

**Steven Chong**

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<b>Recommendation:</b>	<b>HOLD</b>
<b>Current Price:</b>	<b>RM 2.49</b>
<b>Previous Target Price:</b>	<b>RM 2.94</b>
<b>Target Price:</b>	<b>RM 2.55</b>
<b>Upside/Downside:</b>	<b>2.4%</b>

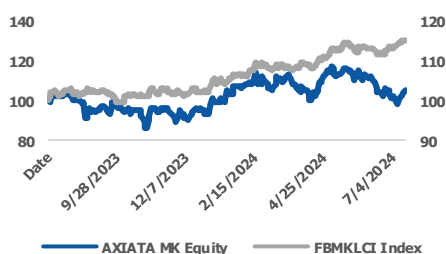
**Stock information**

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)	22,863.0
52-Week Price Range (RM)	2.94-2.16
Beta (x)	1.4
Free float (%)	24.5
3M Average Volume (m)	7.7
3M Average Value (RM' m)	20.8

**Top 3 Shareholders (%)**

Khazanah Nasional Bhd	36.7
Employees Provident Fund Board	18.6
Amanah Saham Nasional Bhd	15.0

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-3.9	-8.5	-3.5
Relative (%)	-6.0	-11.4	-14.5

## Axiata Group Berhad

### Unrest in Bangladesh Hits Performance

#### Summary

- **Broadband services were partially restored in selected areas on Tuesday evening following a five-day shutdown, but mobile services remain unavailable.**
- **Robi are likely to be affected due to its reliance on the prepaid mobile sector. Consequently, we tweak our bottom-line forecast for FY24F lower, with reduction of 3.7% yoy.**
- **We maintain our HOLD recommendation with a lower target price of RM2.55 based on DCF valuation (WACC of 7% with a long-term growth rate of 0.5%) after accounting for rising macroeconomic risk from the frontier market as well as weaker investor sentiment.**

#### Company Update

- **Unrest in Bangladesh.** Anti-government protests escalate in Bangladesh as student demonstrators continued to clash with police and pro-government activists. Subsequently, the Bangladesh authorities has enforced nationwide curfew as well as shutting mobile internet and broadband internet services. Since then, broadband services were partially restored in selected areas on Tuesday evening after a five-day shutdown, but mobile services remain unavailable.
- **Robi to be affected by the protest.** Axiata's exposure to Bangladesh is primarily through its 61% ownership in Robi and its tower assets via 63% owned Edotco. We anticipate that the lockdown will have an impact Robi due to its reliance on the prepaid mobile sector, as the subsidiary contributed 18% to Axiata's EBITDA. Consequently, we tweak our bottom-line forecast for FY24F, trimming 3.7% yoy at the moment while awaiting further clarification.
- **Minimal impact on Edotco.** Although the Bangladesh market accounts for 33% of Edotco's revenue, we expect Edotco's tower operations remain stable due to the security provided by long-term contracts, which ensure consistent revenue.
- **Valuation.** We maintain our **HOLD** recommendation with a lower target price of RM2.55 based on DCF valuation (WACC of 7% with a long-term growth rate of 0.5%) after accounting for rising macroeconomic risk from the frontier market as well as weaker investor sentiment.
- **Risk.** Axiata continues to face geopolitical, macroeconomic and regulatory risks as well as strengthening USD and high interest rates.

**Financial Highlights**
**Income Statement**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>19994.4</b>	<b>20020.3</b>	<b>22002.3</b>	<b>23494.5</b>	<b>24448.2</b>
<b>Operating Profit</b>	<b>9084.6</b>	<b>8236.3</b>	<b>9858.5</b>	<b>11003.1</b>	<b>10935.7</b>
<b>EBITDA</b>	<b>8735.2</b>	<b>8169.8</b>	<b>10390.3</b>	<b>11550.8</b>	<b>11499.8</b>
Depreciation & Amortisation	-637.8	-7878.0	-7200.0	-8013.7	-7731.7
<b>EBIT</b>	<b>2417.3</b>	<b>291.8</b>	<b>3190.3</b>	<b>3537.2</b>	<b>3768.1</b>
Net Finance Income/(Cost)	-1466.1	-2101.3	-2396.9	-2097.3	-2239.6
Associates & JV	-9.4	-66.5	531.8	547.7	564.1
<b>Pre-tax Profit</b>	<b>951.2</b>	<b>-1809.5</b>	<b>793.4</b>	<b>1439.9</b>	<b>1528.4</b>
Tax	-643.7	-604.9	-651.2	576.0	611.4
<b>Profit After Tax</b>	<b>307.5</b>	<b>-2414.4</b>	<b>142.2</b>	<b>863.9</b>	<b>917.0</b>
Minority Interest	0.0	205.0	267.4	267.4	267.4
<b>Net Profit</b>	<b>307.5</b>	<b>-2619.3</b>	<b>-125.2</b>	<b>596.6</b>	<b>649.7</b>
Exceptionals	1018.1	4206.0	667.4	0.0	0.0
<b>Core Net Profit</b>	<b>1325.6</b>	<b>1586.7</b>	<b>542.2</b>	<b>596.6</b>	<b>649.7</b>

**Key Ratios**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	43.7%	40.8%	47.2%	49.2%	47.0%
EBIT margin	12.1%	1.5%	14.5%	15.1%	15.4%
PBT margin	4.8%	-9.0%	3.6%	6.1%	6.3%
PAT margin	1.5%	-12.1%	0.6%	3.7%	3.8%
NP margin	1.5%	-13.1%	-0.6%	2.5%	2.7%
Core NP margin	1.5%	-13.1%	-0.6%	2.5%	2.7%
ROE	1.2%	-8.5%	-0.4%	2.2%	2.4%
ROA	0.4%	-3.2%	-0.2%	0.7%	0.8%
Net gearing	24.8%	26.1%	37.8%	25.7%	23.9%

**Key Assumptions ('000)**

FY21	FY22	FY23	FY24F	FY25F	
<b>XL postpaid subscribers</b>	1316	1512	1627	1708	1793
<b>XL prepaid subscribers</b>	56585	55964	55891	58685	61619
<b>XL postpaid ARPU</b>	107	96	90	90	90
<b>XL prepaid ARPU</b>	35	37	40	40	42

**Valuations**

FY24F	
Terminal growth rate	0.50%
WACC	7.02%
<b>Fair Value (RM)</b>	<b>2.55</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	6969.4	7451.7	4612.1	6601.8	7011.7
Receivables	5060.9	6943.6	4808.7	5134.8	5343.2
Inventories	222.7	216.4	218.9	233.7	243.2
Other current assets	157.6	82.3	968.2	968.2	968.2
<b>Total Current Assets</b>	<b>12410.6</b>	<b>14694.0</b>	<b>10607.9</b>	<b>12938.5</b>	<b>13566.4</b>
Fixed Assets	26975.3	27201.0	27439.8	26474.5	26077.2
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
<b>Total Non-current assets</b>	<b>60139.8</b>	<b>66946.7</b>	<b>67834.1</b>	<b>66868.8</b>	<b>66471.5</b>
Short-term Debt	4231.4	7088.1	2666.0	0.0	0.0
Payables	13555.1	10579.6	9317.4	9584.1	10367.6
Other Current Liabilities	2566.2	3405.6	3210.0	3210.0	3210.0
<b>Total Current Liabilities</b>	<b>20352.7</b>	<b>21073.3</b>	<b>15193.3</b>	<b>12794.1</b>	<b>13577.6</b>
Long-term Debt	14819.1	18347.5	22176.2	27088.0	26124.1
Other non-current liabilities	12312.8	11539.6	12837.2	12837.2	12837.2
<b>Total Non-current Liabilities</b>	<b>27131.9</b>	<b>29887.1</b>	<b>35013.4</b>	<b>39925.2</b>	<b>38961.3</b>
Shareholder's equity	18005.3	23935.1	22064.1	20916.8	21327.9
Minority interest	7060.5	6745.3	6171.2	6171.2	6171.2
<b>Equity</b>	<b>25065.8</b>	<b>30680.4</b>	<b>28235.3</b>	<b>27088.0</b>	<b>27499.0</b>

**Cash Flow**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>951.2</b>	<b>-1809.5</b>	<b>793.4</b>	<b>1439.9</b>	<b>1528.4</b>
Depreciation & amortisation	6317.8	100.5	107.0	103.2	112.0
Changes in working capital	8271.4	-4851.8	870.2	-74.2	565.6
Others	-6652.3	15495.6	5907.7	7067.1	6741.0
<b>Operating cash flow</b>	<b>8888.1</b>	<b>8934.8</b>	<b>7678.2</b>	<b>8536.0</b>	<b>8947.0</b>
Net capex	-6487.5	-9761.0	-6969.7	-7048.3	-7334.5
Others	-1586.2	-1824.0	2269.6	0.0	0.0
<b>Investing cash flow</b>	<b>-8073.8</b>	<b>-11585.0</b>	<b>-4700.1</b>	<b>-7048.3</b>	<b>-7334.5</b>
Changes in borrowings	668.0	6994.1	-1582.0	2245.9	-963.9
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-825.5	-504.7	-1743.9	-1743.9	-238.6
Others	-1059.0	-3077.0	-1941.5	0.0	0.0
<b>Financing cash flow</b>	<b>-1216.5</b>	<b>3412.3</b>	<b>-5267.3</b>	<b>502.0</b>	<b>-1202.5</b>
<b>Net cash flow</b>	<b>-402.2</b>	<b>762.2</b>	<b>-2289.2</b>	<b>1989.6</b>	<b>410.0</b>
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	6601.8
<b>Ending cash</b>	<b>6969.2</b>	<b>7451.7</b>	<b>4612.1</b>	<b>6601.8</b>	<b>7011.7</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
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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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