Corporate Update

Telekom Malaysia Berhad

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Maintain **Neutral**

Unchanged Target Price **RM6.88**

Muted Revenue Performance

Revenue growth remains challenging. We maintain our Neutral recommendation on Telekom Malaysia (TM) with an unchanged target price of RM6.88 post the 1QFY25 results announcement. We see some earnings pressure mainly due to the stagnant revenue and higher total costs. There is mix revenue performance as improvement in TM Global' s revenue was met by marginally lower revenue contribution from unifi and TM One.

Moving forward, we expect marginal growth in revenue across all its business segments. Coupled with manageable cost-to-revenue ratio, we do expect PBT to improved further. Nonetheless, we opine that the bottomline could contract as the absence of tax credit would lead to normalisation of effective tax rate towards 24% from 6.4% recorded for FY24.

In-line with expectation. TM's 1QFY25 earnings came in at RM401.2m, a reduction of -5.6%yoy. This was mainly attributable to higher direct (+10.6%yoy) and operational costs (+13.2%yoy). The increase in direct cost was mainly led by the shift in 5G access cost recognition. Fortunately, the finance cost and taxation came in lower at -21.4%yoy and -9.1%yoy which helped to partially negate the increase in total costs.

Meanwhile, the group's revenue remained resilient, growing marginally by +0.5%yoy to RM2,815.5m. This was solely supported by revenue contribution from TM Global which saw an improvement of +2.4%yoy. Meanwhile, revenue from unifi and TM One was down slightly by -0.7%yoy and -0.6%yoy respectively.

All in, TM's 1QFY25 financial performance came in within ours and consensus expectations, which accounts for 23.5% and 23.4% of full year 25 earnings estimates respectively.

Figure 1: 1QFY25 revenue performance

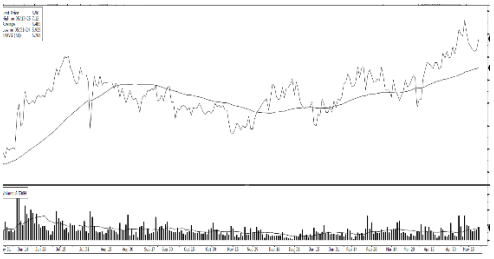
Segment	1Q25	1Q24	Change (%)	Remark
unifi	1,386	1,396	-0.7	Lower ARPU in view of competition
TM One	669	673	-0.6	Technology migration and deferment in certain customer projects
TM Gobal	761	743	2.4	Higher revenue from international and domestic data

Source: Company, MIDFR

No change to earnings estimates and target price. We are keeping our earnings estimates and DCF-derived target price of RM6.88 unchanged at this juncture.

RETURN STATISTICS	
Price @ 28th May 2025 (RM)	6.85
Expected share price return (%)	+0.4
Expected dividend yield (%)	+3.9
Expected total return (%)	+4.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.7	2.0
3months	6.3	6.1
12 months	7.2	14.4

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025E	2026F	2027F
Revenue	12,029.6	12,513.7	12,741.0
Operating Profit	2,368.6	2,766.1	2,851.2
PBT	2,266.6	2,671.4	2,764.3
Core PATAMI	1,700.6	2,008.2	2,078.8
Core EPS (sen)	44.3	52.3	54.2
DPS (sen)	26.5	27.5	29.5
Dividend Yield	3.9	4.0	4.3

KEY STATISTICS	
FBM KLCI	1,523.48
Issue shares (m)	3,837.60
Estimated free float (%)	66.45
Market Capitalisation (RM'm)	26,710.66
52-wk price range (rm)	RM6.12 – RM7.17
3-mth average daily volume (m)	6.55
3-mth average daily value (RM'm)	44.18
Top Shareholders (%)	
Khazanah Nasional Bhd	20.10
Employees Provident Fund Board	16.62
Amanah Saham Nasional Bhd	10.35

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Lower cost to revenue ratio. For FY24, the total cost-to-revenue ratio stands at 81.8, an improvement from 83.9% achieved for FY23. This was mainly contributed by a reduction in direct (-5.7%yoy), operational (-1.8%) and depreciation and amortisation costs (-10.9%yoy). Only the staff costs swelled by +9.6%yoy to RM2,735.1m, in view of higher manpower optimisation costs and higher staff remuneration.

Slight adjustment in target price. Post the earnings adjustment, our DCF-derived target price has been revised slightly higher to RM6.88 from RM6.78 previously while maintaining our valuation parameters.

TELEKOM MALAYSIA BHD: 1QFY25 RESULTS SUMMARY

Financial year ending 31st December (in Rm'm, unless other stated	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)
Revenue	2,851.5	2,837	0.5	3050.4	-6.5
EBITDA	1,102.2	1,156	-4.7	950.7	15.9
Depreciation and amortisation	-538.9	-538.3	0.1	-547.8	-1.6
EBIT	563.3	617.7	-8.8	402.9	39.8
Finance costs	-62.1	-79	-21.4	-71.4	-13.0
Finance income	32.2	31.1	3.5	36.6	-12.0
Associate contribution	0.6	2.3	-73.9	3.3	-81.8
Profit before tax	534.0	572.1	-6.7	371.4	43.8
Taxation	-131.2	-144.3	-9.1	371.5	-135.3
Profit after tax	402.8	427.8	-5.8	742.9	-45.8
Non-controlling interest	1.6	3	-46.7	12.3	-87.0
PATANCI	401.2	424.8	-5.6	730.6	-45.1
EPS (sen)	10.5	11.1	-5.5	19.0	-45.1
			+/-ppts		+/-ppts
EBITDA margin (%)	38.7	41	-2.1	31	7.5
EBIT margin (%)	19.8	22	-2.0	13	6.5
PATANCI margin (%)	14.1	15	-0.9	24	-9.9
Effective tax rate (%)	24.6	25	-0.7	-100	124.6

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	11,690.2	11,712.4	12,029.6	12,513.7	12,741.0
EBITDA	4,463.7	4,495.6	4,610.7	4,935.2	4,981.9
EBIT	2,050.1	2,346.2	2,368.6	2,766.1	2,851.2
Profit before tax	1,808.5	2,177.2	2,266.6	2,671.4	2,764.3
Normalised PATANCI	**1,870.5**	**2,016.9**	**1,700.6**	**2,008.2**	**2,078.8**
EPS (sen)	48.7	52.6	44.3	52.3	54.2
EPS Growth (%)	62.5	7.8	-15.7	18.1	3.5
PER (x)	14.1	13.0	15.5	13.1	12.6
Dividend Per Share (sen)	25.0	31.0	26.5	27.5	29.5
Dividend yield (%)	3.6	4.5	3.9	4.0	4.3

Balance sheet	2023A	2024A	2025E	2026F	2027F
Fixed assets	13,026.4	11,429.3	10,991.6	10,699.6	10,607.4
Intangible assets	903.0	839.5	839.5	839.5	839.5
Others	2,491.4	1,956.2	1,964.3	1,972.4	1,980.5
Non-current assets	**16,420.8**	**14,225.0**	**13,795.4**	**13,511.5**	**13,427.4**
Cash	2,955.2	3,096.2	4,246.2	5,527.7	6,591.1
Trade debtors	2,275.0	2,518.0	2,586.2	2,690.3	2,739.1
Others	1,284.8	1,323.3	1,328.8	1,337.1	1,341.0
Current assets	**6,515.0**	**6,937.5**	**8,161.1**	**9,555.1**	**10,671.2**
Trade creditors	3,033.3	3,270.4	3,359.0	3,494.1	3,557.6
Short-term debt	1,226.4	1,381.0	1,381.0	1,381.0	1,381.0
Others	1,614.5	1,633.9	1,633.9	1,633.9	1,633.9
Current liabilities	**5,874.2**	**6,285.3**	**6,373.9**	**6,509.0**	**6,572.5**
Long-term debt	3,536.8	2,109.9	2,109.9	2,109.9	2,109.9
Others	4,202.2	2,501.4	2,501.4	2,501.4	2,501.4
Non-current liabilities	**7,739.0**	**4,611.3**	**4,611.3**	**4,611.3**	**4,611.3**
Share capital	4,070.2	4,070.7	4,070.7	4,070.7	4,070.7
Retained earnings	4,950.9	5,893.3	6,576.8	7,529.6	8,476.2
Other reserve	141.9	135.7	135.7	135.7	135.7
Minority interest	159.6	166.2	188.2	210.2	232.2
Equity	**9322.6**	**10265.9**	**10971.4**	**11946.2**	**12914.8**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	1,808.5	2,177.2	2,266.6	2,671.4	2,764.3
Depreciation & amortisation	2,413.6	2,149.4	2,242.1	2,169.1	2,130.7
Others	-536.0	-316.0	-684.8	-781.5	-823.6
Operating cash flow	**3,686.1**	**4,010.6**	**3,823.8**	**4,059.0**	**4,071.3**
Capital expenditure	-2,193.1	-2,193.1	-1,380.9	-1,804.4	-1,877.1
Others	549.2	1,190.9	-275.9	82.4	1.3
Investing cash flow	**-1,643.9**	**-1,002.2**	**-1,656.8**	**-1,722.0**	**-1,875.8**
Debt raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	-649.6	-649.6	-1,074.5	-1,017.1	-1,055.5
Others	-1,038.2	-1,038.2	-1,634.0	0.0	0.0
Financing cash flow	**-1,687.8**	**-1,687.8**	**-2,708.5**	**-1,017.1**	**-1,055.5**
Net cash flow	354.4	299.9	1,150.0	1,281.5	1,063.4
Effect of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Beginning cash flow	**2,344.8**	**2,697.9**	**2,973.1**	**4,123.1**	**5,404.6**
Ending cash flow	**2,697.9**	**2,973.1**	**4,123.1**	**5,404.6**	**6,468.0**

Profitabily margins (%)	2023A	2024A	2025E	2026F	2027F
EBITDA margin	**38.2**	**38.4**	**38.3**	**39.4**	**39.1**
PBT margin	**15.5**	**18.6**	**18.8**	**21.3**	**21.7**
PATAMI margin	**16.0**	**17.2**	**14.1**	**16.0**	**16.3**

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology