

Axiata Group

CDB's Non-Cash Items Weigh

By Ahmad Ramzani Ramli | ahmadramzani@kenanga.com.my

AXIATA's 1QFY23 results disappointed due to higher-than-expected depreciation and finance costs, and lower-than-expected contribution from CDB. Operationally, both revenue and EBITDA met expectations, thanks to its resilient subscribers and ARPU. We rationalise down our FY23-24F earnings forecasts by 28% and 33%, respectively, lower our TP by 2% to RM4.18 (from RM4.27) but maintain our OUTPERFORM call.

1QFY23 core net profit of RM83m disappointed, accounting for only 7% each of both our full-year forecast and the full-year consensus estimate. The variance against our forecast came largely from the higher-than-expected depreciation and amortisation, and finance costs, and lower-than-expected contribution from CDB. As expected, no dividend was announced for this quarter.

Results' highlights. YoY (after discontinuing Celcom's operations), 1QFY23 revenue improved 8% (accounting for 25% of our full-year estimates), underpinned by a strong recovery in domestic and regional operations. Revenue was underpinned by specifically Edotco (+21%), Dialog (Sri Lanka) at 31%, Robi (Bangladesh) at 16% and XL Axiata (Indonesia) at 12%. EBITDA growth outpaced revenue at 9% (accounting for 24% of our full-year estimates) led by Edotco (19%), Robi at 24% and XL at 13%. PATAMI rebounded to RM74m with Robi and Smart (Cambodia) being the main driver, growing at 34% and 86%, respectively, supported by the absence of Cukai Makmur, lower taxes and forex losses. PATAMI was also moderated by share of results of CDB, lower than the PATAMI contribution of Celcom as a subsidiary in 1QFY22.

Its mobile subscription continued to be resilient across all Axiata's telcos with Dialog leading the way, growing 7% YoY but down 1% QoQ, followed by Robi at +3% YoY and +2% QoQ. Similarly, blended ARPU saw improvement or stayed stable across all its operating companies, with the exception of Ncell which saw a 3rd consecutive quarterly drop (2%) to RM176 on account of inflationary pressure and reduction in domestic rates.

We rationalise down our FY23-24F earnings forecasts by 28% and 33%, respectively, to be in-line with the latest results announcement. Consequently, we trim our SoP-derived TP by 2% to RM4.18 (from RM4.27) on lower contribution from CDB (see Page 4). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see page 5).

We continue to like AXIATA for: (i) its strong foothold in the growing telco markets in the region, (ii) its dominant position in the telco tower sector in the region via edotco, and (iii) the strong execution of its M&A strategy, having concluded major acquisitions in Indonesia and the Philippines recently. Maintain OUTPERFORM.

Risks to our call include: (i) unfavourable terms with regards to the 5G roll-out in Malaysia, and (ii) risks associated with overseas operations.

OUTPERFORM ↔

Price : RM2.96
Target Price: RM4.18 ↓

Share Price Performance



KLCI 1,402.48
YTD KLCI chg -6.2%
YTD stock price chg -4.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AXIATA MK Equity
Market Cap (RM m)	27,169.7
Share Outstanding	9,179.0
52-week range (H)	3.24
52-week range (L)	2.32
3-mth avg daily vol:	2,822,550
Free Float	26%
Beta	1.4

Major Shareholders

Khazanah Nasional Bhd	36.7%
Employees Provident Fund	16.7%
Skim Amanah Saham	14.8%

Summary Earnings Table*

FYE Dec (RMm)	2022A^	2023F	2024F
Revenue	27,522	22,517	23,478
EBITDA	8,373	10,133	10,565
EBIT	322	2,477	2,583
PBT	11,095	1,157	1,441
PATAMI	9,766	1,246	1,375
Core PATAMI	1,587	872	963
Consensus (NP)	-	1,225	1,436
Earnings Revision	N.m	-28%	-33%
Core EPS (sen)	17	10	10
Core EPS growth (%)	20%	-45%	10%
NDPS (sen)	12.0	12.0	12.0
BVPS (RM)	2.6	2.6	2.6
PER (x)	17.1	31.1	28.2
PBV (x)	1.1	1.1	1.2
Net Gearing (x)	0.9	1.0	1.1
Net Div. Yield (%)	4.1	4.1	4.1

^ consolidating 11 months of Celcom

26 May 2023

Results Highlight

FYE Dec (RMm)	1Q23^	4Q22	QoQChg	1Q22	YoY Chg	3M23^	3M22^	YoY Chg
Revenue	5,379	7,087	-24.1%	6,470	-16.9%	5,379	4,984	7.9%
EBITDA	2,440	(835)	-392.3%	2,992	-18.5%	2,440	2,246	8.6%
EBIT	627	(3,045)	-120.6%	854	-26.6%	627	634	-1.1%
Extraordinary Items		13,472		-		-	-	
PBT	269	10,286	-97.4%	253	6.2%	269	(124)	-317.0%
Taxation	(127)	(224)	-43.2%	(263)	-99.8%	(127)	(146)	-12.9%
Minority Interest	(68)	(95)	-28.3%	(34)	-99.2%	(68)	(34)	102.1%
PATAMI/LATAMI	74	9,967	-99.3%	(43)	-271.8%	74	(302)	-124.5%
Core PATAMI	83	510	-83.7%	370	-77.6%	83	370	-77.6%
Core EPS (sen)	0.9	5.6	-83.7%	4.03	-77.6%	0.9	4.0	-77.6%
DPS (sen)	0.0	9.0		-		0.0	0.0	
EBITDA Margin	45.4%	-11.8%		46.2%		45.4%	45.1%	
PBT Margin	5.0%	145.1%		3.9%		5.0%	-2.5%	
C PATAMI Margin	1.5%	7.2%		5.7%		1.5%	7.4%	
Effective Tax Rate	-47.2%	-2.2%		-103.7%		-47.2%	117.7%	

Source: Company, Kenanga Research

^ discontinued Celcom operations

Revenue Breakdown (at constant currency)

FYE Dec (RM m)	1Q23	4Q22	QoQChg	1Q22	YoY Chg	1Q23	1Q22	YoY Chg
Total Revenue*	5,954	11,352	-48%	6,642	-10%	5,954	6,642	-10%
XL (Indonesia)	2,203	4,269	-48%	1,969	12%	2,203	1,969	12%
Dialog (Sri Lanka)	962	2,106	-54%	735	31%	962	735	31%
Robi (Bangladesh)	1,141	2,104	-46%	981	16%	1,141	981	16%
Smart (Cambodia)	379	750	-49%	370	2%	379	370	2%
Ncell (Nepal)	324	704	-54%	342	-5%	324	342	-5%
Link Net (Indonesia)	285	344	-17%	0	#DIV/0!	285	0	#DIV/0!
Edotco	683	1,301	-48%	564	21%	683	564	21%
ADA	149	470	-68%	189	-21%	149	189	-21%
Boost	31	113	-73%	16	94%	31	16	94%
Others & eliminations	(203)	(809)	-75%	(182)	12%	(203)	(182)	12%
% Contribution								
Celcom	0.0%	0.0%		25.0%		0.0%	25.0%	
XL (Indonesia)	16.2%	18.6%		11.1%		16.2%	11.1%	
Dialog (Sri Lanka)	19.2%	18.5%		14.8%		19.2%	14.8%	
Robi (Bangladesh)	6.4%	6.6%		5.6%		6.4%	5.6%	
Smart (Cambodia)	5.4%	6.2%		5.1%		5.4%	5.1%	
Ncell (Nepal)	4.8%	3.0%		0.0%		4.8%	0.0%	
Link Net (Indonesia)	11.5%	11.5%		8.5%		11.5%	8.5%	
Edotco	2.5%	4.1%		2.8%		2.5%	2.8%	
ADA	0.5%	1.0%		0.2%		0.5%	0.2%	
Boost	-3.4%	-7.1%		-2.7%		-3.4%	-2.7%	
Others & eliminations	0.0%	0.0%		25.0%		0.0%	25.0%	

Source: Company, Kenanga Research

26 May 2023

EBITDA Breakdown (at constant currency)

FYE Dec (RM m)	1Q23	4Q22	QoQChg	1Q22	YoY Chg	1Q23	1Q22	YoY Chg
Total EBITDA	2,612	6,396	-59.2%	2,992	-12.7%	2,612	2,992	-12.7%
Celcom	0	1,572	-100.0%	745	-100.0%	0	745	-100.0%
XL (Indonesia)	1,053	2,128	-50.5%	933	12.8%	1,053	933	12.8%
Dialog (Sri Lanka)	250	495	-49.5%	283	-11.7%	250	283	-11.7%
Robi (Bangladesh)	507	975	-48.0%	408	24.4%	507	408	24.4%
Smart (Cambodia)	216	409	-47.1%	196	10.0%	216	196	10.0%
Ncell (Nepal)	180	374	-51.8%	197	-8.7%	180	197	-8.7%
Link Net (Indonesia)	124	132	-6.1%	0	N.m	124	0	N.m
Edotco	468	816	-42.7%	393	19.2%	468	393	19.2%
ADA	4	66	-93.9%	18	-77.8%	4	18	-77.8%
Boost	(42)	(43)	-2.3%	(42)	0.0%	(42)	(42)	0.0%
Others & eliminations	(148)	(527)	-71.9%	(140)	5.7%	(148)	(140)	5.7%
EBITDA Margin								
Celcom	N.m	N.m		45.0%		N.m	45.0%	
XL (Indonesia)	48%	50%		47%		48%	47%	
Dialog (Sri Lanka)	26%	23%		39%		26%	39%	
Robi (Bangladesh)	44%	46%		42%		44%	42%	
Smart (Cambodia)	57%	54%		53%		57%	53%	
Ncell (Nepal)	56%	53%		58%		56%	58%	
Link Net (Indonesia)	44%	38%		N.m		44%	N.m	
Edotco	69%	63%		70%		69%	70%	
ADA	3%	14%		10%		3%	10%	
Boost	-135%	-38%		-263%		-135%	-263%	
Others & eliminations	73%	65%		77%		73%	77%	
Total	44%	44%		45%		44%	45%	
% Contribution								
Celcom	0%	25%		25%		0%	25%	
XL (Indonesia)	40%	33%		31%		40%	31%	
Dialog (Sri Lanka)	10%	8%		9%		10%	9%	
Robi (Bangladesh)	19%	15%		14%		19%	14%	
Smart (Cambodia)	8%	6%		7%		8%	7%	
Ncell (Nepal)	7%	6%		7%		7%	7%	
Link Net (Indonesia)	5%	2%		0%		5%	0%	
Edotco	18%	13%		13%		18%	13%	
ADA	0%	1%		1%		0%	1%	
Boost	-2%	-1%		-1%		-2%	-1%	

Source: Company, Kenanga Research

Core PATAMI Breakdown(at constant currency)

FYE Dec (RM m)	1Q23	4Q22	QoQChg	1Q22	YoY Chg	1Q23	1Q22	YoY Chg
Core PATAMI	76	598	-87.3%	631	-88.0%	76	631	-88.0%
Celcom	0	776	-100.0%	261	-100.0%	0	261	-100%
XL	16	67	-76%	13	23%	16	13	23%
Dialog	(3)	56	-105%	69	-104%	(3)	69	-104%
Robi	26	47	-45%	14	86%	26	14	86%
Smart	75	125	-40%	56	34%	75	56	34%
Ncell	31	73	-58%	37	-16%	31	37	-16%
Link Net (Indonesia)	(16)	(2)	700%	0	N.m	(16)	0	N.m
edotco	(3)	55	-105%	59	-105%	(3)	59	-105%
ADA	(9)	27	-133%	5	-280%	(9)	5	-280%
Boost	(41)	(43)	-5%	(36)	14%	(41)	(36)	14%
Others	0	(583)	-100%	153	-100%	0	153	-100%
% Contribution								
Celcom	0%	130%		41%		0%	41%	
XL	21%	11%		2%		21%	2%	
Dialog	-4%	9%		11%		-4%	11%	
Robi	34%	8%		2%		34%	2%	
Smart	99%	21%		9%		99%	9%	
Ncell	41%	12%		6%		41%	6%	
Link Net (Indonesia)	-21%	0%		0%		-21%	0%	
edotco	-4%	9%		9%		-4%	9%	
ADA	-12%	5%		1%		-12%	1%	
Boost	-54%	-7%		-6%		-54%	-6%	
Others	0%	-97%		24%		0%	24%	

Source: Company, Kenanga Research

26 May 2023

Key Operating Indicators

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Blended ARPU (in RM)									
Celcom	45	45	45	45	43	44	45	0	0
XL	35	37	37	37	36	39	40	40	40
Dialog (SLR)	364	368	374	363	364	375	389	398	373
Robi	123	125	127	122	121	124	129	133	138
Ncell	218	211	203	200	187	199	189	180	176
Subs (000)									
Celcom	8,994	9,223	9,380	9,595	9,584	9,502	9,384	0	0
XL (Indonesia)	56,018	56,767	57,978	57,901	57,003	57,234	57,348	57,476	57,890
Dialog (Sri Lanka)	14,953	15,080	15,329	16,287	16,405	16,894	17,052	17,732	17,602
Robi (Bangladesh)	51,942	51,844	53,043	53,673	54,073	54,530	54,361	54,404	55,572
Ncell (Nepal)	16,316	16,327	16,490	16,842	16,886	16,817	17,213	17,145	16,929

Source: Company, Kenanga Research

AXIATA's Sum-of-Parts Valuation

Unit	Valuation Basis	Multiple (x)	EV (RM'm)	Axiata's Stake (%)	Value to Axiata (RM'm)
XL (Indonesia)	EV / EBITDA	5.0	22,405	61.5%	13,779
Robi (Bangladesh)	EV / EBITDA	8.0	14,240	61.9%	8,815
Dialog (Sri Lanka)	EV / EBITDA	3.0	3,841	83.3%	3,200
Link Net (Indonesia)	EV / EBITDA	4.0	917	66%	729
Ncell (Nepal)	EV / EBITDA	5.0	4,876	80.0%	3,901
Smart (Cambodia)	EV / EBITDA	6.0	6,115	72.5%	4,433
Axiata Digital Services	EV / Sales	20.0	2,310	100.0%	2,310
edotco	EV / EBITDA	9.0	18,428	63.0%	11,610
Total Enterprise Value					48,777
(-) FY24E Net Debt and Minority Interest					33,016
(+) CDB (33%)					22,617
Total Equity Value					38,378
TP (RM)					4.18

Source: Kenanga Research

26 May 2023

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	OP	2.96	4.18	41.22%	27,169.7	Y	12/2023	9.5	10.5	-45.0%	10.3%	31.1	28.2	1.5	4.1%	12.0	4.1%
CELCOMDIGI BHD	OP	4.46	5.15	15.47%	52,322.5	Y	12/2023	10.6	8.7	3.8%	-18.2%	41.9	51.2	3.2	7.6%	9.0	2.0%
MAXIS BHD	OP	4.22	5.30	25.59%	33,043.2	Y	12/2023	17.2	16.7	14.1%	-3.2%	24.5	25.3	5.2	20.3%	16.0	3.8%
OCK GROUP BHD	OP	0.380	0.690	81.58%	400.8	Y	12/2023	3.6	5.4	13.6%	49.3%	10.5	7.0	0.5	6.3%	0.5	1.3%
TELEKOM MALAYSIA BHD	OP	5.00	6.23	24.60%	19,109.9	Y	12/2023	30.5	32.1	0.6%	5.3%	16.4	15.6	2.2	13.7%	17.0	3.4%
SECTOR AGGREGATE					132,046.1					-9.5%	-2.1%	28.3	29.0	2.5	10.4%		2.9%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★			
SPECIFIC	Cyber Security	★	★	★		
	Employee Training	★	★	★		
	Energy Efficiency	★	★	★		
	Digital Transformation	★	★	★		
	Protection of Customer Data	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by;

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my