

Company Report

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TELEKOM MALAYSIA

(T MK EQUITY, TLMM.KL)

25 Nov 2025

Earnings beat on tax

HOLD

(Maintained)

Rationale for report: Company Result

Price	RM7.25
Target price	RM6.60
52-week High/Low	RM7.73/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	1,846.6	1,716.7	1,746.8
FD Core EPS (sen)	51.6	48.1	44.7	45.5
FD Core EPS growth (%)	(10.0)	(6.7)	(7.0)	1.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	31.0	28.9	26.8	27.3
PE (x)	14.1	15.1	16.2	15.9
EV/EBITDA (x)	6.7	6.4	6.3	6.1
Div yield (%)	4.3	4.0	3.7	3.8
ROE (%)	20.9	17.7	15.4	14.8
Net Gearing (%)	20.7	17.2	13.9	10.4

Stock and Financial Data

Shares Outstanding (million)	3,837.6
Market Cap (RMmil)	27,822.8
Book Value (RM/Share)	2.63
P/BV (x)	2.8
ROE (%)	20.9
Net Gearing (%)	20.7
Major Shareholders	EPF (22.3%) Khazanah (20.1%) Kumpulan Wang Persaraan (10.0%)
Free Float	67.6
Avg Daily Value (RMmil)	35.7

Price performance	3mth	6mth	12mth
Absolute (%)	2.7	5.7	14.7
Relative (%)	1.3	0.2	12.6



— T MK — FBMKLCI Index

Investment Highlights

9M25 core profit rose 23% YoY, beating expectations due to a lower effective tax rate, though operational momentum remained muted as post-pandemic demand normalises and connectivity competition intensifies. That said, a potential increase in dividend payout above our base 60% could help reinforce downside support, lifting yield from 4% to 4.5–5% and cushioning share price in a softer operating environment. We maintain HOLD at TP RM6.60/share.

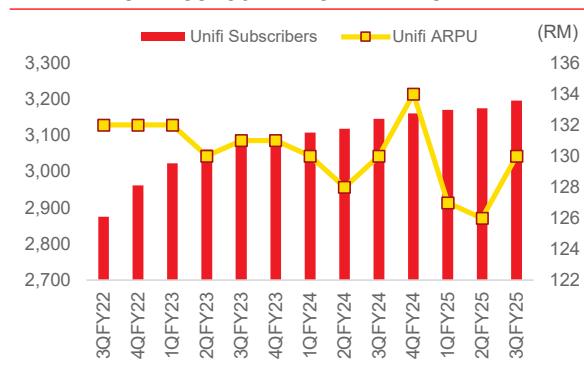
- **Retain HOLD at TP of RM6.60/share.** This is based on a target EV/Ebitda multiple of 5x. While we adjust our FY25 earnings higher, our target price is unaffected, as it is based on CY26 Ebitda. Our valuations also take into account its 51% stake in Nxera MY to construct a 64MW DC in Johor. Construction is 15% completed, with targeted completion of 3Q26.
- **Headline earnings driven by one-offs.** 9M25 core earnings increased 23% YoY to RM1.4bil. This came in above expectations at 83% of ours and 84% of consensus. The outperformance was mainly due to a lower effective tax rate (-11pp YoY) following a reassessment of deferred tax provisions, as PBT was only 77% of our estimates. We raise FY25F earnings by 8% to reflect this. Additional one-off gains included RM140mil fair value gain on investments. While the exact quantum was not disclosed, other operating income jumped +70% QoQ, contributed from the monetisation of unused copper cables.
- **Core operations stood flattish.** YTD revenues were stable at RM8.6bil. Despite this, the group has kept targets for a low single digit increase in 2025 revenues, supported by a seasonally stronger 4Q25 for TM Global. There is potential downside to Ebit guidance (currently guided at flat), as the group assesses a high volume of voluntary separation applications. This could accelerate staff right sizing, with a return of less than two years. Unifi revenues were stable YoY, as unifi net adds have slowed and ARPU moderated.
- **Upside to dividend payout ratio.** We estimate group FCF yield at 6%. Based on our existing 60% payout assumption, this implies a dividend yield of 4%. Should management raise the payout ratio to 70% or 80%, the implied yield would rise to 4.5% and 5% respectively.

EXHIBIT 1: 3Q25 EARNINGS SUMMARY

FYE Dec	3QFY25	3QFY24	% YoY	2QFY25	% QoQ	9M25	9M24	% YoY
Revenue	2,992	2,917	2.6	2,772	7.9	8,615	8,662	-0.5
EBITDA	1,299	1,074	20.9	1,178	10.2	3,566	3,414	4.4
Margin (%)	43.4	36.8	17.9	42.5	2.1	41.4	39.4	5.0
Depreciation and amortisation	-532	-525	-1.3	-497	-7.0	-1,567	-1,602	2.2
EBIT	767	549	39.7	681	12.6	1,999	1,813	10.3
Finance income	23	33	-29.8	25	-9.9	80	91	-11.9
Finance cost	-62	-70	11.7	-160	61.2	-284	-233	-21.9
Forex	4	159	-97.4	54	-92.4	69	129	-46.4
Associates	1	0	>100	0	nm	2	5	-68.8
EI	-7	-2	-230.0	-39	83.0	-43	2	nm
Profit before tax	726	668	8.7	562	29.3	1,822	1,806	0.9
Tax	-33	-204	84.0	-160	79.5	-324	-510	36.5
Effective tax rate (%)	4.5	30.5	-26.0	28.4	-23.9	17.8	28.3	-10.5
MI	-7	1	nm	-2	-362.5	-11	-10	-9.3
Net profit	686	465	47.6	400	71.4	1,488	1,286	15.7
Core net profit	549	307	79.1	485	13.2	1,424	1,158	23.0
Capex	460	307	49.8	542	-15.1	1,282	768	66.9
EPS (sen)	17.9	12.1	47.7	10.5	70.5	39	34	16.1
Core EPS (sen)	17.9	12.1	47.7	10.5	70.5	39	34	16.1
DPS (sen)	0.0	0.0	nm	12.5	nm	13	13	0.0
FYE Dec	3QFY25	3QFY24	% YoY	2QFY25	% QoQ	9M25	9M24	% YoY
Revenue								
Voice	454	490	-7.3	469	-3.2	1,392	1,511	-7.8
Internet	1,118	1,142	-2.2	1,108	0.9	3,337	3,439	-3.0
Data	967	878	10.2	807	19.9	2,634	2,590	1.7
Others	453	407	11.3	388	16.6	1,252	1,123	11.5
Unifi	1,416	1,396	1.4	1,377	2.8	4,179	4,179	0.0
TM ONE	683	711	-3.9	671	1.8	2,022	2,124	-4.8
TM GLOBAL	858	787	9.0	694	23.5	2,313	2,281	1.4
Others	69	66	5.3	68	2.2	211	204	3.7
Costs								
Direct cost	788	655	20.3	668	18.1	2,179	1,936	12.5
Manpower	681	631	8.0	594	14.7	1,927	1,988	-3.0
Other opex	489	590	-17.2	443	10.3	1,347	1,447	-6.9
Depreciation and amortisation	532	525	1.3	497	7.0	1,567	1,602	-2.2
Capex								
Access	142	194	-26.8	143	-0.7	409	419	-2.4
Core network	89	46	93.5	53	67.9	162	156	3.8
Support system	229	67	>100	346	-33.8	711	193	>100
FYE Dec	3QFY25	3QFY24	% YoY	2QFY25	% QoQ			
Broadband								
Unifi subs (k)	3,196	3,146	1.6	3,175	0.7			
Unifi ARPU (RM)	130	130	0.0	126	3.2			

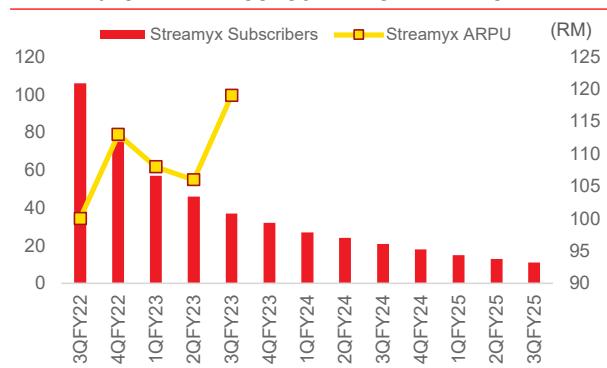
Source: TM, AmInvestment Bank

EXHIBIT 2: UNIFI SUBSCRIBERS AND ARPU

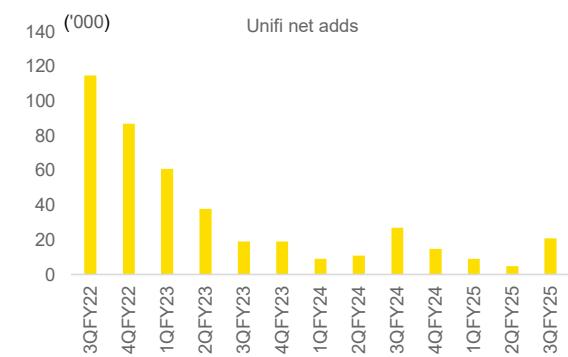


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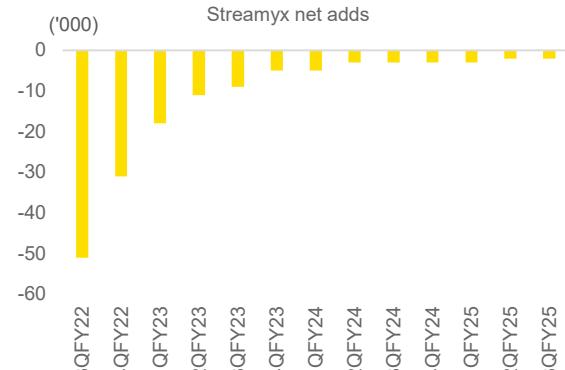
EXHIBIT 3: STREAMYX SUBSCRIBERS AND ARPU



Source: TM, AmInvestment Bank

EXHIBIT 4: UNIFI NET ADDS

Source: TM, AmlInvestment Bank

EXHIBIT 5: STREAMYX NET ADDS

Source: TM, AmlInvestment 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: AmlInvestment Bank

EXHIBIT 7: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	11,833	11,833	-	11,989	11,989	-	12,136	12,136	-
Earnings	1,708	1,847	8.1%	1,715	1,717	0.10%	1,746	1,747	0.07%
Effective tax rate	24%	18%	-6pp	24%	24%	-	24%	24%	-

Source: AmlInvestment 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 8: 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)	(169.7)	(155.3)	(140.4)
Exceptional items	10.4	(15.6)	-	-	-
Pretax profit	1,808.5	2,177.2	2,271.3	2,285.8	2,329.3
Taxation	76.5	(138.3)	(408.8)	(548.6)	(559.0)
Minorities/pref dividends	(14.5)	(22.0)	(15.9)	(20.5)	(23.4)
Net profit	1,870.5	2,016.9	1,846.6	1,716.7	1,746.8
Core net profit	2,201.2	1,980.2	1,846.6	1,716.7	1,746.8
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	3,029.5	3,014.6	3,087.1
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	6,892.5	6,913.8	7,020.3
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	10,797.5	11,445.2	12,153.0
Minority interests	159.6	166.2	182.1	202.6	226.0
BV/share (RM)	2.39	2.63	2.81	2.98	3.17
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	1,808.5	2,177.2	2,271.3	2,285.8	2,329.3
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)	(502.3)	(658.2)	(710.1)
Cash flow from operations	3,686.1	4,010.6	3,908.3	3,884.7	3,945.3
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	91.9	90.7	91.5
Cash flow from investing	(1,643.9)	(1,002.2)	(2,038.0)	(2,067.4)	(2,092.9)
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)	(1,148.8)	(1,069.0)	(1,039.1)
Others	29.4	(150.9)	-	-	-
Cash flow from financing	(1,658.4)	(2,859.4)	(1,937.0)	(1,832.2)	(1,779.9)
Net cash flow	383.8	149.0	(66.7)	(14.9)	72.5
Net cash/(debt) b/f	2,579.4	2,955.2	3,096.2	3,029.5	3,014.6
Net cash/(debt) c/f	2,955.2	3,096.2	3,029.5	3,014.6	3,087.1
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	19.1	19.2
Net profit margin (%)	16.0	17.2	15.6	14.3	14.4
Interest cover (x)	8.2	13.1	14.4	15.6	17.2
Effective tax rate (%)	4.2	6.4	18.0	24.0	24.0
Dividend payout (%)	34.7	53.3	62.2	62.3	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, AmlInvestment Bank Bhd estimates

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