Telekom Malaysia Berhad

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Corporate Update

An Outlier Quarter

Maintain **NEUTRAL**

Unchanged Target Price **RM7.21**

Mixed revenue performance. We maintain our **NEUTRAL** recommendation on Telekom Malaysia (TM) with an unchanged DCF-**derived target price of RM7.21** in conjunction with the release of the 3QFY25 financial performance. We view 3QFY25 earnings performance to be an outlier as the lower effective tax rate is anticipated to be one-off. The effective tax rate is expected to normalised from 4QFY25 onwards. Notwithstanding this, we see little optimism in the group's revenue performance. This can be seen in the cumulative 9MFY25 revenue performance where there is mixed revenue performance. Meanwhile, the total cost to revenue also inched higher to 81.5% from 80.5% led by the higher direct cost which could signify limited progress on cost management initiative. At this juncture, we view that total return is mainly derived from the dividend payment.

One-off surge in profit margin. TM reported 3QFY25 earnings of RM686.3m, a sharp increase of +47.6%yoy. This was mainly led by lower effective tax rate because of reassessment of deferred tax provisions, fair value gain from investment in a technology fund and monetisation of unused copper cables. After adjusting for exceptional items, 3QFY25 normalised earnings came in at RM622.5m (+33.8%yoy). This was in view of the expansion in profit margin to +20.8%yoy which was largely contributed by the lower effective tax rate of about 4.5%.

Note that 3QFY25 revenue improved by +2.6%yoy to RM2,991.9m, supported by higher revenue contribution from unifi and TM Global.

Figure 1: 3QFY25 revenue performance

Segment	3Q25	3Q24	Change (%)	Remark
unifi	1,416	1,396	1.4	+1.3%yoy growth in subscriber as a result of continuous promotional activities
TM One	683	711	-3.9	One-off settlement in 2024
TM Gobal	858	787	9.0	Higher revenue from high-capacity, dedicated cross-border and DC-to-DC connectivity and HSBA

Source: Company, MBSBR

Better-than-expected. On a cumulative basis, 9MFY25 normalised earnings amounted to RM1,464.5m (+13.9%) mainly led by the favourable 3Q25 earnings performance. Note that 9MFY25 revenue was relatively flat at RM8.6b. While Unifi revenue was flat, the improvement in TM Global revenue was offset by the weaker revenue performance from TM One.

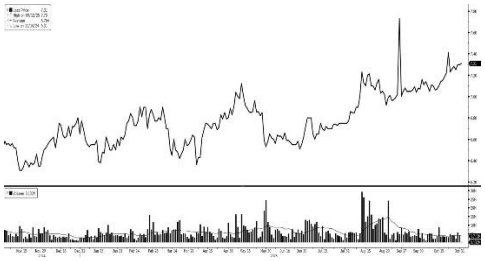
All in, 9MFY25 financial performance came in above ours and consensus expectations, both making up approximately 86% of full year FY25 earnings estimates.

Earnings upgrade primarily for FY25. To account for the lower effective tax rate recorded for 9MFY25, we lower our effective tax rate for FY25 to 20% while effective tax rate for FY26 onwards is maintain at 24%. In addition, we also input higher other income to account for sale of copper cable. This led to +11.1% upward revision in FY25. Meanwhile, earnings for both FY26 and FY27 are marginally adjust by +0.2% only.

RETURN STATISTICS

Price @ 24th November 2025 (RM)	7.25
Expected share price return (%)	-0.5
Expected dividend yield (%)	+3.8
Expected total return (%)	+3.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.0	4.3
3months	3.4	3.0
12 months	13.5	12.8

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	12,029.6	12,513.7	12,741.0
Operating Profit	2,478.6	2,766.1	2,851.2
Profit Before Tax	2,380.5	2,675.5	2,768.6
Core PATAMI	1,894.3	2,011.4	2,082.1
Core EPS	49.4	52.4	54.2
DPS	26.5	27.5	29.5
Dividend Yield	3.7	3.8	4.1

KEY STATISTICS

FBM KLCI	1,618.78
Issue shares (m)	3,837.70
Estimated free float (%)	67.59
Market Capitalisation (RM'm)	28,092.25
52-wk price range	RM6.15 – RM7.73
3-mth average daily volume (m)	6.95
3-mth average daily value (RM'm)	49.25
Top Shareholders (%)	
Employees Provident Fund Board	22.63
Khazanah Nasional Bhd	20.10
Kumpulan Wang Persaraan Diperbadan	9.97

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No change in target price. Given that earnings from FY26 onwards remain relatively unchanged, there is no impact to our DCF-derived target price of RM7.21. Note that there is no change to our valuation parameters.

TELEKOM MALAYSIA BHD: 3QFY25 RESULTS SUMMARY

Financial year ending 31st December (in Rm'm, unless other stated	Quarterly			Cumulative		
	3Q25	% YoY	% QoQ	9MFY25	9MFY24	% YoY
Revenue	2,991.9	2.6	7.9	8,615.3	8,662.0	-0.5
EBITDA	1,296.0	5.3	8.6	3,591.7	3,444.9	4.3
Depreciation and amortisation	-531.5	1.3	7.0	-1,567.1	-1,601.6	-2.2
EBIT	764.5	8.3	9.7	2,024.6	1,843.3	9.8
Finance costs	-62.1	-11.7	-61.2	-284.4	-133.4	113.2
Finance income	22.8	-29.8	-9.9	80.3	91.1	-11.9
Associate contribution	1.2	300.0	-500.0	1.5	4.8	-68.8
Profit before tax	726.4	8.7	29.3	1,822.0	1,805.8	0.9
Taxation	-32.7	-84.0	-79.5	-323.5	-509.8	-36.5
Profit after tax	693.7	49.4	72.6	1,498.5	1296	15.6
Non-controlling interest	7.4	-922.2	-840.0	8.0	9.7	-17.5
PATANCI	686.3	47.6	70.3	1,490.5	1,286.3	15.9
Normalised PATANCI	622.5	33.8	39.6	1,464.5	1,286.3	13.9
Normalised EPS (sen)	16.2	33.9	39.6	38.8	33.5	15.9
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	43.3	1.1	0.3	41.7	39.8	1.9
EBIT margin (%)	25.6	1.4	0.4	23.5	21.3	2.2
Normalised PATANCI margin (%)	20.8	4.9	4.7	17.0	14.8	2.1
Effective tax rate (%)	4.5	-26.0	-23.9	17.8	28.2	-10.5

Source: Company, MBSBR

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	4,720.7	4,935.2	4,981.9
EBIT	2,050.1	2,346.2	2,478.6	2,766.1	2,851.2
Profit before tax	1,808.5	2,177.2	2,380.5	2,675.5	2,768.6
Normalised PATANCI	**1,870.5**	**2,016.9**	**1,894.3**	**2,011.4**	**2,082.1**
EPS (sen)	48.7	52.6	49.4	52.4	54.2
EPS Growth (%)	62.5	7.8	-6.1	6.2	3.5
PER (x)	14.9	13.8	14.7	13.8	13.4
Dividend Per Share (sen)	25.0	31.0	26.5	27.5	29.5
Dividend yield (%)	3.4	4.3	3.7	3.8	4.1

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	4,439.9	5,724.5	6,791.1
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**	**8,354.8**	**9,751.9**	**10,871.3**
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	6,770.5	7,726.4	8,676.3
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**	**11165.1**	**12143.0**	**13114.9**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	1,808.5	2,177.2	2,380.5	2,675.5	2,768.6
Depreciation & amortisation	2,413.6	2,149.4	2,242.1	2,169.1	2,130.7
Others	-536.0	-316.0	-608.9	-786.6	-828.9
Operating cash flow	**3,686.1**	**4,010.6**	**4,013.6**	**4,058.0**	**4,070.3**
Capital expenditure	-2,193.1	-2,193.1	-1,380.9	-1,804.4	-1,877.1
Others	549.2	1,190.9	-272.0	86.5	5.6
Investing cash flow	**-1,643.9**	**-1,002.2**	**-1,652.9**	**-1,717.9**	**-1,871.5**
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	1,343.7	1,284.6	1,066.6
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**	**4,316.8**	**5,601.4**
Ending cash flow	**2,697.9**	**2,973.1**	**4,316.8**	**5,601.4**	**6,668.0**

Profitabily margins (%)	2023A	2024A	2025E	2026F	2027F
EBITDA margin	**38.2**	**38.4**	**39.2**	**39.4**	**39.1**
PBT margin	**15.5**	**18.6**	**19.8**	**21.4**	**21.7**
PATAMI margin	**16.0**	**17.2**	**15.7**	**16.1**	**16.3**

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known as 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