

Steven Chong

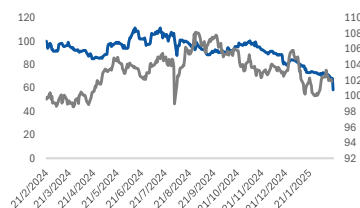
(603) 7890 8888 (ext 2068)

stevenchpngg@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.60
Previous Target Price:	RM 1.10
Target Price:	RM 0.95
Capital Upside/Downside:	58.3%
Dividend Yield (%):	6.0%
Total Upside/Downside:	64.3%

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)	463.8
52-Week Price Range (RM)	1.21-0.6
Beta (x)	1.1
Free float (%)	34.1
3M Average Volume (m)	0.6
3M Average Value (RM' m)	0.5

Top 3 Shareholders	(%)
Berjaya Corp Bhd	38.4
Johor Dym Sultan Ibrahim	17.3
Kaf Investment Funds Bhd	3.2

Share Price Performance

	1M	3M	12M
Absolute (%)	-20.0	-36.8	-43.4
Relative (%)	-19.9	-36.4	-44.3

Redtone International Berhad

Navigating Short-Term Weaknesses

Executive Summary

- RIB's 2QFY25 CNP fell -31.9% yoy and -35.2% qoq to RM7.1m, bringing 6MFY25 CNP at RM18.1m (-35.2% yoy), which was below expectations, accounted to 29% of ours and consensus expectations respectively.
- We slash our earnings forecast for FY25/FY26 by -31.1%/-25.8% after factoring delays in tower deployment and adjusting our EBITDA margin assumption from 25.6% to 22.6%.
- Re-iterate our BUY recommendation with a lower target price of RM0.95, based on 6x EV/EBITDA.

Results below expectations. 6MFY25 CNP at RM18.1m (-35.2% yoy) came below expectations, accounting to 29% of our and consensus forecasted CNP. The lower revenue recognition in the MTNS segment came in as a surprise to us, given RIB's substantial backlog order from its previous projects including 87 towers left from Jendela P1. Besides that, operating margins were under greater pressure than anticipated, reflecting intensified competition for government contracts.

YoY. 2QFY25 CNP dropped -31.9% yoy to RM7.1m in tandem with the lower revenue recognition from the MTNS segment, likely due to delays in project execution or the timing of revenue recognition under contractual terms. Revenue for the quarter shed -16.6% yoy to RM74.8m.

QoQ. CNP decreased -35.2% qoq due to weakness across all segments compared to the previous quarter. Similarly, revenue slid -25.4% qoq.

Outlook. We remain optimistic about RIB's long-term prospects due to its strong track record of successfully executing large-scale projects, particularly under national programs like Jendela. As Malaysia moves forward with its 5G rollout and digital infrastructure projects, we opined the Group's deep expertise in building and upgrading telecommunications infrastructure will position it well to capitalize on these emerging opportunities.

Earnings Revision. Nevertheless, we acknowledge that short-term volatility could arise due to uncertainties around the timing of new contract awards as well as potential delays in project deliveries. We slash our earnings forecast for FY25/FY26 by -31.1%/-25.8% after factoring delays in tower deployment and adjusting our EBITDA margin assumption from 25.6% to 22.6%.

Valuation. Re-iterate our **BUY** recommendation on RIB with a lower target price of **RM0.95 (previously RM1.10)**, by pegging 6x EV/EBITDA multiple and 0% ESG factored premium/discount based on three-star ESG rating.

Risk. Dependant on other operators to offer TS. Reliance on government projects. Intense competition. Regulatory and litigation risk.

Earnings Summary

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	158.0	214.7	342.2	401.4	448.5
EBITDA	68.3	112.0	120.7	90.9	101.4
Pre-tax profit	75.0	83.2	61.8	69.7	83.3
Net profit	40.6	55.2	60.1	45.7	51.6
Core net profit	39.6	57.5	59.8	45.5	51.3
Core EPS (sen)	5.1	7.4	7.7	5.9	6.6
P/E (x)	16.6	11.4	11.0	14.4	12.8
P/B (x)	2.9	2.6	2.2	2.0	1.9
EV/EBITDA (x)	10.8	6.9	5.8	8.3	7.8
Dividend Yield (%)	2.1%	2.9%	3.5%	3.7%	4.2%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

Friday, 21 Feb, 2025

Results Comparison

FYE Jun (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	74.8	89.7	(16.6)	100.3	(25.4)	175.1	144.9	20.9	Tower deployment was on track on 1Q, leading to robust cumulative growth
EBITDA	18.3	25.6	(28.5)	22.7	(19.3)	41.0	39.1	5.0	
Pre-tax profit	9.8	16.3	(40.0)	16.5	(40.9)	26.2	21.6	21.6	
Net profit	7.8	11.7	(33.4)	11.0	(29.1)	18.8	14.4	30.3	
Core net profit	7.1	10.5	(31.9)	11.0	(35.2)	18.1	19.4	(6.4)	
Core EPS (sen)	0.9	1.3	(31.9)	1.3	(35.2)	2.2	2.3	(6.4)	
EBITDA margin (%)	24.5	28.6		22.6		23.4	27.0		Margin came under pressure due to the competitive nature of government projects
PBT margin (%)	13.0	18.1		16.4		15.0	14.9		
Core net profit margin (%)	9.5	11.7		11.0		10.4	13.4		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jun (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue									
TS	26.4	29.3	(9.9)	26.9	(2.0)	53.3	56.1	(4.9)	Delay in project deliveries led to drop in quarterly revenue
MTNS	43.4	57.7	(24.9)	68.5	(36.7)	111.8	85.2	31.3	
Cloud & IoT	5.1	2.7	88.5	4.9	2.7	10.0	3.6	176.8	
Total	74.8	89.7	(16.6)	100.3	(25.4)	175.1	144.9	20.9	
Operating Profit									
TS	7.7	7.3	5.6	9.2	(16.3)	16.9	13.6	24.5	
MTNS	2.9	9.0	(68.2)	10.2	(71.8)	13.0	15.9	(18.4)	
Cloud & IoT	(1.7)	(0.3)	481.8	(2.4)	(28.5)	(4.1)	(1.5)	175.1	
Total	8.9	16.0	(44.5)	17.0	(47.7)	25.9	28.1	(7.8)	
Op Profit margin (%)									
TS	29.2%	24.9%		34.2%		31.8%	24.3%		
MTNS	6.6%	15.6%		14.8%		11.6%	18.7%		
Cloud & IoT	-33.5%	-10.8%		-48.1%		-40.7%	-40.9%		
Aggregate Total	11.9%	17.9%		17.0%		14.8%	19.4%		

Source: Company, Apex Securities

Results Note

Friday, 21 Feb, 2025

Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	214.7	342.2	401.4	448.5	507.0
Operating Profit	51.3	67.2	44.2	52.7	59.6
EBITDA	112.0	120.7	90.9	101.4	112.7
Depreciation & Amortisation	34.6	36.5	28.0	28.1	30.5
EBIT	77.4	84.2	62.9	73.3	82.2
Net Finance Income/(Cost)	-2.4	-1.1	-1.1	-3.6	1.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	75.0	83.2	61.8	69.7	83.3
Tax	-19.8	-23.1	16.1	18.1	21.7
Profit After Tax	55.2	60.1	45.7	51.6	61.6
Minority Interest	-2.3	0.3	0.3	0.3	0.3
Net Profit	57.5	59.8	45.5	51.3	61.4
Exceptionals	-24.3	-17.1	0.0	0.0	0.0
Core Net Profit	33.2	42.8	45.5	51.3	61.4

Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	4.3	5.5	5.9	6.6	7.9
P/E (x)	19.8	15.4	14.4	12.8	10.7
P/B (x)	2.6	2.2	2.0	1.9	1.7
EV/EBITDA (x)	6.9	5.8	8.3	7.8	7.4
DPS (sen)	1.8	2.5	2.7	3.0	7.9
Dividend Yield (%)	2.1%	2.9%	3.1%	3.5%	9.3%
EBITDA margin (%)	52.2%	35.3%	22.7%	22.6%	22.2%
EBIT margin (%)	36.0%	24.6%	15.7%	16.3%	16.2%
PBT margin (%)	34.9%	24.3%	15.4%	15.5%	16.4%
PAT margin (%)	25.7%	17.6%	11.4%	11.5%	12.2%
NP margin (%)	26.8%	17.5%	11.3%	11.4%	12.1%
CNP margin (%)	15.4%	12.5%	11.3%	11.4%	12.1%
ROE (%)	12.9%	14.3%	14.0%	14.5%	15.6%
ROA (%)	7.8%	9.2%	8.7%	9.1%	9.8%
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)	0.131
EV/EBITDA multiple (x)	6.0
EV per share (RM)	0.79
(+) Cash	0.17
(-) Debt	0.01
Fair Value (RM)	0.95
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.95

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	117.0	63.5	107.1	134.4	177.1
Receivables	97.7	80.5	94.4	105.5	119.2
Inventories	0.5	0.6	0.7	0.8	0.9
Other current assets	119.2	203.3	203.3	203.3	203.3
Total Current Assets	334.3	347.9	405.5	444.0	500.6
Fixed Assets	18.7	18.7	39.1	42.5	47.5
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	119.2	122.5	127.5
Short-term Debt	0.1	3.9	0.0	0.0	0.0
Payables	83.5	120.5	156.6	173.5	196.1
Other Current Liabilities	54.8	12.2	10.2	10.2	10.2
Total Current Liabilities	138.4	136.7	166.8	183.7	206.3
Long-term Debt/Lease	3.9	17.5	13.0	7.1	7.9
Other non-current liabilities	27.1	14.8	20.8	20.8	20.8
Total Non-current Liabilities	31.0	32.3	33.8	27.9	28.7
Shareholder's equity	253.8	294.8	320.9	351.7	389.9
Minority interest	3.0	3.3	3.3	3.3	3.3
Equity	256.7	298.0	324.2	354.9	393.1

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	75.0	83.2	61.8	69.7	83.3
Depreciation & amortisation	34.6	36.5	28.0	28.1	30.5
Changes in working capital	-29.3	54.1	22.0	5.7	8.8
Others	8.8	-223.5	-16.3	-18.4	-21.9
Operating cash flow	89.2	-49.8	95.5	85.2	100.6
Net capex	-27.1	-25.6	-28.1	-31.4	-35.5
Others	-3.5	52.5	0.0	0.0	0.0
Investing cash flow	-30.6	26.9	-28.1	-31.4	-35.5
Changes in borrowings	-1.0	-0.1	-4.5	-5.9	0.8
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-13.9	-19.3	-19.3	-20.6	-23.2
Others	-5.6	-5.1	0.0	0.0	0.0
Financing cash flow	-20.4	-24.5	-23.8	-26.4	-22.4
Net cash flow	38.1	-47.4	43.6	27.3	42.7
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	107.1	134.4
Ending cash	117.0	63.5	107.1	134.4	177.1

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

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

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(a) nil.