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Telecommunication Sector

Neutral (↔)

1QCY25 Earnings Review: Broadly in-line

Executive Summary

- Overall, 1QCY25 earnings performance was broadly in line with our expectations, with 4 out of 5 companies meeting estimates. The sole exception was Axiata, which fell short due to earnings pressure at its Indonesian subsidiary.
- We expect revenue growth in the mobile and fibre segments to remain predominantly volume-driven, supported by steady subscriber additions. However, heightened price competition will likely limit any meaningful ARPU expansion in the near term.
- Reiterate our NEUTRAL sector view. Top picks: Redtone (BUY, TP: RM0.95), Telekom (BUY, TP: RM7.40), and Maxis (BUY, TP: RM4.00).

Review. Earnings performance under our coverage for 1QCY25 was largely within expectations, with the exception of Axiata, which came in below. The shortfall was primarily due to pricing pressure faced by its key subsidiary, XL Axiata, during the quarter. Nonetheless, the monetisation prospects for Edotco remain intact, though valuation and execution risks will be key factors to monitor.

In the mobile space, both Maxis and CDB registered yoy growth in postpaid revenue, partially offsetting persistent weakness in the prepaid segment. The uplift was underpinned by effective customer acquisition initiatives and attractive convergence bundles, which translated into healthy subscriber additions. Nevertheless, ARPU trends remained subdued for both players amid a fiercely competitive landscape. Despite ongoing upselling efforts, ARPU accretion remains elusive as price-sensitive consumers gravitate toward aggressively priced, value-centric plans.

In the fixed broadband space, Maxis and CDB outpaced Telekom in subscriber growth, gaining market share through a combination of aggressive promotional bundles and competitive price points. Both operators successfully captured consumer mindshare through sharp value positioning and targeted marketing efforts. While Telekom continues to dominate in terms of infrastructure coverage, its relatively premium pricing and limited mobile-fibre bundling options are constraining its competitiveness in the evolving broadband landscape.

Outlook. We anticipate a pick-up in 5G adoption in 2HFY25 as the ecosystem matures and device penetration improves. Nevertheless, MNOs may face near-term earnings pressure from higher wholesale charges linked to rising 5G traffic volumes. This cost headwind is likely to be partially mitigated by ongoing cost optimisation and network modernisation efforts aimed at enhancing operational efficiency. Looking ahead, we expect revenue growth in both mobile and fibre segments to be predominantly volume-driven, supported by steady subscriber gains. However, price competition remains intense, as operators prioritise affordability to capture market share, which in turn caps any meaningful near-term expansion in ARPU. Meanwhile, investor sentiment may hinge on the potential announcement of Jendela Phase 2 (P2), which could serve as a key re-rating catalyst for the sector.

Valuation & Recommendation. We maintain our **NEUTRAL** recommendation on the telco sector owing to uncertainties on the execution timeline and scope of Jendela P2. That said, we still favour **Redtone (BUY, FV: RM0.95)**, which stands to be a direct beneficiary in the event of a Jendela P2 rollout, backed by its proven track record in Phase 1. We also like **Telekom (BUY, FV: RM7.40)** for its role as a strategic asset owner and key enabler of 5G fibre deployment. Meanwhile, we view **Maxis (BUY, FV: RM4.00)** as a compelling value play, currently trading at 8.6x forward EV/EBITDA (-1 std), following the recent weakness in share price performance. We retain our **HOLD** ratings on **Axiata (HOLD, FV RM2.10)** and **CDB (HOLD, FV: RM4.00)** as we believe current valuation have already priced in the bulk of merger-related synergies.

Earnings Wrap

Tuesday, 10 Jun, 2025

Earnings Summary

Company	FYE	Revenue 1QCY25	Revenue 4QCY24	qoq change (%)	Revenue 1QCY24	yoy change (%)	Revenue 3MFY25	Revenue 3MFY24	yoy change (%)
Maxis Bhd	Dec	2608.00	2771.00	-5.9%	2603.0	0.2%	2608.00	2603.00	0.2%
CelcomDigi Bhd	Dec	3209.30	3276.00	-2.0%	3171.0	1.2%	3209.30	3171.00	1.2%
Axiata Berhad	Dec	5088.90	5362.70	-5.1%	5739.0	-11.3%	5088.90	5362.70	-5.1%
Telekom Malaysia Bhd	Dec	2851.50	3050.40	-6.5%	2837.0	0.5%	2851.50	3050.40	-6.5%
Redtone International Bhd	Jun	66.60	74.80	-11.0%	100.1	-33.5%	66.60	74.80	-11.0%
Coverage Aggregate		13824.30	14534.90	-4.9%	14450.10	-4.3%	13824.30	14261.90	-3.1%

Source: Apex Securities Bhd

Company	FYE	CNP 1QFY25	CNP 4QFY24	qoq change (%)	CNP 1QFY24	yoy change (%)	CNP 3MFY25	CNP 3MFY24	yoy change (%)
Maxis Bhd	Dec	371.00	323.00	14.9%	355.0	4.5%	371.00	355.00	4.5%
CelcomDigi Bhd	Dec	421.50	364.20	15.7%	405.1	4.0%	421.50	405.10	4.0%
Axiata Berhad	Dec	159.80	-224.80	-171.1%	60.0	166.3%	159.80	60.00	166.3%
Telekom Malaysia Bhd	Dec	414.60	669.20	-38.0%	397.3	4.4%	414.60	397.30	4.4%
Redtone International Bhd	Jun	13.30	7.10	87.3%	14.7	-9.5%	13.30	14.70	-9.5%
Coverage Aggregate		1380.20	1138.70	21.2%	1232.10	12.0%	1380.20	1232.10	12.0%

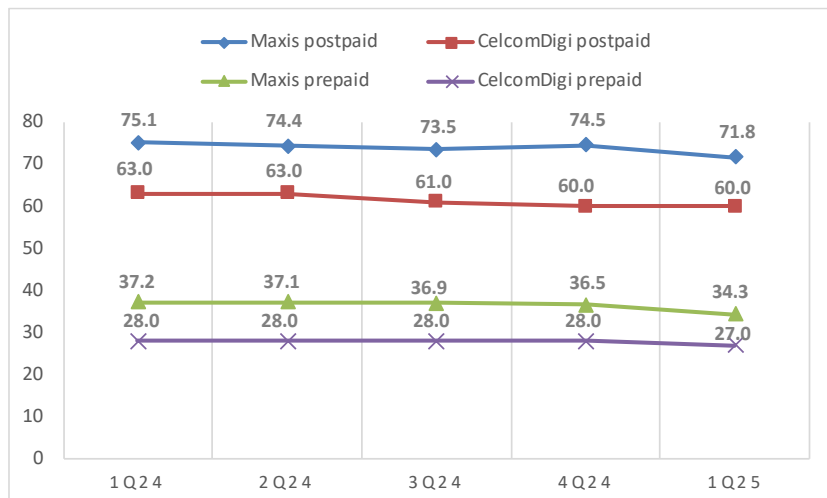
Source: Apex Securities Bhd

Performance Summary

Company	1QCY25					
	APEX			CONSENSUS		
	Above	Within	Below	Above	Within	Below
Maxis Bhd		✓			✓	
CelcomDigi Bhd		✓			✓	
Axiata Berhad			✓			✓
Telekom Malaysia Bhd		✓			✓	
Redtone International Bhd		✓			✓	
Total	0	4	1	0	4	1
Total (%)	0.0%	80.0%	20.0%	0.0%	80.0%	20.0%

Source: Apex Securities, Bloomberg

Postpaid and prepaid ARPU trend



Source: Bloomberg, Apex Securities

Earnings Wrap

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Peers Comparison

Company	FYE	Price (RM)	P/E (x)		P/B (x)		Dividend Yield (%)	Target Price (RM)	Potential Upside/Downside	ESG Rating
		as at 9Jun25	FY25F	FY26F	FY25F	FY26F				
Redtone International Bhd	Jun	0.56	10.4	10.5	1.4	1.3	5.1	0.95	71.2%	★★★
Telekom Malaysia Bhd	Dec	6.56	13.9	13.0	2.3	2.1	3.9	7.40	12.8%	★★★
Maxis Bhd	Dec	3.60	19.5	18.1	4.7	4.4	4.4	4.00	11.1%	★★★
CelcomDigi Bhd	Dec	3.83	26.7	22.3	2.8	2.7	3.7	4.00	4.4%	★★★
Axiata Berhad	Dec	2.03	23.9	20.3	0.7	0.7	5.0	2.10	3.4%	★★★

Sunview * P/E (x) and P/B (x) based on Bloomberg consensus estimates

Source: Bloomberg, Apex Securities

Earnings Wrap

Tuesday, 10 Jun, 2025

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.