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AI Day

AI Sparks Lucrative Revenue Streams for Telcos and Cybersecurity

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We hosted a well-attended AI Day event - where a wide range of practical AI use cases across industries and business sectors were showcased. While many AI applications are beneficial - enhancing operational efficiency, safety, and scalability - they also open the door to potential abuse. CDB (OP; TP: RM4.50) demonstrated the positive potential of AI through real-world enterprise-use cases that drive business transformation. In contrast, LGMS (MP; TP: RM1.00) highlighted the darker side of AI - by showcasing how emerging threats, particularly AI-generated deepfakes are reshaping the cybersecurity landscape and reinforcing the urgent need for proactive, AI-driven defence strategies.

Malaysian telcos are now beginning to monetize 5G meaningfully through integrated AI + 5G solutions targeted at enterprises. This offers much-needed revenue uplift amid saturated and price-sensitive consumer markets. While 5G adoption among retail users has been widespread, its limited experiential advantage over 4G (due to a lack of compelling individual use cases) has made premium pricing difficult to justify. As a result, monetizing 5G on the consumer front has remained challenging. In contrast, the enterprise segment presents clear, high-value use cases where 5G's capabilities (e.g. ultra-low latency, high throughput, massive device connectivity) enable real-time data exchange and feedback loops between users and AI-powered systems. Telcos are seizing this opportunity by partnering with technology vendors to deploy AI software and equipment, while they focus on providing the underlying connectivity infrastructure (e.g. private 5G and fiber networks). While still in the early stages, traction has been encouraging - with CDB already rolling out solutions for DHL and Vale Malaysia. Key AI-5G applications include robotic automation, telemedicine, smart poles, robodogs, and AI-powered fleet telematics - enabling bespoke, high-margin enterprise contracts that could serve as a long-term growth engine for the industry.

LGMS is well-positioned to capitalise on rising demand for cybersecurity solutions amid an evolving threat landscape, where deepfakes are increasingly exploited in social engineering and phishing attacks. This reinforces the urgency for organisations to adopt more advanced, AI-driven cybersecurity frameworks. LGMS's StarSentry solution bundled with partners like BDO and CDB offers 24/7 threat monitoring and proactive remediation, is gaining traction among enterprises.

Our recent AI Day event drew strong attendance, which included a site visit to CDB's AI Experience Center (AiX) and a guided walkthrough with LGMS to discover AI's transformational impact on cybersecurity.

(A) INTEGRATION OF AI & 5G

Malaysian enterprises gradually adopting AI-powered autonomous systems. Commercial and industrial adoption of AI in Malaysia is at a nascent stage, but is steadily gaining traction. Enterprises are increasingly leveraging AI to drive data-informed decisions and automation to enhance efficiency and transform service delivery models. This typically involves the deployment of autonomous and semi-autonomous systems (e.g. drones, robots, intelligent machinery, software and cloud-based solutions) powered by AI.

5G connectivity enables delivery of AI systems. AI-powered systems depend on continuous data exchange and real-time feedback loops between users and machines - supported by sensors, edge devices, and cloud infrastructure. These deployments require ultra-low latency and high network reliability across both mobile and fixed networks. Hence, this is where 5G plays a critical role. Its advanced capabilities (i.e. low latency, high-throughput, network slicing, massive device connectivity) addresses the limitations of legacy 4G technology and complements fixed networks in enabling delivery of AI systems.

Malaysian telcos monetising 5G from enterprises. At this juncture, the enterprise segment is best positioned to unlock AI and 5G’s full potential - far more than the consumer market. As such, monetization opportunities for 5G services emanate from enterprises – where the value proposition is clear and immediate. Recognizing this, Malaysian telcos are now positioning themselves as enablers of integrated AI solutions, moving beyond their traditional role as pure connectivity providers. This shift is made possible through strategic partnerships with technology vendors, including robotics companies (e.g. Garuda, HelloWorld, Infinium, Weston), as well as equipment providers (eg. HEXA IoT, Medilink Global, iFleet). While these partners handle the deployment of AI devices and software, CDB will focus on delivering the underlying connectivity infrastructure - including 5G sites, private 5G networks, and fiber -based solutions.

Promoting awareness to drive adoption. However, enterprise awareness and understanding of commercial and industrial AI use cases remain limited, limiting widespread adoption. This is precisely where CDB’s RM55m AiX Center plays a pivotal role. As a live showcase facility, the AiX Centre demonstrates practical, real-world applications of AI and 5G across key verticals. This enables businesses to fully appreciate these technologies and accelerate their adoption.

(B) KEY VERTICALS: AI + 5G

Notable AI use cases that are featured at AiX are applicable to the following key sectors:

(1) Supply Chain

Drones and robots manage inventory. AI-powered inventory management systems deploy autonomous drones and robots to perform fully automated stock-taking. Equipped with high-resolution cameras and computer vision technology, these machines scan and identify inventory with precision, eliminating human error. Under low-lighting conditions, the drones effortlessly navigate high shelves spanning multiple floors, while robots transport heavy loads. According to DHL Malaysia, their AI system (delivered by CDB) reduced electricity consumption and improved operational efficiency by more than 20-fold, with up to 100% accuracy.

(2) Smart Cities

Smart poles: Blending surveillance, connectivity, and urban advertising. Smart poles are AI-powered infrastructure equipped with sensors, high-definition cameras, digital displays, and energy-efficient LED lighting. They serve multiple functions, including real-time surveillance, traffic monitoring, weather tracking, population count, and behavioral analysis - enabled by AI-driven software. These poles also double as public WiFi access points and digital advertising platforms - enhancing urban connectivity while generating advertising revenue. CDB is currently in advanced discussions with Majlis Bandaraya Kuching Selatan (MBKS) for the deployment of smart poles within its jurisdiction. To recap, five smart poles were launched by Dewan Bandaraya Kuching Utara (DBKU) in December 2024 as part of Kuching’s broader smart city initiative.

Exhibit 1: AI-Powered Inventory Management System



Source: Kenanga Research

Exhibit 2: SMART Pole



Source: Kenanga Research

(3) Medical and Healthcare

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AI robot arms replace doctors in performing ultrasound scans. Adaptive medical robots can autonomously conduct ultrasound scans to examine internal organs (e.g. abdomen, pelvis, heart, and major blood vessels). Equipped with AI-driven precision scanning, force-controlled movement, and real-time contour tracking, these robotic arms dynamically adjust to a patient's body contours - ensuring optimal probe-to-skin contact pressure. This consistent force application enhances scan accuracy and reliability to produce high-quality medical images.

Ultrasound images live over 5G: Enabling telemedicine and remote diagnostics. In telemedicine, these images can be transmitted instantly over 5G networks to remote medical practitioners - enabling real-time remote diagnostics. This technology expands access to high-quality healthcare in rural and underserved areas - breaking down geographical barriers. For instance, patients in remote clinics can undergo ultrasound scans using these robotic arms - while specialists anywhere in the world analyze the images to deliver timely diagnoses, boosting the efficiency and reach of medical expertise.

Where telemedicine meets 5G. During our visit to AiX Center, we observed a live demonstration of a real-time telemedicine health check conducted by a doctor located at a remote clinic for one of our participants. The interaction between the doctor and volunteer patient was seamless and smooth - facilitated by video-teleconferencing equipment (including a high-definition camera, monitor, microphone, and speakers). Additionally, the workstation's vital signs monitor transmitted the patient's key health metrics (ie. heart rate, blood pressure, temperature, and oxygen saturation) instantly over a 5G connection. This enabled the doctor to make a prompt assessment - confirming that the patient was in good overall health.

Digital healthcare bundle: Enabling telemedicine for small clinics and pharmacies. CDB is actively driving telemedicine adoption in Malaysia through several key initiatives. The group has signed a memorandum of understanding with KPJ Healthcare to establish a strategic partnership aimed at enabling cross-border healthcare access via telemedicine. In addition, CDB has launched a Digital Healthcare Bundle, which combines high-speed internet plans with digital healthcare solutions (e.g. remote health monitoring, tele-consultations, virtual clinic systems, and video conferencing capabilities). This bundle is available to private clinics and pharmacies classified as micro, small, and medium enterprises (MSMEs). It includes access to the Geran Digital PMKS Madani program, under which eligible businesses receive government grants covering 50% of the invoiced amount, up to a maximum of RM5,000 for the first 12 months.

Exhibit 3: Adaptive Medical Robot Arms



Source: Kenanga Research

Exhibit 4: Telemedicine Consultation



Source: Kenanga Research

(4) Energy

AI-trained robodogs tackle hazardous tasks at O&G facilities. The undisputed star of our AiX site visit was the endearing and clever robodog by Weston Robot - which captivated participants as it attentively responded to voice commands (e.g. side-step, sleep, lie, down, move slow). Beyond its charm, these robodogs hold practical value for deployment at oil and gas platforms, refineries, and petrochemical plants - where they can help streamline maintenance operations. Built to withstand hazardous environments with restricted human access or safety risks - robodogs are a compelling solution to enhance operational safety, efficiency, and remote inspection capabilities.

Remote control robodogs: Engineered for maintenance inspections. Equipped with trained AI models, multiple

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cameras, sensors, and actuators, robodogs are capable of performing remote surveillance and inspection tasks. Leveraging high-bandwidth 5G connectivity, they can be operated remotely by engineers located anywhere in the world, enabling real-time data transmission and control. Tasks that robodogs can execute efficiently include air quality monitoring, pipe inspections, and other routine maintenance checks.

CDB's roll-out of Petronas' private 5G network paves way for robodog. We believe there is potential for CDB to deploy robodog solutions in the near future – leveraging on its recent deployment of a full-fledged private 5G network on PETRONAS Group's Kasawari Carbon Capture and Storage platform offshore Sarawak. Kasawari is expected to serve as a testbed for 5G use cases, fostering digital innovations in combination with other complementary technologies such as Internet of Things (IoT), AI and automation

(5) Logistics and Fleet Management

Telematics system sound-off on risky driver behaviour in logistics. AI-powered telematics is a system that integrates sensors, cameras, GPS trackers, onboard diagnostics, and data analytics enhanced by AI algorithms. In fleet management, it is used to monitor and optimize the performance, safety, and efficiency of logistic fleets. Leveraging AI-driven video analytics and high-speed 5G connectivity, the system can instantly detect risky driver behaviours (e.g. phone use, smoking, and fatigue) that trigger in-cabin audio alerts for prompt correction. A comprehensive telematics suite also supports predictive maintenance, fuel-efficient route planning, and real-time vehicle tracking. As part of its smart fleet management offerings, CDB recently deployed an AI-powered telematics system for Vale Malaysia, a leading global mining company.

Exhibit 5: AI-trained Robodog



Source: Company

Exhibit 6: Telematics System in a Vehicle Cabin



Source: Kenanga Research

(B) AI+5G: TELCO EARNINGS IMPACT

5G-AI solutions to drive surge in enterprise subscribers. Enterprise AI solutions are unlocking a new 5G monetization avenue for Malaysian telcos - enabling them to generate recurring service revenue from corporations, government agencies, and large organization. As adoption gains momentum, we anticipate a rapid expansion in the base of enterprise 5G subscribers.

Hard to monetize 5G within the retail market. Although 5G adoption among retail subscribers has been widespread, its experiential improvement over 4G remains limited, primarily due to a lack of compelling and practical use cases for individual consumers. As a result, premium pricing for 5G services has been difficult to justify, and monetizing 5G on the consumer front continues to be challenging. Currently, consumer applications that can fully harness 5G's capabilities are still in the early stages. These include: (i) interactions within the metaverse, (ii) high-speed streaming services for e-sports, (iii) immersive virtual reality (VR) experiences, and (iv) autonomous driving for passenger vehicles, among others. However, the adoption of these advanced use cases is largely confined to a niche segment of early adopters that are typically tech-savvy individuals. Despite this, we

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believe that consumer applications for 5G will gradually expand and become more main-stream as hardware, software, and content developers continue to unlock the full potential of 5G technology.

Enterprise contracts are bigger with better margins. Unlike consumer mobile plans, where pricing is constrained by affordability, enterprise 5G solutions offer significantly greater pricing potential. These enterprise subscriptions are typically bespoke, customized to specific client requirements - enabling telcos to layer in value-added services that command higher margins and secure long-term, high value contracts. Moreover, enterprise clients tend to be stickier given upfront hefty investments in customized equipment, systems integration, and dedicated infrastructure.

Growth from upselling 5G-AI to enterprises. Traditionally, Malaysia's enterprise connectivity space has been dominated by fixed-line operators and independent contractors or system integrators (eg. REDTONE). Currently, basic enterprise connectivity services account for just 9% and 2% of total service revenues for MAXIS and CDB, respectively. In contrast, TM derives a higher 23% portion from enterprise clients given its fixed-line dominance. However, the landscape is set to evolve as Malaysian telcos upsell fully integrated enterprise 5G solutions by bundling private networks, internet-of-things (IoT), edge computing and AI-powered automation. This strategic pivot positions telcos to capture a larger share of a higher-value, underpenetrated enterprise market.

Enterprise pivot could offset consumer slowdown. This opportunity comes at pivotal moment. The consumer mobile business, traditionally the primary revenue engine for Malaysian mobile network operators (MNO) has matured. Mobile penetration peaked at 149% in 3QCY23 but has since declined to 145% as of 4QCY24. Correspondingly, service revenue growth for leading MNOs (i.e. CDB and MAXIS) has stagnated at a tepid 1.2–1.5% in FY23–24. Similarly, the consumer home fiber business which is a key revenue driver for fixed line operators has shown signs of fatigue. Home broadband penetration has slipped from its peak of 51% in 4QCY23 to 49% in 4QCY24, signalling limited room for subscriber growth amidst a crowded market.

Early days, but a new growth engine is emerging. While still in its nascent stage, the enterprise segment presents a compelling growth avenue to offset stagnation in the consumer market. The advent of 5G has finally unlocked the practical deployment of AI-driven solutions for enterprises. Malaysian telcos are seizing this moment by offering integrated 5G and AI solutions to businesses - diversifying their revenue streams beyond conventional consumer connectivity. This strategic pivot could establish a new long-term earnings growth engine for the industry.

(C) INTEGRATION OF AI AND CYBERSECURITY

During the recent engagement session, LGMS highlighted how emerging threats such as deepfake-enabled social engineering and public WiFi hijackin are reshaping the cybersecurity landscape. With a business model anchored on prevention (assess), consultation, and response, LGMS continues to focus on proactive threat management, which accounts for approximately 70% of its revenue. The management demonstrated how deepfakes could be exploited in social engineering and phishing attacks, reinforcing the urgency for organisations to adopt more advanced, AI-driven cybersecurity frameworks. The recent ransomware attack on KLIA by the Qilin group further underscores the critical need for integrated operational and information technology convergence security in transport infrastructure. Besides, LGMS also demonstrated real-time hacking risks via public WiFi, reinforcing the case for stronger AI-driven cybersecurity frameworks across sectors.

The company is scaling up its technical team, aiming to grow from 150 to 200 staff as it expands its portfolio through strategic partnerships and recurring income streams. LGMS' proprietary StarSentry solution is central to its managed services strategy, offering 24/7 vulnerability monitoring and proactive remediation support, now bundled with partners like BDO and CelcomDigi. Though currently, StarSentry adoption remains at the early stage, traction is building among enterprise clients. Management also highlighted plans for M&A to complement their prevention-centric model with protection capabilities. With ISO 27001 certification, growing overseas revenue contribution, and increasing collaboration with telcos and insurers, LGMS is well-positioned to capitalise on the rising demand for cybersecurity solutions amid the evolving digital threat landscape.

Exhibit 7: StarSentry



Source: LGMS, Kenanga Research,

Exhibit 8: How StarSentry and ASI Managed Services Can Help

Proactive Vulnerability Management	Managed Services
<p>Continuous Vulnerability Scanning</p> <ul style="list-style-type: none"> Automated vulnerability scans conducted monthly or at a frequency you specify. (ASI team performs the scans anytime that you prefer). <p>Prioritized Remediation</p> <ul style="list-style-type: none"> Actively managed vulnerabilities critical to business operations including coordinating with vendors to obtain and implement necessary patches or upgrades. FREE up your team! <p>24/7 Lateral Movement Detection</p> <ul style="list-style-type: none"> Continuous monitoring and 24/7 notifications of indicators of malicious lateral movement. Discover hackers hiding in your environment. 	<p>Deep-Dive Asset Analysis</p> <ul style="list-style-type: none"> In-depth analysis of critical IP assets and security insights. <p>Flexible Scanning</p> <ul style="list-style-type: none"> Scan configurations customized to the environment, minimizing disruptions and ensuring comprehensive coverage. <p>Customized Reporting</p> <ul style="list-style-type: none"> Vulnerability reports that can be tailored to meet your needs.
Stay Ahead of the Curve	
<p>Continuous Improvement</p> <ul style="list-style-type: none"> StarSentry is always updated with the latest security features and threat intelligence. 	<p>Expert Support</p> <ul style="list-style-type: none"> Our team of trained security professionals, experienced in StarSentry design and implementation, provides ongoing support and guidance.

Source: LGMS, Kenanga Research

Exhibit 9: Strategic Partnership with BDO Malaysia

BDO

BDO Managed Vulnerability Services
Powered by StarSentry

Secure your defences. Manage your cyber risks with confidence.

What is StarSentry?

StarSentry is a plug-and-play cyber security solution designed for SMEs which integrates seamlessly into your network to automatically assess vulnerabilities across all connected hosts.

To make cyber security truly accessible, we complement this offering with our tailored advisory services, providing expert guidance at every stage: from assessment to action, we ensure your business is equipped with resilient defences.

StarSentry, developed by Applied Security Intelligence, is offered in partnership with BDO and Tokio Marine.

StarSentry Features

- Cyber Insurance
- Vulnerability Scanner
- Honeypot Trap & Alerts
- Specialised Consultancy & Support
- Unlimited Health Check Reports for Management
- Complimentary Security Protection (10 seats)
- Device Warranty 1-to-1 Exchange

Core Benefits: What We Offer

- Financial Protection with Cyber Insurance**
 - Protect your organisation with Malaysia's first solution offering automatic Tokio Marine Cyber Insurance coverage for cyber forensic and recovery costs.
 - Gain peace of mind by transferring the burden of risk to a trusted global insurance provider.
- Cyber Security Consulting Service**
 - BDO provides specialised cyber insurance consultancy to enhance your organisation's security posture with monthly reporting.
 - We ensure continuous support in maintaining a robust and secure infrastructure in line with industry standards.
- Instant Visibility with Vulnerability Scanning**
 - Advanced tool for proactive identification of network and systems security weaknesses, ensuring timely remediation.
 - Designed with simplicity in mind, StarSentry provides evidence and solutions for all vulnerabilities detected.
- Early Threat Detection with Honeypot Technology**
 - StarSentry is the first vulnerability scanner designed with an embedded honeypot system, strategically placed within your network to detect and alert on insider threats in real-time.
 - Early detection enables rapid countermeasure actions to prevent system breaches.
- Device Protection with Enterprise-Grade Security**
 - StarSentry is bundled with 10 device licenses for robust security protection, adding an extra layer to secure your network.

Source: LGMS, Kenanga Research

BDO

StarSentry Built-in Honeypot

A Total Prevention & Protection Solution

- 1 Prevent**: Vulnerabilities scanning, Honeypot.
- 2 Protect**: Enterprise security protection.
- 3 Recover**: Cyber insurance provides financial relief in a cyber event.

Why BDO

- Team Capabilities**: An experienced team with extensive knowledge and practical experiences in global best practices for cyber security, IT audit and governance.
- Proven Track Record**: Successfully delivered a broad range of services such as IT Audit, Cyber Security Consulting, IT Governance Advisory and Automation Software Solutions.
- Robust Approach**: An effective and proven approach based on past experiences with local and regional clients across various industries will enable us "to fit the ground running".

Contact Us

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Schedule a demo and see StarSentry in action

Exhibit 10: Strategic Partnership with CelcomDigi

celcomdigi **5G FOR ALL** **MALAYSIA'S No.1 NETWORK** **WIDEST | FASTEST 4G | 5G | FIBRE**

Fundamental cyber security for businesses of all sizes

Solution	NETWORK PROTECTION PortiGate-30G	GUARDING ENDPOINTS CrowdStrike Falcon EDR	STAY INFORMED Star Sentry*
	<ul style="list-style-type: none"> Comprehensive security High performance Cost effective 24/7 support Easy to manage 	<ul style="list-style-type: none"> Advanced threat detection and prevention Cloud-based architecture Real-time monitoring Easy to manage 	<ul style="list-style-type: none"> Plug and play Comprehensive scans with built-in Honey-Pot Unlimited scans and health check reports RM30k cyber insurance protection Includes 10 FREE CrowdStrike NGAV Protection Licenses (worth up to RM3,000/year) <small>*Customers do not own the hardware</small>
	Optional 24/7 managed firewall service available	24/7 managed services inclusive of phone and email	Optional 24/7 managed security service available
Monthly fees	RM249* (04-month contract)	RM33/license (02-month contract, license only)	RM1,209 (02-month contract)
Coverage	Klang Valley Outside of Klang Valley (Excluding Sabah & Sarawak)	Nationwide	

Your trusted business partner

Source: LGMS, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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