12 March 2025

Telecommunications

A Dividend-Friendly Quarter

Neutral (Maintained)

Stocks Covered	6
Rating (Buy/Neutral/Sell):	4 / 2 / 0
Last 12m Earnings Revision Trend:	Negative

Top Picks	Target Price
Telekom Malaysia (T MK) – BUY	MYR8.15
Axiata Group (AXIATA MK) – BUY	MYR3.20
CelcomDigi (CDB MK) – BUY	MYR4.30

Analyst

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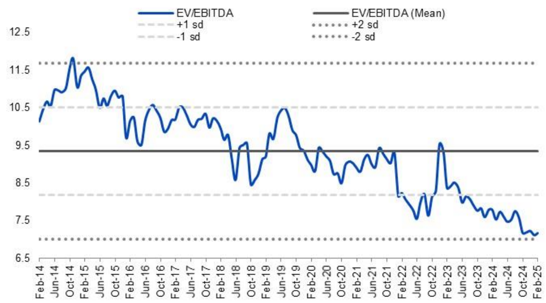
- **Top Picks: Telekom Malaysia (TM), Axiata Group, and CelcomDigi (CDB).** Telco share prices have de-rated by c.6% YTD on the back of broader market weakness. We think sector valuation, at 7x forward EV/EBITDA (-1.8SD below historical mean), reflects the risk-reward profile, with tight competition and 5G developments as key bugbears. Prefer fixed line players, given their more discernible catalysts and structural growth drivers. Maintain NEUTRAL on sector.
- **Broadly in line; fixed line outshines.** For the Dec 2024 quarter, fixed line players outpaced their mobile peers again. Aggregate 4Q24 fixed line PATAMI grew 59% YoY vs the 9% YoY decline chalked by the MNOs (Big-2) players. The stronger fixed line growth was, in part, buoyed by a MYR372m tax credit from TM in 4Q24. Of the stocks covered, five telcos delivered earnings that were in line while Axiata lagged our forecast (albeit a consensus beat). We adjusted FY25-26F core earnings by -10% to +8%, after factoring in the latest guidance (Figure 1). We expect sector core earnings (ex-Axiata) to grow by c.8.6% in 2025 (2024: +0.2%), largely on stronger CDB earnings from higher merger synergies.
- **Dividends galore – special dividends from TM and Time dotCom (TDC).** A key higlight for the quarter were special dividends declared by the fixed line operators. TM announced a special 6 sen DPS on top of a final DPS of 12.5 sen, taking cumulative DPS to a new high of 31 sen. Its DPR of 59% is at the top end of its 40-60% guidance (based on reported PATAMI). The special DPS was against a higher PATAMI base with tax credits recognised. TDC declared a notable 27.45 sen special DPS that, together with the ordinary DPS, put its full year DPR at 272%. Maxis also dished out a final DPS that was above the usual run rate, which management lamented as being "one-off". We see capital management upsides for TM (due to its strong balance sheet, with a net debt/EBITDA of 0.6x) and TDC (due to its net cash position).
- **Competition still tight across mobile and home fibre; fibre broadband (FBB) growth seen tapering.** The MNOs (Big-2) posted c.1% YoY (4Q24: +0.8% QoQ) mobile service revenue (MSR) growth in 2024 (2023: +1.2%), driven by pre-to-post conversion and FBB bundling activities. Postpaid revenue grew by 3% YoY, eclipsing the 2.8% YoY decline in prepaid. After two consecutive quarters of tactical acquisition campaigns, industry FBB revenue momentum appears to be tapering, with TM and Maxis posting slower subs growth QoQ. That said, industry ARPUs have mostly held steady on the back of ancillary services and the upgrade to higher speed plans. We expect competition to remain tight as consumers gear up for another round of subsidy rationalisation. The focus on wallet share will continue for MNOs. For FY25, we believe mobile sector earnings growth may be crimped by higher 5G wholesale charges from increased 5G traffic, albeit with offsetting effects from cost optimisation initiatives.
- **Key downside risks** to our stock calls and/or earnings are greater competition, weaker-than-expected earnings and regulatory setbacks. The opposite scenarios would present upside risks.

Sector 1-year forward EV/EBITDA



Source: Company data, RHB

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Axiata Group	Buy	3.20	79.8	13.0	0.8	2.8	5.6
CelcomDigi	Buy	4.30	20.8	21.5	2.6	11.9	4.5
Maxis	Neutral	3.82	16.8	17.7	3.7	22.7	4.9
OCK Group	Buy	0.66	65.0	10.3	0.9	7.3	2.3
Telekom Malaysia	Buy	8.15	21.6	14.6	2.4	16.8	4.0
Time dotCom	Neutral	5.00	(3.7)	20.2	2.8	12.9	4.0

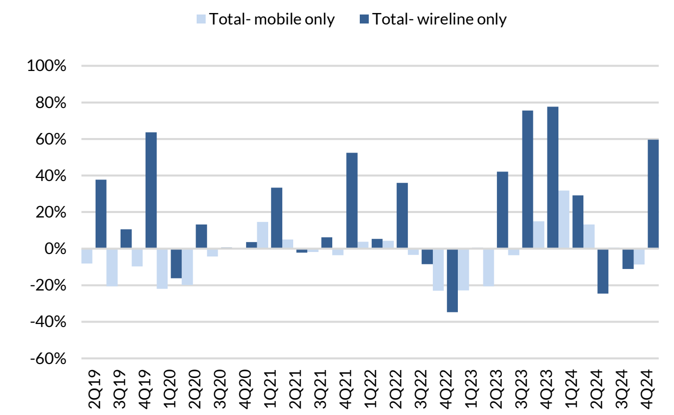
Source: Company data, RHB

Figure 1: Telecommunications sector – results tracker and management guidance

Company	Results Tracker	FY24 Revenue	FY24 Core earnings	FY25 Revenue Guidance	FY25 EBITDA/EBIT Guidance
		% chg YoY		% chg YoY	% chg YoY
Axiata Group	In line	-5.1	57.2	Low single-digit growth^	High single-digit growth^
CDB	In line	0.0	4.4	Low single-digit growth	Low-to-mid single-digit EBIT growth
Maxis	In line	3.5	3.1	Low single-digit growth	Flat/low single-digit EBITDA growth
Time dotCom (TDC)	In line	6.0	11.0	-	-
TM	In line	-1.0	-12.8	Low single-digit growth	Similar to FY24 EBIT
OCK Group	In line	-10.2	-1.8	-	-

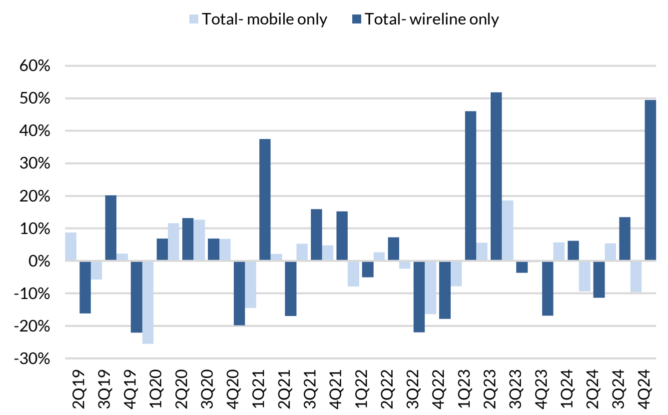
Note: ^Based on constant currency and excludes edotCo Myanmar and impairments
Source: Company data, RHB

Figure 2: Fixed line players chalked stronger earnings growth



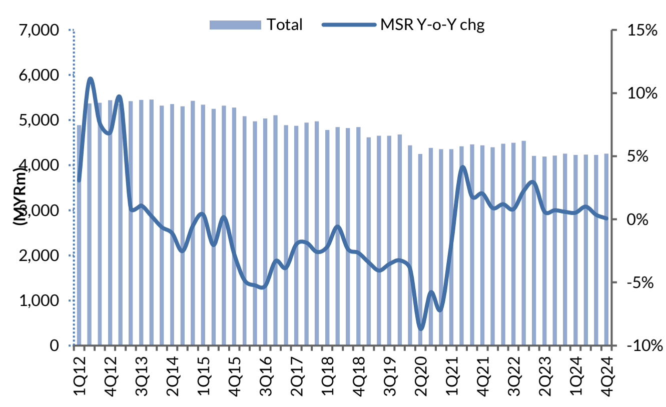
Source: Company data, RHB

Figure 3: TM contributed to the strong QoQ earnings growth for fixed line operators due to a lumpy tax credit charge



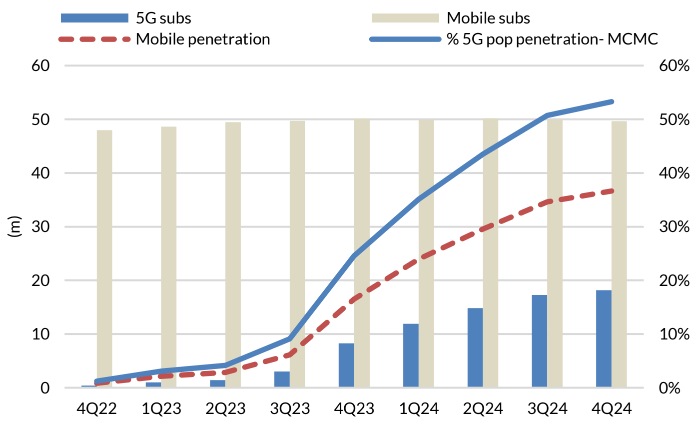
Source: Company data, RHB

Figure 4: Industry MSR (Big-2) growth has been subdued, due to SIM consolidation and competition



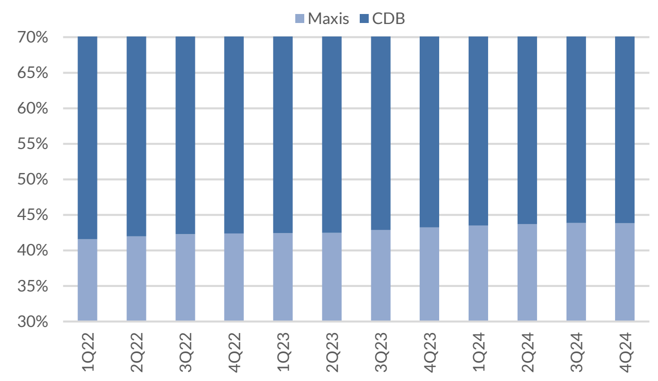
Source: Company data, RHB

Figure 5: 5G subscriptions are trending higher on re-contracting, lower priced handsets and the expanded coverage



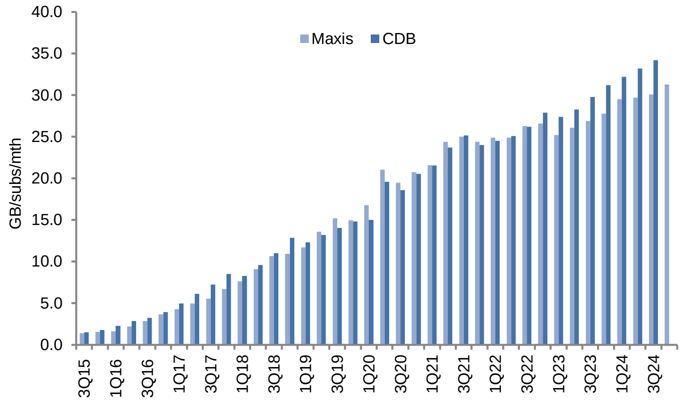
Note: 5G subs includes 4G
Source: Malaysian Communications and Multimedia Commission

Figure 6: Mobile subs share (Big-2) has been relatively steady with Maxis notching gains in the postpaid segment



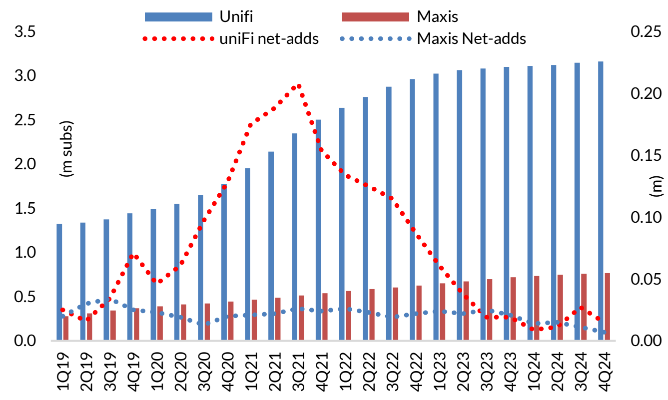
Source: Company data, RHB

Figure 7: Blended data usage per subs per month has continued to rise from higher 5G adoption



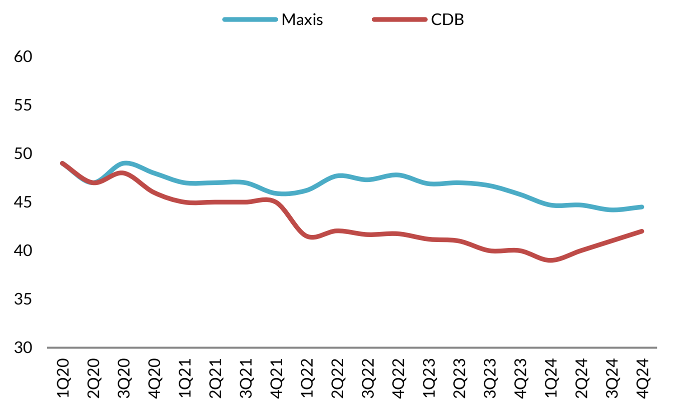
Source: Company data, RHB

Figure 8: FBB subs growth is tapering off following the strong tactical campaigns in 2Q/3Q24



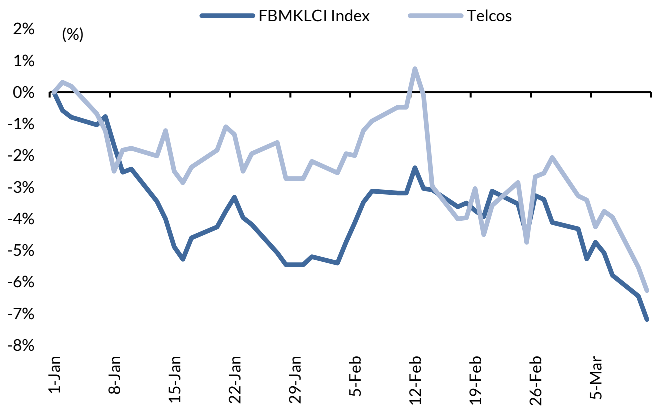
Source: Company data, RHB

Figure 9: CDB's ARPU is trending upwards, with the focus on higher-quality profitable customers



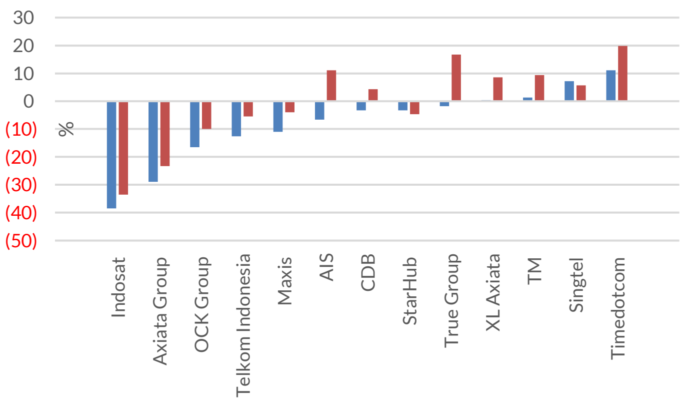
Source: Company data, RHB

Figure 10: YTD performance of Malaysian telcos



Source: Company data, RHB

Figure 11: YTD performance of ASEAN-4 telcos



Source: Company data, RHB

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