TIME dotcom

Solid Start as Growth Remains Intact

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OUTPERFORM ↔

Price:	**RM6.18**
Target Price:	**RM6.60** ↔

TIMECOM's 1QFY26 results met expectations. Robust earnings growth was driven by: (i) topline expansion (supported by the retail and wholesale segments), and (ii) lower costs (reflecting deferred spending at the start of the year). Encouragingly, retail ARPU remained resilient and subscriber net adds sustained despite lingering competitive pressures. In-line with its balance sheet optimization strategy, TIMECOM raised borrowings, lifting net debt/EBITDA to 0.1x (target: 1.0x–1.5x within four years). We maintain our forecasts, TP of RM6.60 and OUTPERFORM call.

Tracked expectations amid sustained growth. 1QFY26 core net profit of RM125.4m (+7.6% YoY) was in-line with expectations, accounting for 24% of both our full-year forecast and consensus estimate.

Exceptional items (EI) excluded from 1QFY26 core earnings comprised: (i) forex gain (RM9.1m), (ii) share of impairment losses on network equipment at 47%-owned associate, Symphony Communications (RM1.5m), (iii) non-recurring dividend income from investment funds (RM2.9m), and (iv) tax impact related to these EI (RM1.5m).

Retail continues to drive topline with higher ARPU and larger subscriber base. Robust 1QFY26 revenue growth (6% YoY) was primarily driven by: (i) Retail: underpinned by an uptick in ARPU coupled with subscriber base expansion (+6% YoY); and (ii) Wholesale: supported by stronger demand for connectivity services. These gains more than offset weaker contribution from the enterprise segment, which was affected by lower recognition of lumpy service integration projects.

Commendable retail showing in spite of competitive headwinds. TIMECOM sustained its QoQ net adds streak in 1QFY26, though the pace continued to moderate to 6k (well below its recent peak of 12k in 4QFY24). Subscriber growth was supported by ongoing network expansion, with premises passed rising to c. 2.1m as of end-1QFY26 (up from c. 2.05m in end-4QFY25). More than half of the new premises passed comprised single dwelling units (SDUs).

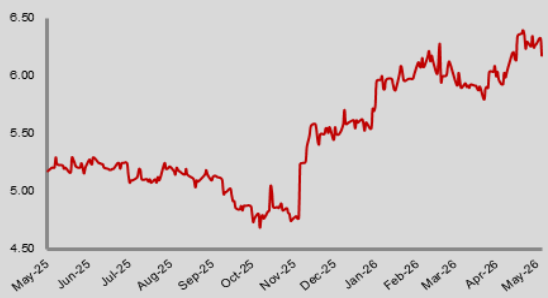
Encouragingly, ARPU held steady at RM117 for the fourth consecutive quarter. Overall, TIMECOM delivered a commendable performance despite a challenging competitive landscape (which is expected to persist in the near term).

Deferred costs inflate margins. Healthy EBITDA expansion (15% YoY) in 1QFY26 was underpinned by higher revenue and lower costs, which lifted EBITDA margin to 47.4% (1QFY25: 43.6%). The margin surge mainly reflects the deferment of expenses, as TIMECOM held back on spending early in the year while reviewing its cost structure.

Looking ahead, margins are expected to normalize as spending resumes and costs potentially rise due to ongoing global supply chain disruptions. These disruptions may also affect capex, given the possibility of higher procurement costs for items such as optical fibre cables, servers, and related network equipment.

Robust earnings growth despite associate drag from Symphony and AIMS. The stronger EBITDA flow-through supported core net profit growth (+7.6% YoY), which more than offset higher depreciation, lower interest income (due to reduced cash balances following dividend payments), and higher tax expenses.

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	12.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TDC MK Equity
Market Cap (RM m)	11,425.7
Share Outstanding	1,848.8
52-week range (H)	6.40
52-week range (L)	4.69
3-mth avg. daily vol.	2,984,683
Free Float	74%
Beta	0.54

Major Shareholders

Employees Provident Fund Board	16.7%
Kumpulan Wang Persaraan	10.2%
Rahim Afzal Bin Abdul	10.1%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Revenue	1,793	1,900	2,019
EBITDA	767	855	942
EBIT	563	635	707
PBT	541	647	707
Net Profit	**426**	**509**	**557**
Core PATAMI	**487**	**516**	**557**
Consensus NP	-	518	551
Earn. Revision	-	-	-
Core EPS (sen)	26.4	27.9	30.1
Core EPS Growth (%)	11.7	5.8	7.9
DPS (sen)	48.7	41.5	45.0
BVPS (RM)	1.7	1.6	1.5
PER (x)	23.4	22.1	20.5
PBV (x)	3.6	3.9	4.2
Net Gearing (x)	-0.1	0.0	0.1
Div. Yield (%)	7.9	6.7	7.3

Additionally, bottom line was weighed down by lower contributions from associates, particularly Symphony. Meanwhile, AIMS was also impacted by higher finance costs, following increased borrowings to fund new data centre facilities.

The development of AIMS' upcoming AI data centre in Cyberjaya (up to 200MW capacity) remains at an early stage, with the group currently securing the necessary regulatory approvals. As the expansion progresses, earnings could become volatile and potentially turn negative during the initial gestation phase. This is underpinned by rising finance costs and depreciation charges incurred prior to revenue generation.

Ramped up borrowings to optimize balance sheet. TIMECOM's balance sheet optimisation remains on track, as short-term borrowings increased to RM281.9m in 1QFY26 (1QFY25: RM2.9m). Correspondingly, net debt/EBITDA rose to 0.1x in 1QFY26 (1QFY25: net cash), bringing the group closer to its target net debt/EBITDA of 1.0x–1.5x over the next 3–4 years.

Forecasts. Maintained.

Valuations. We also maintain our TP of RM6.60 based on unchanged 14.4x FY26F 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 favour TIMECOM underpinned by: (i) its ability to leverage on growing enterprise demand for bandwidth services at co-location hyperscale DCs; (ii) its exposure to AIMS' regional expansion into markets with rising demand amid tightening domestic data residency regulations; (iii) potential for higher dividends supported by balance sheet optimization and modest capex needs; and (iv) resilient retail ARPUs and sustained subscriber net adds momentum driven by network coverage expansion. Maintain **OUTPERFORM.**

Risks to our call include: (i) AIMS' ASEAN expansion plans turn out to be sluggish with elevated capex outlay, (ii) ARPU pressure and market share erosion amid stiff competition in the retail broadband segment, and (iii) continued weakness in global IP transit rates due to capacity oversupply and tapering demand (as traffic increasingly shifts to hyperscalers that own proprietary submarine cables)

Results Highlights

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg
Revenue	454.1	464.8	-2.3%	428.6	6.0%
EBITDA	**215.1**	**204.1**	5.4%	**186.9**	15.1%
Depreciation	(52.3)	(54.8)	-4.7%	(48.2)	8.4%
Net Finance Costs	(0.9)	(1.5)	-40.5%	2.9	>-100%
JCE	4.2	11.1	-62.3%	9.9	-57.4%
EI	(6.2)	(35.1)	-82.3%	(4.9)	25.9%
Pretax Profit	160.0	123.8	29.2%	146.6	9.1%
Taxation	(41.6)	(19.3)	>100%	(34.3)	21.3%
Minority Interest	0.9	(0.1)	>100%	(0.7)	>100%
Reported Net Profit	**119.2**	**104.4**	14.2%	**111.6**	6.8%
Core Net Profit	**125.4**	**139.5**	-10.1%	**116.6**	7.6%
Core EPS (sen)	6.8	7.5	-10.1%	6.4	6.4%
DPS (sen)	0.0	27.1	nm	0.0	nm
EBITDA margin	47.4%	43.9%		43.6%	
PBT Margin	35.2%	26.6%		34.2%	
Core Net margin	27.6%	30.0%		27.2%	

Source: Company, Kenanga Research

Segmental Highlights

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg
Revenue by Type					
- Voice	10.7	11.2	-4.5%	11.0	2.7%
- Data	409.6	410.8	-0.3%	378.3	-7.6%
- Cloud	28.3	39.3	-28.0%	37.8	33.6%
- Others	5.7	2.1	168.9%	1.5	-74.1%
Total	**454.3**	**463.4**	-2.0%	**428.6**	-5.6%
Revenue by Type					
- Wholesale	136.3	137.9	-1.2%	122.2	-10.3%
- Enterprise	127.4	137.5	-7.3%	133.6	4.9%
- Retail	190.4	189.4	0.5%	172.8	-9.2%
Total	**454.1**	**464.8**	-2.3%	**428.6**	-5.6%

Source: Company, Kenanga Research

Associates & JCEs

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg
- AIMS (30%)	0.5	3.6	-86.1%	1.4	-64.3%
- CMC Telecom (45.27%)	3.9	5.1	-23.5%	4.7	-17.0%
- Symphony (46.84%)	1.2	2.5	-52.0%	3.7	-67.6%
Total	**5.6**	**11.2**	-50.0%	**9.8**	-42.9%

Source: Company, Kenanga Research

Operating Metrics

	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg
Subscribers ('000)	518	512	6	488	30
ARPU (RM)	117	117	0	116	1

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.
TELECOMMUNICATION																	
AXIATA GROUP BHD	MP	1.95	2.70	38.5%	17,917.1	Y	12/2026	5.8	5.9	-37.7%	2.8%	33.7	32.8	1.0	0.5%	11.0	5.6%
CELCOMDIGI BHD	OP	3.09	4.27	38.2%	36,250.4	Y	12/2026	13.6	13.6	6.2%	0.6%	22.8	22.6	2.3	10.1%	16.0	5.2%
MAXIS BHD	MP	3.44	3.63	5.5%	26,952.7	Y	12/2026	20.5	21.3	1.3%	3.9%	16.8	16.1	4.2	25.6%	18.0	5.2%
OCK GROUP BHD	OP	0.375	0.430	14.7%	387.0	Y	06/2026	2.5	2.8	-12.6%	10.8%	14.8	13.3	0.6	4.4%	1.0	2.7%
TELEKOM MALAYSIA BHD	OP	7.40	8.86	19.7%	28,399.3	Y	12/2026	47.7	47.9	3.1%	0.4%	15.5	15.4	2.5	16.6%	33.0	4.5%
TIME DOTCOM BHD	OP	6.18	6.60	6.8%	11,425.7	Y	12/2026	28.0	30.2	6.3%	7.8%	22.0	20.4	3.9	16.8%	42.0	6.8%
SECTOR AGGREGATE					**121,332.1**					**-2.0%**	**2.3%**	**20.0**	**19.5**	**2.4**	**12.3%**		**5.0%**

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

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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