

Headline	TM down on lower earnings		
MediaTitle	The Star		
Date	23 May 2018	Language	English
Circulation	338,368	Readership	1,032,000
Section	StarBiz	Page No	1,3
ArticleSize	461 cm ²	Journalist	N/A
PR Value	RM 69,869		

TM down on lower earnings

Net profit down 31.8% to RM157.16mil in first quarter

PETALING JAYA: Shares in Telekom Malaysia Bhd (TM) dipped after reporting lower earnings and on uncertainty whether the telecommunications sector's overall policy direction could change under the Pakatan Harapan-led government.

The counter fell 50 sen to close at RM4.20 yesterday.

TM saw its net profit fall 31.8% to RM157.16mil for the first quarter ended March 31 from RM230.43mil in the corresponding period last year.

The decline in the telecommunications giant's earnings was mainly attributable to lower contributions from TM ONE, which had been negatively impacted by a decline in voice, data and other telecommunications-related services.

During the quarter in review, TM's group revenue slid 3.9% year-on-year (y-o-y) to RM2.85bil, and as a result, operating profit fell 35.2% y-o-y to RM193.9mil.

On lower revenue, TM said in a statement that it was primarily due to a decline in voice, data and other telecommunications-related services, partially mitigated by an increase in Internet revenue.

The group's earnings per share fell to 4.18 sen from 6.13 sen previously.

According to group chief executive officer Datuk Seri Mohammed Shazalli Ramly, while the first quarter was challenging, the company remained focused on its key strategic thrusts to sustain growth.

"In the first quarter, we saw challenges across all our customer clusters which affected our performance. For the rest of this year, we remain guided by our two key stra-



Shazalli: We will continue with our investment for long-term growth in line with our expansion plans.

tegic thrusts – to accelerate convergence and empower digital via our PERFECE 10 approach.

"This will enable us to further accelerate broadband connectivity, convergence and the digital economy," Shazalli said in a statement.

"We will continue with our investment for long-term growth in line with our expansion plans, but will also ensure that we fully sweat our existing assets. A multitude of exciting initiatives have been planned for this year. So, our customers can look forward to more experiences in perfect oneness, only with unifi," he added.

Shazalli said TM now had a converged nationwide coverage of unifi which includes broadband, mobility and wifi.

"Though we see declining numbers on the total fixed-broadband customer base due to the drop in the number of pre-unifi (formerly known as Streamyx) customers, we are seeing steady quarterly growth for unifi at 4.5%," he said.

As at March 31, 2018, unifi achieved 1.18 million customers from 959,499 a year earlier, while unifi Mobile achieved 10% penetration of TM's households.

"With mobility, we have begun to focus on upgrading our customers from pure voice or broadband customers toward triple or quadruple-play services, converting them into convergence households," Shazalli said.

"We are pleased to see more customers moving up the value chain with convergence, with 45% of TM's households having a convergence portfolio of 3-Play (3P) services and above – a combination of phone, broadband, mobile and TV," he added.

Meanwhile, there are uncertainties about the policy direction of the new government for the telecommunications sector that could impact TM. For one thing, newly minted Communications and Multimedia Minister Gobind Singh Deo said yesterday his ministry would focus on doubling the country's Internet speed in the days to come.

Before the May 9 general election, Pakatan Harapan had called for lower broadband charges in Malaysia.

RHB Research in its report yesterday said the selldown in TM's shares was likely overdone, even though it was unclear if the new government would seek to alter the telecommu-

nications sector's policy direction, which could impact TM.

"Previously, there was a proposal for a new entity, Broadband Networks Sdn Bhd (Broadnet), to undertake broadband infrastructure deployment in meeting the targets under the National Fibreisation Plan (NFP).

"Broadnet looks to be a threat to TM, which has been entrusted with the rollout of the country's high-speed broadband infrastructure since 2008.

"Following the proposal, TM entered into a memorandum of understanding with Tenaga Nasional Bhd in January to jointly develop an implementation plan for the NFP," the brokerage explained.

In addition, RHB Research noted that during the recent election, Pakatan and Barisan Nasional had each called for lower broadband prices, albeit with no outright timelines.

"To recap, broadband prices were set to be cut by 50% in 2019, as proposed under Budget 2017. TM had, in 2017, upgraded broadband speeds for over 600,000 unifi customers for free in meeting one of the Budget proposals, effectively reducing the price-per MB," it said.

"Under a worst-case scenario of a 50% cut in broadband prices, we estimate 2019 core earnings could be slashed by a whopping 49%," it added.

RHB Research has maintained its "buy" rating on TM, with an unchanged target price of RM6.80.

It noted that after falling 32% year-to-date, value had emerged in TM's shares, rendering the counter the cheapest telco.