

Axiata reaps RM84m from sale of Pakistan business

▶ AXIATA GROUP BHD				
	2009	2010F	2011F	2012F
ADJ NET PROFIT (RM mil)	1,065.0	1,864.0	2,222.0	2,641.0
EPS (sen)	12.6	22.1	26.3	31.3
P/E (x)	32.5	18.6	15.6	13.1
BVPS (RM)	2.2	2.3	2.5	2.7

▶ **Recommendation: Buy**

Target Price: RM4.50

By ECMLibra (July 20)

AXIATA Group Bhd yesterday announced it has entered into an agreement with Adnan Asdar Ali to dispose of its 89% equity stake in Multinet Pakistan (Pvt) Ltd. Adnan currently holds the remaining 11% equity stake.

In total, Axiata stands to receive RM83.6 million from disposing its 89% stake and the recovery of shareholder advances.

We view the move positively given that Multinet, as a broadband provider, does not have a mobile business and, therefore, does not fit well

with Axiata's core business as a regional mobile operator.

The only remaining non-mobile asset left within the group is Axiata's Thai investments in Smart Corp Public Company Ltd (19% direct equity stake) and Smart I-Mobile Public Company Ltd (24.4%).

Should Axiata liquidate its stakes in the Thai entities, we estimate Axiata could reap RM318 million based on yesterday's closing prices.

We maintain our earnings forecast as we did not factor in Multinet's earnings contribution as earnings from Multinet are not material.

Stronger than expected growth in XL and continued

improvements in Dialog and Robi, however, may lead to upside potential to our earnings estimates given improving economic conditions in emerging markets.

We maintain our 'Buy' call and SOP TP at RM4.50 given that the additional cash will have minimal impact on our valuation.

The disposal of Multinet should add to Axiata's RM4 billion cash balance, and Axiata should have no problems paying out dividends next year.

The group is expected to announce a more concrete dividend policy in 3QCY10.

For now, we have assumed a conservative maiden dividend payout of 25% in FY11.