

26 May 2026

Axiata Group

Leaner Ops Soften Indonesian Losses

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AXIATA's 1QFY26 results beat expectations, supported by lower depreciation and finance costs. Constant-currency (cc) Underlying PATAMI (UPATAMI) growth was mainly driven by broad-based topline expansion (across all OpCos except for Link Net), and leaner costs. This more than offset losses at Link Net and weaker associate contribution from loss-making XLSmart.

We raise our FY26F earnings by 69% (while maintaining FY26F EBITDA), but trim our Sum-of-Parts TP to RM2.05 (from RM2.70) to reflect a higher HoldCo discount for XL and a lower TP for CDB. Maintain MARKET PERFORM.

EBITDA in-line, but UPATAMI surprises on the upside. 1QFY26 cc UPATAMI of RM438m (>2x YoY), exceeded both our expectation and consensus. This represented 80% of our full-year forecast and 73% of consensus estimates. The outperformance relative to our forecasts was primarily driven by lower-than-expected depreciation and finance costs.

However, revenue and EBITDA were in line with our estimates, accounting for 25% and 26% of our full-year estimates, respectively. While the exceptional items recognized in 1QFY26 were not disclosed, we expect to gain additional clarity from AXIATA's upcoming conference call tomorrow.

Broad-based topline growth despite Link Net drag. On cc basis, the expansion in 1QFY26 revenue (+8.5% YoY) was underpinned by broad-based growth across all OpCos, except for Link Net, (dragged by lower broadband and broadcasting revenue).

Topline growth was primarily driven by: (i) higher prepaid revenue at Dialog and Robi, (ii) increased tower leasing revenue from Pakistan, Cambodia, and the Philippines, and (iii) higher prepaid data revenue from Smart. To a lesser extent, top line received a boost from: (i) ADA: due to higher demand for commerce and personalization solutions, and (ii) Boost: supported by one-off revenue from the sale of software platform solutions, coupled with higher interest income from its lending business.

Cost tailwinds lift profits. 1QFY26 cc UPATAMI expanded more than 8-fold YoY, supported by: (i) lower operating costs at Dialog, Robi and Edotco, (ii) lower depreciation charges at Dialog and Smart, and (iii) reduced finance costs at Dialog. These factors more than compensated for higher taxes, as well as losses at Linknet (driven by a 30% YoY revenue decline) and lower associate contribution from loss-making XL Smart,

Forecasts. We raise our FY26F earnings by 69% to reflect lower depreciation and finance costs, while keeping FY26F EBITDA unchanged. We also introduce FY27F estimates.

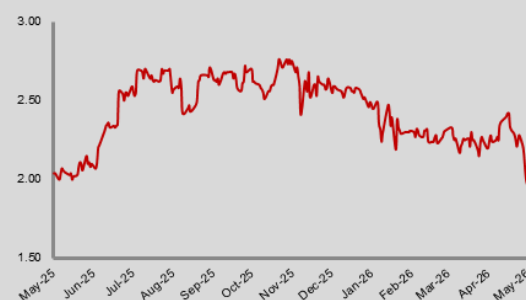
Valuations. On 20 May, XLSmart announced that it will not declare dividends in 2026, following a loss in 2025. In addition, during the ongoing post-merger integration phase, the company will prioritise network optimisation and 5G expansion through to 2027. In our view, this implies tight cash flows and elevated capex requirements. Against this backdrop, we raise our HoldCo discount on XLSmart to 30% (from 20%) to reflect reduced visibility on dividend upstreaming.

In addition, our implied valuation for CDB is lowered by 30 sen/share following a reduction in CDB's TP to RM3.35 (from RM4.27). Please refer to our report on CDB dated 14 May 2026 for further detail.

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Price : RM2.02
Target Price: RM2.05 ↓

Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	-19.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AXIATA MK Equity
Market Cap (RM m)	18,560.2
Share Outstanding	9,188.2
52-week range (H)	2.76
52-week range (L)	1.95
3-mthavg. daily vol.	8,627,513
Free Float	44%
Beta	1.19

Major Shareholders

Khazanah Nasional Bhd	36.4%
Employees Provident Fund	19.4%
Skim Amanah Saham	16.6%

Summary Earnings Table

FYE Dec (RMm)	2025A	2026F	2027F
Revenue	11,758	11,520	11,926
EBITDA	5,460	6,363	6,507
EBIT	2,261	3,198	3,399
PBT	996	2,530	2,694
Net Profit (NP)	51	759	808
Core PATAMI	646	923	808
Consensus (NP)	-	620	903
Earnings Revision	-	+69%	NEW
Core EPS (sen)	7.6	10.0	8.8
Core EPS Growth (%)	-18.3	32.4	-12.5
DPS (sen)	10.0	11.0	10.5
BVPS (RM)	2.2	2.2	2.2
PER (x)	26.6	20.1	23.0
PBV (x)	0.9	0.9	0.9
Net Gearing (x)	0.6	0.5	0.5
Div. Yield (%)	5.0	5.4	5.2

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As a result of the above changes, and coupled with adjustments to HoldCo net debt (following the latest disclosures), our Sum-of-Parts (SoP) TP is lowered to RM2.05 from RM2.70 (refer to table below).

There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. AXIATA is actively pursuing the monetization of its infrastructure assets (e.g., Linknet and edotco) and technology businesses (e.g., ADA and Boost) as part of its broader portfolio optimization strategy. In particular, we believe that edotco offers the strongest near-term monetization potential, given its scale and long-standing narrative of value illumination that dates back to 2018, when an IPO was first mooted.

After the IPO momentum faded, media reports have since 2023 suggested multiple alleged sale negotiations with various suitors. Most recently, according to media reports, Macquarie Asset Management has emerged as the lead contender to acquire edotco. If the deal materializes, it could value edotco at approximately USD3.5b-USD4.0b, implying an acquisition multiple of 8.0x–9.0x FY25 EV/EBITDA. Despite comparing favorably to our implied valuation of 7.0x FY26F EV/EBITDA (embedded in our SoP TP), we remain conservative pending deal finalization. Applying an 8.0x–9.0x multiple would imply a potential upside of 10–20 sen/share to our TP.

However, we believe AXIATA continues to face headwinds at Indonesia, impacted by elevated depreciation and financing costs at Link Net. This is driven by accelerated fixed broadband roll-out in regions where adoption lags network deployment.

Moreover, XL-Smart will likely incur significant near-term cash outflows to fund strategic capex (including acquisition of 5G spectrum) and the roll-out of 5G infrastructure in Indonesia. Consequently, this may limit the group's capacity to sustain dividend payouts. Maintain

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Risks to our call include: (i) geopolitical instability at frontier markets (e.g. Sri Lanka & Bangladesh), (ii) new spectrum bids and capex up-cycle from the impending 5G roll-out in Indonesia could further strain dividend capacity, and (iii) local currency volatility and depreciation against the USD may raise financing costs for Opcos with USD-denominated debt.

Results Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
Revenue	2,799.9	2,979.2	-6.0%	2,891.9	-3.2%
EBITDA	1,622.8	1,685.2	-3.7%	1,266.9	28.1%
Depreciation	(772.5)	(915.0)	-15.6%	(826.0)	-6.5%
Net Finance Costs	(228.7)	(271.0)	-15.6%	(272.8)	-16.2%
JV and Associates	61.2	(84.7)	>-100%	80.4	-23.9%
EI	(164.2)	(54.4)	>100%	(8.0)	>100%
PBT	518.5	360.0	44.0%	240.5	>100%
Taxation	(130.8)	(117.0)	11.8%	(123.3)	6.1%
Minority Interest	(114.0)	(137.5)	-17.1%	(74.7)	52.6%
Reported Net Profit	273.8	105.6	>100%	42.5	>100%
Core Net Profit	438.0	160.0	>100%	50.5	>100%
Core EPS (sen)	4.8	1.8	>100%	2.0	>100%
DPS (sen)	0.0	5.0	nm	0.0	nm
EBITDA margin	58.0%	56.6%		43.8%	
PBT Margin	18.5%	12.1%		8.3%	
Core Net margin	15.6%	5.4%		1.7%	

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Segmental Revenue					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
Segmental Revenue					
Robi (Bangladesh)	805	862	-6.6%	836	-3.7%
Dialog (Sri Lanka)	604	633	-4.5%	649	-6.9%
Smart (Cambodia)	436	470	-7.1%	456	-4.4%
Link Net (Indonesia)	155	169	-8.1%	128	21.7%
EDOTCO	429	476	-9.8%	514	-16.5%
ADA	244	268	-9.1%	219	11.4%
Boost	106	73	44.7%	45	134.0%
Others & eliminations	20	28	-30.6%	1	1488.6%
Total Revenue	2,800	2,979	-6.0%	2,848	-1.7%
% Revenue Contribution					
Robi (Bangladesh)	28.7%	28.9%		29.3%	
Dialog (Sri Lanka)	21.6%	21.2%		22.8%	
Smart (Cambodia)	15.6%	15.8%		16.0%	
Link Net (Indonesia)	5.6%	5.7%		4.5%	
EDOTCO	15.3%	16.0%		18.0%	
ADA	8.7%	9.0%		7.7%	
Boost	3.8%	2.5%		1.6%	
Others & eliminations	0.7%	0.9%		0.0%	

Key Operating Indicators					
	1Q	4Q	QoQ	1Q	YoY
	FY26	FY25	Chg	FY25	Chg
Subscribers ('000)					
XL Smart (Indonesia)	69,444	73,014	(3,570)	58,818	10,626
Robi (Bangladesh)	57,395	57,401	(6)	56,364	1,031
Dialog (Sri Lanka)	18,927	19,332	(405)	19,674	(747)
Blended ARPU (LCY)					
XL (IDR '000)	47	45	2.0	40.0	7
Robi (BDT)	141	143	(2.0)	133.4	8
Dialog (SLR)	476	459	17.0	422.0	54

Source: Company, Kenanga Research

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AXIATA's Sum-of-Parts Valuation					
Unit	Valuation Methodology	Enterprise Value (RM m)	Effective Stake	Hold Co. Discount	Effective Value (RM m)
CDB (Malaysia)	CDB TP	39,301	33.0%	20%	10,375
XL Smart (Indonesia)	3.0x EV/EBITDA	16,928	36.9%	30%	4,372
Robi (Bangladesh)	5.0x EV/EBITDA	9,391	61.9%	20%	4,651
Dialog (Sri Lanka)	3.0x EV/EBITDA	4,104	74.0%	20%	2,429
Smart (Cambodia)	3.0x EV/EBITDA	3,302	72.5%		2,394
Link Net (Indonesia)	5.0x EV/EBITDA	749.3	79.5%		596
EDOTCO	7.0x EV/EBITDA	11,880.9	63.0%		7,485
Digital Services	EV/Sales	1,212.26	100.0%		1,212
Total Effective Enterprise Value					33,515
(-) Hold Co Net Debt and MI					-14,853
Total Equity Value					18,662
No. of Shares (m)					9,186
Target Price (RM)					2.05

Source: Kenanga Research

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Peer Comparison – Telecommunication

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	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.				
Telecommunication																	
AXIATA GROUP BHD	MP	2.02	2.70	33.7%	18,560.2	Y	12/2026	5.8	5.9	-37.7%	2.8%	34.9	34.0	1.0	0.5%	11.0	5.4%
CELCOMDIGI BHD	OP	3.06	4.27	39.5%	35,898.4	Y	12/2026	13.6	13.6	6.2%	0.6%	22.6	22.4	2.3	10.1%	16.0	5.2%
MAXIS BHD	MP	3.49	3.63	4.0%	27,344.4	Y	12/2026	20.5	21.3	1.3%	3.9%	17.0	16.4	4.3	25.6%	18.0	5.2%
OCK GROUP BHD	OP	0.375	0.430	14.7%	387.0	Y	06/2026	2.5	2.8	-12.6%	10.8%	14.8	13.3	0.6	4.4%	1.0	2.7%
TELEKOM MALAYSIA BHD	OP	7.45	8.86	18.9%	28,591.2	Y	12/2026	47.7	47.9	3.1%	0.4%	15.6	15.5	2.5	16.6%	33.0	4.4%
TIME DOTCOM BHD	OP	6.33	6.60	4.3%	11,703.0	Y	12/2026	28.0	30.2	6.3%	7.8%	22.6	20.9	4.0	16.8%	42.0	6.6%
SECTOR AGGREGATE					122,484.2					-2.0%	2.3%	20.2	19.7	2.5	12.3%		4.9%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	★
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★			
SPECIFIC	Cybersecurity & Data Privacy	★	★	★		
	Network Quality & Coverage	★	★	★		
	Digitalisation & Innovation	★	★	★		
	Supply Chain Management	★	★	★		
	Talent Management	★	★	★		
Customer Satisfaction	★	★	★			
OVERALL		★	★	★		

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

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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.**

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