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Recommendation:	BUY
Current Price:	RM6.85
Previous Target Price:	RM7.40
Target Price:	↔ RM7.40
Capital Upside/ Downside:	8.0%
Dividend Yield (%)	3.8%
Total Upside/ Downside	11.8%

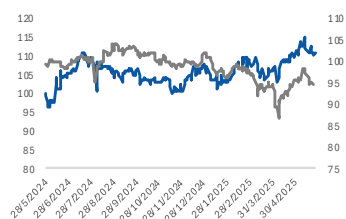
Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	4863 / TMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	3,837.7
Market Cap (RM' m)	26,288.5
52-Week Price Range (RM)	7.17-6.124
Beta (x)	0.8
Free float (%)	66.4
3M Average Volume (m)	6.4
3M Average Value (RM' m)	43.1

Top 3 Shareholders

(%)

Khazanah Nasional Bhd	20.1
Employees Provident Fund Board	16.5
Amanah Saham Nasional Bhd	10.4

Share Price Performance

	1M	3M	12M
Absolute (%)	0.9	1.2	8.0
Relative (%)	0.4	4.6	13.8

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM' m)	11712.4	12158.4	12472.7
PATAMI (RM' m)	2016.9	1816.5	1974.1
CNP (RM' m)	2037.7	1816.5	1974.1
EPS - core (sen)	53.1	47.3	51.4
P/E(x)	12.6	14.2	13.0

Telekom Malaysia Bhd

Modest Results, Optimistic Outlook Ahead

- **TM's 1QFY25 CNP rose +4.4% yoy and -38.0% qoq to RM414.6m, which was within expectations, representing 23.0%/24.2% of ours and consensus expectations respectively.**
- **Despite lagging behind EBIT guidance and ongoing ARPU pressure, TM remains committed to its Unifi-driven bundling strategy and expects revenue from the U Mobile contract to support topline resilience and offset near-term earnings shortfall.**
- **Re-iterate our BUY recommendation with unchanged target price of RM7.40, based on DCF valuation (WACC of 8.3% with a long-term growth rate of 0.5%).**

Results within expectations. 1QFY25 CNP at RM414.6m came within expectations, accounting for 23.0%/24.2% of both ours and consensus forecasted CNP. Our CNP was derived after stripping out one-off adjustments of +RM13.4m (inventory write-off: RM5.5m, forex: RM7.8m and others: RM0.1m).

YoY. 1QFY24 CNP saw a modest increase of +4.4 yoy, supported by lower borrowing costs and tax charges, which helped cushion the impact of higher 5G access fees and IT system upgrade expenses. Revenue remained relatively flat, edging up +0.5% yoy to RM2.9bn, mainly driven by the C2C segment (TM Global) on the back of stronger demand for international and domestic data as well as data centre services. However, the B2C segment (Unifi) saw revenue decline amid a competitive market environment, where TM had to lower prices to defend its market share. The B2B (TM One) also lagged behind impacted by technology migration and delays in deployment of customer projects.

QoQ. CNP dropped by -38.0% qoq dragged by weakness across all business segments. Similarly, revenue dropped -6.5% qoq. Notably, Unifi experienced a decline in ARPU from RM134 to RM127, as the Group rolled out aggressive campaigns to attract subscribers. Concurrently, both the B2B and B2C segments were impacted by seasonally lower project deliveries.

Outlook. Despite the downtrend in ARPU, TM remains focused on its strategic push for content bundling and service convergence under the Unifi brand, aiming to offer integrated broadband, mobile, and OTT solutions to boost customer stickiness and long-term ARPU. While the impact may take time, this strategy is expected to help offset pricing pressure and support topline resilience. In relation to TM's recent contract win from U Mobile, deployment is scheduled to commence by the end of 2QFY25, with implementation expected to extend into the subsequent quarters. The services—similar to those provided to DNB—will include network infrastructure, fibre backhaul, and access connectivity, but with customised specifications tailored to U Mobile's requirements. Although EBIT declined -3.8% yoy, falling short of the full-year flat growth guidance, management remains confident that the revenue generated from the U Mobile contract will help recoup the lost ground.

Earnings Revision. We maintain our forecast, as management guidance remains unchanged and the results are in line with expectations.

Valuation. Re-iterate our **BUY** recommendation on **TM** with unchanged target price of **RM7.40**, based on DCF valuation (WACC of 8.3% with a long-term growth rate of 0.5%).

Risk. Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.

Results Note

Thursday, 29 May, 2025

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	2,851.5	2,837.0	0.5	3,050.4	(6.5)	2,851.5	2,837.0	0.5	
EBITDA	1,102.2	1,156.0	(4.7)	950.7	15.9	1,102.2	1,156.0	(4.7)	
Pre-tax profit	534.0	572.1	(6.7)	371.4	43.8	534.0	572.1	(6.7)	yoy was dragged by higher 5G access and IT
Net profit	401.2	424.8	(5.6)	730.6	(45.1)	401.2	424.8	(5.6)	system cost
Core net profit	414.6	397.3	4.4	669.2	(38.0)	414.6	397.3	4.4	Degearing helped lower borrowing cost
Core EPS (sen)	10.8	10.4	4.4	17.4	(38.0)	10.8	10.4	4.4	
EBITDA margin (%)	38.7	40.7		31.2		38.7	40.7		
PBT margin (%)	18.7	20.2		12.2		18.7	20.2		
Core net profit margin (%)	14.5	14.0		21.9		14.5	14.0		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue									
B2C (Unifi)	1,386.4	1,396.2	(0.7)	1,454.6	(4.7)	1,386.4	1,396.2	(0.7)	Mounting competition weighed on ARPU
B2B (TM One)	668.7	673.0	(0.6)	781.9	(14.5)	668.7	673.0	(0.6)	
C2C (TM Global)	760.9	742.8	2.4	780.1	(2.5)	760.9	742.8	2.4	
Other	74.3	65.1	14.1	78.7	(5.6)	74.3	65.1	14.1	
Inter-segment	(38.8)	(40.1)	(3.2)	(44.9)	(13.6)	(38.8)	(40.1)	(3.2)	
Total	###	###	0.1	###	(6.6)	###	###	0.1	

Source: Company, Apex Securities

Results Note

Thursday, 29 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	11690.2	11712.4	12158.4	12472.7	12146.8
Operating Profit	4308.9	4266.9	4498.6	4614.9	4494.3
EBITDA	4525.0	4467.0	4704.7	4827.2	4713.0
Depreciation & Amortisation	-2413.6	-2149.4	-2223.2	-2169.2	-2159.7
EBIT	2111.4	2317.6	2481.5	2658.0	2553.3
Net Finance Income/ (Cost)	-303.4	-140.4	-181.0	-155.3	-108.6
Associates & JV	13.1	8.1	8.3	8.6	8.9
Pre-tax Profit	1808.0	2177.2	2300.6	2502.7	2444.7
Tax	76.5	-138.3	506.1	550.6	537.8
Profit After Tax	1855.5	1994.9	1794.5	1952.1	1906.8
Minority Interest	14.5	22.0	22.0	22.0	22.0
Net Profit	1870.0	2016.9	1816.5	1974.1	1928.8
Exceptionals	-16.6	20.8	0.0	0.0	0.0
Core Net Profit	1853.4	2037.7	1816.5	1974.1	1928.8

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	48.3	53.1	47.3	51.4	50.3
P/E (x)	13.9	12.6	14.2	13.0	13.3
P/B (x)	2.8	2.5	2.3	2.1	2.0
EV/EBITDA (x)	6.1	5.9	5.5	5.2	5.2
DPS (sen)	25.0	31.0	26.0	28.3	27.6
Dividend Yield (%)	3.7%	4.6%	3.9%	4.2%	4.1%
EBITDA margin (%)	38.7%	38.1%	38.7%	38.7%	38.8%
EBIT margin (%)	18.1%	19.8%	20.4%	21.3%	21.0%
PBT margin (%)	15.5%	18.6%	18.9%	20.1%	20.1%
PAT margin (%)	15.9%	17.0%	14.8%	15.7%	15.7%
NP margin (%)	16.0%	17.2%	14.9%	15.8%	15.9%
CNP margin (%)	15.9%	17.4%	14.9%	15.8%	15.9%
ROE (%)	19.9%	19.8%	16.5%	16.4%	14.9%
ROA (%)	8.5%	9.6%	8.2%	8.1%	7.4%
Gearing (%)	51.1%	34.0%	37.0%	46.4%	52.3%
Net gearing (%)	19.4%	3.8%	Net Cash	Net Cash	Net Cash

Valuations	DCF
WACC	8.3%
LTG	0.5%
Fair Value (RM)	7.40
ESG premium/discount	0.0%
Implied Fair Value (RM)	7.40

Source: Company, ApexSecurities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	2955.2	3096.2	4288.4	6470.2	8216.9
Receivables	2275.0	2518.0	2613.9	26815	26114
Inventories	204.6	2017	209.4	214.8	209.2
Other current assets	1080.2	11216	11216	11216	11216
Total Current Assets	6515.0	6937.5	8233.2	10488.0	12159.0
Fixed Assets	11796.8	11429.3	11515	11102.7	11008.0
Intangibles	896.3	839.5	839.5	839.5	839.5
Other non-current assets	2479.8	1956.2	1956.2	1956.2	1956.2
Total Non-current assets	15172.9	14225.0	13947.2	13898.4	13803.7
Short-term Debt	1226.4	13810	1480.8	1664.9	1787.8
Payables	3033.3	3270.4	3364.5	34515	33613
Other Current Liabilities	1614.5	1633.9	1233.9	833.9	433.9
Total Current Liabilities	5874.2	6285.3	6079.2	5950.3	5583.0
Long-term Debt	3536.8	2109.9	2591.9	3910.6	4966.3
Other non-current liabilities	2954.3	2501.4	2501.4	2501.4	2501.4
Total Non-current Liabilities	6491.1	4611.3	5093.3	6412.0	7467.7
Shareholder's equity	9163.0	10099.7	10841.7	11858.0	12745.8
Minority interest	159.6	166.2	166.2	166.2	166.2
Equity	9322.6	10265.9	11007.9	12024.2	12912.0

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	1808.0	2177.2	2300.6	2502.7	2444.7
Depreciation & amortisation	2413.6	2149.4	2223.2	2169.2	2159.7
Changes in working capital	-546.6	-3.0	-9.4	14.0	-14.5
Others	11.1	-313.0	-410.3	-582.6	-525.3
Operating cash flow	3686.1	4010.6	4030.2	4157.3	4074.0
Net capex	-2193.1	-1380.9	-1945.4	-2120.4	-2065.0
Others	549.2	378.7	0.0	0.0	0.0
Investing cash flow	-1643.9	-1002.2	-1945.4	-2120.4	-2065.0
Changes in borrowings	-575.4	-1618.6	581.8	1502.8	1178.6
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-649.6	-1074.5	-1074.5	-957.8	-1041.0
Others	-462.8	-15.4	-400.0	-400.0	-400.0
Financing cash flow	-1687.8	-2708.5	-892.7	144.9	-262.4
Net cash flow	354.4	299.9	1192.2	2181.8	1746.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	-0.8	-24.7	0.0	0.0	0.0
Beginning cash	2344.3	2697.9	3096.2	4288.4	6470.2
Ending cash	2697.9	2973.1	4288.4	6470.2	8216.9

Results Note

Thursday, 29 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Achieved a 30% reduction in carbon emissions (from 379,914 tCO ₂ e in 2019 to 267,369 tCO ₂ e in 2024). Scope 2 emissions dropped to 257,807 tCO ₂ e (from 286,450 in 2023).
Waste & Effluent	★★★	Solid waste increased to 1,510 metric tonnes in FY24 (from 1,441 mt in FY23). Scheduled waste also rose from 1.40 to 2.62 mt.
Energy	★★★	Total electricity consumption dropped to 420,913 MWh (from 429,102 MWh), with renewable energy usage rising to 20.9% of total energy (from 11.9%).
Water	★★★	Water consumption remained relatively flat at 132.0 ML, but this still represents a 40% reduction vs. 2021 baseline.
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★	47% women in executive committee, 41% female employees globally.
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	14,053 employees trained on safety (up from 2,829), zero fatalities maintained for the third consecutive year.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	In FY24, TM, through Yayasan TM, invested RM39.7m in CSR initiatives benefiting over 95,000 individuals, focusing on education, digital inclusion, disaster relief, and socioeconomic development. This includes RM35.5m in scholarships, expanded TVET training, and nationwide digital outreach via 507 NADI centres.
Management	★★	4/13 female board composition, 6/13 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.