Axiata Group (AXIATA MK)

Edotco Valued At 8.5x EV/EBITDA; To Jointly Control Malaysia Assets With Khazanah

Highlights

- Axiata has announced the partial sale of Edotco (15.645%) to Khazanah while selling its international tower business. This will establish Axiata and Khazanah as equal shareholders with joint control over Edotco Malaysia.
- The total cash consideration is estimated at RM2.2b, which Axiata will use to pare down its debt, bringing pro-forma net debt/EBITDA to 1.86x (from 2.46x). The transactions are slated for completion in 3Q-4Q27.
- Maintain BUY with an SOTP-based target price of RM2.50. At its current valuation, the stock offers an attractive dividend yield of 6.8% for 2026.

Analysis

- **Edotco monetisation driven by multiple transactions.** Axiata Group (Axiata) has announced the partial sale of Edotco (15.645%) to Pulau Kendi Investments (a wholly-owned subsidiary of Khazanah). This particular transaction aims to pare down Axiata's debt at group level and establish Axiata and Khazanah as equal shareholders with joint control over Edotco Malaysia (each owning a 47.355% stake). All other tower businesses in the region will be sold off (the Philippines, Indonesia, Bangladesh, Pakistan and Cambodia) except for Sri Lanka, due to a licensing-related moratorium ending in 2028. The transactions are slated for completion sometime in 3Q-4Q27.
- **RM2.2b cash proceeds to pare down debt.** The monetisation comprises six separate conditional sale and purchase agreements (SPA), where four are inter-conditional upon each other. These are: a) Edotco stake sale to Khazanah, b) Edotco Philippines disposal; c) Edotco Indonesia disposal; and d) Edotco Bangladesh disposal. Total cash consideration is estimated at RM2.215b, which Axiata will use to pare down its debt, bringing pro-forma net debt/EBITDA to 1.86x (from 2.46x) and gearing to 0.50x (from 0.71x). This is in line with its Axiata28 net debt/EBITDA target of <2.0x. Gain on disposal is estimated at RM2.1b.
- **Blended 8.5x EV/EBITDA, slight earnings dilution.** The proposed divestment of tower assets works out to a blended 8.5x EV/EBITDA (ranging from 3.3x to 104x – see overleaf). We believe this is slightly ahead of market's 7-8x EV/EBITDA multiple but below our initial range of 7-10x EV/EBITDA. We expect Axiata to incur RM50m in marginal earnings dilution after the transaction, assuming a 5% notional interest savings and loss of income from international assets and the partial stake sale to Khazanah. To recap, our earlier analysis suggests that a blended EV/EBITDA of above 9x will be slightly accretive.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	11,858.6	12,183.3	12,519.4
EBITDA	11,129.0	5,460.0	5,771.2	6,054.9	6,322.0
Operating profit	3,787.8	1,566.6	1,764.2	2,269.0	2,686.9
Net profit (rep./act.)	946.8	364.6	622.3	1,050.4	1,263.1
Net profit (adj.)	852.2	364.6	622.3	1,050.4	1,263.1
EPS	9.3	4.0	6.8	11.4	13.8
PE (x)	17.3	40.6	23.8	14.1	11.7
P/B (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	3.5	5.5	5.2	4.9	4.8
Dividend yield (%)	6.2	6.2	6.8	7.5	8.3
Net margin (%)	3.8	3.1	5.2	8.6	10.1
Net debt/(cash) to equity (%)	86.5	55.5	55.2	54.8	54.6
Interest cover (x)	1.5	1.8	2.6	3.6	4.8
ROE (%)	4.0	1.8	3.1	5.3	6.3
Consensus net profit	-	-	763.9	1,038.0	1,243.0
UOBKH/Consensus (x)	-	-	0.8	1.0	1.0

Source: Axiata, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM1.61
Target Price	RM2.50
Upside	55.3%

Stock Data

Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	14,801.2
Market cap (US$m)	3,596.9
3-mth avg daily t'over (US$m)	3.2

Price Performance (%)

52-week high/low				RM2.77/RM1.56
1mth	3mth	6mth	1yr	YTD
(0.6)	(15.3)	(17.4)	(41.5)	(36.1)

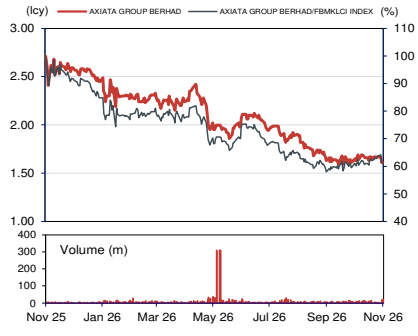
Major Shareholders (%)

Khazanah Nasional Bhd	36.4
Employee Provident Fund	21.4
Skim Amanah Saham	13.7

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.2
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Growing dividends through interest savings and OpCos dividend upstreaming.** Management remains confident that its key OpCos will grow and achieve targeted dividend contribution. This will pave the way for Axiata to achieve at least 10% annual dividend growth rate in the medium term. The projected group debt reduction to RM7.66b (from RM13.41b) is expected to generate interest savings of around RM300m (on pro-forma basis).

Edotco Valued At Blended 8.5x EV/EBITDA

	Implied EV/EBITDA	Stake Sale	Buyer
Edotco Group	8.5	15.65%	Khazanah (partial stake sale)
Philippines	10.4	100%	Vettel Philippines (indirect subsidiary of Macquarie Asset Management)
Indonesia	3.3	100%	PT Tower Bersama
Bangladesh	3.7	70%	Osiris Global
All four transactions above are conditional upon each other			
Pakistan	3.9	100%	Osiris Global
Cambodia	5.4	100%	OCK
The two transactions above can be independently executed			

Source: Axiata, UOB Kay Hian

Edotco Enterprise Value – Sensitivity Analysis

	EV/EBITDA Multiple (x)					
	7	8	9	10	11	12
Edotco EBITDA (RMm)	1,766	1,766	1,766	1,766	1,766	1,766
Edotco Enterprise Value (RMm)	**12,362**	**14,128**	**15,894**	**17,660**	**19,426**	**21,192**
Edotco Net Debt (RMm)	4,380	4,380	4,380	4,380	4,380	4,380
Edotco Equity Value (RMm)	**7,982**	**9,748**	**11,514**	**13,280**	**15,046**	**16,812**
Interest savings (5% - net of tax)	299	366	432	498	564	630
Loss of Income (net of tax)	463	463	463	463	463	463
Net impact (RMm)	**-164**	**-97**	**-31**	**35**	**101**	**167**

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an SOTP-based target price of RM2.50.** Against a backdrop of balance sheet deleveraging and operating cash flow discipline, we expect management to pay out a DPS of 11 sen for 2026. Downside will be supported by an attractive near-term dividend yield of 6.8%.

Earnings Revision/Risk

- No changes to earnings forecasts.

Share Price Catalyst

- **Key re-rating catalysts** include: a) stronger OpCo performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of edotco, allowing for share price discovery.

Environment, Social, Governance (ESG) Updates

Environmental

- Committed to achieving net-zero emission by no later than 2050 and absolute reductions of 42% in Scope 1 and 2 GHG emissions, and 25% in Scope 3 GHG emissions by 2030 from a 2022 base year.

Social

- Achieved 34% women's representation in senior management across the group in 2025.

Governance

- Over 95% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.
- 30% women composition on the board of directors in 2025.

Fair Value At RM2.50/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	**28,562**	**87%**
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	**16,646**	
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	**2.50**	**30% discount**

Source: UOB Kay Hian

Edotco's 1H26 EBITDA Breakdown By Region

	EBITDA (RMm)	% by region
- Malaysia	273	35%
- Bangladesh	240	31%
- Cambodia	61	8%
- Pakistan	71	9%
- Philippines	133	17%
- Others	0	0%
1H26 EBITDA	**778**	**100%**

Source: Axiata, UOB Kay Hian

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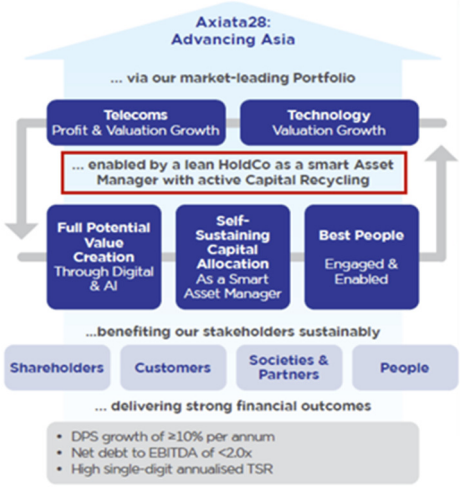
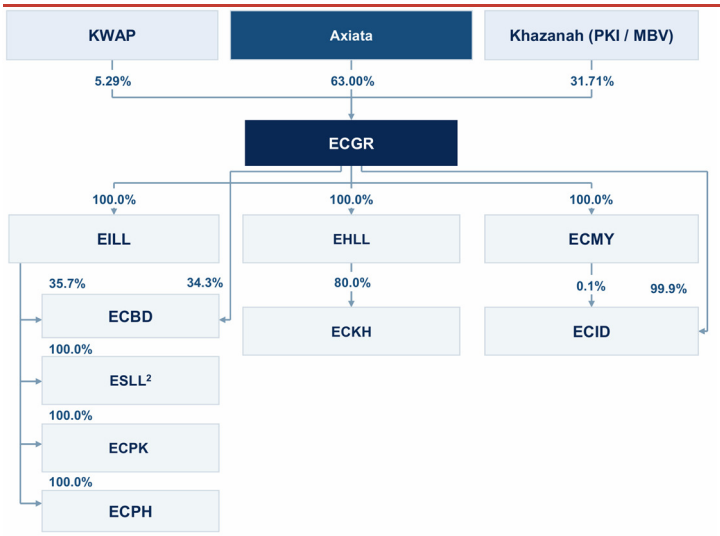


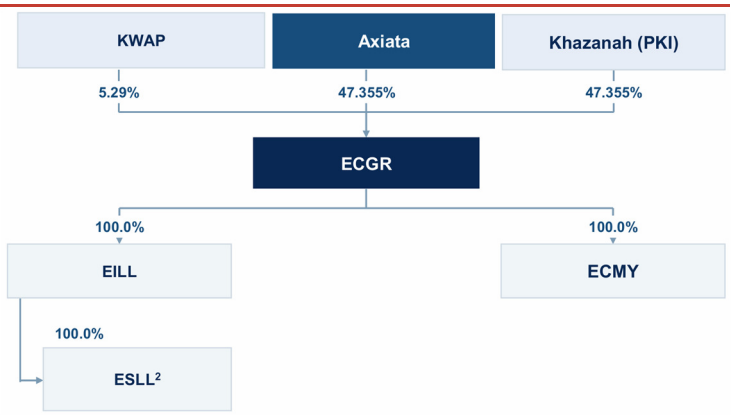
Source: Axiata

Current Edotco Shareholding Structure



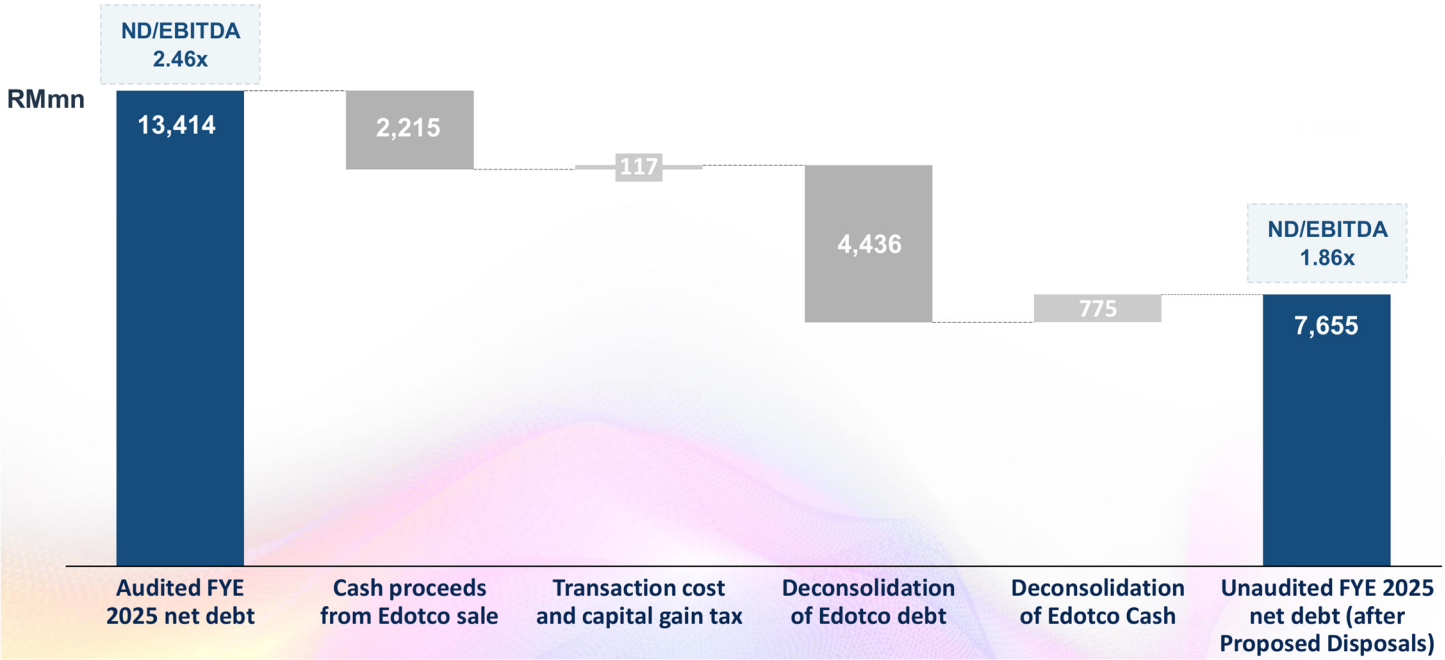
ECGR: Edotco Group
ECPH: Edotco Philippines
ECID: Edotco Indonesia
ECBD: Edotco Bangladesh
Source: Axiata

Edotco Shareholding Structure Post-transaction



ECPK: Edotco Pakistan
EHLL: Edotco Labuan
ECKG: Edotco Cambodia
Source: Axiata

Pro-Forma Impact Towards Net Debt/EBITDA



Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**11,758**	**11,859**	**12,183**	**12,519**
EBITDA	5,460	5,771	6,055	6,322
Deprec. & amort.	(3,893)	(4,007)	(3,786)	(3,635)
EBIT	1,567	1,764	2,269	2,687
Total other non-operating income	-	-	-	-
Associate contributions	19	417	753	759
Net interest income/(expense)	(548)	(403)	(387)	(386)
Pre-tax profit	**996**	**1,779**	**2,635**	**3,060**
Tax	(656)	(889)	(1,317)	(1,530)
Minorities	(267)	(267)	(267)	(267)
Net profit	**365**	**622**	**1,050**	**1,263**
Net profit (adj.)	365	622	1,050	1,263

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457	13,415	12,675	12,169
Other LT assets	27,848	28,266	29,018	29,778
Cash/ST investment	3,747	3,522	2,652	1,666
Other current assets	3,716	3,748	3,849	3,953
Total assets	**49,768**	**48,950**	**48,194**	**47,566**
ST debt	6,651	6,401	5,901	5,401
Other current liabilities	7,196	6,999	7,037	7,102
LT debt	8,402	8,152	7,652	7,152
Other LT liabilities	3,451	3,451	3,451	3,451
Shareholders' equity	20,357	19,969	19,908	19,949
Minority interest	3,711	3,978	4,245	4,512
Total liabilities & equity	**49,768**	**48,950**	**48,194**	**47,566**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**3,706**	**4,653**	**4,675**	**4,752**
Pre-tax profit	996	1,779	2,635	3,060
Tax	(656)	(889)	(1,317)	(1,530)
Deprec. & amort.	3,893	4,007	3,786	3,635
Associates	(19)	(417)	(753)	(759)
Working capital changes	(1,264)	(229)	(63)	(40)
Non-cash items	209	-	-	-
Other operating cashflows	548	403	387	386
Investing	**(20)**	**(2,821)**	**(2,924)**	**(3,045)**
Capex (maintenance)	(2,041)	(2,965)	(3,046)	(3,130)
Others	2,021	143	122	85
Financing	**4,187**	**(2,057)**	**(2,620)**	**(2,694)**
Dividend payments	(919)	(1,010)	(1,111)	(1,223)
Issue of shares	10	-	-	-
Proceeds from borrowings	(8,139)	(500)	(1,000)	(1,000)
Others/interest paid	13,235	(546)	(509)	(471)
Net cash inflow (outflow)	**7,873**	**(225)**	**(869)**	**(987)**
Beginning cash & cash equivalent	**3,542**	**2,573**	**2,348**	**1,479**
Changes due to forex impact	(470)	-	-	-
Ending cash & cash equivalent	**10,944**	**2,348**	**1,479**	**492**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	48.7	49.7	50.5
Pre-tax margin	8.5	15.0	21.6	24.4
Net margin	3.1	5.2	8.6	10.1
ROA	0.7	1.3	2.2	2.7
ROE	1.8	3.1	5.3	6.3
Growth				
Turnover	(47.4)	0.9	2.7	2.8
EBITDA	(50.9)	5.7	4.9	4.4
Pre-tax profit	(61.2)	78.7	48.1	16.2
Net profit	(61.5)	70.7	68.8	20.3
Net profit (adj.)	(57.2)	70.7	68.8	20.3
EPS	(57.2)	70.7	68.8	20.3
Leverage				
Debt to total capital	41.9	40.9	38.4	35.8
Debt to equity	73.9	72.9	68.1	62.9
Net debt/(cash) to equity	55.5	55.2	54.8	54.6
Interest cover	1.8	2.6	3.6	4.8

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