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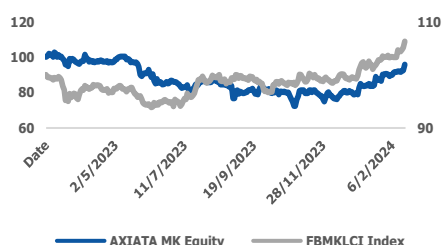
Recommendation:	BUY
Current Price:	RM 2.76
Previous Target Price:	RM 3.06
Target Price:	RM 3.03
Upside/Downside:	9.8%

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)	25,334.3
52-Week Price Range (RM)	2.16-3.22
Beta (x)	1.4
Free float (%)	24.0
3M Average Volume (m)	6.2
3M Average Value (RM' m)	15.9

Top 3 Shareholders	(%)
Khazanah Nasional Bhd	36.7
Employees Provident Fund Board	18.0
Amanah Saham Nasional Bhd	15.3

Share Price Performance



	1M	3M	12M
Absolute (%)	4.5	15.0	-12.4
Relative (%)	0.9	8.3	-17.0

Axiata Group Berhad

Exiting Myanmar, post disposal of Ncell










Summary

- **Axiata's FY23 net profit of RM542m was above our expectations despite higher interest cost and lower profit contribution from CelcomDigi.**
- **In view of the challenging outlook, Axiata has decided to exit the tower business in Myanmar. Operating companies XL (Indonesia), Robi (Bangladesh) and Dialog (Sri Lanka) continue to lead earnings growth.**
- **Maintain our BUY recommendation with a slightly lower target price of RM3.03 vs (RM3.06 previously).**

Results Review

- **Results review.** Axiata posted a net loss of RM695m in 4QFY23 against a net profit of RM9.95b in 4Q22 and narrowed against a deficit of RM797m in 3QFY23 mainly due to RM2.2b impairment for Ncell, EDOTCO Myanmar and EDOTCO Pakistan, as well as RM356m loss on disposal of Ncell. However, 4QFY23 core net profit more than doubled qoq to RM287m and declined 39% yoy due to higher net interest costs at Link Net and EDOTCO as well as lower share of results from CelcomDigi. Revenue for the quarter grew 5% yoy and 1.6% qoq to RM6.11b driven by all OpCos except Boost and Ncell.
- **Above expectations.** In FY23, core net profit at RM542m makes up to 148% and 125% of our and consensus forecasted net profit.
- **Exiting Myanmar.** After the decision to dispose Ncell last quarter, Axiata has announced that it is selling tower business under EDOTCO Myanmar due to deteriorating operating environment. Myanmar business was previously seen as a hindrance to EDOTCO's proposed IPO and the disposal could clear the path and attract new investors to grow the tower business.
- **Operations Highlights.** All Operating Companies (OpCos) contributed to revenue growth except for Boost and Ncell with XL, Robi and Dialog leading the gains.
- **Outlook.** Axiata has achieved its 2023 KPIs and management has introduced its 2024 KPIs of a) mid-single digit revenue growth, b) mid-teens EBIT growth, c) capex of RM6.1b. The sale of EDOTCO Myanmar will pave way for its proposed IPO after challenges in Myanmar.
- **Valuation.** We are reducing our FY24 and FY25 revenue forecasts by 1.2% respectively and net profit estimates by 0.3% and 0.8% respectively after excluding contributions from Myanmar. Re-iterate our **BUY** recommendation on Axiata with a lower target price of RM3.03 based on SOP (previously RM3.06).
- **Risk.** Geopolitical, macroeconomic and regulatory risks as well as strengthening USD and high interest rates.

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	5,793.6	5,402.2	7.2	5,695.7	1.7	20,951.1	22,862.5	9.1		Higher contribution by most OpCos
EBITDA	2,465.0	2,344.6	5.1	2,552.5	(3.4)	8,837.0	9,947.4	12.6		
Pre-tax profit	396.6	(1,184.7)	133.5	243.6	62.8	(1,664.2)	(295.3)	82.3		
Net profit	146.7	(1,342.7)	110.9	108.0	35.9	(2,291.7)	(727.2)	68.3		Ncell asset impairment
Core net profit	287.0	509.6	(43.7)	127.9	124.4	1,586.7	542.2	(65.8)		Higher D&A and interest
Core EPS (sen)	3.1	5.6	(43.7)	1.4	124.4	17.3	5.9	(65.8)		
EBITDA margin (%)	42.5	42.6	0ppts	41.5	1ppts	42.2	43.5			
PBT margin (%)	6.8	(4.2)	11.07ppts	(20.1)	26.9ppts	(7.9)	(1.3)			
Core PATAMI margin (%)	5.0	7.0	-2ppts	0.7	4.2ppts	7.6	2.4			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	19994.4	21725.7	22002.3	23367.8	24248.9
EBITDA	8744.5	5025.4	10560.0	10866.0	11275.8
Depreciation & Amortisation	-6317.8	-7070.9	-7200.0	-8762.9	-8487.1
EBIT	2426.7	-2045.5	2658.6	2103.1	2788.6
Net Finance Income/ (Cost)	-1231.8	-1571.7	-2039.5	-1869.4	-1697.4
Associates & JV	4.0	-9.4	531.6	654.7	700.0
Pre-tax Profit	921.2	-4248.3	793.4	888.4	1791.2
Tax	-643.7	-614.7	-651.2	-266.5	-537.4
Profit After Tax	307.5	-4863.0	142.2	621.8	1253.8
Minority Interest	444.4	254.6	192.3	200.0	200.0
Net Profit	-136.9	-5117.6	-50.1	421.8	1053.8
Exceptionals	1462.5	6704.3	592.3	200.0	200.0
Core Net Profit	1325.6	1586.7	542.2	621.8	1253.8

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	43.7%	23.1%	48.0%	46.5%	46.5%
EBIT margin	12.1%	-9.4%	12.1%	9.0%	11.5%
PBT margin	4.6%	-19.6%	3.6%	3.8%	7.4%
PAT margin	1.5%	-22.4%	0.6%	2.7%	5.2%
NP margin	-0.7%	-23.6%	-0.2%	1.8%	4.3%
Core NP margin	-0.7%	-23.6%	-0.2%	1.8%	4.3%
ROE	-0.5%	-16.7%	-0.2%	1.3%	3.2%
ROA	-0.2%	-7.6%	-0.1%	0.6%	1.6%
Net gearing	48.2%	58.6%	71.6%	50.7%	53.5%

Key Revenue Assumptions

FYE Dec (RM m)	FY23	FY24F	FY25F
XL (Indonesia)	9568.0	10099.8	10444.8
Dialog (Sri Lanka)	2652.0	2442.2	2649.6
Robi (Bangladesh)	4694.0	4184.5	4223.1
Smart (Cambodia)	1661.0	1706.7	1792.0
Link Net	1162.0	1198.0	1247.4
edotco	2898.0	2704.8	2667.6
ADA	882.0	900.0	1010.0
Boost	152.0	135.4	151.7

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	6969.4	7451.7	4612.1	5237.8	4393.4
Receivables	5060.9	6943.6	4808.7	5841.9	6304.7
Other current assets	380.3	298.7	1187.1	350.5	485.0
Total Current Assets	12410.6	14694.0	10607.9	11430.2	11183.1
Fixed Assets	26975.3	27201.0	27439.8	24052.4	24052.4
Intangibles	21722.7	13442.2	12237.5	14203.2	14203.2
Other non-current assets	1441.8	26303.6	28156.7	28025.5	28676.5
Total Non-current assets	60139.8	66946.7	67834.1	66281.0	66932.0
Short-term Debt	4231.4	7088.1	2666.0	2082.2	2238.3
Payables	13555.1	10579.6	9317.4	11683.9	10912.0
Other Current Liabilities	2566.2	3405.6	3210.0	3037.8	2909.9
Total Current Liabilities	20352.7	21073.3	15193.3	16803.9	16060.2
Long-term Debt	14819.1	18347.5	22176.2	19145.1	19630.8
Other non-current liabilities	12312.8	11539.6	12837.2	11727.3	11394.2
Total Non-current Liabilities	27131.9	29887.1	35013.4	30872.4	31025.0
Shareholder's equity	18005.3	23935.1	22064.1	24503.2	25628.5
Minority interest	7060.5	6745.3	6171.2	7028.4	7028.4
Equity	25065.8	30680.4	28235.3	31531.6	32656.9

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Operating cash flow	8837.0	8934.8	7678.2	8496.4	8798.5
Net capex	-8116.9	-11585.0	-4700.1	-10000.0	-10000.0
Investing cash flow	-8116.9	-11585.0	-4700.1	-10000.0	-10000.0
Dividends paid	0.0	0.0	-1284.9	-110.1	-128.5
Debt drawdown	4557.8	17281.0	8874.1	1000.0	1000.0
Debt repayment	-3222.6	-11319.0	-10417.7	-112.2	-514.3
Finance costs	0.0	0.0	0.0	-2103.1	-1939.9
Financing cash flow	-1216.5	3412.3	-5267.3	777.7	357.2
Net cash flow	-496.4	762.2	-2289.2	-725.9	-844.3
Beginning cash	6722.2	6312.3	6326.2	4037.0	3311.1
Ending cash	6312.3	6326.2	4037.0	3311.1	2466.7

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p> <p>Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p> <p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	<p>Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069)</p>

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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