**Steven Chong**
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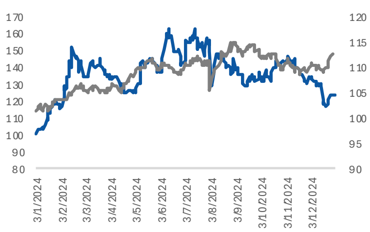
stevenchong@apexsecurities.com.my

| **Recommendation:** | **BUY** |
|---|---|
| Current Price: | RM 0.86 |
| Previous Target Price: | N/A |
| Target Price: | RM 1.10 |
| Capital Upside/Downside: | 27.9% |
| Dividend Yield (%): | 5.3% |
| **Total Upside/Downside:** | **33.2%** |

| **Stock information** | |
|---|---|
| Board | MAIN |
| Sector | Telecommunication |
| Bursa / Bloomberg Code | 0032 / RIB MK |
| Syariah Compliant | Yes |
| ESG Rating | ★★★ |
| Shares issued (m) | 773.0 |
| Market Cap (RM' m) | 664.7 |
| 52-Week Price Range (RM) | 1.21-0.71 |
| Beta (x) | 0.9 |
| Free float (%) | 34.1 |
| 3M Average Volume (m) | 0.8 |
| 3M Average Value (RM' m) | 0.8 |

| **Top 3 Shareholders** | **(%)** |
|---|---|
| Berjaya Corp Bhd | 38.4 |
| Johor Dymm Sultan Ibrahim | 17.3 |
| Kaf Investment Funds Bhd | 3.2 |

**Share Price Performance**




| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | -8.0 | -8.5 | 18.6 |
| Relative (%) | -9.5 | -8.0 | 6.2 |

# Redtone International Berhad

## Massive Opportunities on Upcoming 5G rollout and Jendela P2

## Executive Summary

- **RIB is anticipated to deliver strong earnings growth, driven by outsourced contracts from MNOs for 5G installation works and Jendela P2 projects.**
- **Our core earnings forecast assumption includes (i) 87 towers remaining in the pipeline pending deployment, (ii) unbilled orderbook of c.RM900m, (iii) c.RM600m from Jendela P2 projects, and (iv) 5G infrastructure spending from MNOs to support long-term orderbook replenishment.**
- **We initiate coverage on RIB with a BUY recommendation and TP of RM1.10 by pegging 6x FY26F forward EV/EBITDA multiple and three-star ESG rating.**

## Key Investment Highlights

**Substantial orderbook at c.RM900m with opportunities in Jendela P2 tender**. We estimate order book could potentially double up, should RIB maintain a similar market share in Jendela Phase 2. Presently, the Group secured c.257 towers out of 1,661 towers in Phase 1, representing a 15% market share. Consequently, we project RIB could secure an additional order book of c.RM600.0m, which we deemed to be a conservative target, given the larger scope of Phase 2.

**Hiccups in Jendela Phase 1 may provide opportunity for RIB to secure a larger slice of the pie.** Following delays in tower construction under Phase 1, we believe the Government may discontinue partnerships with existing underperforming contractors under Phase 2, potentially enabling other players to capture a larger market share. Given the Group's longstanding relationship with the Government and its track record in executing numerous large scale government projects, we believe RIB is well positioned to secure a larger slice of the pie.

**Robust balance sheet and cash rich.** RIB maintained a healthy balance sheet, with net cash position over the last five years. Given its strong cash position, we believe the Group is well-positioned to dish out better dividends in the future upon stronger earnings recognition from orderbook expansion.

**4G sites upgrades as well as operational and maintenance jobs will sustains long-term revenue stream for the MTNS segment.** With the announcement of the second 5G network operator, Malaysia is poised to advance to the next phase of its 5G rollout. Currently, half of its c.RM600m order book comprises a 5-year operations and maintenance contract, providing a steady source of recurring income for the Group.

**Valuation & Recommendation**. We initiate coverage on Redtone International Berhad with a **BUY** recommendation and a target price of **RM1.10** by pegging 6x FY26F forward EV/EBITDA multiple to forecast and three-star ESG rating.

**Earnings Summary**

| **FYE Jun (RM m)** | **FY22** | **FY23** | **FY24** | **FY25F** | **FY26F** |
|---|---|---|---|---|---|
| Revenue | 158.0 | 214.7 | 342.2 | 440.6 | 448.5 |
| EBITDA | 68.3 | 112.0 | 120.7 | 112.9 | 121.3 |
| Pre-tax profit | 75.0 | 83.2 | 83.8 | 87.8 | 103.9 |
| Net profit | 40.6 | 55.2 | 60.1 | 62.0 | 64.9 |
| Core net profit | 39.6 | 57.5 | 59.8 | 61.7 | 64.7 |
| Core EPS (sen) | 5.1 | 7.4 | 7.7 | 8.0 | 8.4 |
| | | | | | |
| P/E (x) | 16.6 | 11.4 | 11.0 | 10.6 | 10.2 |
| P/B (x) | 2.9 | 2.6 | 2.2 | 1.9 | 1.7 |
| EV/EBITDA (x) | 10.8 | 6.9 | 5.8 | 6.8 | 6.6 |
| Dividend Yield (%) | 2.1% | 2.9% | 3.5% | 5.0% | 5.3% |
| Net Gearing (%) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

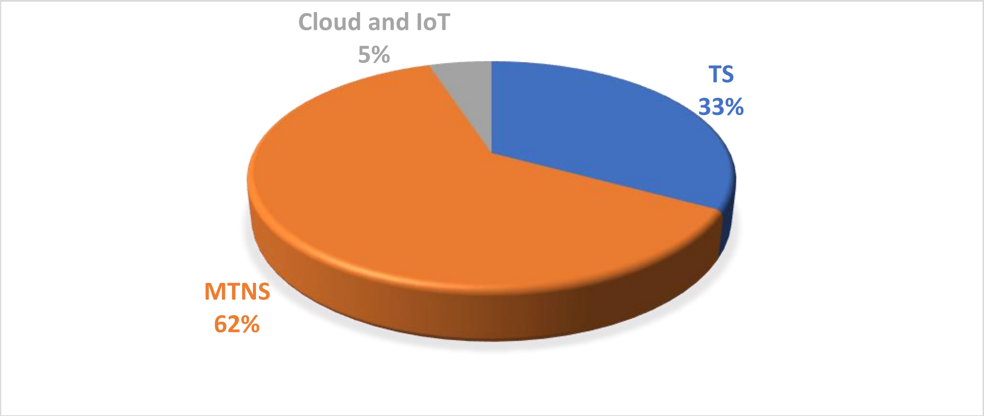
*Source: Company, Apex Securities*


KDN PP13226/06/2024 (035469)

## Business Overview

**Business Model**. Redtone International Berhad (RIB) is one of the leading providers of integrated telecommunications and digital infrastructure services for organisations. The Group's business model is split into three segments: **i) Telecommunication services (TS), ii) Managed telecommunications network services (MTNS)** and **iii) Cloud and IOT**. In FY24, the TS and MTNS segments both remained the primary contributor to the Group's revenue, contributing **33%** and **62%** respectively, while the cloud and IOT made up the remaining **5%**.

## Revenue breakdown by segment (FY24):




*Source: RIB*

**Telecommunications Services (TS)**. The TS segment offers a comprehensive range of data, managed network services, Cloud PBX, SIP Trunk and managed cybersecurity services tailored for government agencies, enterprises, and SME. The Group's broadband service for SME, Redtone Biz+, came in four packages starting at RM199/month for 20 Mbps to RM999 for 150 Mbps. While these packages may seem pricier against other mobile network operators (MNOs), the Group provide superior network quality by utilising interconnection agreements with multiple tier-1 fixed-line and cellular operators, which helps minimise the risk of downtime. As an authorized Starlink Reseller & Integrator, the Group also provides enterprise-grade satellite-based services mainly to support the rural areas where there is lack of infrastructure to support fibre connectivity. That said, contribution from Starlink is unlikely to significant at the moment as we believe it is simply one of RIB's complementary offerings aimed at serving areas with limited connectivity. In a nutshell, this segment generally provides recurring income with a run-rate of c.RM100m/annum.

**Managed Telecommunications Network Services (MTNS)**. This segment focuses on the development, maintenance, and operation of large-scale telecom engineering projects, including WiFi hotspots, base stations, and fiber optic infrastructure. The Group has played a pivotal role in the successful roll-out of numerous large-scale Universal Service Provision (USP) projects in the past. These include initiatives like Time-3 and its extension, Kampung Tanpa Wayar (KTW) and the Jendela project. We gather that current orderbook stands at c.RM900m, with c.RM600m attributed to Jendela Phase 1 projects. Notably, about half of this c.RM600m (RM300m) is dedicated to operational and servicing work, which typically provides stable and recurring revenue.

**Cloud and Internet of Things (Cloud & IoT)**: RIB offers cloud services and applications, data center solutions, disaster recovery, and Internet of Things (IoT) technology for smart farming. In a nutshell, this is part of RIB strategy to gain foothold on proving end-user AI services. For now, this segment has yet to achieve profitability as it is still at its early development phase. We opined this segment has great potential for demand growth following the rollout of 5G. As 5G network connectivity expands, more businesses are likely to explore digital adoption to improve efficiency. That said, we reckon this segment is unlikely to become profitable in the near term, though it has experienced some promising growth stem from recent government project awards.

## Industry Overview

The Jendela initiative is part of Malaysia's National Digital Infrastructure Plan (NDIP), designed to enhance the country's digital infrastructure. Launched in August 2020 by former Prime Minister Muhyiddin Yassin, Jendela tracks premises connected to fibre for fixed broadband and focuses on 3 key components of mobile broadband: upgrading base stations, building new mobile towers, and expanding satellite connectivity.

To date, the Jendela Phase 1 project has reached certain milestone including i) 96.92% 4G population coverage (target: 96.9%), ii) 7.74m premises passed by fibre (target: 7.5m) and iii) achieving mobile broadband mean speed of 116.03Mbps and a median speed of 43.46Mbps (target: 35Mbps).

Since then, the project has encountered some setbacks due to unfinished towers, which were expected to be completed by Oct 2024. This delay is particularly noticeable, with 577 out of 1,385 completed towers yet to be operational, including 226 that have surpassed the 9-month target timeline for activation. The MCMC is monitoring towers facing delays and considering imposing liquidated damages on the parties involved.

**Summary for Phase 1:**

- **Total towers to be completed for Phase 1:** 1661 towers
- **Completed**: 1,385 towers
- **Operational**: 808 towers
- **Under construction**: 276 towers

For the base stations upgrade, the 5 key mobile broadband service providers have upgraded a total of 37,977 base stations or 99.86% of its original target. U Mobile and YTL achieved its original target, while Celcom, Digi and Maxis achieved closed to 99% from their respective targets. The delay is due to local authority approval and access to the sites under Universal Service Provision (USP) projects.

## 4G coverage ramped up post implementation of Jendela


*Source: Jendela*

## 5G coverage is still lacking across the country


*Source: Jendela*

Under Phase 2, the full deployment of 5G will follow upon when 4G coverage target is achieved, in line with the 12th Malaysia Plan thus boosting digital connectivity nationwide.  Phase 2 will focus on providing Internet coverage for the remaining 3%of the populated area and expanding gigabit access for fixed line broadband to 9m premises nationwide.

**In a nutshell, Phase 2 target can be summarised as below:**

- 100% internet coverage (from 97%)
- 100 Mbps mobile broadband speed
- 9m premises passed with gigabit speed (from 7.7m)
- Phase 2 is expected to be launched by the end of CY25.
- Estimated an additional 2,500-3000 new sites

## Investment Highlights

**Jendela Phase 2 and 5G infrastructure projects from MNO to drive orderbook replenishment**. With its extensive experience in servicing nationwide enterprise customers and providing engineering services for large-scale government projects, we believe RIB is well-positioned to benefit from Malaysia's ongoing 5G rollout. Notably, the scale of Jendela Phase 2 is expected to be significantly larger than Phase 1. For context, Phase 1 involved the construction of over 1,661 new towers with a budget of RM28bn. Although the contract value for Phase 2 has yet to be disclosed, the project is anticipated to involve the construction of 2,500–3,000 towers — doubling the size of Phase 1. With its current order book at c.RM900m, of which RM600m is attributed to Jendela P1, we estimate the orderbook could potentially double up, assuming the group managed to secures a similar market share for the next phase. For now, we conservatively estimate RIB to secure an additional orderbook of c.RM600m, which is a significant understatement given the larger project scale for P2.

**Hiccups in Jendela Phase 1 may provide opportunity for RIB to secure more projects**. Delays in tower construction in rural areas of Sabah and Sarawak have drawn dissatisfaction from the Ministry regarding the contractors involved. Consequently, we believe the Government may discontinue partnerships with these underperforming contractors for Phase 2, potentially enabling other existing players to capture a larger market share. Given the Group's longstanding relationship with the government and its track record in execution of numerous government projects, we believe RIB is well positioned to secure a larger slice of pie under Phase 2. We gather that most of RIB's Phase 1 jobs are on schedule, with only 2 out of the 257 towers assigned to RIB facing delays due to late handovers from other contractors.

**Robust balance sheet and cash rich.** RIB maintained a healthy balance sheet, with net cash position over the last five years. the Group transitioned from a net cash position to a net gearing (including leases) of 0.04x, primarily due to higher invoice financing for government clients and cash outflows for long-term investments. We reckon the reversal in cash position is temporary in nature and should turn positive in the coming quarters as payments from the Government contract is recognised later. Besides that, we also note that RIB does not have a formal dividend policy but has progressively increased its DPS from 1.80 sen in FY20-FY21 to 2.5/3.0 sen in FY23/FY24, respectively, following the commencement of the Jendela project. Given its strong cash position, we believe the Group is well-positioned to further increase its payout in the future, contingent on successful orderbook expansion through tender win for Phase 2 projects.

**4G sites upgrades as well as operational and maintenance jobs will sustains long-term revenue stream for the MTNS segment**. With the announcement of the second 5G network operator, Malaysia is poised to advance to the next phase of its 5G rollout. Consequently, we anticipate an increase in 4G sites upgrade as well as installation of 5G infrastructure. This development is expected to benefit RIB, as it stands to gain from additional engineering projects and recurring revenue streams through maintenance and support services. Currently, half of its c.RM600m order book comprises a 5-year operations and maintenance contract, providing a steady source of recurring income for the Group. Meanwhile, the recent awarded RM398m 5-year MyGov 3.0 project is also expected to contribute positively to the Group's earnings going forward.

## Financial Highlights

**On track for double digit growth**. Despite the Group managed to grow its top line over the past 2 years, its margins were volatile due to its exposure to Government projects. In FY24, RIB core net profit recorded at RM42.8m, up +29.0% yoy, led by surge in revenue contribution from MTNS segment, thanks to the successful delivery of a partial of Jendela projects. Although the GP margin declined to 33.0% (from 44.5%), the larger scale of the projects has boosted its GP growth by +33.0% yoy.

**Earnings Outlook**. Moving forward, we project RIB's core net profit to register at RM61.7m/RM64.7m/RM76.6m in FY25F/FY26F/FY27F, respectively. Our assumption is based on i) potential tenders from Jendela P2, ii) progressive recognition of unbilled orderbook of c.RM900m, and iii) 160 towers deployment per year.

## Valuation & Recommendation

**Initiation Coverage**. We initiate coverage on Redtone International Berhad with a **BUY** recommendation and a target price of **RM1.10** based on 6x FY26F forward EV/EBITDA multiple and three-star ESG rating. Our assigned multiple implies a slight premium to its closest peer, OCK Group Bhd which is trading at 5.7x for CY25. We believe this premium is justified by Redtone's larger market capitalisation of RM669m (30% higher than OCK), solid balance sheet with net cash, superior ROE and net margin.

**Investment Thesis**. We favour RIB for its (i) strong track record of securing government projects, (ii) potential massive contract value from Jendela P2, (iii) orderbook replenishment from upcoming 5G network infrastructure capex spending and (iv) strong fundamentals, with a net cash position of RM46m as at FY24.

## Peers Comparison

| Company | Market Group | FYE | Price (RM) | Market Cap (RM 'm) | EV/EBITDA (x) | | Dividend Yield (%) | Revenue (RM' m) | Core Net Profit (RM' m) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY24F | FY25F | | | |
| **Redtone International Bhd^** | **MAIN** | **Jun** | **0.87** | **664.7** | **6.8** | **6.6** | **3.5%** | **342.2** | **42.8** |
| OCK Group Bhd | MAIN | Dec | 0.48 | 507.6 | 6.4 | 5.7 | 2.1% | 724.6 | 39.4 |
| Time Dotcom Bhd | MAIN | Dec | 4.73 | 8744.9 | 9.6 | 8.9 | 4.8% | 1591.0 | 412.3 |
| Maxis Bhd | MAIN | Dec | 3.64 | 28512.6 | 8.9 | 8.9 | 4.7% | 10180.0 | 993.0 |
| CelcomDigi Bhd | MAIN | Dec | 3.650 | 42820.0 | 9.5 | 9.1 | 3.8% | 12682.0 | 1552.0 |
| **Average ex-Redtone International Bhd** | | | | | **8.6** | **8.1** | **3.9%** | **6294.4** | **749.2** |

*^Redtone FY24F/FY25F refers to FY25F/FY26F data*

*Source: Company, Apex Securities*

## Investment Risk

**Dependant on other operators to offer TS**. As a tier-2 telco provider, RIB is dependent on MNO and fixed line provider such as TM to provide inter-connectivity. Adverse change of failure to renew interconnection arrangement will cause disruption to its services.

**Reliance on government projects**. Most of RIB's orderbook for its MTNS segment are under Government initiatives. Our strong growth assumption is based on RIB's capability to secure tenders for Jendela Phase 2 projects.

**Intense competition.** As a tier-2 telco operator, the Group has to compete with a number of well establish operators including TM, CelcomDigi, Maxis and others. Besides that, the emergence of new entrants within the tier-2 space could materially affect RIB pricing power.

**Regulatory and litigation risk**. The telco industry is highly regulated which is subject to supervision by authorities. Also, failure to deliver projects within the timeline could result in penalty.

## Financial Highlights

**Income Statement**

| FYE Jun (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| **Revenue** | **214.7** | **342.2** | **440.6** | **448.5** | **507.0** |
| **Operating Profit** | **51.3** | **67.2** | **66.1** | **70.6** | **79.8** |
| **EBITDA** | **112.0** | **120.7** | **112.9** | **121.3** | **133.5** |
| Depreciation & Amortisation | 34.6 | 36.5 | 28.0 | 30.0 | 31.0 |
| **EBIT** | **77.4** | **84.2** | **84.8** | **91.2** | **102.5** |
| Net Finance Income/ (Cost) | -2.4 | -1.1 | -1.1 | -3.5 | 1.4 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Pre-tax Profit** | **75.0** | **83.2** | **83.8** | **87.8** | **103.9** |
| Tax | -19.8 | -23.1 | 21.8 | 22.8 | 27.0 |
| **Profit After Tax** | **55.2** | **60.1** | **62.0** | **64.9** | **76.9** |
| Minority Interest | -2.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Net Profit** | **57.5** | **59.8** | **61.7** | **64.7** | **76.6** |
| Exceptionals | -24.3 | -17.1 | 0.0 | 0.0 | 0.0 |
| **Core Net Profit** | **33.2** | **42.8** | **61.7** | **64.7** | **76.6** |

**Key Ratios**

| FYE Jun (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| EPS (sen) | 4.3 | 5.5 | 8.0 | 8.4 | 9.9 |
| P/E (x) | 19.8 | 15.4 | 10.6 | 10.2 | 8.6 |
| P/B (x) | 2.6 | 2.2 | 1.9 | 1.7 | 1.5 |
| EV/EBITDA (x) | 6.9 | 5.8 | 6.8 | 6.6 | 6.4 |
| DPS (sen) | 1.8 | 2.5 | 3.6 | 3.8 | 9.9 |
| Dividend Yield (% ) | 2.1% | 2.9% | 4.2% | 4.4% | 11.7% |
| EBITDA margin (% ) | 52.2% | 35.3% | 25.6% | 27.0% | 26.3% |
| EBIT margin (% ) | 36.0% | 24.6% | 19.3% | 20.3% | 20.2% |
| PBT margin (% ) | 34.9% | 24.3% | 19.0% | 19.6% | 20.5% |
| PAT margin (% ) | 25.7% | 17.6% | 14.1% | 14.5% | 15.2% |
| NP margin (%) | 26.8% | 17.5% | 14.0% | 14.4% | 15.1% |
| CNP margin (% ) | 15.4% | 12.5% | 14.0% | 14.4% | 15.1% |
| ROE (% ) | 12.9% | 14.3% | 18.1% | 17.1% | 18.0% |
| ROA (% ) | 7.8% | 9.2% | 11.2% | 11.1% | 11.8% |
| Gearing (% ) | 1.6% | 7.2% | 4.0% | 2.0% | 2.0% |
| Net gearing (% ) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

| Valuations | FY26F |
|---|---|
| EBITDA per share(RM) | 0.157 |
| EV/EBITDA multiple (x) | 6.0 |
| EV per share (RM) | 0.94 |
| (+) Cash | 0.19 |
| (-) Debt | 0.01 |
| **Fair Value (RM)** | **1.10** |
| ESG premium/discount | 0.0% |
| **Implied Fair Value (RM)** | **1.10** |

*Source: Company, Apex Securities*

**Balance Sheet**

| FYE Jun (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash | 117.0 | 63.5 | 119.5 | 148.5 | 200.1 |
| Receivables | 97.7 | 80.5 | 103.6 | 105.5 | 119.2 |
| Inventories | 0.5 | 0.6 | 0.8 | 0.8 | 0.9 |
| Other current assets | 119.2 | 203.3 | 203.3 | 203.3 | 203.3 |
| **Total Current Assets** | **334.3** | **347.9** | **427.3** | **458.1** | **523.5** |
| Fixed Assets | 18.7 | 18.7 | 41.9 | 43.2 | 47.7 |
| Intangibles | 32.1 | 20.4 | 0.0 | 0.0 | 0.0 |
| Other non-current assets | 40.9 | 80.0 | 80.0 | 80.0 | 80.0 |
| **Total Non-current assets** | **91.8** | **119.1** | **121.9** | **123.3** | **127.7** |
| Short-term Debt | 0.1 | 3.9 | 0.0 | 0.0 | 0.0 |
| Payables | 83.5 | 120.5 | 164.2 | 165.7 | 187.2 |
| Other Current Liabilities | 54.8 | 12.2 | 10.2 | 10.2 | 10.2 |
| **Total Current Liabilities** | **138.4** | **136.7** | **174.3** | **175.8** | **197.4** |
| Long-term Debt/Lease | 3.9 | 17.5 | 13.6 | 7.5 | 8.5 |
| Other non-current liabilities | 27.1 | 14.8 | 20.8 | 20.8 | 20.8 |
| **Total Non-current Liabilities** | **31.0** | **32.3** | **34.4** | **28.3** | **29.3** |
| Shareholder's equity | 253.8 | 294.8 | 337.1 | 373.9 | 421.3 |
| Minority interest | 3.0 | 3.3 | 3.3 | 3.3 | 3.3 |
| **Equity** | **256.7** | **298.0** | **340.4** | **377.2** | **424.6** |

**Cash Flow**

| FYE Jun (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| **Pre-tax profit** | **75.0** | **83.2** | **83.8** | **87.8** | **103.9** |
| Depreciation & amortisation | 34.6 | 36.5 | 28.0 | 30.0 | 31.0 |
| Changes in working capital | -29.3 | 54.1 | 20.3 | -0.4 | 7.7 |
| Others | 8.8 | -223.5 | -22.0 | -23.1 | -27.3 |
| **Operating cash flow** | **89.2** | **-49.8** | **110.1** | **94.3** | **115.3** |
| Net capex | -27.1 | -25.6 | -30.8 | -31.4 | -35.5 |
| Others | -3.5 | 52.5 | 0.0 | 0.0 | 0.0 |
| **Investing cash flow** | **-30.6** | **26.9** | **-30.8** | **-31.4** | **-35.5** |
| Changes in borrowings | -1.0 | -0.1 | -3.9 | -6.1 | 0.9 |
| Issuance of shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | -13.9 | -19.3 | -19.3 | -27.9 | -29.2 |
| Others | -5.6 | -5.1 | 0.0 | 0.0 | 0.0 |
| **Financing cash flow** | **-20.4** | **-24.5** | **-23.2** | **-34.0** | **-28.3** |
| **Net cash flow** | **38.1** | **-47.4** | **56.0** | **29.0** | **51.6** |
| Forex | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | -28.5 | -22.4 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 50.4 | 88.5 | 63.5 | 119.5 | 148.5 |
| **Ending cash** | **117.0** | **63.5** | **119.5** | **148.5** | **200.1** |

## ESG Matrix Framework:

### Environment

| Parameters | Rating | Comments |
|---|---|---|
| Climate | ★★★ | Adopting smart farming technology is the future of agriculture, integrating IoT platforms for sensor utilisation, smart gateways and monitoring systems. |
| Waste & Effluent | ★★★ | Co2 emissions increased to 685 tonnes in FY23 to 733 tonnes in FY24 |
| Energy | ★★★ | Energy consumption fell -10.7% in FY24 through implementation of proactive measures such as LED lighting and auto sensors to reduce electricity usage. |
| Water | ★★★ | Installed a rainwater harvesting system in data centre to support water chiller and sanitary systems, contributing to sustainable water management practices |
| Compliance | ★★★ | In compliance with local and international environmental regulations |

### Social

| | | |
|---|---|---|
| Diversity | ★★★ | 90% of average employees age below 50, 30% of employees are female |
| Human Rights | ★★★ | Enforce and adopts Code of Ethics and Conduct |
| Occupational Safety and Health | ★★ | 176 training hours on OSH, 0 injuries and fatalities among employees and third-party contractor in FY24 |
| Labour Practices | ★★★ | Fostering career advancement and growth opportunities for all employees |

### Governance

| | | |
|---|---|---|
| CSR Strategy | ★★★ | Repaired roads to improve access and maintain telecommunication towers in rural areas such as Kampung Pulau Layak and Ulu Bertam in Kelantan. |
| Management | ★★ | Average board members age @ 52, 3/7 female board composition, 3/7 Independent Directors |
| Stakeholders | ★★★ | 4x analyst briefings per annum, 1x AGM per annum |

**Overall ESG Scoring:** ★★★

**Recommendation Framework:**
**BUY:** Total returns* are expected to exceed 10% within the next 12 months.
**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.
**SELL:** Total returns* are expected to be below -10% within the next 12 months.
**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.
**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

**Sector Recommendations:**
**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.
**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

**ESG Rating Framework:**
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value



As of **Friday, 03 Jan, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.