

22 May 2026

# Telekom Malaysia

## Unifi & Cost Efficiencies Drive Growth

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TM's 1QFY26 results were broadly in line with expectations. Strong core earnings growth was driven by higher topline (led by Unifi Home) and solid cost efficiencies.

On the flipside, Unifi Home QoQ net adds moderated and ARPU contracted amid intense competition. As guided, TM also booked a one-off write-down of unutilized 5G prepaid capacity, alongside exceptional Prihatin staff program contributions.

We maintain our forecasts (but raise dividend payout ratio to 75% from 70%), TP of RM8.86 and OUTPERFORM call.

**Performance and dividend payout in line.** 1QFY26 core net profit (CNP) of RM463.3m (+18% YoY) was broadly in line with expectations, accounting for 26% of our full-year forecast and 27% of consensus estimates.

Key non-recurring items excluded from CNP include: (i) 5G MOCN write-down (RM127.3m), (ii) FX losses on operations, and (iii) Prihatin program contributions.

TM declared 1QFY26 DPS of 6.5 sen (1QFY25: nil), representing a 78% payout of reported earnings. This was in line with our expectations and its recently revised dividend policy (minimum payout ratio: 75% of reported PATAMI).

**One-off write-down on unutilized 5G prepaid capacity.** The one-off write-down of unutilised prepayment under TM's 5G MOCN (Multi-Operator Core Network) agreement with Digital Nasional Berhad (DNB) represents a non-cash accounting adjustment following TM's planned migration to U Mobile's 5G network by 2HCY26. This adjustment accounts for the prepaid capacity that was not utilised. Meanwhile, TM remains in negotiations with DNB regarding the proposed transition and will continue to recognise 5G access costs attributable to DNB through 1HFY26.

**Special contributions for Prihatin staff program.** The Prihatin program is available to employees who choose to transition into a new career or retire. TM will assess applications throughout 2026 and recognise the corresponding costs each quarter as they arise. Prihatin runs in parallel with TM's manpower efficiency programme, which focuses on the automation and digitalisation of operations. As such, the latter could help mitigate potential manpower shortages in the event of exceedingly high staff take-up of Prihatin.

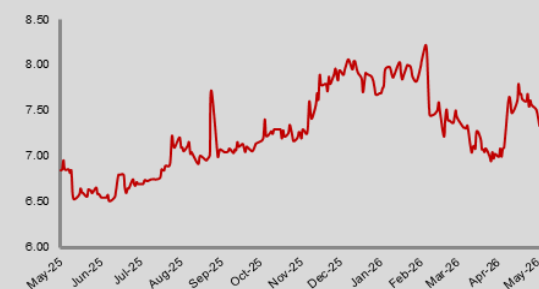
**Unifi Home is key growth driver.** 1QFY26 revenue growth (+3% YoY) tracked TM's FY26 guidance of low single-digit growth. The expansion was mainly driven by the Business-to-Consumer (B2C) segment, underpinned by: (i) enlarged Unifi Home subscriber base (net adds: +49k) and (ii) higher Home ARPU of RM132 (1QFY25: RM127), supported by stronger adoption of quad-play service bundles (convergence rate: 39.6%).

**International connectivity drives C2C Growth.** To a lesser extent, topline growth was supported by the Carrier-to-Carrier (C2C) segment, driven by: (i) stronger demand for data center (DC) solutions from OTT players and hyperscalers, (ii) over 20Tbps of subscribed capacity for dedicated cross-border and DC-to-DC connectivity, and (iii) the aggressive rollout of 5G mobile backhaul (more than 8,000 sites to-date) for U Mobile.

**OUTPERFORM** ↔

Price: **RM7.34**  
Target Price: **RM8.86** ↔

### Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	-8.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	T MK Equity
Market Cap (RM m)	28,169.0
Share Outstanding	3,837.7
52-week range (H)	8.23
52-week range (L)	6.51
3-mthavg. daily vol.	5,361,673
Free Float	68%
Beta	0.86

### Major Shareholders

Employees Provident Fund Board	23.5%
Khazanah Nasional Bhd	20.1%
Kumpulan Wang Persaraan	10.7%

### Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
<b>Revenue</b>	11,872	12,249	12,428
EBITDA	4,567	4,716	4,822
EBIT	2,388	2,468	2,535
PBT	2,126	2,262	2,346
<b>PATAMI</b>	<b>1,713</b>	<b>1,810</b>	<b>1,808</b>
<b>Core Net Profit (NP)</b>	<b>1,750</b>	<b>1,810</b>	<b>1,808</b>
Consensus (NP)	-	1,683	1,842
Earnings Revision	-	-	-
Core EPS (sen)	46.3	47.9	47.8
Core EPS Growth (%)	10.4	3.5	-0.1
DPS (sen)	31.0	36.0	36.0
BVPS (RM)	2.8	2.9	3.0
Core PER (x)	15.9	15.3	15.3
PBV (x)	2.6	2.5	2.4
Net Gearing (x)	-0.1	-0.1	-0.1
Div. Yield (%)	4.2	4.9	4.9

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**Softer QoQ net adds and ARPU for Unifi.** Unifi Home's QoQ subscriber momentum moderated in 1QFY26, with net adds of +10k (down from +23k in 4QFY25) and softer ARPU of RM132 (4QFY25: RM137). This reflects a stabilising subscriber base amid intense market competition.

**Cost efficiencies support robust earnings growth.** 1QFY26 normalized EBIT of RM593.3m (+6.3% YoY) tracked TM's FY26 EBIT guidance (similar level to FY25 reported EBIT of RM2.03b). The improvement was underpinned by flow-through from topline growth, alongside lower costs for: (i) manpower: following reduced headcount under the Prihatin program, and (ii) depreciation: corresponding with lower capex spend. Stronger EBIT, coupled with lower interest expense and tax charges, drove solid expansion in core net profit (+18% YoY).

**Forecasts.** Maintained.

**Valuations.** We also keep our TP of RM8.86 based on unchanged 7.0x 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 are positive on TM due to: (i) as a data bandwidth provider, it is leveraged toward structural data growth trends such as digital transformation, proliferation of Internet of Things (IoT) and the rise of generative AI workloads, (ii) earnings uplift from the targeted 2HCY26 launch of the first phase of its hyperscale DC (JV with Singtel's Nxera), and (iii) rising demand for enterprise connectivity services from co-location tenants at newly established data centres across Malaysia.

In addition, there could be stronger-than-expected near-term earnings contributions from new revenue streams, including: (i) proceeds from the sale of decommissioned copper cables from its legacy network, (ii) indefeasible right-of-use (IRU) contracts and other international bandwidth services that leverage on the upcoming Asia Link submarine cable, and (iii) provision of backhaul infrastructure services to U Mobile under a new RM2.4b contract (start: 2HFY25). Maintain **OUTPERFORM**.

**Risks to our call include:** (i) cost drag from Unifi Mobile due to its lack of scale, minimum 5G access fees, and high customer acquisition costs to grow subscribers, (ii) pricing pressure in the retail segment driven by policy directives and heightened competition as mobile operators vie for convergence customers, (iii) tapering demand for global IP transit services - as internet traffic is increasingly dominated by Tier-1 hyperscalers leveraging their own submarine cable networks, and (iv) wholesale pricing compression arising from periodic regulatory reviews of the Mandatory Standard on Access Pricing (MSAP).

Results Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
Revenue	2,934.7	3,256.7	-9.9%	2,851.5	2.9%
<b>EBITDA</b>	<b>1,115.0</b>	<b>797.8</b>	39.8%	<b>1,092.8</b>	2.0%
Depreciation	(527.7)	(611.6)	-13.7%	(538.9)	-2.1%
Net Finance Costs	(23.1)	(25.3)	-8.7%	(29.9)	-22.7%
JV	(0.7)	2.8	>-100%	0.6	>-100%
EI	(141.8)	140.7	>100%	9.4	>100%
<b>Pretax Profit</b>	<b>421.7</b>	<b>304.4</b>	38.5%	<b>534.0</b>	-21.0%
Taxation	(102.7)	(68.8)	49.3%	(131.2)	-21.7%
Minority Interest	2.5	(13.1)	>100%	(1.6)	>100%
<b>Reported Net Profit</b>	<b>321.5</b>	<b>222.5</b>	44.5%	<b>401.2</b>	-19.9%
<b>Core Net Profit</b>	<b>463.3</b>	<b>81.8</b>	>100%	<b>391.8</b>	18.2%
Core EPS (sen)	12.1	2.1	>100%	10.3	18.1%
DPS (sen)	6.5	18.5	-64.9%	0.0	nm
EBITDA margin	38.0%	24.5%		38.3%	
PBT Margin	14.4%	9.3%		18.7%	
Effective tax rate	24.4%	22.6%		24.6%	
Core Net margin	15.8%	2.5%		13.7%	

Source: Company, Kenanga Research

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Segmental Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
<b>Revenue by Customer Segments</b>					
Business-to-Consumer (B2C)	1,457.2	1,495.3	-2.5%	1,386.4	5.1%
Business-to-Business (B2B)	671.5	760.5	-11.7%	668.7	0.4%
Carrier-to-Carrier (C2C)	776.6	979.6	-20.7%	760.9	2.1%
Others/Shared Services	71.4	73.3	-2.6%	74.3	-3.9%
Inter-segment	(42.0)	(52.0)	-19.2%	(38.8)	8.2%
<b>Total</b>	<b>2,934.7</b>	<b>3,256.7</b>	<b>-9.9%</b>	<b>2,851.5</b>	<b>2.9%</b>
<b>Revenue by Business Segment</b>					
Voice	466.8	475.3	-1.8%	468.8	-0.4%
Internet	1,123.3	1,131.0	-0.7%	1,111.7	1.0%
Data	870.4	1,061.2	-18.0%	860.5	1.2%
Others	474.2	589.2	-19.5%	410.5	15.5%

Source: Company, Kenanga Research

Operational Metrics					
	1Q	4Q	QoQ	1Q	YoY
Subscribers ('000)	FY26	FY25	Chg	FY25	Chg
Unifi Home	3,229	3,219	10	3,170	59
Other Fixed Broadband	0	10	(10)	15	(15)
<b>ARPU (RM)</b>					
Unifi	132	137	(5)	127	5

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.
<b>STOCKS UNDER COVERAGE</b>																	
AXIATA GROUP BHD	MP	1.97	2.70	37.1%	18,100.8	Y	12/2026	5.8	5.9	-37.7%	2.8%	34.1	33.1	1.0	0.5%	11.0	5.6%
CELCOMDIGI BHD	OP	3.06	4.27	39.5%	35,898.4	Y	12/2026	13.6	13.6	6.2%	0.6%	22.6	22.4	2.3	10.1%	16.0	5.2%
MAXIS BHD	MP	3.53	3.63	2.8%	27,657.8	Y	12/2026	20.5	21.3	1.3%	3.9%	17.2	16.6	4.3	25.6%	18.0	5.1%
OCK GROUP BHD	OP	0.385	0.430	11.7%	397.3	Y	06/2026	2.5	2.8	-12.6%	10.8%	15.1	13.7	0.7	4.4%	1.0	2.6%
TELEKOM MALAYSIA BHD	OP	7.34	8.86	20.7%	28,169.0	Y	12/2026	47.7	47.9	3.1%	0.4%	15.4	15.3	2.5	16.6%	33.0	4.5%
TIME DOTCOM BHD	OP	6.27	6.60	5.3%	11,592.1	Y	12/2026	28.0	30.2	6.3%	7.8%	22.4	20.7	3.9	16.8%	42.0	6.7%
<b>SECTOR AGGREGATE</b>					<b>121,815.5</b>					<b>-2.0%</b>	<b>2.3%</b>	<b>20.0</b>	<b>19.6</b>	<b>2.4</b>	<b>12.3%</b>		<b>5.0%</b>

Source: Bloomberg, Kenanga Research

### Stock ESG Ratings:

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

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

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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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