Telekom Malaysia Berhad

(4863 | T MK) Main | Telco

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Corporate Update

Sustained Dividend Payout

NEUTRAL

Revised Target Price **RM7.12**
(from RM7.21)

Steady revenue growth. We maintain our Neutral recommendation on Telekom Malaysia (TM) with a revised target price of RM7.12 (previously RM7.21) in conjunction with the release of the 4QFY25 financial performance. TM delivered underwhelming 4Q25 results as it incurred higher cost, leading to thinner profit margin. Nonetheless, on a full year FY25 normalised earnings expanded by +10.5 %, supported by margin expansion to 14.7%. There was not much traction from revenue perspective as higher revenue from unifi and TM Global was partially overcome by contraction in revenue from TM One. Moving forward, we expect similar revenue performance for FY26. In addition, we view that there could be some cost pressure, such as depreciation as capex is expected to continue to rise. Meanwhile, we are comforted by the group's commitment of paying healthy dividend since FY24.

Contraction in quarterly performance. TM's 4Q25 normalised earnings came in at RM363.2m, a decline of -50.3%yoy and -41.7%qoq. While the revenue improved by +6.8%yoy, the total cost to revenue ratio increased notably to 97.7% from 85.5% recorded for 4QFY24. As a result, the profit margin dwindled to 11% from 24% a year ago.

Figure 1: 4QFY25 revenue performance

Segment	4Q25	4Q24	Change (%)	Remark
unifi	1,495	1,455	2.8	Continuous promotional activities, subscriber growth and increased covergence take up
TM One	761	782	-2.7	Impacted by contract renewal
TM Gobal	977	780	25.2	Higher revenue from international data from hyperscalers and 5G mobile backhaul

Source: Company, MBSBR

Fall behind expectation. Nonetheless, full year FY25 normalised earnings amounted to RM1,749.7m, an improvement of +10.4%yoy. This was supported by the expansion in profit margin to 14.7% from 13.5% achieved from FY24.

All in, FY25 financial performance came in below our expectations, making up 92.4% of full year FY25 earnings estimates.

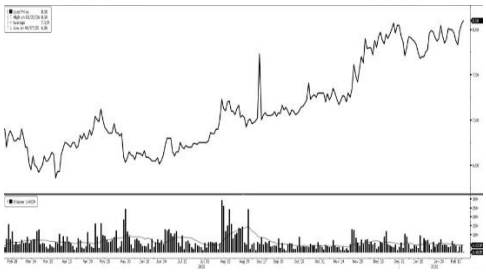
Earnings and target price adjustment. Given the weaker-than-expected FY25 financial performance, we revised lower FY26 and FY27 earnings estimates by -5.4% and -4.7% respectively as we fine tune our cost assumptions.

Following our earnings adjustment, our DCF-derived target price has been revised slightly lower to RM7.12 from RM7.21 previously while we maintain our valuation parameters.

Sustained dividend commitment. The group announced 4Q25 dividend of 18.5sen, in-line with 4Q24 dividend payout. This comprises of 14.5sen second interim dividend and 4.0sen special dividend. This led to full year FY25 dividend of 31sen which surpassed our FY25 dividend estimates of 26.5sen. As such, we revised our annual dividend assumption to 31sen.

RETURN STATISTICS	
Price @ 25th February 2026 (RM)	7.75
Expected share price return (%)	-8.1
Expected dividend yield (%)	+4.0
Expected total return (%)	-4.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	0.8
3months	1.4	4.1
12 months	19.3	8.1

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	12,220.3	12,468.5	12,732.0
Operating Profit	2,612.1	2,712.7	2,795.1
Profit Before Tax	2,497.9	2,604.6	2,693.2
Core PATAMI	1,902.3	1,984.4	2,052.7
Core EPS	49.6	51.7	53.5
DPS	31.0	31.0	31.0
Dividend Yield	4.0	4.0	4.0

KEY STATISTICS

FBM KLCI	1747.81
Issue shares (m)	3,837.70
Estimated free float (%)	67.59
Market Capitalisation (RM'm)	31,315.95
52-wk price range	RM6.19 – RM8.3
5.22	6.95
3-mth average daily value (RM'm)	40.71
Top Shareholders (%)	
Employees Provident Fund Board	22.89
Khazanah Nasional Bhd	20.10
Kumpulan Wang Persaraan Diperbadan	10.34

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TELEKOM MALAYSIA BHD: 4QFY25 RESULTS SUMMARY

Financial year ending 31st December (in Rm'm, unless other stated	Quarterly			Cumulative		
	4Q25	% YoY	% QoQ	FY25	FY24	% YoY
Revenue	3,256.7	6.8	8.9	11,872.0	11,712.4	1.4
EBITDA	938.5	-1.3	-27.6	4,530.2	4,495.6	0.8
Depreciation and amortisation	-611.6	11.6	15.1	-2,178.7	-2,149.4	1.4
EBIT	326.9	-18.9	-57.2	2,351.5	2,346.2	0.2
Finance costs	-47.8	-33.1	-23.0	-332.2	-304.8	9.0
Finance income	22.5	-38.5	-1.3	102.8	127.7	-19.5
Associate contribution	2.8	-15.2	133.3	4.3	8.1	-46.9
Profit before tax	304.4	-18.0	-58.1	2,126.4	2,177.2	-2.3
Taxation	-68.8	-118.5	110.4	-392.3	-138.3	183.7
Profit after tax	235.6	-68.3	-66.0	1734.1	2038.9	-14.9
Non-controlling interest	13.1	6.5	77.0	21.1	22.0	-4.1
PATANCI	222.5	-69.5	-67.6	1713	2016.9	-15.1
Normalised PATANCI	363.2	-50.3	-41.7	1749.7	1584.5	10.4
Normalised EPS (sen)	10.0	-47.6	-38.4	44.6	52.5	-15.1
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	28.8	-2.3	-14.5	38.2	38.4	-0.2
EBIT margin (%)	10.0	-3.2	-15.5	19.8	20.0	-0.2
Normalised PATANCI margin (%)	11.2	-12.8	-9.7	14.7	13.5	1.2
Effective tax rate (%)	22.6	122.6	18.1	18.4	6.4	12.1

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	11,712.4	11,872.0	12,220.3	12,468.5	12,732.0
EBITDA	4,495.6	4,520.2	4,758.8	4,818.9	4,885.6
EBIT	2,346.2	2,341.5	2,612.1	2,712.7	2,795.1
Profit before tax	2,177.2	2,126.4	2,497.9	2,604.6	2,693.2
Normalised PATANCI	**1,584.5**	**1,713.0**	**1,902.3**	**1,984.4**	**2,052.7**
EPS (sen)	41.3	44.6	49.6	51.7	53.5
EPS Growth (%)	-15.3	8.1	11.1	4.3	3.4
PER (x)	18.8	17.4	15.6	15.0	14.5
Dividend Per Share (sen)	31.0	31.0	31.0	31.0	31.0
Dividend yield (%)	4.0	4.0	4.0	4.0	4.0

Balance sheet	2024A	2025A	2026E	2027F	2028F
Fixed assets	11,429.3	11,407.7	11,094.0	10,982.8	10,929.5
Intangible assets	839.5	775.2	775.2	775.2	775.2
Others	1,956.2	2,071.7	2,076.0	2,080.3	2,084.6
Non-current assets	**14,225.0**	**14,254.6**	**13,945.2**	**13,838.3**	**13,789.3**
Cash	3,096.2	2,622.8	3,694.4	4,637.4	5,592.1
Trade debtors	2,518.0	2,307.0	2,374.7	2,422.9	2,474.1
Others	1,323.3	1,274.8	1,284.2	1,290.9	1,298.0
Current assets	**6,937.5**	**6,204.6**	**7,353.3**	**8,351.2**	**9,364.2**
Trade creditors	3,270.4	3,610.9	3,716.8	3,792.3	3,872.5
Short-term debt	1,381.0	510.9	510.9	510.9	510.9
Others	1,633.9	1,609.1	1,609.1	1,609.1	1,609.1
Current liabilities	**6,285.3**	**5,730.9**	**5,836.8**	**5,912.3**	**5,992.5**
Long-term debt	2,109.9	1,550.9	1,550.9	1,550.9	1,550.9
Others	2,501.4	2,416.3	2,416.3	2,416.3	2,416.3
Non-current liabilities	**4,611.3**	**3,967.2**	**3,967.2**	**3,967.2**	**3,967.2**
Share capital	4,070.7	4,070.9	4,070.9	4,070.9	4,070.9
Retained earnings	5,893.3	6,428.2	7,140.5	7,934.9	8,797.6
Other reserve	135.7	88.1	88.1	88.1	88.1
Minority interest	166.2	173.9	195.0	216.1	237.2
Equity	**10265.9**	**10761.1**	**11494.5**	**12310.0**	**13193.8**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	2,177.2	2,126.4	2,497.9	2,604.6	2,693.2
Depreciation & amortisation	2,149.4	2,178.7	2,146.7	2,106.2	2,090.5
Others	-316.0	-786.2	-670.7	-709.6	-735.1
Operating cash flow	**4,010.6**	**3,518.9**	**3,973.9**	**4,001.2**	**4,048.7**
Capital expenditure	-2,193.1	-1,380.9	-1,736.5	-1,833.0	-1,995.0
Others	1,190.9	183.9	24.2	-35.1	91.0
Investing cash flow	**-1,002.2**	**-1,197.0**	**-1,712.3**	**-1,868.2**	**-1,904.0**
Debt raised/(repaid)	0.0	0.0	0.0	0.0	1.0
Dividends paid	-649.6	-1,074.5	-1,189.7	-1,190.0	-1,190.0
Others	-1,038.2	-1,634.0	-1,619.7	0.0	-1.0
Financing cash flow	**-1,687.8**	**-2,708.5**	**-2,809.4**	**-1,190.0**	**-1,190.0**
Net cash flow	299.9	-487.5	1,071.6	943.0	954.7
Effect of exchange rate changes	0.0	0.0	0.0	0.0	1.0
Beginning cash flow	**2,697.9**	**2,973.1**	**2,485.7**	**3,557.3**	**4,500.3**
Ending cash flow	**2,973.1**	**2,485.7**	**3,557.3**	**4,500.3**	**5,455.0**

Profitabily margins (%)	2024A	2025A	2026E	2027F	2028F
EBITDA margin	**38.4**	**38.1**	**38.9**	**38.6**	**38.4**
PBT margin	**18.6**	**17.9**	**20.4**	**20.9**	**21.2**
PATAMI margin	**13.5**	**14.4**	**15.6**	**15.9**	**16.1**

Source: Company, MBSBR

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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