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<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM 2.07
Previous Target Price:	RM 2.10
Target Price:	↔ RM 2.10
Capital Upside/Downside:	1.4%
Dividend Yield (%):	4.8%
<b>Total Upside/Downside</b>	<b>6.3%</b>

**Stock information**

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6888 / AXIATA MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	9,185.5
Market Cap (RM' m)	19,013.9
52-Week Price Range (RM)	2.92-1.63
Beta (x)	1.2
Free float (%)	43.3
3M Average Volume (m)	9.5
3M Average Value (RM' m)	18.0

**Top 3 Shareholders**

(%)

Khazanah Nasional Bhd	36.7
Employees Provident Fund Board	17.8
Amanah Saham Nasional Bhd	15.3

**Share Price Performance**

	1M	3M	12M
Absolute (%)	1.5	-1.0	-24.5
Relative (%)	0.9	2.4	-20.4

<b>Earnings Summary</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>
Revenue (RM' m)	22334.6	23229.3	24001.6
PATAMI (RM' m)	947	812	955
CNP (RM' m)	852	812	824
EPS - core (sen)	9.3	8.8	9.0
P/E(x)	22.7	23.9	23.5

# Axiata Group Bhd

## Muted start to FY25

- **Axiata's 1QFY25 core net profit surged +166.3% yoy to RM159.8m, which is slightly below expectations, representing 18.2%/19.2% of both ours and consensus expectations respectively.**
- **We expect some earnings softness in 2QFY25 due to the XL Axiata-Smartfren merger, as Axiata's reduced 34.8% stake in the new entity, XLSmart, will likely lead to earnings dilution.**
- **We keep our forecast unchanged at the moment, pending further clarity from the upcoming briefing.**
- **Re-iterate our HOLD recommendation with an unchanged target price of RM2.10, based on based on DCF valuation (WACC of 6.8% with a long-term growth rate of 0.5%).**

**Results below expectations.** FY24 CNP at RM159.8m (+166.3% yoy) was slightly below both ours and consensus expectations, making up to 18.2% and 19.2% of forecasted CNP respectively. The variance was mainly due to the lower-than-expected contribution from XL Axiata, which faced pricing pressures during the quarter.

**YoY.** 1QFY25 CNP jumped +166.3% yoy, primarily driven by lower D&A expenses and borrowing costs, reflecting the Group's ongoing de-gearing efforts. Revenue for the quarter, however, was down -11.3% yoy to RM5.1bn due to weakness across most of its segments stemming from currency translation losses as the Ringgit strengthened. Notably, the digital banking segment (Boost) was the only business to record topline growth, driven by higher interest income from loan disbursements.

**QoQ.** CNP returned to the black from a loss of -RM224.8m in 4QFY24, supported by foreign exchange gains, along with lower finance costs, taxes, and D&A. Meanwhile, revenue plunged -5.1% qoq, mainly due to weaker performance from XL Axiata and Dialog. Dialog was affected by the scaling down of its low-margin international wholesale business, while XL Axiata saw declines in both data and digital revenue.

**Outlook.** Regarding the potential sale of Edotco, we estimate that a full divestment of Axiata's 63% stake by year-end could lower the Group's bottom line by -13.3%/-10.5%/-8.8% in FY26/FY27/FY28, respectively. This reflects the loss of earnings contribution from Edotco, a key profit contributor for the Group. We believe some earnings softness in 2QFY25 is inevitable following the completion of the XL Axiata-Smartfren merger, which resulted in the formation of the new entity, XLSmart. With Axiata's stake in the merged entity reduced to 34.8%, we anticipate a certain degree of earnings dilution moving forward.

**Earnings Revision.** We keep our forecast unchanged at the moment, pending further clarity from the upcoming briefing.

**Valuation.** Maintained our **HOLD** recommendation on Axiata with unchanged target price of **RM2.10**, based on DCF valuation (WACC of 6.8% 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.

# Results Note

Thursday, 29 May, 2025

## Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	5,088.9	5,739.0	(11.3)	5,362.7	(5.1)	5,088.9	5,739.0	(11.3)	Stronger Ringgit dragged yoy performance
EBITDA	2,500.0	2,697.9	(7.3)	2,384.3	4.9	2,500.0	2,697.9	(7.3)	
Pre-tax profit	456.5	374.9	21.8	193.8	135.5	456.5	374.9	21.8	
Net profit	159.8	60.0	166.3	(224.8)	nm	159.8	60.0	166.3	degearing effort led to lower borrowing cost
Core net profit	159.8	60.0	166.3	(224.8)	nm	159.8	60.0	166.3	
Core EPS (sen)	1.7	0.7	166.3	(2.4)	nm	1.7	0.7	166.3	
EBITDA margin (%)	49.1	47.0		44.5		49.1	47.0		
PBT margin (%)	9.0	6.5		3.6		9.0	6.5		
Core net profit margin (%)	3.1	1.0		(4.2)		3.1	1.0		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
<b>Revenue</b>									
<b>Telco</b>	<b>4,181.6</b>	<b>4,678.0</b>	<b>(10.6)</b>	<b>4,420.2</b>	<b>(5.4)</b>	<b>4,181.6</b>	<b>4,678.0</b>	<b>(10.6)</b>	
-Indonesia	2,240.5	2,503.3	(10.5)	2,433.2	(7.9)	2,240.5	2,503.3	(10.5)	
-Bangladesh	835.7	1,060.3	(21.2)	840.6	(0.6)	835.7	1,060.3	(21.2)	macroeconomic challenges
-Sri Lanka	649.0	652.1	(0.5)	690.3	(6.0)	649.0	652.1	(0.5)	revenue shrunk due to scaling down of low
-Cambodia	456.4	462.3	(1.3)	456.2	0.0	456.4	462.3	(1.3)	margin hubbing business
<b>Infrastrucutre</b>	<b>641.8</b>	<b>792.5</b>	<b>(19.0)</b>	<b>139.4</b>	<b>360.6</b>	<b>641.8</b>	<b>792.5</b>	<b>(19.0)</b>	
Link Net	127.7	272.2	(53.1)	139.4	(8.3)	127.7	272.2	(53.1)	absence of residential revenue post business tra
Edotco	514.1	520.3	(1.2)	765.1	(32.8)	514.1	520.3	(1.2)	of B2C segment to XL
<b>Digital</b>	<b>264.2</b>	<b>262.0</b>	<b>0.8</b>	<b>765.1</b>	<b>(65.5)</b>	<b>264.2</b>	<b>262.0</b>	<b>0.8</b>	
<b>Other</b>	<b>1.2</b>	<b>6.5</b>	<b>(81.1)</b>	<b>765.1</b>	<b>(99.8)</b>	<b>1.2</b>	<b>6.5</b>	<b>(81.1)</b>	
<b>Total</b>	<b>5,088.9</b>	<b>5,739.0</b>	<b>(11.3)</b>	<b>6,089.7</b>	<b>(16.4)</b>	<b>5,088.9</b>	<b>5,739.0</b>	<b>(11.3)</b>	

Source: Company, Apex Securities

# Results Note

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## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	22318.3	22334.6	23229.3	24001.6	25179.3
Operating Profit	10048.5	10897.3	10636.3	9971.4	10007.5
EBITDA	10048.5	11203.4	10951.6	10296.1	10341.9
Depreciation & Amortisation	-8202.4	-7341.2	-7696.0	-6776.2	-6180.4
EBIT	1846.2	3862.2	3255.6	3519.9	4161.5
Net Finance Income/ (Cost)	-2366.9	-1748.6	-1932.6	-1822.8	-1922.2
Associates & JV	531.8	450.9	647.1	666.5	686.5
Pre-tax Profit	11.0	2564.5	2285.3	2688.4	3260.3
Tax	-665.7	-965.6	-914.1	-1075.4	-1304.1
Profit After Tax	-654.7	1598.9	1371.2	1613.0	1956.2
Minority Interest	-93.0	652.0	559.2	657.8	797.8
Net Profit	-561.8	946.8	812.0	955.2	1158.4
Exceptionals	971.6	-94.6	0.0	-131.4	-132.7
Core Net Profit	409.9	852.2	812.0	823.8	1025.7

### Key Ratios

FYE Sep	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	4.5	9.3	8.8	9.0	11.2
P/E (x)	47.3	22.7	23.9	23.5	18.9
P/B (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	5.8	4.9	4.7	4.7	4.5
DPS (sen)	10.0	10.0	10.0	10.0	10.0
Dividend Yield (%)	4.7%	4.7%	4.7%	4.7%	4.7%
EBITDA margin (%)	45.0%	50.2%	47.1%	42.9%	41.1%
EBIT margin (%)	8.3%	17.3%	14.0%	14.7%	16.5%
PBT margin (%)	0.0%	11.5%	9.8%	11.2%	12.9%
PAT margin (%)	-2.9%	7.2%	5.9%	6.7%	7.8%
NP margin (%)	-2.5%	4.2%	3.5%	4.0%	4.6%
CNP margin (%)	1.8%	3.8%	3.5%	3.4%	4.1%
ROE (%)	1.5%	3.1%	3.0%	3.0%	3.7%
ROA (%)	0.5%	1.1%	1.1%	1.1%	1.3%
Gearing (%)	130.8%	124.1%	128.2%	128.3%	128.2%
Net gearing (%)	114.5%	106.5%	93.7%	83.7%	76.6%

### Valuations

	FY26F
Terminal Growth Rate	0.50%
WACC	6.81%
Implied Fair Value (RM)	2.10

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	4612.1	4860.4	9475.4	12213.3	14168.1
Receivables	4784.5	5349.5	5563.7	5748.7	6030.8
Inventories	218.9	122.7	127.6	131.8	138.3
Other current assets	82.3	968.2	0.0	101.6	101.6
Total Current Assets	10583.7	10434.1	15268.3	18195.4	20438.8
Fixed Assets	27439.8	25521.6	22471.5	20495.6	19351.1
Intangibles	12237.5	11576.2	11576.2	11576.2	11576.2
Other non-current assets	28156.7	26823.9	26823.9	26823.9	26823.9
Total Non-Current Assets	67834.1	63921.8	60871.7	58895.8	57751.2
Short-term debt	4756.7	6515.9	6714.4	6697.6	6716.8
Payables	9293.2	8979.9	9887.2	11015.6	11912.0
Other current liabilities	1123.5	780.8	780.8	780.8	780.8
Total Current Liabilities	15173.3	16276.6	17382.5	18494.1	19409.6
Long-term debt	32187.5	27710.1	28494.6	28428.3	28504.0
Other non-current liabilities	2821.7	2792.5	2792.5	2792.5	2792.5
Total Non-Current Liabilities	35009.2	30502.6	31287.2	31220.8	31296.5
Shareholder's equity	22064.1	21193.2	21087.0	20992.6	21100.4
Minority interest	6171.2	6383.5	6383.5	6383.5	6383.5
Total Equity	28235.3	27576.7	27470.5	27376.1	27483.9

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	11.0	2564.5	2285.3	2688.4	3260.3
Depreciation & amortisation	8202.4	7341.2	7696.0	6776.2	6180.4
Changes in working capital	870.2	-782.1	688.1	939.2	607.8
Others	-1220.6	-220.7	-1473.3	-1864.2	-2234.9
Operating cash flow	7863.0	8902.9	9196.1	8539.6	7813.6
Net capex	-7126.7	-5055.2	-4645.9	-4800.3	-5035.9
Others	2212.4	-521.3	0.0	0.0	0.0
Investing cash flow	-4914.2	-5576.5	-4645.9	-4800.3	-5035.9
Dividends paid	-1743.9	-918.2	-918.2	-918.3	-917.9
Others	-3551.8	-2193.4	983.1	-83.1	94.9
Financing cash flow	-5295.7	-3111.6	64.9	-1001.4	-823.0
Net cash flow	-2346.9	214.9	4615.2	2737.9	1954.8
Forex	-266.2	-514.5	0.0	0.0	0.0
Others	65.7	1330.2	0.0	0.0	0.0
Beginning cash	6326.0	3778.7	4809.2	9424.3	12162.3
Ending cash	3778.7	4809.2	9424.3	12162.3	14117.1

# Results Note

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	In FY24, Scope 2 emissions increased by 7% yoy to 1.16m tCO2e due to business growth, mainly attributed to the rise in the number of sites, additional equipment, and efforts to enhance network quality and efficiency
Waste & Effluent	★★★	The Group has diverted 1,248 tonnes of waste (30% of total waste) from disposal.
Energy	★★★	Total energy consumption rose to 6.6m GJ in FY24, up from 6.19m GJ in FY23.
Water	★★★	Water consumption declined -12.6% yoy from 350.8m litre to 306.6m litre in FY24.
Compliance	★★★	In compliance with local and international environmental regulations

### Social

Diversity	★★★	Women represent 31% of employees; Axiata targets 30% women in leadership roles; 92.4% of workforce is under 50 years of age.
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★★	218,179 hours of training conducted; 1 work related fatalities reported in FY24.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

### Governance

CSR Strategy	★★★	Invested RM5.4m in impactful education-focused initiatives including Young CEO Development, University and School Leadership Programmes, EduTuition, Digital Certification, and Scholarships.
Management	★★★	3/11 female board composition, 6/11 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

## Recommendation Framework:

**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.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.