

Steven Chong

(603) 7890 8888 (ext 2068)

stevenchong@apexsecurities.com.my

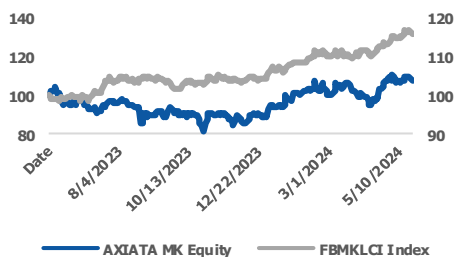
Recommendation:	HOLD
Current Price:	RM 2.78
Previous Target Price:	RM 3.03
Target Price:	RM 2.94
Upside/Downside:	5.8%

Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6888 / AXIATA MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	9,181.9
Market Cap (RM' m)	25,525.7
52-Week Price Range (RM)	2.94-2.16
Beta (x)	1.4
Free float (%)	25.0
3M Average Volume (m)	6.0
3M Average Value (RM' m)	16.6

Top 3 Shareholders	(%)
Khazanah Nasional Bhd	36.7
Employees Provident Fund Board	17.9
Amanah Saham Nasional Bhd	15.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.8	0.0	1.1
Relative (%)	-3.7	-3.5	-12.2

Axiata Group Berhad

Off to a decent start










Summary

- **1QFY24 net profit of RM189.9m was slightly above our and consensus expectation.**
- **Reported improved sales in 1QFY24 attributed to improvement in blended ARPU in both XL Axiata and Robi.**
- **Downgrade our recommendation to HOLD with a target price of RM2.94 (WACC 6.04%, terminal growth 0.5%).**

Results Review

- **Results review.** Axiata's reported 1Q24 net profit stands at RM135.0m which rose by 31.8% yoy, but fell 8.1% qoq. The strong yearly performance was led by improvement in blended ARPU in both XL Axiata and Robi coupled with better cost savings. Similarly, revenue was registered at RM5.6b, recording growth of 13.3% yoy (-2.3% qoq).
- **Within expectations.** 1QFY24 core net profit of RM189.9m makes up to 31% and 28% of both our and consensus forecasted net profit and is deemed to be within expectation.
- **Operations Highlights.** While XL Axiata subscribers has fallen mildly -0.4% yoy, blended ARPU surged rapidly to IDR44,000 (vs IDR40,000 in 1QFY23). This was driven by improved competitive environment. Concurrently, contribution from Robi remained positive as subscribers grew 4.5% yoy and blended ARPU inched higher to BDT140 (vs BDT137 in 1QFY23). Meanwhile, edotco demonstrated robust EBITDA growth of 13.5% yoy, supported by reduced manpower and site-related costs, along with an increase in built-in towers and tenancy ratio in Bangladesh, Cambodia, and the Philippines.
- **Industry Highlights.** Looking ahead, the forthcoming merger between Dialog Axiata and Bharti Airtel is anticipated to further strengthen their presence in Sri Lanka. Additionally, the Group is implementing a strategic and structural transformation in Indonesia, aiming to convert Link Net into a FibreCo and XL Axiata into a converged ServeCo. XL Axiata will be able to leverage on Link Net's extensive fibre optics network, positioning itself as the second largest fixed broadband provider in Indonesia. The Group is also exploring a potential merger between XL Axiata and Smartfren.
- **Outlook.** We were welcomed with FY24 guidance of: a) mid-single digit revenue growth, b) mid-teens EBIT growth, c) capex of RM6.1b.
- **Valuation.** We downgrade our recommendation to **HOLD** with a lower target price of RM2.94 based on DCF valuation (WACC of 6.04% with a long-term growth rate of 0.5%).
- **Risk.** Axiata continues to face geopolitical, macroeconomic and regulatory risks as well as strengthening USD and high interest rates.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	5,662.1	4,997.2	13.3	5,793.6	(2.3)	4,997.2	5,662.1	13.3		Led by improved data and service revenue from XL and
EBITDA	2,959.7	2,314.3	27.9	2,632.8	12.4	2,314.3	2,959.7	27.9		
Pre-tax profit	302.2	218.7	38.2	396.6	(23.8)	218.7	302.2	38.2		Better margin due to cost optimisation
Net profit	135.0	102.4	31.8	146.7	(8.0)	102.4	135.0	31.8		
Core net profit	189.9	83.2	128.3	287.0	(33.8)	83.2	189.9	128.3		
Core EPS (sen)	2.1	0.9	128.3	3.1	(33.8)	0.9	2.1	128.3		
EBITDA margin (%)	52.3	46.3		45.4		46.3	52.3			
PBT margin (%)	5.3	4.4		6.8		4.4	5.3			
Core PATMI margin (%)	3.4	1.7		5.0		1.7	3.4			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	19994.4	20020.3	22002.3	23535.9	24487.8
Operating Profit	9084.6	8236.3	9858.5	11040.9	10825.4
EBITDA	8735.2	8169.8	10390.3	11588.6	11389.6
Depreciation & Amortisation	-6317.8	-7878.0	-7200.0	-8013.7	-7735.4
EBIT	2417.3	291.8	3190.3	3574.9	3654.2
Net Finance Income/ (Cost)	-1466.1	-2101.3	-2396.9	-2097.3	-2104.9
Associates & JV	-9.4	-66.5	531.8	547.7	564.1
Pre-tax Profit	951.2	-1809.5	793.4	1477.7	1549.3
Tax	-643.7	-604.9	-651.2	591.1	619.7
Profit After Tax	307.5	-2414.4	142.2	886.6	929.6
Minority Interest	0.0	205.0	267.4	267.4	267.4
Net Profit	307.5	-2619.3	-125.2	619.2	662.2
Exceptionals	108.1	4206.0	667.4	0.0	0.0
Core Net Profit	1325.6	1586.7	542.2	619.2	662.2

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	43.7%	40.8%	47.2%	49.2%	46.5%
EBIT margin	12.1%	1.5%	14.5%	15.2%	14.9%
PBT margin	4.8%	-9.0%	3.6%	6.3%	6.3%
PAT margin	1.5%	-12.1%	0.6%	3.8%	3.8%
NP margin	1.5%	-13.1%	-0.6%	2.6%	2.7%
Core NP margin	1.5%	-13.1%	-0.6%	2.6%	2.7%
ROE	1.2%	-8.5%	-0.4%	2.3%	2.4%
ROA	0.4%	-3.2%	-0.2%	0.8%	0.8%
Net gearing	24.8%	26.1%	37.8%	26.4%	24.1%

Key Assumptions ('000)	FY21	FY22	FY23	FY24F	FY25F
XL postpaid subscribers	1316	1512	1627	1708	1793
XL prepaid subscribers	56585	55964	55891	58685	61619
XL prepaid ARPU	107	96	90	90	90
XL postpaid ARPU	35	37	40	40	42

Valuations	FY24F
Terminal growth rate	0.50%
WACC	6.04%
Fair Value (RM)	2.94

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	6969.4	7451.7	4612.1	4359.5	5841.2
Receivables	5060.9	6943.6	4808.7	5143.9	5351.9
Inventories	222.7	216.4	218.9	234.1	243.6
Other current assets	157.6	82.3	968.2	968.2	968.2
Total Current Assets	12410.6	14694.0	10607.9	10705.7	12404.9
Fixed Assets	26975.3	27201.0	27439.8	26486.9	26097.8
Intangibles	21722.7	13442.2	12237.5	12237.5	12237.5
Other non-current assets	11441.8	26303.6	28156.7	28156.7	28156.7
Total Non-current assets	60139.8	66946.7	67834.1	66881.2	66492.1
Short-term Debt	4231.4	7088.1	2666.0	2666.0	2666.0
Payables	13555.1	10579.6	9317.4	9586.9	10482.6
Other Current Liabilities	2566.2	3405.6	3210.0	3210.0	3210.0
Total Current Liabilities	20352.7	21073.3	15193.3	15462.8	16358.5
Long-term Debt	1489.1	18347.5	22176.2	22176.2	22176.2
Other non-current liabilities	12312.8	1539.6	12837.2	12837.2	12837.2
Total Non-current Liabilities	27131.9	29887.1	35013.4	35013.4	35013.4
Shareholder's equity	18005.3	23935.1	22064.1	20939.5	21354.0
Minority interest	7060.5	6745.3	6171.2	6171.2	6171.2
Equity	25065.8	30680.4	28235.3	27110.7	27525.2

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	951.2	-1809.5	793.4	1477.7	1549.3
Depreciation & amortisation	6317.8	100.5	107.0	103.2	112.0
Changes in working capital	8271.4	-4851.8	870.2	-80.9	678.2
Others	-6652.3	15495.6	5907.7	7052.0	6736.2
Operating cash flow	8888.1	8934.8	7678.2	8551.9	9075.7
Net capex	-6487.5	-9761.0	-6969.7	-7060.8	-7346.3
Others	-1586.2	-1824.0	2269.6	0.0	0.0
Investing cash flow	-8073.8	-11585.0	-4700.1	-7060.8	-7346.3
Changes in borrowings	668.0	6994.1	-1582.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-825.5	-504.7	-1743.9	-1743.9	-247.7
Others	-1059.0	-3077.0	-1941.5	0.0	0.0
Financing cash flow	-1216.5	3412.3	-5267.3	-1743.9	-247.7
Net cash flow	-402.2	762.2	-2289.2	-252.7	1481.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	649.4	377.2	575.1	0.0	0.0
Beginning cash	6722.0	6312.3	6326.2	4612.1	4359.5
Ending cash	6969.2	7451.7	4612.1	4359.5	5841.2

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Petaling Jaya Office:

16th Floor, Menara Choy Fook Onn,
No.1B Jalan Yong Shook Lin,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7620 1118

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

Head Office:

Kenneth Leong (ext 2093)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Chelsea Chew (ext 2070)

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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