

02 September 2025

Telekom Malaysia

Cost Savings Offset Softer Unifi ARPU

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TM's 1HFY25 results tracked expectations as earnings were uplifted by leaner costs (from reduced manpower and depreciation expenses), which helped cushion topline weakness (from declining Unifi ARPUs and absence of one-off revenues). Despite intense competition, Unifi sustained commendable QoQ subscriber growth. Encouragingly, the QoQ ARPU drop was far milder than in 1QFY25 – this suggests early signs of stabilization. We maintain our forecasts, TP of RM8.15 and OUTPERFORM call.

Met expectations. 1HFY25 core net profit (CNP) of RM838m (+0.6% YoY) was broadly in-line with expectations, accounting for 47% of our full-year projection and 49% of consensus. CNP excludes exceptional losses from unfavourable FX movements on foreign currency denominated debt.

YTD revenue dragged by absence of one-offs... 1HFY25 revenue contraction (-2% YoY) lagged TM's FY25 guidance of low single-digit growth. The decline was broad-based across all segments, but primarily attributed to the absence of one-off revenue recognition from an arbitration settlement in the Business-to-Business (B2B) segment. To a lesser extent, topline was also weighed down by lower contributions at: (i) Carrier-to-Carrier (C2C): 1HFY24 was boosted by lumpy one-off capacity related deals from data services – including managed wavelength and IRU contracts, and (ii) Business-to-Consumer (B2C): competitive pressures led to lower ARPUs amid promotional discounts aimed at defending market share and attracting new customers.

... But TM expects revenue to catch-up in 2H. Nevertheless, TM expects stronger topline in 2H25, keeping it on track to meet its FY25 guidance. This will be driven by: (i) B2B: delivery of delayed TM One projects, and (ii) C2C: completion of TM Global's international submarine cable projects, supported by a potential pipeline of offtakers.

Unifi QoQ net adds hold up, but ARPU continues to slip. Unifi's sequential net adds tapered to 5k (1QFY25: 9k; 2QFY24: 11k) – a commendable outcome given heightened competition from mobile network operators aggressively pushing convergence plans.

Meanwhile, Unifi ARPU slipped further to RM125 (1QFY25: RM127; 2QFY24: RM128), reflecting higher adoption of entry-level plans. On the bright side, the QoQ decline (RM2) was significantly milder than the RM7 drop in 1QFY25, suggesting signs of stabilization. Additionally, segmental revenue remained broadly resilient (QoQ: -0.7%), supported by an enlarged subscriber base.

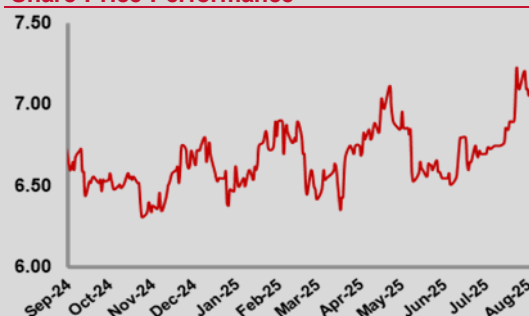
Despite ARPU pressure, TM remains confident in its strategy to defend and grow market share - underpinned by future opportunities to upsell higher-value plans to its growing subscriber base.

Earnings uplifted by lower manpower & depreciation costs. Despite softer revenue, 1HFY25 EBIT (+4% YoY) expanded on the back of: (i) cost savings and reversal in provisions for a manpower optimisation exercise in 2QFY24, and (ii) reduced depreciation. These gains more than offset higher expenses related to: (i) 5G access payments to Digital Nasional Berhad (DNB), (ii) device costs for Unifi UniVerse convergence offerings, and (iii) aggressive Unifi promotional campaigns.

OUTPERFORM ↔

Price: **RM7.02**
Target Price: **RM8.15** ↔

Share Price Performance



KLCI	1,575.12
YTD KLCI chg	-4.1%
YTD stock price chg	6.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	T MK EQUITY
Market Cap (RM m)	26,940.9
Share Outstanding	3,837.7
52-week range (H)	7.27
52-week range (L)	6.15
3-mthavg. daily vol.	8,283,425
Free Float	68%
Beta	0.8

Major Shareholders

Employees Provident Fund Board	21.5%
Khazanah Nasional Bhd	20.1%
Kumpulan Wang Persaraan	10.1%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Revenue	11,712	11,287	11,782
EBITDA	4,510	4,761	4,533
EBIT	2,360	2,673	2,354
PBT	2,177	2,364	2,294
PATAMI	2,017	1,754	1,793
Core Net Profit (NP)	2,031	1,788	1,793
Consensus (NP)	-	1,709	1,796
Earnings Revision	-	-	-
Core EPS (sen)	53.7	47.3	47.4
Core EPS Growth (%)	2.3	-12.0	0.3
DPS (sen)	31.0	32.5	33.0
BVPS (RM)	2.7	2.8	3.0
Core PER (x)	13.1	14.8	14.8
PBV (x)	2.6	2.5	2.4
Net Gearing (x)	0.0	0.1	0.0
Div. Yield (%)	4.4	4.6	4.7

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The key takeaways from TM's analysts briefing are as follows:

1. TM has identified a healthy pipeline of offtakers for its upcoming data centers (DCs), namely: (i) 64MW JV with Nxera (target completion: end-2026), and (ii) Iskandar Puteri and Klang Valley DCs with cumulative capacity expansion of 20MW (scheduled for Sept–Oct 2025).
2. Similarly, TM Global has identified potential customers for border-to-border bandwidth services for its forthcoming global submarine cables. This includes SEA-ME-WE-6 and Asia Link, both slated for completion by year-end.
3. While the deferral of B2B projects for government agencies weighed on 2QFY25 performance, QoQ segmental B2B revenue was partially supported by growth in ICT, digital solutions, and cloud services. In addition, TM secured a 5-year contract to provide comprehensive managed secure SD-WAN services nationwide for Agrobank.
4. TM expects to start recognizing revenue from its RM2.4b fibre backhaul contract with U Mobile by end-FY25, though the actual pace will depend on the client's rollout schedule.

Forecasts. Maintained

Valuations. Our TP is maintained at RM8.15 based on unchanged 7.0x FY25F EV/EBITDA. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We are positive on **TM** due to: (i) it is leveraged toward structural data growth trends including digital transformation, proliferation of Internet of Things (IoT) and the rise of generative AI-driven cloud services, (ii) potential infrastructure project awards from the upcoming JENDELA Phase 2 program, (iii) earnings accretion from its upcoming hyperscale DC developed in partnership with Singtel, and (iv) increasing demand for terrestrial fiber connectivity from hyperscalers and global content providers as they seek to interconnect their digital assets in Malaysia with global network backbones. Maintain **OUTPERFORM**.

Risks to our call include: (i) cost drag from Unifi Mobile due to its lack of scale, substantial fixed 5G access fees, and high customer acquisition costs to grow its subscriber base, (ii) pricing pressure in the retail segment driven by policy directives and heightened competition as mobile operators vie for convergence customers, and (iii) tapering demand for global IP transit services - as internet traffic is increasingly dominated by Tier-1 hyperscalers leveraging their own global submarine cable networks.

Results Highlights								
FYE Dec (RM m)	2Q FY25	1Q FY25	QoQ Chg	2Q FY24	YoY Chg	6M FY25	6M FY24	YoY Chg
Revenue	2,771.9	2,851.5	-2.8%	2,907.9	-4.7%	5,623.4	5,744.9	-2.1%
EBITDA	1,236.3	1,092.8	13.1%	1,160.4	6.5%	2,329.1	2,326.1	0.1%
Depreciation	(496.7)	(538.9)	-7.8%	(538.5)	-7.8%	(1,035.6)	(1,076.8)	-3.8%
Net Finance Costs	(134.9)	(29.9)	>-100%	(56.6)	138.3%	(164.8)	(104.5)	57.7%
JV	(0.3)	0.6	>-100%	2.2	-113.6%	0.3	4.5	-93.3%
EI	(42.8)	9.4	>100%	(2.0)	2040.0%	(33.4)	(11.7)	>100%
Pretax Profit	561.6	534.0	5.2%	565.5	-0.7%	1,095.6	1,137.6	-3.7%
Taxation	(159.6)	(131.2)	21.6%	(161.5)	-1.2%	(290.8)	(305.8)	-4.9%
Minority Interest	1.0	(1.6)	>100%	(7.6)	-113.2%	(0.6)	(10.6)	-94.3%
Reported Net Profit	403.0	401.2	0.4%	396.4	1.7%	804.2	821.2	-2.1%
Core Net Profit	445.8	391.8	13.8%	398.4	11.9%	837.6	832.9	0.6%
Core EPS (sen)	11.6	10.3	13.3%	10.4	12.2%	21.9	21.7	0.8%
DPS (sen)	12.5	0.0	nm	12.5	0.0%	12.5	12.5	0.0%
EBITDA margin	44.6%	38.3%		39.9%		41.4%	40.5%	
PBT Margin	20.3%	18.7%		19.4%		19.5%	19.8%	
Effective tax rate	28.4%	24.6%		28.6%		26.5%	26.9%	
Core Net margin	16.1%	13.7%		13.7%		14.9%	14.5%	

Source: Company, Kenanga Research

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Segmental Highlights								
	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue by Customer Segments								
Business-to-Consumer (B2C)	1,376.8	1,386.4	-0.7%	1,386.2	-0.7%	2,763.2	2,782.4	-0.7%
Business-to-Business (B2B)	670.8	668.7	0.3%	740.6	-9.4%	1,339.5	1,413.6	-5.2%
Carrier-to-Carrier (C2C)	694.4	760.9	-8.7%	751.1	-7.5%	1,455.3	1,493.9	-2.6%
Others/Shared Services	67.8	74.3	-8.7%	73.0	-7.1%	142.1	138.1	2.9%
Inter-segment	(37.9)	(38.8)	-2.3%	(43.4)	-12.7%	(76.7)	(83.5)	-8.1%
Total	2,771.9	2,851.5	-2.8%	2,907.5	-4.7%	5,623.4	5,744.5	-2.1%
Revenue by Business Segment								
Voice	469.3	468.8	0.1%	500.6	-6.3%	938.1	1,020.7	-8.1%
Internet	1,107.8	1,111.7	-0.4%	1,138.5	-2.7%	2,219.5	2,296.6	-3.4%
Data	806.6	860.5	-6.3%	885.1	-8.9%	1,667.1	1,712.1	-2.6%
Others	388.2	410.5	-5.4%	383.7	1.2%	798.7	715.5	11.6%

Source: Company, Kenanga Research

Operational Metrics					
	2Q	1Q	QoQ	2Q	YoY
Subscribers ('000)	FY25	FY25	Chg	FY24	Chg
Unifi Home	3,175	3,170	5	3,119	56
Other Fixed Broadband	13	15	(2)	24	(11)
ARPU (RM)					
Unifi	125	127	(2)	128	(3)

Source: Company, Kenanga Research

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Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	MP	2.42	2.70	11.6%	22,228.8	Y	12/2025	5.2	5.5	-44.2%	5.7%	46.8	44.2	1.2	1.2%	11.0	4.5%
CELCOMDIGI BHD	OP	3.68	4.19	13.9%	43,171.9	Y	12/2025	14.4	16.1	-5.8%	11.6%	25.6	22.9	2.6	10.4%	12.0	3.3%
MAXIS BHD	MP	3.50	3.56	1.7%	27,422.8	Y	12/2025	19.7	19.1	8.8%	-3.0%	17.7	18.3	4.4	25.5%	16.0	4.6%
OCK GROUP BHD	MP	0.410	0.380	-7.3%	430.9	Y	06/2025	2.7	3.0	-8.5%	11.9%	15.4	13.8	0.7	4.6%	1.0	2.4%
TELEKOM MALAYSIA BHD	OP	7.02	8.15	16.1%	26,940.9	Y	12/2025	47.4	47.6	-11.8%	0.4%	14.8	14.8	2.5	17.3%	33.0	4.7%
TIME DOTCOM BHD	OP	5.18	5.91	14.1%	9,576.9	Y	12/2025	26.1	28.7	10.6%	9.9%	19.8	18.0	2.5	12.2%	30.5	5.9%
SECTOR AGGREGATE					129,772.3					-8.4%	3.9%	21.6	20.8	2.3	11.9%		4.2%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Cybersecurity & Data Privacy	★	★	★		
	Network Quality & Coverage	★	★	★	★	
	Digitalisation & Innovation	★	★	★		
	Supply Chain Management	★	★	★		
	Talent Management	★	★	★		
	Customer Satisfaction	★	★	★		
OVERALL		★	★	★		

- ☆ denotes half-star
- ★ -10% discount to TP
- ★★ -5% discount to TP
- ★★★ TP unchanged
- ★★★★ +5% premium to TP
- ★★★★★ +10% premium to TP

28 February 2022

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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