Telekom Malaysia (T MK)

2Q26: In Line; Underlying Net Profit Rises 5% yoy Given Revenue Flow Through

Analyst(s)

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Highlights

- 2Q26 core net profit (excluding Prihatin employee separation cost and forex losses) rose 5% yoy but fell 7% qoq to RM406m. The sequential earnings weakness was due to high content cost for the FIFA World Cup, booked in Jun 26.
- 1H26 core net profit of RM843m is in line with expectations.
- Maintain HOLD with a DCF-based target price of RM7.50.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Turnover	2,960.4	0.9	6.8	5,895.1	4.8
COGS	(1,925.6)	(3.6)	12.1	(3,924.1)	11.6
EBITDA	1,068.6	11.5	(6.0)	2,026.9	(8.9)
Pre-Tax Profit	499.0	18.3	(11.1)	920.7	(16.0)
Tax	(133.8)	30.3	(16.2)	(236.5)	(18.7)
Reported Net Profit	365.5	13.7	(9.3)	687.0	(14.6)
Core Net profit	406.4	(6.9)	4.6	842.7	7.0
		+/- ppt	+/- ppt		+/- ppt
EBITDA Margin (%)	37.3	(0.6)	(4.0)	40.3	0.9
Core Net Margin (%)	13.7%	(1.1)	(0.3)	14.3	0.3

Source: TM, UOB Kay Hian

Analysis

- **1H26 results within expectations.** Telekom Malaysia's (TM) 2Q26 core net profit (excluding Prihatin employee separation cost and forex losses) rose 5% yoy but fell 7% qoq to RM406m. The sequential earnings weakness was due to high content cost for the FIFA World Cup, booked in Jun 26. Another portion of the content cost will be booked in Jul 26. 1H26 core net profit of RM843m (+7% yoy) is in line with house and street's expectations.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	11,712.4	11,872.0	13,007.7	13,502.8	13,944.0
EBITDA	4,474.0	4,204.3	4,426.5	4,793.9	4,858.1
Operating profit	2,324.6	2,025.6	2,226.6	2,557.1	2,644.6
Net profit (rep./act.)	2,016.9	1,713.0	1,669.0	1,923.8	1,928.3
Net profit (adj.)	1,584.5	1,749.7	1,669.0	1,923.8	1,928.3
EPS	41.3	45.6	43.5	50.1	50.2
PE (x)	19.6	17.8	18.6	16.2	16.1
P/B (x)	3.1	2.9	2.8	2.7	2.6
EV/EBITDA (x)	7.1	7.3	6.9	6.3	6.1
Dividend yield (%)	3.8	3.8	4.0	4.6	4.7
Net margin (%)	13.5	14.7	12.8	14.2	13.8
Net debt/(cash) to equity (%)	3.9	(5.3)	(6.3)	(8.2)	(13.8)
Interest cover (x)	5.4	4.7	10.0	10.8	10.0
ROE (%)	15.7	16.5	15.2	16.7	16.1
Consensus net profit			1,696.0	1,885.0	2,001.0
UOBKH/Consensus (x)			1.0	1.0	1.0

Source: TM, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM8.10
Target Price	RM7.50
Upside	-7.4%

Stock Data

Sector	Communication Services
Bloomberg ticker	T MK
Shares issued (m)	3,837.7
Market cap (RMm)	31,085.7
Market cap (US$m)	7,685.3
3-mth avg daily t'over (US$m)	7.3

Price Performance (%)

52-week high/low				RM8.30/RM6.80
1mth	3mth	6mth	1yr	YTD
5.3	9.0	3.4	12.3	0.6

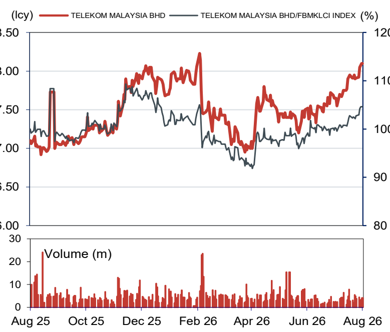
Major Shareholders (%)

Employees Provident Fund	24.5
Khazanah Nasional Bhd	20.1
Kumpulan Wang Persaraan	10.1

Balance Sheet Metrics

FY26F NAV/Share (RM)	2.8
FY26F Net Cash/Share (RM)	0.1

Price Chart



Source: Bloomberg

Company Description

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

- **Higher second quarter dividend.** Following its dividend payout policy revision in Apr 26 (minimum 75% payout of reported PATAMI), the group declared a higher second interim dividend of 7.0 sen/share (1Q26: 6.5 sen/share). This brings 1H26 net DPS to 13.5 sen/share, reflecting a 75% dividend payout from 1H26 reported net profit. We expect TM to pay out a total of 32.6 sen net DPS (based on 75% dividend payout), translating to a net dividend yield of 4%.
- **Unifi's 2Q26 revenue improved by 5% yoy to RM 1,450m** (flat qoq), driven by healthy take-up of convergence offerings and stable 3.23m subscribers. TM saw close to 400,000 UniFi TV app downloads supported by FIFA World Cup 2026 broadcasting. ARPU rose 5% yoy to RM132/month (stable qoq).
- **TM One: Nascent growth trajectory – positive near-term outlook.** Revenue rose 3% yoy and qoq to RM693m, driven by government segment contract wins and renewal across cloud, contact centre outsourcing, smart service and cybersecurity. This momentum is expected to pick up in 2H26, driven by the execution of several major projects currently in the pipeline.
- **TM Global's underlying demand remained robust,** with revenue of RM778m (+12% yoy; flat qoq). Key drivers include demand for data centres, international data and 5G backhaul services. Iskandar Puteri Data Centre (IPDC) Block 2 has been fully taken up, while the successful landing of the Asia Link Cable in Sedili, Johor, adds another strategic route to TM's international connectivity. TM-Nxera will be ready by 3Q26, with 70% of capacity taken up and works are in the pipeline for Phase 2.

2Q26 Segmental Revenue Breakdown

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Unifi	1,450.2	(0.5)	5.3	2,907.4	5.2
TM One	693.0	3.2	3.3	1,364.5	1.9
TM Global	778.0	0.2	12.0	1,554.6	6.8
Others	39.2	33.3	31.1	68.6	4.9

Source: TM, UOB Kay Hian

Valuation/Recommendation

- **Maintain HOLD with a DCF-based target price of RM7.50.** Our target price has factored in a 64MW JV DC with Singapore Telecommunications. The DC will be a four-storey building and is expected to be operational in 2026. A blue-sky scenario (200MW DC) implies a fair value of RM8.30.

Earnings Revision/Risk

- No changes to earnings.

Environment, Social, Governance (ESG) Updates

Environmental

- Achieved 34% carbon emission reduction from 2019 baseline in 2025 through managing direct emissions, reducing energy-related emissions and adopting renewable energy generation (20% of total electricity consumption).

Social

- Contributed nearly RM17.6m (through Yayasan TM and partnerships) to provide humanitarian relief efforts nationwide, assisting over 130,220 people from the affected communities.

Governance

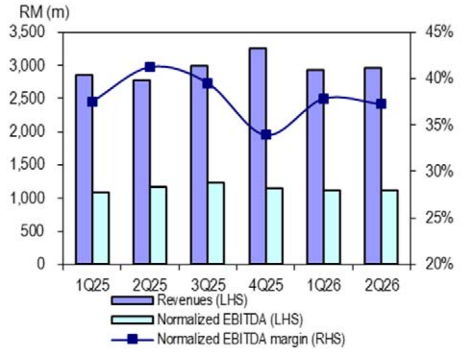
- Integrity screening of new vendors' background through MACC's Integrity Screening E-System.

Performance Guidance For 2026

	FY 2025	FY 2026 Guidance
Revenue Growth	+1.4%	Low single-digit increase
EBIT	RM2.026bil *Underlying EBIT: RM2.470bil	Similar level to 2025
Capex/Revenue	16.1%	18%-20%

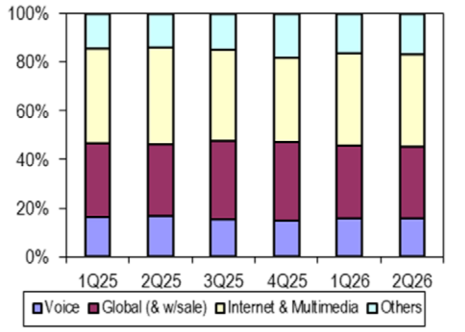
Source: TM

Revenue And EBITDA Margin



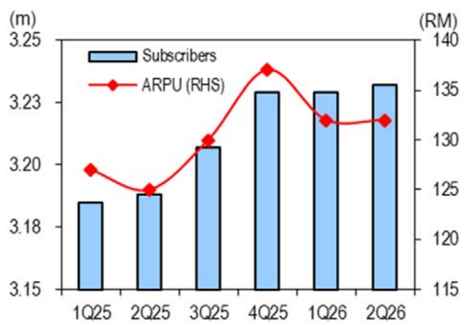
Source: TM, UOB Kay Hian

Revenue By Segment



Source: TM, UOB Kay Hian

Unifi Subscriber And ARPU



Source: TM, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,872	13,008	13,503	13,944
EBITDA	4,204	4,426	4,794	4,858
Deprec. & amort.	2,179	2,200	2,237	2,214
EBIT	2,026	2,227	2,557	2,645
Associate contributions	4	4	4	4
Net interest income/(expense)	(229)	(88)	(83)	(66)
Pre-tax profit	2,126	2,143	2,478	2,583
Tax	(392)	(450)	(520)	(620)
Minorities	(21)	(24)	(34)	(35)
Net profit	1,713	1,669	1,924	1,928
Net profit (adj.)	1,750	1,669	1,924	1,928

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	11,408	11,549	11,743	11,621
Other LT assets	2,847	2,851	2,856	2,860
Cash/ST investment	2,623	2,239	2,544	3,293
Other current assets	3,582	4,002	4,118	4,221
Total assets	20,459	20,641	21,260	21,995
ST debt	511	526	542	558
Other current liabilities	5,220	5,472	5,529	5,699
LT debt	1,551	1,025	1,055	1,087
Other LT liabilities	2,416	2,416	2,416	2,416
Shareholders' equity	10,587	11,004	11,485	11,967
Minority interest	174	198	232	267
Total liabilities & equity	20,459	20,641	21,260	21,995

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,519	3,720	4,132	4,239
Pre-tax profit	2,126	2,143	2,478	2,583
Tax	(392)	(450)	(520)	(620)
Deprec. & amort.	2,179	2,200	2,237	2,214
Associates	(4)	(4)	(4)	(4)
Working capital changes	433	(168)	(58)	66
Non-cash items	(822)	-	-	-
Investing	(1,197)	(2,341)	(2,431)	(2,092)
Capex (growth)	(1,915)	(2,341)	(2,431)	(2,092)
Investments	3	-	-	-
Others	715	-	-	-
Financing	(2,619)	(1,763)	(1,396)	(1,398)
Dividend payments	(1,190)	(1,252)	(1,443)	(1,446)
Issue of shares	0	-	-	-
Proceeds from borrowings	(1,429)	(511)	47	48
Others/interest paid	-	-	-	(0)
Net cash inflow (outflow)	(297)	(384)	305	749
Beginning cash & cash equivalent	2,973	2,486	2,102	2,407
Changes due to forex impact	0	-	-	-
Ending cash & cash equivalent	2,486	2,102	2,407	3,156

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	35.4	34.0	35.5	34.8
Pre-tax margin	35.0	33.6	37.3	37.5
Net margin	14.7	12.8	14.2	13.8
ROA	8.6	8.1	9.0	8.8
ROE	16.5	15.2	16.7	16.1
Growth				
Turnover	1.4	9.6	3.8	3.3
EBITDA	(6.0)	5.3	8.3	1.3
Pre-tax profit	(2.3)	0.8	15.6	4.2
Net profit	(15.1)	(2.6)	15.3	0.2
Net profit (adj.)	10.4	(4.6)	15.3	0.2
EPS	10.4	(4.6)	15.3	0.2
Leverage				
Debt to total capital	0.1	0.1	0.1	0.1
Debt to equity	0.2	0.1	0.1	0.1
Net debt/(cash) to equity	0.1	0.1	0.1	0.1
Interest cover	4.7	10.0	10.8	10.0