provident Fund Board	17.7
Amanah Saham Nasional Bhd	15.3

Share Price Performance



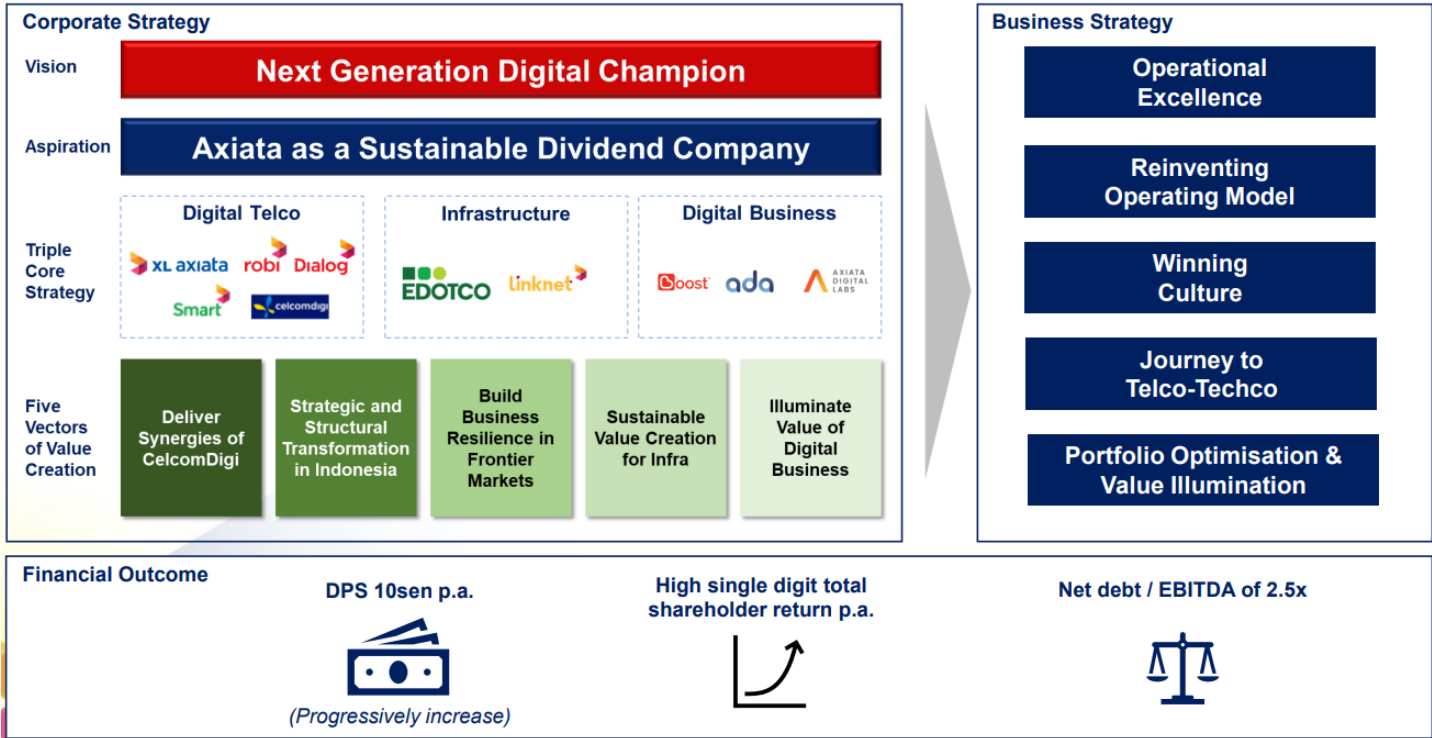
	1M	3M	12M
Absolute (%)	-3.3	-4.0	-19.1
Relative (%)	-2.1	-3.1	-18.0

Summary

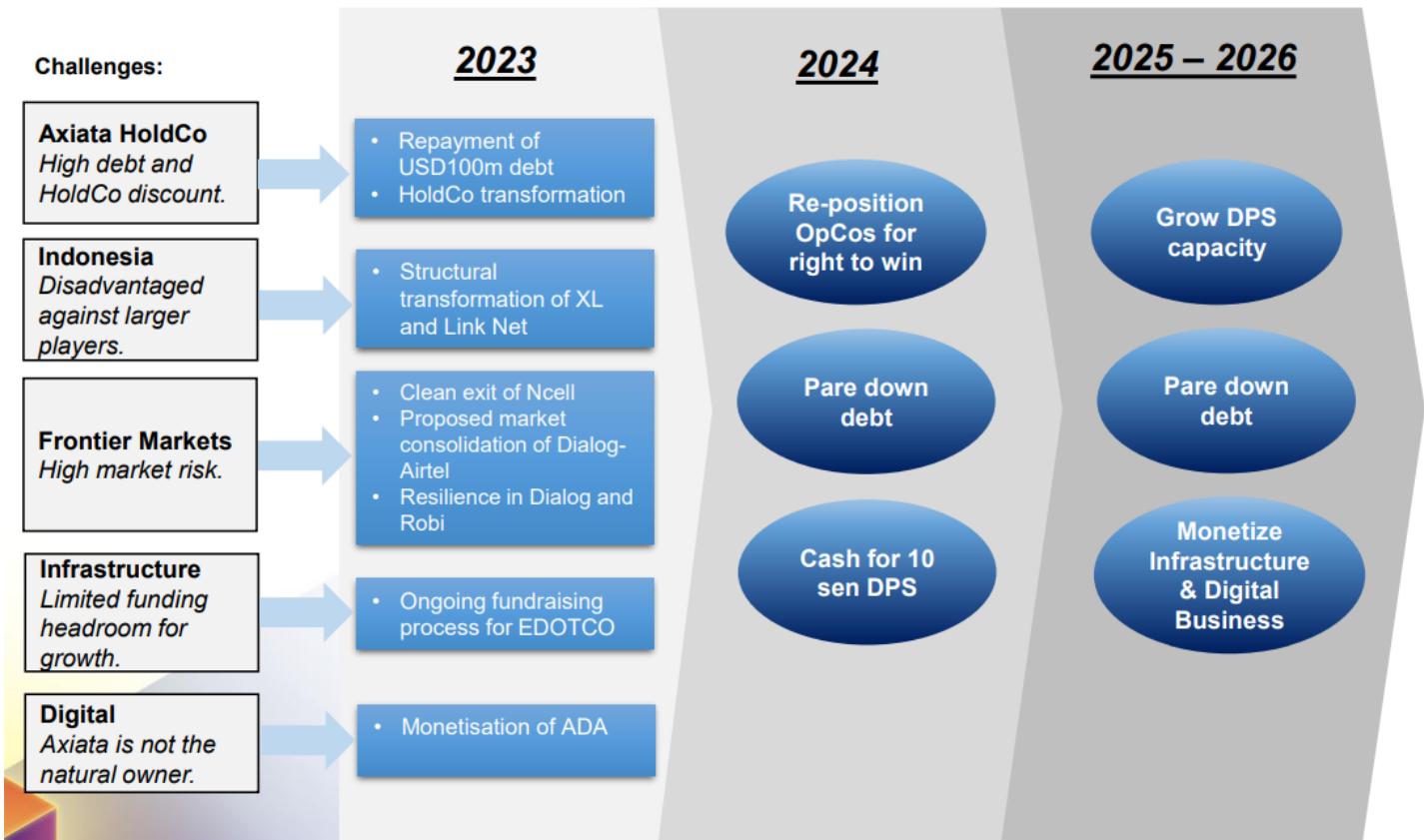
- We attended Axiata's Analyst & Investor Day and came away hopeful of a better year in 2024 after the recent lackluster 3Q23 results.
- The group reaffirmed their ambition to become the next generation digital champion and a sustainable dividend company through its triple core strategy of Digital Telco, Infrastructure and Digital Business.
- We reiterate our BUY recommendation with a target price of RM3.06.

Company Update

- Axiata shared their corporate strategy and reaffirmed their ambition to become the next generation digital champion and a sustainable dividend company through their triple core strategy of Digital Telco, Infrastructure and Digital Business.
- Financially, Axiata aims to achieve: a) annual dividend of at least 10 sen/share, b) high single digit total shareholder return, and c) net debt/EBITDA of 2.5x to maintain its credit rating. The management targeted to pare down debt, grow dividend and monetise infrastructure and digital business.
- In their two biggest markets, Indonesia and Bangladesh, Axiata managed to undertake market reparation to raise ARPUs and reduce incentives without facing subscriber churn.
- After the CelcomDigi merger, Axiata's Robi-Airtel merger in Bangladesh is using a dual brand strategy to serve different market segments. Meanwhile in Indonesia, XL and Link Net is also working together to increase broadband to 8m homes in 5 years from 3.2m currently.
- Recently, Axiata has decided to exit the Nepalese market and dispose Ncell due to challenges and regulatory issues. Other operating companies have been performing well and will continue to contribute to Axiata's growth going forward.
- **Valuation.** Re-iterate our **BUY** recommendation on Axiata with a target price of RM3.06 based on SOP.
- **Risk.** In the past two years, Axiata went through challenges of rising interest rate, currency devaluation and inflationary pressures. Going forward in the next two years, the management expects interest rate and inflation to subside, USD to weaken and Axiata will be able to reap the fruits of its organisational resilience.



Source: Company



Source: Company

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	19994.4	21725.7	22709.7	23658.9	24555.4
EBITDA	8744.5	5025.4	10843.9	11001.4	11418.3
Depreciation & Amortisation	-6317.8	-7070.9	-8743.2	-8872.1	-8594.4
EBIT	2426.7	-2045.5	2100.7	2129.3	2823.9
Net Finance Income/(Cost)	-1231.8	-1571.7	-1816.8	-1892.7	-1718.9
Associates & JV	4.0	-9.4	618.5	654.7	700.0
Pre-tax Profit	921.2	-4248.3	402.4	891.3	1805.0
Tax	-643.7	-614.7	-40.2	-267.4	-541.5
Profit After Tax	307.5	-4863.0	362.2	623.9	1263.5
Minority Interest	444.4	254.6	200.0	200.0	200.0
Net Profit	-136.9	-5117.6	162.2	423.9	1063.5
Exceptionals	1462.5	6704.3	200.0	200.0	200.0
Core Net Profit	1325.6	1586.7	362.2	623.9	1263.5

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
EBITDA margin	43.7%	23.1%	47.8%	46.5%	46.5%
EBIT margin	12.1%	-9.4%	9.3%	9.0%	11.5%
PBT margin	4.6%	-19.6%	1.8%	3.8%	7.4%
PAT margin	1.5%	-22.4%	1.6%	2.6%	5.1%
NP margin	-0.7%	-23.6%	0.7%	1.8%	4.3%
Core NP margin	-0.7%	-23.6%	0.7%	1.8%	4.3%
ROE	-0.5%	-16.7%	0.5%	1.3%	3.2%
ROA	-0.2%	-7.6%	0.2%	0.6%	1.6%
Net gearing	48.2%	58.6%	40.1%	44.2%	46.9%

Key Assumptions

FYE Dec (RM m)	FY23F	FY24F	FY25F
XL (Indonesia)	9628.0	10099.8	10444.8
Dialog (Sri Lanka)	2371.8	2442.2	2649.6
Robi (Bangladesh)	4139.2	4184.5	4223.1
Smart (Cambodia)	1625.4	1706.7	1792.0
Link Net	1134.0	1198.0	1247.4
edotco	2661.0	2704.8	2667.6
ADA	790.0	900.0	1010.0
Boost	120.0	135.4	151.7

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Cash	6969.4	7451.7	7804.0	7186.4	6455.9
Receivables	5060.9	6943.6	5330.5	5914.7	6384.4
Other current assets	380.3	298.7	340.6	354.9	491.1
Total Current Assets	12410.6	14694.0	13475.2	13456.0	13331.4
Fixed Assets	26975.3	27201.0	23420.6	24052.4	24052.4
Intangibles	21722.7	13442.2	14203.2	14203.2	14203.2
Other non-current assets	1441.8	26303.6	27570.6	28045.8	28701.0
Total Non-current assets	60139.8	66946.7	65194.4	66301.4	66956.5
Short-term Debt	4231.4	7088.1	2082.2	2082.2	2238.3
Payables	13555.1	10579.6	10436.0	11829.5	11049.9
Other Current Liabilities	2566.2	3405.6	3137.9	3075.7	2946.7
Total Current Liabilities	20352.7	21073.3	15656.0	16987.3	16234.9
Long-term Debt	14819.1	18347.5	18257.3	19145.1	19630.8
Other non-current liabilities	12312.8	11539.6	13516.3	11871.4	11533.7
Total Non-current Liabilities	27131.9	29887.1	31773.6	31016.5	31164.5
Shareholder's equity	18005.3	23935.1	24211.5	24725.2	25860.2
Minority interest	7060.5	6745.3	7028.4	7028.4	7028.4
Equity	25065.8	30680.4	31239.8	31753.6	32888.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Operating cash flow	8837.0	8934.8	8759.8	8604.7	8912.3
Net capex	-8116.9	-11585.0	-7100.0	-10000.0	-10000.0
Investing cash flow	-8116.9	-11585.0	-7100.0	-10000.0	-10000.0
Dividends paid	0.0	0.0	-91.8	-110.1	-128.5
Debt drawdown	4557.8	17281.0	0.0	1000.0	1000.0
Debt repayment	-3222.6	-11319.0	-90.2	-112.2	-514.3
Finance costs	0.0	0.0	-2043.9	-2129.3	-1964.4
Financing cash flow	-1216.5	3412.3	-182.0	777.7	357.2
Net cash flow	-496.4	762.2	1477.8	-617.6	-730.5
Beginning cash	6722.2	6312.3	6326.2	7804.0	7186.4
Ending cash	6312.3	6326.2	7804.0	7186.4	6455.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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