AmInvestment Bank

Company Report

Paul Yap Ee Xing, CFA
paul.ee-xing@ambankgroup.com
+603 2036 2281

TELECOMMUNICATION

TELEKOM MALAYSIA

(T MK EQUITY, TLMM.KL) **2 Sep 2025**

Banking on dividends

HOLD

(Maintained)

Rationale for report: Company Result

Price	**RM7.02**
Target Price	**RM6.60**
52-week High/Low	RM7.27/RM6.15

Key Changes

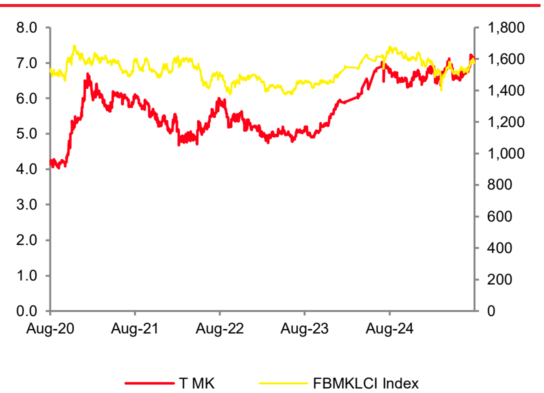
Target Price	⇔
EPS	⇔

YE to Dec	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue (RM mil)	11,712.4	11,832.8	11,989.1	12,136.0
Core net profit (RM mil)	1,980.2	1,707.8	1,715.0	1,745.5
FD Core EPS (sen)	51.6	44.5	44.7	45.5
FD Core EPS growth (%)	(10.0)	(13.8)	0.4	1.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	31.0	26.7	26.8	27.3
PE (x)	13.6	15.8	15.7	15.4
EV/EBITDA (x)	6.5	6.3	6.1	6.0
Div yield (%)	4.6	4.0	4.0	4.1
ROE (%)	20.9	16.4	15.5	14.9
Net Gearing (%)	20.7	18.2	14.5	11.0

Stock and Financial Data

Shares Outstanding (million)	3,837.6
Market Cap (RMmil)	26,940.2
Book Value (RM/Share)	2.63
P/BV (x)	2.7
ROE (%)	20.9
Net Gearing (%)	20.7
Major Shareholders	Khazanah (19.7%) EPF (16.9%) Amanah Saham Nasional (10.4%)
Free Float	66.9
Avg Daily Value (RMmil)	56.6

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	7.5	3.7	4.8
Relative (%)	2.9	3.7	11.7



Investment Highlights

While cost savings drove share price recovery over the past seven years, new catalysts are required to take TM to new heights. As pandemic demand normalises and competition intensifies, revenues have slowed (1H25: -2% YoY). An expansion of its DC business offers promise, but near term contributions are expected to be small. Yet, the group still offers stable demand and a decent dividend yield of 4%. Hence, we retain HOLD at an unchanged TP of RM6.60/share.

- **Retain HOLD at TP of RM6.60/share.** This is based on an unchanged target EV/Ebitda multiple of 5x and CY26 EPS. Our valuations also account for its 51% JV stake in Nxera MY to construct a 64MW DC in Johor. We estimate a FY25F dividend yield of 4%. For 1H25, the group declared an interim dividend of 12.5sen/share, stable from a year ago.

- **Better earnings supported by lower non-cash expenses.** Adjusting for one-offs, 1H25 core profit rose by 3% YoY to RM876mil. This is within expectations, forming 51% of ours and consensus estimates. One-offs during the quarter include net forex loss of RM85mil. The improvement in earnings was mainly due to a 4% YoY decline in D&A expenses, as certain assets near the end of their useful lives. While the group continues to reinvest, related assets are currently classified as work-in-progress and are not yet subject to depreciation.

- **Business momentum softening, but hopeful of 2H recovery.** 1H25 revenues declined 2% YoY, reflecting broad based weakness across unifi (-1% YoY), TM One (-5% YoY) and TM Global (-3% YoY). Ebitda contracted by 3% YoY. Due to a normalisation of work from home trends and increased competition, unifi net adds slowed considerably to +5k QoQ (vs. >100k QoQ during pandemic). Despite the softer first half, management remains optimistic of delivering a low single-digit revenue growth for the full year, supported by new bandwidth deals (TM Global), improved traction in converged offerings (unifi), and its DC expansion (TM One).

- **DC expansion is on track.** Construction of TM's 64MW data center in Johor, a joint venture with Nxera MY (51% owned), is progressing well and remains on track for completion by mid-2026. Management reports a healthy deal funnel and remains optimistic about demand. The JV currently accounts for 16% of our valuation and is projected to contribute around 10% of FY30F profits. Additionally, expansion works at IPDC (Iskandar Puteri Data Centre) and KVDC (Klang Valley Data Centre) are expected to be completed by 4Q25.

EXHIBIT 1: 2Q25 EARNINGS SUMMARY

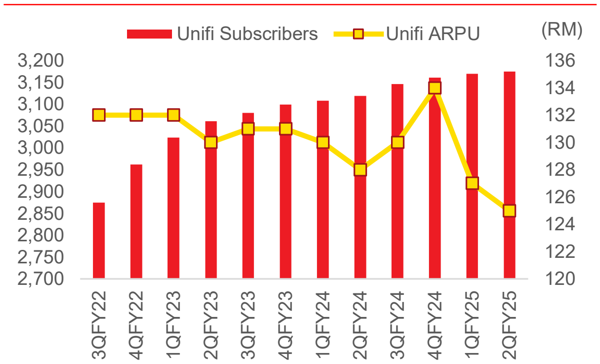
FYE Dec	2QFY25	2QFY24	% YoY	1QFY25	% QoQ	1H25	1H24	% YoY
Revenue	2,772	2,908	-4.7	2,852	-2.8	5,623	5,745	-2.1
EBITDA	**1,178**	**1,151**	**2.3**	**1,089**	**8.2**	**2,267**	**2,340**	**-3.1**
Margin (%)	42.5	39.6	7.3	38.2	11.3	40.3	40.7	-1.0
Depreciation and amortisation	-497	-539	7.8	-539	7.8	-1,036	-1,077	3.8
EBIT	**681**	**613**	**11.2**	**550**	**23.8**	**1,232**	**1,264**	**-2.5**
Finance income	25	28	-8.0	32	-21.4	58	59	-1.9
Finance cost	-160	-84	-90.5	-62	-158.0	-222	-163	-36.3
Forex	54	4	>100	11	>100	65	-30	nm
Associates	0	2	nm	1	nm	0	5	-93.3
EI	-39	4	nm	3	nm	-36	4	nm
Profit before tax	**562**	**566**	**-0.7**	**534**	**5.2**	**1,096**	**1,138**	**-3.7**
Tax	-160	-162	1.2	-131	-21.6	-291	-306	4.9
Effective tax rate (%)	28.4	28.6	-0.5	24.6	15.7	26.5	27.0	-1.6
MI	-2	-8	78.9	-2	0.0	-3	-11	69.8
Net profit	**400**	**396**	**1.0**	**401**	**-0.2**	**802**	**821**	**-2.4**
Core net profit	**485**	**393**	**23.5**	**391**	**24.1**	**876**	**851**	**2.9**
Capex	542	256	>100	280	93.6	822	461	78.3
EPS (sen)	10.5	10.3	1.9	10.5	0.0	21.0	21.4	-1.9
Core EPS (sen)	10.5	10.3	1.9	10.5	0.0	21.0	21.4	-1.9
DPS (sen)	12.5	12.5	-	0.0	nm	12.5	12.5	-

FYE Dec	2QFY25	2QFY24	% YoY	1QFY25	% QoQ	1H25	1H24	% YoY
Revenue								
Voice	469	501	-6.3	469	0.1	938	1,021	-8.1
Internet	1,108	1,139	-2.7	1,112	-0.4	2,220	2,297	-3.4
Data	807	885	-8.9	861	-6.3	1,667	1,712	-2.6
Others	388	384	1.2	411	-5.4	799	716	11.6
Unifi	1,377	1,386	-0.7	1,386	-0.7	2,763	2,782	-0.7
TM ONE	671	741	-9.4	669	0.3	1,340	1,414	-5.2
TM GLOBAL	694	752	-7.6	761	-8.7	1,455	1,494	-2.6
Others	68	73	-7.1	74	-8.7	142	138	2.9
Costs								
Direct cost	668	641	4.2	723	-7.7	1,391	1,281	8.6
Manpower	594	704	-15.6	653	-9.0	1,246	1,357	-8.2
Other opex	443	476	-7.0	415	6.7	858	857	0.1
Depreciation and amortisation	497	539	-7.8	539	-7.8	1,036	1,077	-3.8
Capex								
Access	143	141	1.4	124	15.3	267	225	18.7
Core network	53	41	29.3	20	>100	73	110	-33.6
Support system	346	74	>100	136	>100	482	126	>100

FYE Dec	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Broadband					
Unifi subs (k)	3,175	3,119	1.8	3,170	0.2
Unifi ARPU (RM)	125	128	-2.3	127	-1.6

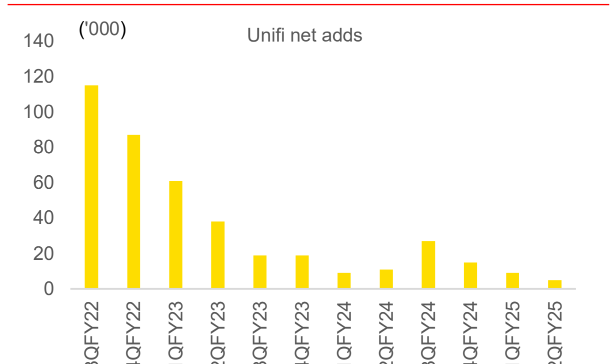
Source: TM, AmInvestment Bank

EXHIBIT 2: UNIFI SUBSCRIBERS AND ARPU



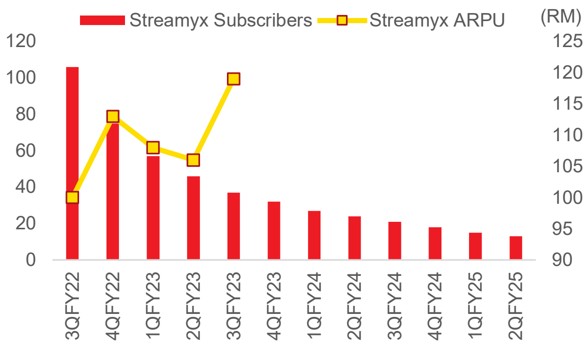
Source: TM, AmInvestment Bank

EXHIBIT 3: UNIFI NET ADDS



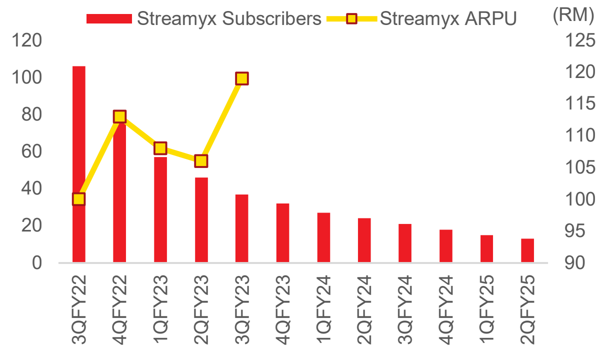
Source: TM, AmInvestment Bank

EXHIBIT 4: STREAMYX SUBSCRIBERS AND ARPU



Source: TM, AmInvestment Bank

EXHIBIT 5: STREAMYX NET ADDS



Source: TM, AmInvestment Bank

EXHIBIT 6: VALUATIONS

EV/Ebitda multiple	5.0x
Enterprise value (mil)	23,379
Less: Borrowings (mil)	5,191
Add: Cash (mil)	3,096
Market Cap (mil)	**21,284**
51% stake in JV with Nxera MY to develop DC (mil)	**4,063**
Shares outstanding (mil)	3,858
Target Price	**RM6.60**

Source: AmInvestment Bank

Company profile

Telekom Malaysia (TM) is the country's leading fixed network operator. Its largest shareholder is Khazanah (20%) and the Ministry of Finance holds one golden share in the company, giving the government special rights to overrule decisions made.

TM has three main business divisions, unifi, TM One and TM Global. unifi is its retail arm, responsible for providing telco services and solutions to individuals, households and SMEs. TM One is responsible for SMEs, corporate and government customers. Meanwhile, TM Global is its wholesale arm, serving domestic and international carriers.

The group's assets include >720,000 km of domestic fibre optic cables, >340,000km of submarine cables and eight data centres. Its total workforce stands at 19k people.

Investment thesis and catalysts

Partnering Singtel for new data centre in Johor. TM entered into a 51:49 JV with Nxera MY to develop a data centre in Johor. The four storey 64MW data centre will cost RM1.2bil and can potentially be scaled up to 200MW over several phases. Targeted to be operational by 1H26, we estimate the business to form 10% of 2030 profits.

Challenges at unifi and TM One. Data centre aside, prospects for its core business are relatively flattish. unifi faces increased competition, which has impacted net adds, as mobile players penetrate into the fixed broadband segment. Upside to ARPU (average revenue per user) may also be capped, as the MSAP (Mandatory Standard on Access Pricing) is reviewed every three years, to ensure wholesale access prices are fair and reflective of market conditions. Meanwhile, TM One revenues have been on a declining trajectory (since FY17), as it faces price pressures from contract renewals.

Valuation methodology

Our target price is based on an EV/Ebitda multiple of 5.0x, which is consistent with the group's 5-year average. Our valuation also includes the group's 51% stake in its JV with Nxera MY to construct a 64MW DC in Johor.

Risk factors

Under the Mandatory Standard on Access Pricing (MSAP), wholesale prices are regulated, opening the door to heightened competition in the fixed broadband space and enterprise segment. Every 1% decrease in unifi ARPU lowers our earnings by 2%.

Its dividend policy is based on 40-60% of reported Patami, which may be influenced by one-off items.

EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	11,690.2	11,712.4	11,832.8	11,989.1	12,136.0
EBITDA	4,502.0	4,474.5	4,614.8	4,675.8	4,733.0
Depreciation/Amortisation	(2,413.6)	(2,149.4)	(2,175.4)	(2,253.6)	(2,322.9)
Operating income (EBIT)	2,088.4	2,325.1	2,439.4	2,422.2	2,410.1
Other income & associates	(35.6)	44.8	1.6	18.9	59.6
Net interest	(254.7)	(177.1)	(171.1)	(157.6)	(142.1)
Exceptional items	10.4	(15.6)	-	-	-
Pretax profit	**1,808.5**	**2,177.2**	**2,269.9**	**2,283.5**	**2,327.6**
Taxation	76.5	(138.3)	(544.8)	(548.0)	(558.6)
Minorities/pref dividends	(14.5)	(22.0)	(17.3)	(20.5)	(23.4)
Net profit	**1,870.5**	**2,016.9**	**1,707.8**	**1,715.0**	**1,745.5**
Core net profit	2,201.2	1,980.2	1,707.8	1,715.0	1,745.5

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	14,301.6	12,612.2	12,844.0	13,058.2	13,257.8
Intangible assets	903.0	839.5	1,041.9	1,218.3	1,372.4
Other long-term assets	1,216.2	773.3	822.3	847.0	912.1
Total non-current assets	**16,420.8**	**14,225.0**	**14,708.3**	**15,123.6**	**15,542.3**
Cash & equivalent	2,955.2	3,096.2	2,933.8	2,959.3	3,031.4
Stock	204.6	201.7	258.1	261.5	264.7
Trade debtors	2,275.0	2,518.0	2,483.2	2,516.0	2,546.9
Other current assets	1,080.2	1,121.6	1,121.6	1,121.6	1,121.6
Total current assets	**6,515.0**	**6,937.5**	**6,796.7**	**6,858.5**	**6,964.6**
Trade creditors	3,033.3	3,270.4	3,270.3	3,313.5	3,354.1
Short-term borrowings	1,449.5	1,639.4	1,451.9	1,332.1	1,224.3
Other current liabilities	1,391.4	1,375.5	1,375.5	1,375.5	1,375.5
Total current liabilities	**5,874.2**	**6,285.3**	**6,097.7**	**6,021.1**	**5,953.9**
Long-term borrowings	5,171.3	3,551.4	3,430.5	3,273.2	3,132.3
Other long-term liabilities	2,567.7	1,059.9	1,093.0	1,095.3	1,097.4
Total long-term liabilities	**7,739.0**	**4,611.3**	**4,523.5**	**4,368.5**	**4,229.7**
Shareholders' funds	**9,163.0**	**10,099.7**	**10,700.3**	**11,388.5**	**12,095.9**
Minority interests	159.6	166.2	183.5	204.0	227.4
BV/share (RM)	2.39	2.63	2.79	2.97	3.15

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	1,808.5	2,177.2	2,269.9	2,283.5	2,327.6
Depreciation/Amortisation	2,413.6	2,149.4	2,175.4	2,253.6	2,322.9
Net change in working capital	(581.9)	330.2	(36.1)	3.5	3.3
Others	45.9	(646.2)	(636.8)	(655.4)	(708.1)
Cash flow from operations	**3,686.1**	**4,010.6**	**3,772.4**	**3,885.2**	**3,945.7**
Capital expenditure	(2,193.1)	(1,380.9)	(2,129.9)	(2,158.0)	(2,184.5)
Net investments & sale of fixed assets	144.6	19.8	-	-	-
Others	404.6	358.9	90.4	88.4	89.9
Cash flow from investing	**(1,643.9)**	**(1,002.2)**	**(2,039.5)**	**(2,069.6)**	**(2,094.6)**
Debt raised/(repaid)	(1,030.7)	(1,618.6)	(788.2)	(763.2)	(740.8)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(657.1)	(1,089.9)	(1,107.2)	(1,026.8)	(1,038.2)
Others	29.4	(150.9)	-	-	-
Cash flow from financing	**(1,658.4)**	**(2,859.4)**	**(1,895.3)**	**(1,790.0)**	**(1,779.0)**
Net cash flow	**383.8**	**149.0**	**(162.4)**	**25.5**	**72.1**
Net cash/(debt) b/f	**2,579.4**	**2,955.2**	**3,096.2**	**2,933.8**	**2,959.3**
Net cash/(debt) c/f	**2,955.2**	**3,096.2**	**2,933.8**	**2,959.3**	**3,031.4**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	(3.5)	0.2	1.0	1.3	1.2
EBITDA growth (%)	(9.1)	(0.6)	3.1	1.3	1.2
Pretax margin (%)	15.5	18.6	19.2	19.0	19.2
Net profit margin (%)	16.0	17.2	14.4	14.3	14.4
Interest cover (x)	8.2	13.1	14.3	15.4	17.0
Effective tax rate (%)	4.2	6.4	24.0	24.0	24.0
Dividend payout (%)	34.7	53.3	64.8	59.9	59.5
Debtors turnover (days)	72	75	77	76	76
Stock turnover (days)	8	6	7	8	8
Creditors turnover (days)	105	98	101	100	100

Source: Company, AmInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad ("AmInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constituteAmInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment's prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.