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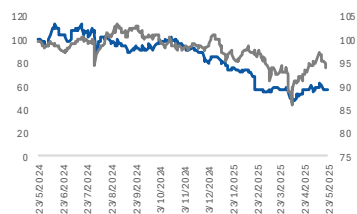
Recommendation:	BUY
Current Price:	RM0.58
Previous Target Price:	RM0.95
Target Price:	↔ RM0.95
Capital Upside/ Downside:	63.8%
Dividend Yield (%):	5.0%
Total Upside/ Downside:	68.8%

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)	444.4
52-Week Price Range (RM)	1.21-0.455
Beta (x)	1.4
Free float (%)	36.7
3M Average Volume (m)	0.8
3M Average Value (RM' m)	0.4

Top 3 Shareholders

	(%)
Berjaya Corp Bhd	38.4
Johor Dymmm Sultan Ibrahim	17.3
Kaf Investment Funds Bhd	3.4

Share Price Performance

	1M	3M	12M
Absolute (%)	0.0	0.9	-45.2
Relative (%)	-1.7	5.1	-41.6

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	342.2	352.4	332.1
PATAMI (RM'm)	60.1	41.8	41.3
CNP (RM'm)	59.8	41.5	41.0
EPS - core (sen)	7.7	5.4	5.3
P/E(x)	7.4	10.7	10.8

Redtone International Berhad

Moderate Earnings Amid Slower Billings

- RIB's 3QFY25 CNP fell -9.4% yoy but rose +86.9% qoq to RM13.3m, bringing 9MFY25 CNP at RM31.5m, which was within expectations, accounting for 75.8% of our expectations.
- The MTNS segment is expected to post flattish earnings growth, as most of the progressive billings from Jendela P1 have already been recognised, assuming no material new contract wins in the near term.
- Re-iterate our BUY recommendation with unchanged target price of RM0.95, based on 7.4x EV/EBITDA.

Results within expectations. 9MFY25 CNP at RM31.5m (-7.7% yoy) came within expectations, accounting for 75.8% of our forecasted CNP. The CNP figure is derived after stripping out one-off adjustments of RM1.8m (writeback allowance for doubtful debts: -RM1.3m and forex gain: -RM0.5m).

YoY. 3QFY25 CNP dropped -9.4% yoy to RM13.3m in tandem with the lower revenue recognition from the MTNS segment as higher base of billings was mostly completed in 1QFY25. Revenue for the quarter shed -11.0% yoy to RM66.6m.

QoQ. CNP jumped +86.9% qoq mainly due to higher profit contribution from MTNS segment, with operating margin expanding significantly from 18.8% to 29.6%. Similarly, revenue slid -11.0% qoq, dragged by weakness across all segments except for the Cloud & IoT segment, which returned to the black after posting losses in previous quarter

Outlook. Moving forward, we expect the MTNS segment to register flattish earnings growth, as the majority of progressive billings from Jendela P1 have already been recognised, assuming no new contract wins in the near term. Nonetheless, we remain optimistic on the Group's prospects, given its established track record and execution capabilities. We believe the Group stands a good chance of securing additional contracts under P2, with potential awards likely to be announced towards the end of the year.

Earnings Revision. Maintained.

Valuation. Re-iterate our **BUY** recommendation on RIB with unchanged target price of **RM0.95** by pegging 7.4x 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.

Results Note

Friday, 23 May, 2025

Results Comparison

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	66.6	100.1	(33.5)	74.8	(11.0)	241.7	244.9	(1.3)	higher base of billings was completed in
EBITDA	27.2	29.4	(7.5)	18.3	48.5	68.2	68.5	(0.3)	1Q, leading to fall in MTNS revenue
Pre-tax profit	19.3	20.1	(3.8)	9.8	97.9	45.5	41.6	9.4	
Net profit	15.1	14.3	5.5	7.8	93.6	33.9	28.8	17.9	
Core net profit	13.3	14.7	(9.4)	7.1	86.9	31.5	34.1	(7.7)	
Core EPS (sen)	1.7	1.9	(9.4)	0.9	86.9	4.0	4.4	(7.7)	
EBITDA margin (%)	40.9	29.4		24.5		28.2	28.0		
PBT margin (%)	29.0	20.0		13.0		18.8	17.0		
Core net profit margin (%)	20.0	14.7		9.5		13.0	13.9		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue									
TS	25.4	28.6	(11.3)	26.4	(4.0)	78.7	84.7	(7.1)	Expecting tepid growth from
MTNS	30.5	58.4	(47.7)	43.4	(29.6)	142.3	143.5	(0.8)	MTNS segment due to
Cloud & IoT	10.7	13.1	(18.5)	5.1	111.3	20.7	16.7	23.7	lack of new contract wins
Total	66.6	100.1	(33.5)	74.8	(11.0)	241.7	244.9	(1.3)	
Operating Profit									
TS	6.4	8.8	(27.3)	7.7	(17.1)	23.3	22.4	4.2	
MTNS	9.0	11.0	(17.6)	2.9	215.3	22.0	26.9	(18.1)	
Cloud & IoT	5.4	0.4	1,183.3	(1.7)	nm	1.3	(1.1)	nm	
Total	20.8	20.2	3.1	8.9	134.1	46.7	48.3	(3.2)	
Op Profit margin (%)									
TS	25.2%	30.8%		29.2%		29.7%	26.5%		
MTNS	29.6%	18.8%		6.6%		15.5%	18.7%		
Cloud & IoT	50.4%	3.2%		-33.5%		6.4%	-6.3%		
Aggregate Total	31.3%	20.2%		11.9%		19.3%	19.7%		

Source: Company, Apex Securities

Results Note

Friday, 23 May, 2025

Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	214.7	342.2	352.4	332.1	507.0
Operating Profit	51.3	67.2	38.8	39.0	59.6
EBITDA	112.0	120.7	85.5	85.2	106.1
Depreciation & Amortisation	34.6	36.5	28.0	25.6	23.9
EBIT	77.4	84.2	57.5	59.6	82.2
Net Finance Income/ (Cost)	-2.4	-1.1	-1.1	-3.8	0.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	75.0	83.2	56.4	55.8	82.6
Tax	-19.8	-23.1	14.7	14.5	21.5
Profit After Tax	55.2	60.1	41.8	41.3	61.1
Minority Interest	-2.3	0.3	0.3	0.3	0.3
Net Profit	57.5	59.8	41.5	41.0	60.9
Exceptionals	-24.3	-17.1	0.0	0.0	0.0
Core Net Profit	33.2	42.8	41.5	41.0	60.9

Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	4.3	5.5	5.4	5.3	7.9
P/E(x)	13.4	10.4	10.7	10.8	7.3
P/B(x)	1.7	1.5	1.4	1.3	1.2
EV/EBITDA(x)	3.0	3.4	4.2	4.0	2.7
DPS (sen)	2.5	3.0	2.9	2.9	4.3
Dividend Yield (%)	4.3%	5.2%	5.1%	5.0%	7.4%
EBITDA margin (%)	52.2%	35.3%	24.3%	25.7%	20.9%
EBIT margin (%)	36.0%	24.6%	16.3%	18.0%	16.2%
PBT margin (%)	34.9%	24.3%	16.0%	16.8%	16.3%
PAT margin (%)	25.7%	17.6%	11.9%	12.4%	12.1%
NP margin (%)	26.8%	17.5%	11.8%	12.4%	12.0%
CNP margin (%)	15.4%	12.5%	11.8%	12.4%	12.0%
ROE (%)	12.9%	14.3%	13.0%	12.0%	15.8%
ROA (%)	7.8%	9.2%	8.3%	8.1%	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

EBITDA per share(RM)	0.110
EV/ EBITDA multiple (x)	7.5
EVper share (RM)	0.83
(+) Cash	0.15
(-) Debt	0.01
Fair Value (RM)	0.95
ESGpremium/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	98.9	113.4	171.2
Receivables	97.7	80.5	82.9	78.1	119.2
Inventories	0.5	0.6	0.7	0.6	0.9
Other current assets	119.2	203.3	203.3	203.3	203.3
Total Current Assets	334.3	347.9	385.7	395.4	494.6
Fixed Assets	18.7	18.7	35.7	33.3	44.9
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	115.7	113.4	124.9
Short-term Debt	0.1	3.9	0.0	0.0	0.0
Payables	83.5	120.5	137.5	128.5	196.1
Other Current Liabilities	54.8	12.2	10.2	10.2	10.2
Total Current Liabilities	138.4	136.7	147.6	138.6	206.3
Long-term Debt/Lease	3.9	17.5	12.8	6.8	7.7
Other non-current liabilities	27.1	14.8	20.8	20.8	20.8
Total Non-current Liabilities	31.0	32.3	33.6	27.6	28.5
Shareholder's equity	253.8	294.8	316.9	339.2	381.5
Minority interest	3.0	3.3	3.3	3.3	3.3
Equity	256.7	298.0	320.2	342.5	384.8

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	75.0	83.2	56.4	55.8	82.6
Depreciation & amortisation	34.6	36.5	28.0	25.6	23.9
Changes in working capital	-29.3	54.1	14.5	-4.2	26.2
Others	8.8	-223.5	-14.9	-14.8	-21.7
Operating cash flow	89.2	-49.8	84.0	62.5	111.0
Net capex	-27.1	-25.6	-24.7	-23.2	-35.5
Others	-3.5	52.5	0.0	0.0	0.0
Investing cash flow	-30.6	26.9	-24.7	-23.2	-35.5
Changes in borrowings	-1.0	-0.1	-4.7	-6.0	0.8
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-13.9	-19.3	-19.3	-18.7	-18.5
Others	-5.6	-5.1	0.0	0.0	0.0
Financing cash flow	-20.4	-24.5	-24.0	-24.7	-17.7
Net cash flow	38.1	-47.4	35.4	14.5	57.8
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	98.9	113.4
Ending cash	117.0	63.5	98.9	113.4	171.2

Results Note

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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

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(a) nil.