



COUNTER RESEARCH

DIALOG AXIATA PLC

(DIAL.N0000)

SENFIN RESEARCH

07 OCTOBER 2026

Company snapshot

SHARE PRICE

Rs. 45.00

6 Oct 2026 ·

52-WEEK RANGE

26.70–49.90

Near the top

MARKET CAP

Rs. 414 Bn

Approx. US\$ 1.27 Bn

SHARES IN ISSUE

9,200 Mn

31 Dec 2025

P/E (FY25 EPS 2.26)

19.9x

TTM EPS approx. 3.35 → 13.4x

P/BV (NAV 9.78)

4.60x

NAV at 31 Dec 2025

EV / EBITDA FY25

5.5x

TTM: 4.9x

DIVIDEND YIELD

6.4%

Rs. 2.90 paid/declared in 2026

FY25 REVENUE

Rs. 179.6 Bn

+5% YoY

FY25 PROFIT AFTER TAX

Rs. 20.8 Bn

+67% YoY

EBITDA MARGIN FY25

47.9%

FY24: 38.7%

NET DEBT / EBITDA

0.64x

End-2025 (1.0x end-2024)

PUBLIC FLOAT

15.9%

Axiata 73.75%, Bharti 10.36%

SUBSCRIBERS

22.3 Mn

Mobile 19.6 Mn

MOBILE MARKET SHARE

64%

Company figure, 2025

1H 2026 PROFIT

Rs. 19.3 Bn

More than doubled YoY

Key observations

Dialog is earning far more from roughly the same sales: costs were cut, Airtel was folded in and debt came down. The share price has already rerated hard, from Rs. 11.70 to Rs. 45 in under two years.

What has improved

- **EBITDA margin 47.9%**, up from 38.7% in FY24 and 28.9% in FY22. EBITDA rose 30% to Rs. 86.0 Bn.
- **Debt down:** borrowings fell from Rs. 122.8 Bn (FY23) to Rs. 76.5 Bn; net debt is 0.64x EBITDA.
- **Cash:** operating cash flow Rs. 65.5 Bn in FY25, the highest in five years, while capex fell to 11% of sales.
- **1H 2026:** revenue +9%, EBITDA +23%, profit more than doubled to Rs. 19.3 Bn.

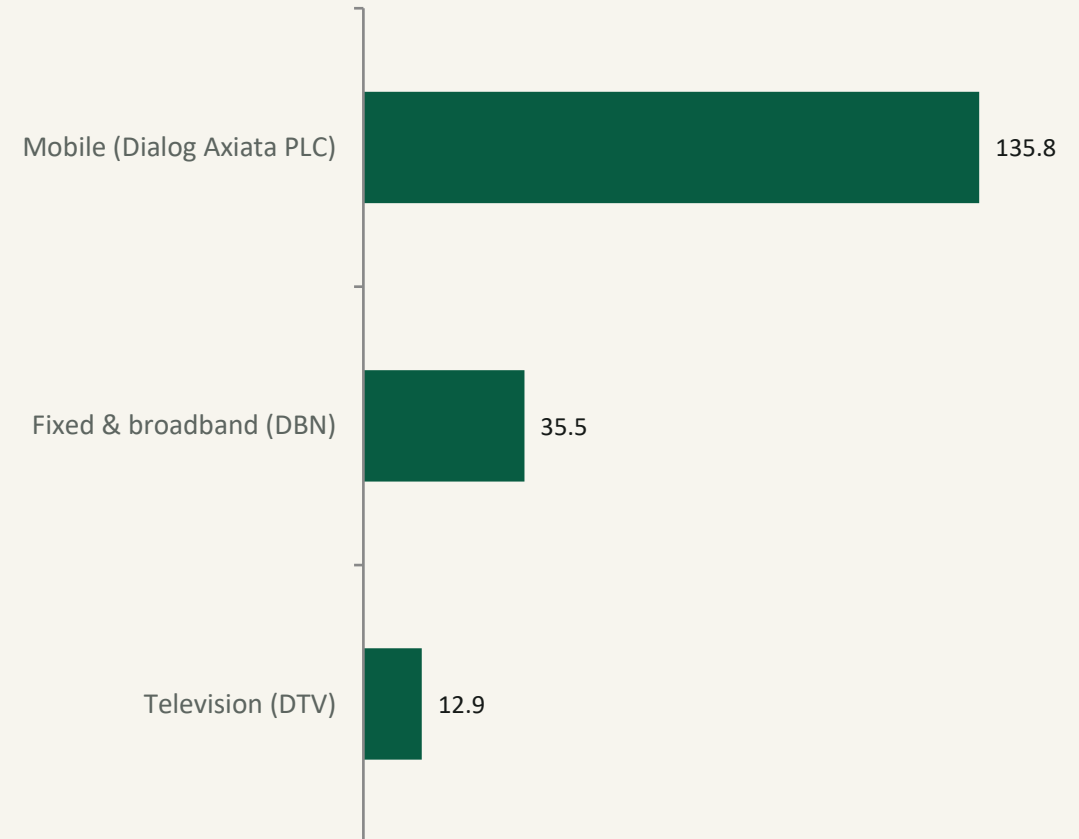
What needs watching

- **Sales barely moved:** FY25 revenue of Rs. 179.6 Bn is still below FY23's Rs. 181.7 Bn.
- **Capex is coming back:** 1H 2026 capex was 19% of revenue vs 11% for FY25, as the 5G roll-out starts.
- **Price already moved:** P/B 4.6x vs 1.4x a year earlier; 19.9x FY25 earnings.
- **Small float:** only 15.9% of shares trade freely; Axiata and Bharti Airtel hold 84%.

Business overview

- **What it is:** Sri Lanka's largest telecom group, selling mobile, home broadband, fixed lines and pay TV, plus digital services.
- **Three companies:** Dialog Axiata PLC (mobile), Dialog Broadband Networks (fixed, broadband and international) and Dialog Television.
- **Size:** 22.3 Mn subscribers, about 6,000 sites and over 1,000 live 5G sites.
- **Owners:** Axiata Group of Malaysia holds 73.75%; Bharti Airtel holds 10.36% after the 2024 Airtel Lanka merger.

Revenue by company, FY2025 (Rs. Bn)



Mobile carries the group

FY2025, Rs. Bn	Revenue	Change	EBITDA	EBITDA margin	Profit after tax
Mobile (Dialog Axiata PLC)	135.8	+17%	63.6	47%	15.6
Fixed & broadband (DBN)	35.5	-28%	19.6	55%	6.1
Television (DTV)	12.9	+4%	2.7	21%	(0.7)
Group	179.6	+5%	86.0	47.9%	20.8

- **Mobile:** sales rose 17% to Rs. 135.8 Bn as data use grew and Airtel's customers were added; 19.6 Mn subscribers and a 64% market share.
- **Broadband:** sales fell 28% because Dialog chose to stop low-margin international call 'hubbing'. Home broadband (+5%) and leased lines (+16%) still grew, and profit more than doubled.
- **Television:** 1.6 Mn subscribers; still lost Rs. 0.7 Bn in FY25 but made Rs. 0.4 Bn profit in 1H 2026.
- **Takeaway:** the mobile company produced about 76% of group profit before tax.

Four lines of business

64%

mobile market share

Mobile

Calls and mobile data for 19.6 Mn customers. Dialog is shifting users from old 3G to 4G and 5G and raising prices on selected packs to lift revenue per user.

55%

EBITDA margin

Home broadband & fixed

Fibre and wireless internet for homes and offices, leased lines for companies, and the international gateway. The highest-margin part of the group.

1.6 Mn

pay-TV subscribers

Television

Satellite pay TV, earning from subscriptions and advertising. Moved into profit in 1H 2026 after years of losses.

1,000+

live 5G sites

Digital & 5G

Dialog Pay, Dialog AI, enterprise cloud and cyber services. 5G Air Fibre offers home broadband without a cable.

The Airtel merger and 5G

Jun 2024

Airtel Lanka merged into Dialog

10.36%

Dialog shares given to Bharti Airtel

100 MHz

5G spectrum won at 3.5 GHz (Dec 2025)

US\$ 100 Mn

Planned 5G spend over two years

- **What happened:** Dialog bought Airtel Lanka by issuing 952.7 Mn new shares to Bharti Airtel instead of paying cash. Stated capital rose from Rs. 29.3 Bn to Rs. 39.9 Bn.
- **Why it matters:** fewer competing networks and more customers on the same towers. Group EBITDA rose 30% in FY25 as costs were cut.
- **5G next:** Dialog won 100 MHz at 3.5 GHz and 200 MHz at 27 GHz in Sri Lanka's first 5G auction, and committed US\$ 181 Mn (plus US\$ 19 Mn at DBN) of investment over three years with the BOI.
- **What to watch:** the new shares diluted existing holders, so EPS grew more slowly than profit; and heavier 5G spending will lift capex again.

Operating environment

Indicator	Latest	Period	Source
Sri Lanka economy			
Real GDP growth	4.2%	Q2 2026 (Q1: 5.1%)	DCS
CCPI headline inflation	8.0%	Sep 2026	CBSL
Overnight Policy Rate	8.75%	Held 30 Sep 2026	CBSL
12-month T-bill yield	9.95%	30 Sep 2026	PDMO
LKR / US\$ (buying)	326.09	5 Oct 2026	CBSL
Telecom market (2025)			
Mobile connections	29.5 Mn	>135% penetration	TRCSL via AR
Mobile broadband vs fixed	22 Mn / <2 Mn	subscriptions	TRCSL via AR
Smartphone share of devices	>70%	2025	TRCSL via AR

What it means for Dialog

- Almost everyone already has a phone, so growth must come from more data per user and higher prices, not new customers.
- Most broadband is mobile; fixed home broadband is still under 2 Mn lines, which leaves room for fibre and 5G home internet.
- Network equipment is bought in US dollars, so a weaker rupee raises capex and some costs. FY25 had a Rs. 1.4 Bn forex loss; 1H 2026 had a forex gain.
- Higher electricity tariffs raise the cost of running about 6,000 sites.

Five-year financial performance

Group, Rs. Bn (year to 31 Dec)	FY21	FY22	FY23	FY24	FY25
Revenue	141.9	178.1	181.7	171.2	179.6
EBITDA	58.8	approx. 51.5	61.5	66.3	86.0
Operating profit (EBIT)	23.4	2.6	20.9	20.8	38.6
Finance cost incl. forex	(4.4)	(33.2)	2.1	(4.6)	(11.9)
Profit before tax	19.1	(30.7)	22.9	16.1	26.7
Profit after tax	17.0	(33.4)	20.1	12.4	20.8
EPS (Rs.)	2.08	(4.06)	2.44	1.43	2.26
Dividend per share (Rs.)	1.24	—	1.34	1.00	1.50
Margins and returns					
EBITDA margin	41.4%	28.9%	33.8%	38.7%	47.9%
Net margin (calc)	12.0%	-18.8%	11.1%	7.3%	11.6%
Return on equity (reported)	—	—	30.3%	15.9%	23.1%
Capex / revenue	22%	29%	14%	18%	11%

FOUR-YEAR CAGR, FY21–FY25

6.1%

Revenue

10.0%

EBITDA

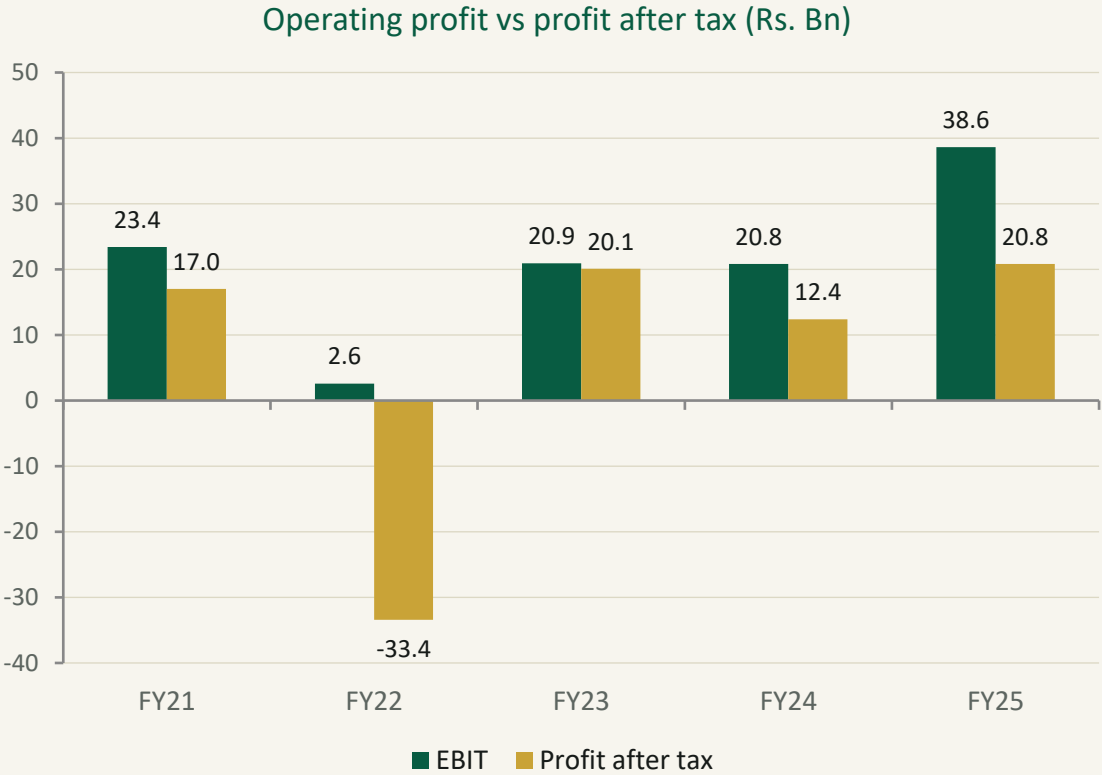
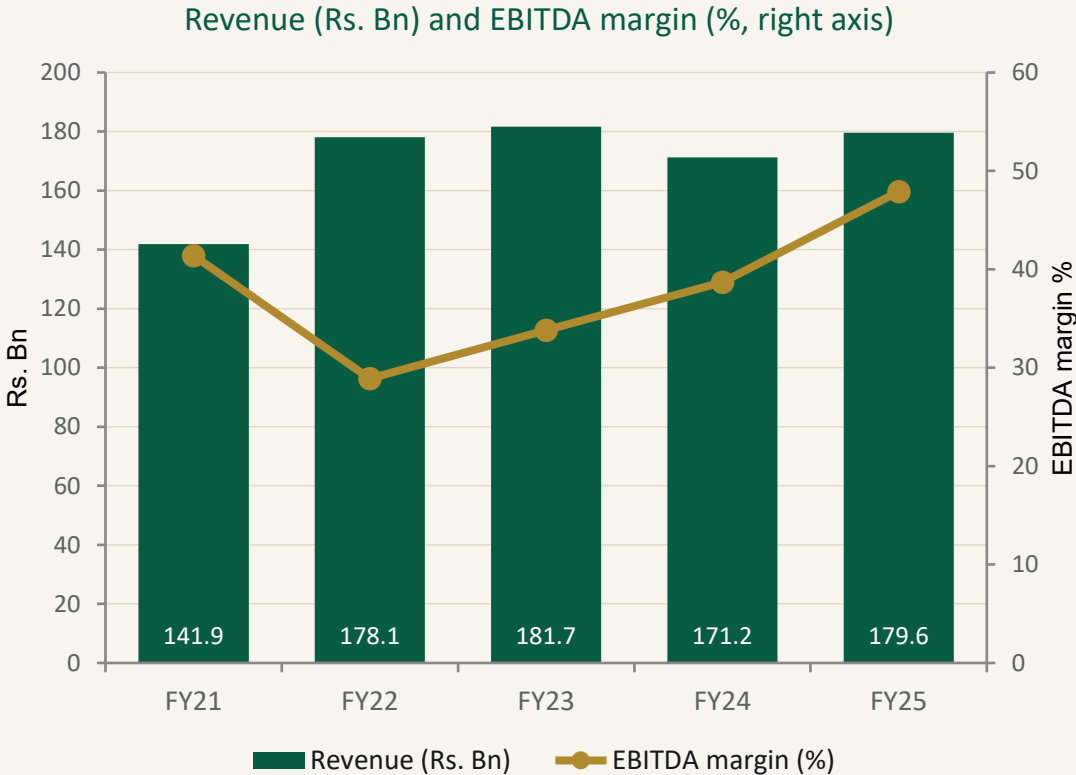
5.1%

Profit after tax

2.1%

EPS

Margins up, sales flat



Revenue and EBITDA margin: sales have been stuck around Rs. 170–180 Bn since FY22, but the share kept as EBITDA jumped from 29% to 48%. Dialog is earning more from the same sales.

Operating profit vs profit after tax: FY22's loss came from rupee collapse (forex losses booked as finance cost). FY25 operating profit nearly doubled, but higher interest and a Rs. 1.4 Bn forex loss held back the bottom line.

Reading the FY25 result

EBITDA +30% on revenue +5%

Dialog cut low-margin international traffic, which shrank direct costs 11%, and raised data prices. More of each rupee of sales became profit.

Airtel savings came through

Merging Airtel removed a duplicate network and staff. The mobile company's EBITDA rose 32% to Rs. 63.6 Bn even with higher energy bills.

Interest and forex held it back

Finance costs rose to Rs. 11.9 Bn from Rs. 4.6 Bn, including a Rs. 1.4 Bn forex loss as the rupee fell 5.8% against the dollar.

Spending was cut

Capex fell 33% to Rs. 20.2 Bn (11% of sales). That freed cash for debt repayment, but it will rise again with 5G.

Latest results: 1H 2026

Group, six months to 30 June 2026	1H 2026	1H 2025	YoY
Revenue (Rs. Bn)	95.5	87.4	+9%
EBITDA	50.0	40.5	+23%
EBITDA margin	52.3%	46.3%	+6.0 pts
Profit after tax	19.3	9.2	>+100%
Underlying profit (ex forex)	18.8	approx. 9.8	+91%
Capex	18.5	11.1	+67%
Operating free cash flow	18.4	22.1	-17%
Q2 2026 profit after tax	10.1	—	+10% QoQ

1H 2026 EPS

Rs. 2.10

Approx., analyst calc.

INTERIM DIVIDENDS

Rs. 1.40

2 × Rs. 0.70

- Mobile: revenue Rs. 73.3 Bn (+11%), EBITDA +27%. Broadband: EBITDA +12%, 60% margin. TV: revenue +17%, profit Rs. 0.4 Bn.
- Profit growth beat sales growth again, helped this time by a forex gain.
- Capex jumped to 19% of sales, so free cash flow fell even as profit doubled.

Balance sheet and liquidity

Group, Rs. Bn at 31 Dec	FY21	FY22	FY23	FY24	FY25
Property, plant & equipment	127.5	156.2	151.3	157.2	141.7
Current assets	54.6	75.9	93.7	86.9	66.6
Total borrowings	41.8	103.6	122.8	107.7	76.5
Shareholders' funds	93.6	45.2	66.4	78.4	90.1
NAV per share (Rs.)	11.40	5.48	8.04	8.51	9.78
Debt / equity (x)	0.45	2.29	1.85	1.38	0.85
Net debt / EBITDA (x)	0.34	1.2	1.19	1.0	0.64
Interest cover (x)	29.5	1.7	2.5	2.5	4.1
Current ratio (x)	0.53	0.57	0.71	0.51	0.47

Strengths

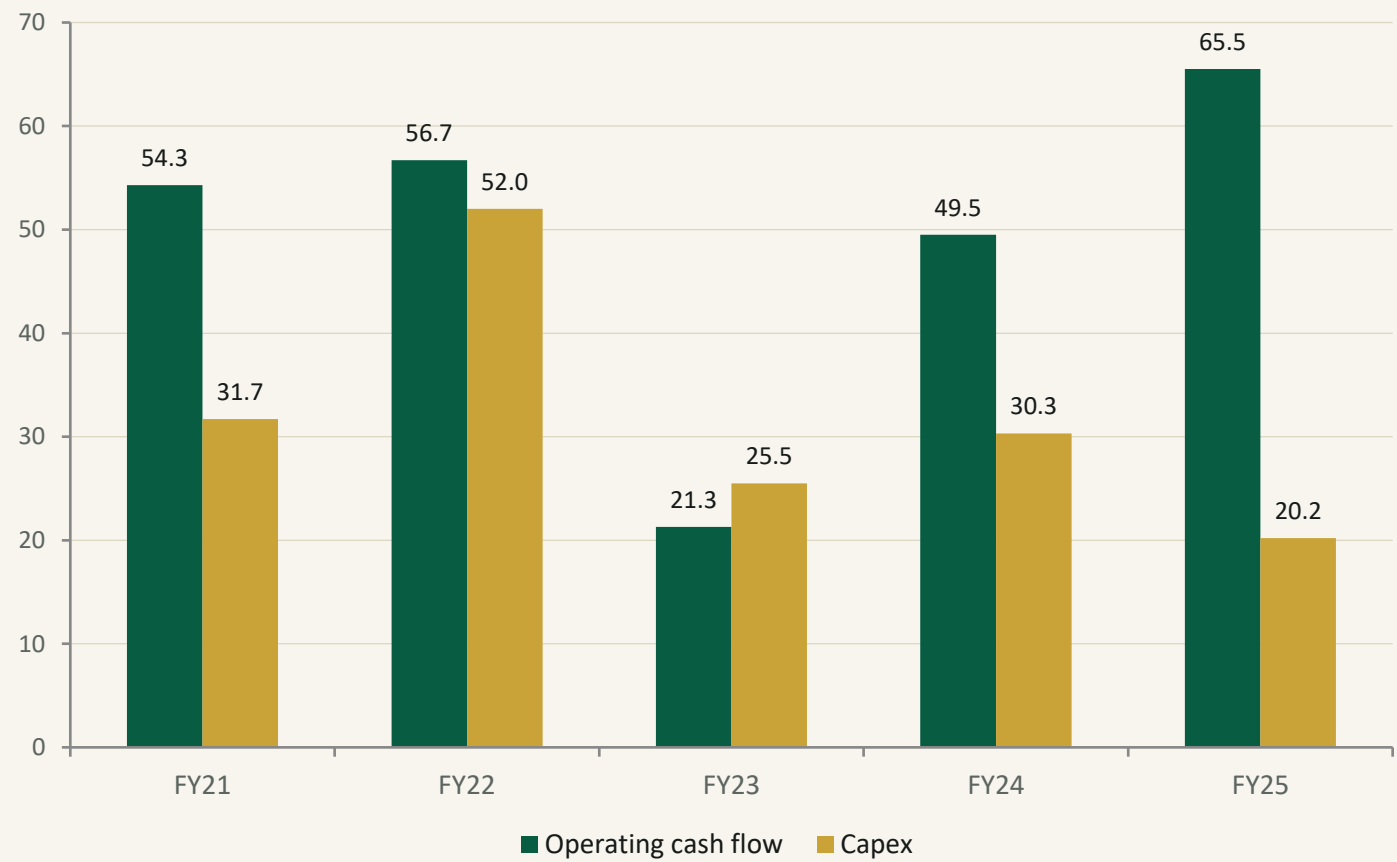
- Borrowings down Rs. 46 Bn in two years.
- Net debt only 0.64x a year's EBITDA.
- Profits now cover interest 4 times, up from 1.7x in FY22.

Pressure points

- Current ratio 0.47x: bills due within a year are about twice the short-term assets, so Dialog relies on steady cash flow and bank lines.
- Book value is small (Rs. 9.78), so the share trades at 4.6x book.

Cash flow has recovered

Operating cash flow vs capex (Rs. Bn)



SPARE CASH FY25

Rs. 45.3 Bn

Cash flow – capex

PAID OUT / REPAID

Rs. 47.8 Bn

Financing outflow FY25

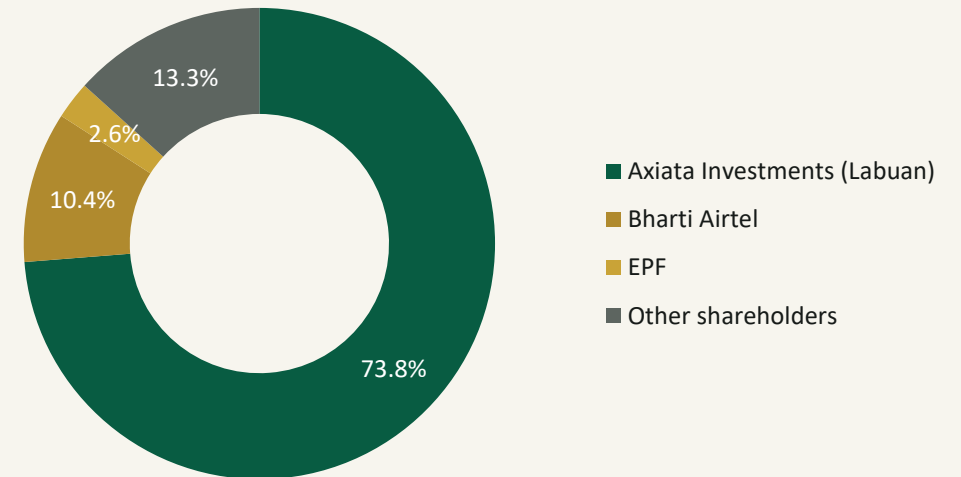
- FY25: the business generated Rs. 65.5 Bn and spent Rs. 20.2 Bn on its network, leaving Rs. 45.3 Bn.
- That spare cash went to repaying debt and paying dividends: financing outflows were Rs. 47.8 Bn.
- FY23 shows the risk: when costs spiked and capex was high, cash flow fell to Rs. 21.3 Bn and did not cover capex.

Dividends and ownership

Dividends	FY21	FY22	FY23	FY24	FY25
Dividend per share (Rs.)	1.24	—	1.34	1.00	1.50
Payout of profit	approx. 60%	—	55%	74%	66%
Year-end price (Rs.)	10.90	8.50	9.00	11.70	29.80
Year-end yield	11.4%	—	14.9%	8.5%	5.0%

- Policy: pay out at least 50% of profit. FY25's Rs. 1.50 was 66%, about Rs. 13.8 Bn in total.
- Two FY26 interims of Rs. 0.70 each have been declared, Rs. 1.40 so far.
- At Rs. 45, Rs. 2.90 paid or declared in 2026 is a 6.4% yield; FY25's dividend alone is 3.3%.
- No dividend was paid for FY22, the crisis year.

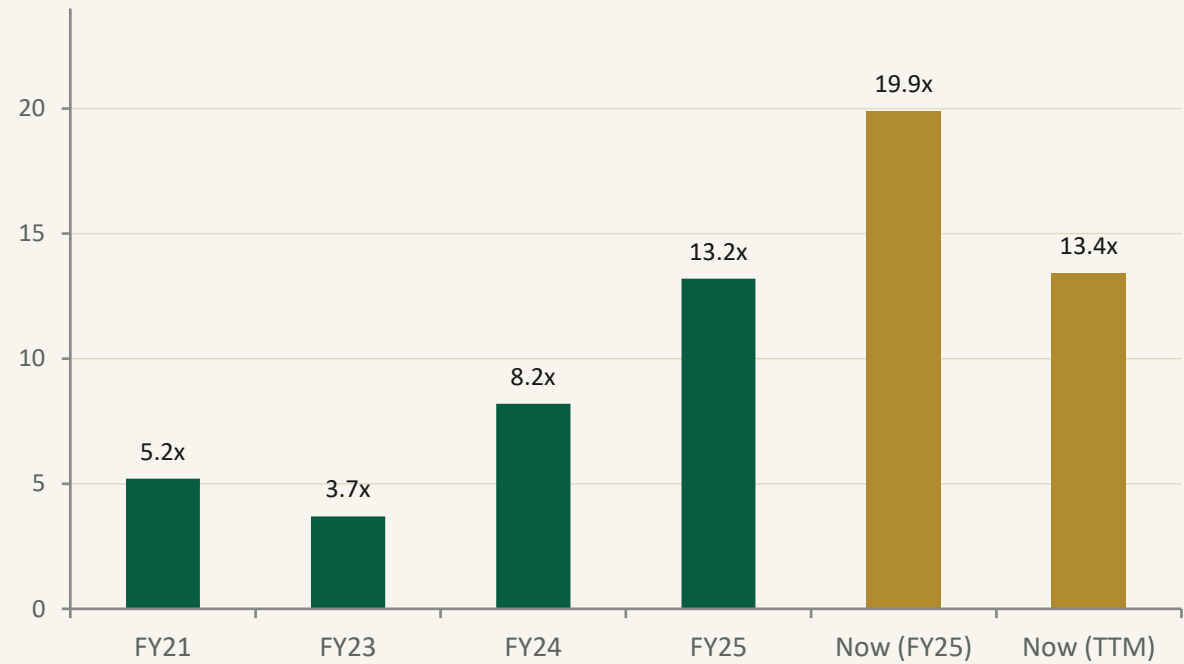
Shareholding, 31 Dec 2025 (%)



- Only 15.9% of shares trade freely. Foreign investors own 53% of that float.
- 24,879 shareholders; the share returned 160% in 2025 including dividends.

Valuation context

P/E: price ÷ earnings per share (x)



Year-end P/BV (x)	FY21	FY22	FY23	FY24	FY25	Now
P/BV	0.96	1.55	1.12	1.37	3.05	4.60

Metric at Rs. 45.00	Value
P/E on FY25 EPS (2.26)	19.9x
P/E on TTM EPS (approx. 3.35)	13.4x
Earnings yield (TTM)	7.4%
12-month T-bill yield (30 Sep 2026)	9.95%
P/BV (NAV 9.78)	4.60x
EV/EBITDA FY25 / TTM	5.5x / 4.9x
Dividend yield (2026 paid/declared)	6.4%
Return on equity FY25	23.1%

Investors used to pay 4-8 times Dialog's yearly profit. They now pay about 13 times this year's run-rate and 4.6 times book value, so much of the recovery is already in the price.

Opportunities and catalysts

1 5G earning money

Over 1,000 5G sites and the widest spectrum holding. Charging more for faster data and 5G home broadband is the next revenue step.

2 Higher revenue per user

Price changes and moving users to 4G/5G lift revenue per customer without needing new customers.

3 Home broadband

Fewer than 2 Mn fixed broadband lines in Sri Lanka. Fibre and Air Fibre can grow the 55%-margin broadband business.

4 TV turning profitable

Dialog TV made Rs. 0.4 Bn profit in 1H 2026 after years of losses.

5 Enterprise and digital

Cloud, cyber security, IoT, Dialog Pay and Dialog AI add revenue beyond connectivity.

6 Dividends from low debt

With net debt at 0.64x EBITDA and a 50% minimum payout, more of the profit can go to shareholders.

Key risks

HIGH

Valuation already high

The price has nearly quadrupled since end-2024. If profit growth slows, the share has little room for error.

HIGH

Capex and 5G spending

Capex rose to 19% of sales in 1H 2026; US\$ 100 Mn for 5G plus BOI commitments will absorb cash.

MEDIUM

Currency

Equipment and some costs are in US dollars. A falling rupee caused big losses in FY22 and a Rs. 1.4 Bn loss in FY25.

MEDIUM

Energy costs

About 6,000 sites run on grid power and generators; tariff rises feed straight into costs.

MEDIUM

Competition and regulation

Price competition, spectrum fees, taxes on telecom services and new rules such as the data protection act.

MEDIUM

Short-term liquidity

Current ratio 0.47x; Dialog depends on steady cash flow and bank lines.

LOWER

Control and float

Axiata and Bharti own 84%; only 15.9% trades, which limits liquidity and minority influence.

LOWER

Climate and disasters

Cyclone Ditwah hit about 2,200 of 6,000 sites in late 2025; service was restored within seven days.

Outlook and what to monitor

Management's stated direction

- Grow revenue per user through simpler packs, upselling and selective price rises
- Move customers from old networks to 4G and 5G; spend US\$ 100 Mn on 5G over two years
- Expand enterprise, cloud and digital services
- Use automation and AI to cut service costs
- 'North Star 2028': stay market leader with top-quartile profitability
- Pay at least 50% of profit as dividends

Checklist for the next results

- **Q3 2026 results** (due by mid-November): does the EBITDA margin stay above 50%?
- **Forex**: how much of profit growth came from currency gains rather than trading?
- **Capex**: does spending stay near 19% of sales as 5G rolls out?
- **Debt**: does net debt stay well below 1x EBITDA?
- **Dividend**: the size of the next interim vs Rs. 0.70.
- **Prices**: any new tariff increases, and how customers react.



Contact

RESEARCH TEAM

SALES TEAM

SOCIAL MEDIA



Bhashini Hewawitharana
+94 112 359 162 / +94 72 186 4893
bhashini.hewawitharana@senfinsecurities.com



Mayakrishnan Jagatheeswar
+94 112 359 104 / +94 72 949 9419
jagatheeswar@senfinsecurities.com



Dulani Jayarathna
+94 112 359 103 / +94 72 949 9422
dulani@senfinsecurities.com



Himaya Wanigasuriya
+94 112 359 142 / +94 72 949 9421
himaya@senfinsecurities.com



Vindya Gunathilake
+94 74 064 6457
vindya@senfinsecurities.com



Thathsarani Bandara
+94 76 612 7910
thathsarani@senfinsecurities.com



Dinuvi Samintha
+94 74 193 5582
Dinuvi@senfinsecurities.com



Suraj Perera
+94 76 355 7422
Suraj@senfinsecurities.com



Maniesh Rodrigo
Senior Vice President – Equities
+94 112 359 173/ +94 729 499 325
maniesh@senfinsecurities.com



Eranga Z. Siriwardhana
Vice President - Equities
+94 729 499 480
eranga.siriwardhana@senfinsecurities.com



Sudam Hasantha
Associate Vice President - Equities
+94 112 359 171/ +94 729 499 222
sudam@senfinsecurities.com



Ajith Kumarasinghe
Associate Vice President-Equities
+94 773252333
Ajith@senfinsecurities.com



Mohammedu Illiyas Zahir sha
Senior Investment Advisor - Equities
+94729374678/+94729499433
email-zahir.shah@senfinsecurities.com



Bishen Mendis
Vice President- Equities
+94 112 359 121/ +94 729 499 477
bishen.mendis@senfinsecurities.com



Madawalage Damayanthi
Assistant Vice President – Equities
+94 112 269 519/ +94 729 499 114
damayanthi.madawalage@senfinsecurities.com



Janak Kulananda
Associate Vice President – Equities
+94 714909656
Janak@senfinsecurities.com



Bandula Lansakara
Senior Manager - Equities
+94 704 724 932
bandula.lansakara@senfinsecurities.com



Himash Fernando
Investment Advisor
+94 76 542 5203
himash@senfinsecurities.com



<https://tinyurl.com/cvwnvf4x>



<https://tinyurl.com/4r9nej6s>



<https://tinyurl.com/4rrfuh6n>



<https://tinyurl.com/yc2mu9cf>



<https://tinyurl.com/38smbn5f>



<https://rb.gy/sn4rmt>



Disclaimer

This is solely for SenFin Securities Limited (SSL) clients' information and is not construed as investment advice. It is also not intended as an offer or solicitation to purchase and sell any financial instruments. This report is prepared based on publicly available information, internally developed data, and other sources believed to be reliable. The information and opinions contained in this report are based upon information obtained from sources believed to be reliable and made in good faith. Such information has not been independently verified and no guarantee, representation, or warranty, express or implied is made as to their accuracy, completeness, or correctness. All such information and opinions are subject to change without notice. This report is for information purposes only, and the description of any company or its securities mentioned herein is not intended to be complete. This report is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments, and SenFin Securities Limited or its employees or associates cannot be held responsible for any losses or gains. The recipient of this report must make their own independent decision regarding any securities, investments, or financial instruments mentioned herein. SenFin Securities Limited (SSL) its directors, officers, consultants, employees, and associates, will not be responsible, for any claims of damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out of actions taken as a result of this report. The contents herein should not be construed as investment, legal, or tax advice. Investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements, and (c) any foreign exchange restrictions or exchange control requirements that may be encountered under the laws of the countries of citizenship, residence, or domicile. Past performance does not guarantee future returns; there can be no assurance that investments will achieve any targeted price levels or rate of return. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of SSL.

Investment involves risk and securities, financial instruments and investment strategies mentioned may not be suitable for all investors. Please ensure that you fully understand the risks involved. As a general rule, you should only trade in financial products that you are familiar with and understand their risk. You should carefully consider your investment experience, financial situation, investment objective, and risk tolerance level and consult your independent financial adviser as to the suitability of your situation before making any investments.