

Malaysia

**Underweight** (no change)

Highlighted Companies

**Maxis Berhad**  
**REDUCE, TP RM3.80, RM4.01 close**  
 We see FY22F core EPS sliding 11.1% (due to Makmur tax), before rebounding 24.4% in FY23F (post-Makmur tax, full recovery in roaming and migrant/tourist prepaid SIM sales) and rising 8.5% in FY24F. There is risk of our FY22-24F core EPS being 3.1-25.7% lower if the government proceeds with its SWN plans based on the current commercial wholesale offer.

**Telekom Malaysia**  
**ADD, TP RM7.50, RM5.13 close**  
 We expect FY22F core EPS to ease 3.4% yoy (Makmur tax), before rebounding 41.3%/9.2% in FY23F/24F post-Makmur tax. Ex-Makmur tax, core EPS may rise 10.3%/23.9%/9.2% yoy in FY22F/23F/24F on Internet, ICT and data services revenue growth, with cost-saving initiatives helping to buffer any pressure from its fibre rollout acceleration.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
Maxis Berhad	26.99	21.69	20.00
Telekom Malaysia	16.22	11.48	10.51
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
Maxis Berhad	4.79	4.87	4.87
Telekom Malaysia	2.43	2.24	2.06
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
Maxis Berhad	4.24%	4.99%	4.99%
Telekom Malaysia	3.70%	5.23%	5.71%

Analyst(s)



**FOONG Choong Chen**  
 T (60) 3 2635 9251  
 E choongchen.foong@cgs-cimb.com  
**Sherman LAM Hsien Jin**  
 T (60) 3 2635 9265  
 E sherman.lam@cgs-cimb.com

# Telco - Overall

## State of the market (Dec 21-Feb 22)

- Maxis raised its postpaid quotas, sparking off a competitive response from Digi and Celcom. Digi also reacted to Maxis's enhanced Prepaid Fast plans.
- 4Q21 industry mobile revenue dipped 1% qoq. Celcom's RMS rose further by 1.0% pt qoq (+2.7% pts since 2Q20). TM's revenue climbed 13% qoq.
- Reiterate Underweight on Malaysian telcos. Top pick: TM (Add, TP: RM7.50).

### Postpaid: Big 3 enhanced offers to stay competitive

Despite already rich quotas, Maxis added 10GB (10-25%) of quota and removing base/YouTube quota splits to bring its offers in line with/slightly more attractive vs. peers. In response, Digi raised Postpaid 60/120/150 quotas by 5GB (6-20%) and Celcom raised Xpax Postpaid 40/60 base quotas by 2/4GB (25%; albeit with 3-5% price hikes), bringing their offers back on par to slightly more attractive vs. Maxis. Both Maxis/Celcom extended their attractive monthly rebates (over 4-6 months) for online sign-ups till Mar-May 22. On the positive side, U Mobile removed the RM10/month discount on its GX68 unlimited plan.

### Prepaid: Maxis notches up offers, triggering a reaction from Digi

While Maxis dialled back slightly on the lower-usage segment by raising minimum reloads, it raised the attractiveness of Hotlink Prepaid Fast (now most attractive low-end plans in the market). In response, Digi raised NEXT 15/30 quotas by 3-5GB (33-100%) and added unlimited social quota plus 1-3GB of hotspot quota, bringing its offers back on par/slightly less attractive vs. Maxis. We are encouraged by U Mobile's move to drive up ARPU via a new U35 (RM35/month) Unlimited plan and removing its GX30 offer (RM30/month).

### Broadband: Astro TV-fibre bundles not a major concern

Astro is offering RM4-39/month (1-26%) rebates for its TV pack and Maxis's/Allo's fibre bundles. While this may slightly help with traction for Maxis's and Allo's fibre plans, it is unlikely to shake up competition in a major way as it may appeal to only a niche segment of subs, in our view. Meanwhile, ViewQwest's new business fibre plans, while competitive vs. peers, should not pose a competitive threat in the near-term due to its limited coverage.

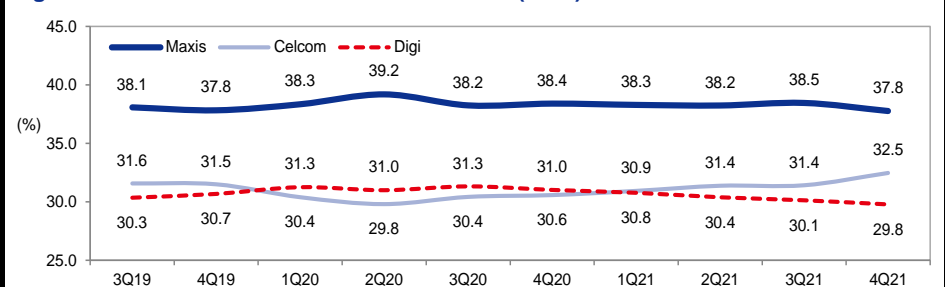
### Mobile revenue fell 1% qoq, while fixed was up a good 13% qoq

4Q21 mobile industry service revenue eased 0.6% qoq (+1.9% yoy) mainly due to one-off ARPU dilution from Digi's billing platform migration and Maxis's 3G sunset. Celcom's revenue market share (RMS) resumed its gains (+1.0% pt qoq), further narrowing its gap vs. Maxis. In the fixed-line business, TM's revenue rose a robust 12.5% qoq (+5.1% yoy). Unifi net adds stayed robust, while ARPU surprised positively, rising 2.2% qoq.

### Reiterate Underweight on Malaysian telco sector; top pick: TM

There is downside risk to our Malaysian telcos' earnings forecasts if the government decides to proceed with its 5G single wholesale network (SWN) rollout plan via DNB, which is the key potential de-rating catalyst. We prefer the fixed to mobile segment due to better revenue growth prospects, more benign competition and less regulatory risk. TM remains our top Malaysian telco pick. Key upside risks: lower 5G wholesale fees, cancellation of SWN or MNOs offered equity stakes in DNB.

Figure 1: Mobile service revenue market share (RMS) trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## State of the market (Dec 21-Feb 22)

### Some uptick in competition

#### Postpaid: Big 3 enhanced offers to stay competitive ►

Despite already rich quotas, Maxis added 10GB (10-25%) of quota and removed base/YouTube quota splits to bring its offers in line with/slightly more attractive vs. peers. In response, Digi raised Postpaid 60/120/150 quotas by 5GB (6-20%) and Celcom raised Xpax Postpaid 40/60 base quotas by 2/4GB (25%; albeit with 3-5% price hikes), bringing their offers back on par to slightly more attractive vs. Maxis. Both Maxis/Celcom extended their attractive monthly rebates (over 4-6 months) for online sign-ups till Mar-May 22. Meanwhile, Digi's new >RM200/month family plan is 4-15% cheaper vs. peers, though its appeal could be limited as it requires more than three postpaid lines. On the positive side, U Mobile removed the RM10/month discount on its GX68 unlimited plan.

In mid-Jan 22, Maxis enhanced all of its postpaid plans with an additional 10GB (10-25%) of quota. It has also removed the base/YouTube quota split for the Hotlink Postpaid 30 and 40 plans, after the quota split was similarly removed for Hotlink Postpaid 60 in Sep 21. These brought its postpaid lineup largely in line or slightly more attractive vs. comparable offers from Celcom and Digi, before their response.

Maxis has extended its rebate offers for new/port-in online subs i) worth RM50/month (over 4 months) for Mega 98-188 till end-Apr 22 (previous: end-Dec 21), and ii) worth RM20/month (over 5 months) for Hotlink Postpaid 60 until end-Mar 22 (previous: end-Dec 21). We continue to believe that these rebates, which may be Maxis's attempt to acquire higher-average revenue per user (ARPU) postpaid subs, are quite aggressive and signify still stiff competition, though the rebates are partly offset by zero dealer commissions for online sign-ups.

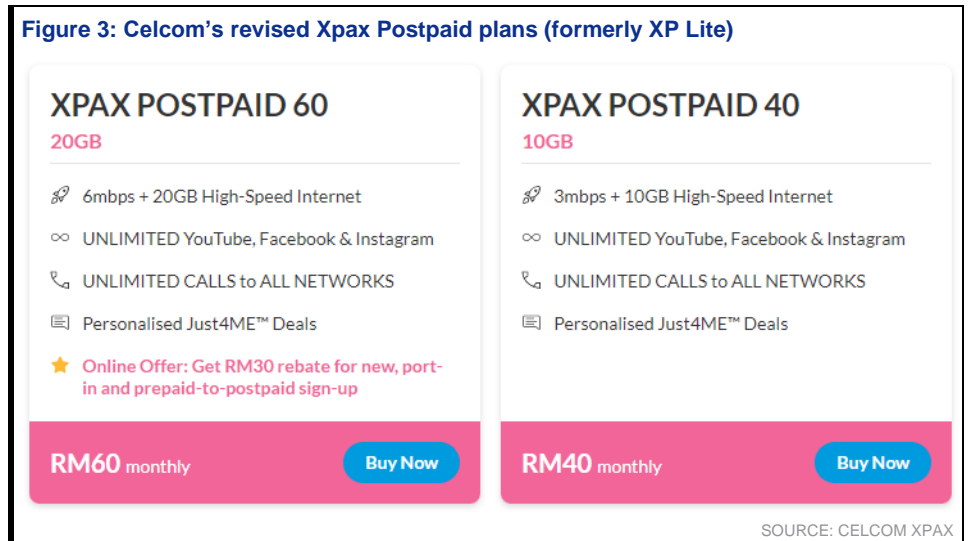
Figure 2: SIM-only postpaid plan comparison

	Maxis Postpaid				Celcom MEGA				Digi Postpaid					U Mobile					
Plan	98	128	158	188	80	98	128	158	188	40	60	90	120	150	U28	P48	GX50	GX68	P79
Monthly fees (RM)	98	128	158	188	80	98	128	158	188	40	60	90	120	150	28	48	40*	68	79
Data quota (GB)	50	70	90	110	40	50/UL (10Mbps)	70/UL (15Mbps)	90/UL (20Mbps)	120/UL (30Mbps)	10	30	50	70	90	3	5	UL (5Mbps)	UL (40Mbps)	20
Calls (min)	UL				UL				UL					UL					
Other benefits	Free 30-day access to Viu, iQiyi, WeTV, iflix etc.				N/A	10/20/30/50GB hotspot (for UL plans only)				Free 5/10/20/30GB quota if 12-month contract taken					Free UL quota/hotspot if 12-month contract taken				
					N/A										N/A				
					N/A										3GB Video-Onz, 5GB Video-Onz, N/A, UL Video-Onz (SD)				
					N/A	Free 6-mth iQiyi Standard VIP access, 1-mth iTTV via Edu Walla Plus									UL Music-Onz, Waze & App-Onz, N/A, UL chat, Music-Onz & Waze				
				N/A	100GB roaming data									N/A, 5GB hotspot, N/A					

Note: UL: Unlimited; PPU: Pay-per-use; \*Offer valid for 12 months (normal price: RM50/month)  
SOURCES: CGS-CIMB RESEARCH, MAXIS, CELCOM, DIGI, U MOBILE

In reaction to Maxis's enhanced offers, both Digi and Celcom enhanced the attractiveness of their plans from 1 Mar 2022, bringing their offers back on par to slightly more attractive vs. Maxis. Digi raised the quota for its Postpaid 60/120/150 plans by 5GB (6-20%) for new/existing subs. Meanwhile, Celcom raised the base quotas for its Xpax Postpaid 40/60 (formerly XP Lite) plans by 2/4GB (25%). Nonetheless, Xpax Postpaid is priced slightly higher (3-5%) vs. XP Lite and

targeted at new/port-in/prepaid subs (existing Celcom postpaid subs are not allowed to switch over).



Similar to Maxis, Celcom extended the following postpaid rebates for online sign-ups till end-May 22 (previous: end-Dec 21): i) cumulative RM90-200 (19-34%) rebate offer (over 6 months) for new/port-in/prepaid subs who subscribe to Mega, ii) cumulative RM30 (8%) rebate (over 6 months) for Xpax Postpaid 60, iii) cumulative RM30 rebate (over 6 months) for existing Mega subs who upgrade to higher-priced plans, and iv) one-time RM20 rebate for principal line and RM30 rebate (over 6 months) for supplementary line if a family line is added in the same transaction. These offers are fairly aggressive, though we note the promotions are valid only while stocks last.

Since at least mid-Jan 22, U Mobile's GX68 unlimited plan (with 40Mbps speed cap) has been offered at the normal price of RM68/month, after the removal of the RM10/month discount (offered since the plan's launch in Feb 20).

Meanwhile, Digi launched a new Postpaid Family Unlimited plan on 1 Mar 2022. The RM200/month base plan comes with 3 postpaid lines (unlimited data/calls). Subs can top up RM75-240/month to bundle in 50Mbps-1Gbps fibre (17-33% discount to normal prices), and/or RM45/month/family line. Compared to equivalent family plans/bundles with 4 unlimited postpaid lines and 300Mbps Home Fibre from Maxis, Celcom and TM, Digi's plan is 4-15% cheaper. This is fairly aggressive and may be aimed at acquiring/locking in other non-Digi members of the household into a family plan (for churn management) and securing a minimum household ARPU of RM200/month. However, this is mitigated by its likely appeal to a niche segment given the need to share the plan amongst at least 3 postpaid subs.

Figure 4: Digi's new Postpaid Family Unlimited plan



SOURCE: DIGI

Figure 5: Family plan/bundle comparisons across major telcos

Plan	Postpaid plan	Home fibre plan	Additional postpaid lines	Upgrades	Total cost (RM/mth)
Digi Postpaid Family UL	3 UL postpaid lines (total: RM200)		RM45/line x 1	300Mbps fibre (RM100)	345
Maxis Family Plan	4 UL postpaid lines + 30Mbps fibre (total: RM299)		N/A	Upgrade to 300Mbps fibre (RM60)	359
Celcom Max	MEGA UL 158 + 300Mbps fibre (total: RM277)		RM40/line x 3	N/A	397
TM Unifi	1 UL postpaid line + 300Mbps fibre (total: RM228)		RM59/line x 3	N/A	405

Note: UL : Unlimited

SOURCES: CGS-CIMB RESEARCH, MAXIS, CELCOM, DIGI, TM UNIFI

From mid-Jan 22, Celcom offered a one-month free trial of the Blacknut cloud gaming service (normal add-on price: RM40/month) to new/existing home fibre-postpaid bundle subs. While this will likely not have much near-term impact on competition, we believe it will incrementally enhance Celcom's offers for certain niche segments of the market.

Lastly, Yes added free unlimited 5G quota (coverage in select areas in KL, Putrajaya and Cyberjaya for now; no speed cap) to its existing RM30 prepaid/RM49 postpaid plans from mid-Dec 21 until end-Mar 22. Yes also gave away free 30-day 5G SIM packs (unlimited 5G quota, 10GB 4G quota, unlimited on-net calls) in 10 Jan-14 Feb 2022. Given DNB's limited 5G coverage thus far, Yes's inferior 4G network coverage/quality and the hassle for existing Yes subs to switch to 5G (existing prepaid/postpaid subs need to change to new SIM), we do not see any potential competitive threat from these new offers in the near- to medium-term.

### Subsidy levels largely unchanged for Samsung Galaxy S22 ➤

Following the pre-order launch of the Samsung Galaxy S22 5G series in Malaysia in mid-Feb 22, the Big 4 telcos bundled the device in their respective 24-month postpaid contract plans. For the most comparable plan with prices in the range of RM120-139/month, Digi's Postpaid 120 is the cheapest for users at a total cost of RM5,808 over the 24-month contract (including device cost), with device subsidy equivalent to 47.6% of subscription revenues. This is followed by U Mobile's P139 (subsidy: 52.5%) and Celcom's MEGA Lightning 128 (subsidy: 42.3%). Maxis's ONE Plan 128 is the least competitive bundle (subsidy: 32.6%). All in all, we have not seen any major increases in the subsidy levels for the Samsung Galaxy S22 across the Big 4, vs. the previous Samsung Galaxy Z Flip3 (subsidy: 32.6-49.8%).

Figure 6: Device-bundled postpaid plan comparison (Samsung Galaxy S22+ 5G)

Telco	Maxis	Celcom	Digi	U Mobile
Plan	ONE Plan 128	MEGA Lightning 128	Postpaid 120 (PF365)	P139
Monthly fees (RM)	128	128	120	139
Monthly device instalment fees (RM)	N/A	N/A	122	N/A
Data quota (GB)	70	70	70	UL
Calls (min)	UL	UL	UL	UL
Device price under contract (RM)^	3,299	2,999	2,928	2,549
Device subsidies (RM)*	1,000	1,300	1,371	1,750
<b>Total cost over 24 months (subscription fee + device)</b>	<b>6,371</b>	<b>6,071</b>	<b>5,808</b>	<b>5,885</b>
<b>Device subsidies as % of subscription revenue*</b>	<b>32.6%</b>	<b>42.3%</b>	<b>47.6%</b>	<b>52.5%</b>

^For Samsung Galaxy S22+ 5G (256GB); \*Subsidies calculated as retail price minus device price under contract  
SOURCES: CGS-CIMB RESEARCH, SAMSUNG, MAXIS, CELCOM, DIGI, U MOBILE

## Prepaid: Maxis notches up offers, triggering a reaction from Digi ▶

Prepaid competition remained stiff in Dec 21-Feb 22. While Maxis dialled back slightly on the lower-usage segment by raising minimum reloads, it raised the attractiveness of Hotlink Prepaid Fast (now most attractive low-end plans in the market). In response, Digi raised NEXT 15/30 quotas by 3-5GB (33-100%) and added unlimited social quota plus 1-3GB of hotspot quota, bringing its offers back on par/slightly less attractive vs. Maxis. We are encouraged by U Mobile's move to drive up ARPU via a new U35 (RM35/month) Unlimited plan and removing its GX30 offer (RM30/month).

At end-Jan 22, Maxis launched new Hotlink Prepaid Fast starter pack and data plans, which replace its Prepaid Internet 365 offers. It enhanced the attractiveness of its data plans (higher quota for the same price or vice versa), which are available to all new/existing subs and are now generally the most attractive low-end offers amongst the Big 3. This is partly mitigated by the fact that Maxis dialled back for the lower-usage sub segment by raising the minimum top-up from RM5 (60 days) to RM10 (30 days), which applies to Internet 365 subs once their SIM expires.

Figure 7: Prepaid tariff comparison

Telco	Maxis	Celcom	Digi	U Mobile	unifi Mobile
<b>Package</b>	<i>Unlimited/Fast</i>	<i>Xpax</i>	<i>NEXT</i>	<i>Unlimited</i>	<i>#bebas</i>
Starter pack price (RM)	10.0	10.0	15.0	10.0	10.0
Preloaded credit (RM)	5.0	6.0	0.0	6.0	
<b>Bonus upon activation</b>					
Data (MB)	500	300	3000	1000	3100 (4G)
<b>Voice tariff (sen)</b>					
- on-net (per min)	0.30	0.30	0.10	0.30	0.20
- off-net (per min)					
<b>Data tariffs (RM per month)</b>					
- 2GB	4	-	-	20 (1.5GB+0.5GB <sup>+</sup> ) 38 (2GB+2GB <sup>+</sup> )	15 <sup>@</sup>
- 3GB	-	-	-	26 (2.5GB+2.5GB <sup>+</sup> )	-
- 4GB	-	-	-	-	30 <sup>@</sup>
- 5GB	10	30 <sup>##</sup>	-	-	-
- 6GB	-	-	15 <sup>^</sup>	-	-
- 8GB	15	-	-	30 (7.5GB+2.5GB <sup>+</sup> ) 36 (7.5GB+7.5GB <sup>+</sup> )	50 <sup>@</sup>
- 10GB	-	50 <sup>##</sup>	-	-	-
- 12GB	-	-	-	50 (12GB+10GB <sup>+</sup> )	-
- 15GB	-	79 <sup>**</sup>	-	-	-
- 20GB	30	-	30 <sup>^</sup>	128	-
- 30GB	-	-	35 <sup>^</sup>	-	-
- 50GB	-	-	68 (RDY) <sup>#</sup>	-	-
- Unlimited	35 (3Mbps) 45 (6Mbps) 60 (18Mbps) All 50GB FUP	35 (3Mbps, 3GB hotspot) 38 (3Mbps, 3GB hotspot, 5GB base)* 45 (6Mbps, 6GB hotspot, 5GB base) 48 (6Mbps, 6GB hotspot, 10GB base) All 60GB FUP	-	20 (3Mbps, 1 hr/day high-speed quota, FUP: 30GB) 35 (6Mbps, 3GB hotspot, UL calls, 1 hr/day high-speed quota, FUP: 100GB)	35 <sup>~</sup>
<b>Freebies</b>					
Data	-	10GB/mth of Facebook, Instagram & Games Walla	UL Facebook, Instagram & Twitter	UL chat (UMI 26 & 36), Waze & Music-Onz	-
Voice (min)/SMS	UL calls	UL calls	100 on-net mins/week	Free calls (UMI 20, 30, 38, 50)	-
Others	Free Viu premium	-	-	UL YouTube, tonton & KKBox (2-10am) streaming <sup>#@</sup>	-

Note: UL: Unlimited; <sup>##</sup>Rollover up to 10GB base data, UL YouTube (1-7am); <sup>\*\*</sup>15GB Video Walla, rollover up to 10GB base data, UL YouTube (1-7am); \*Free 6-mth iQiyi VIP access; <sup>~</sup>UL Facebook/Instagram/Twitter for text & images only; <sup>^</sup>Video-Onz data; <sup>#@</sup>Not applicable to UMI 26, UL tonton & KKBox streaming not applicable to UMI 36; <sup>@@</sup>Equally split between all-net & 3G data; <sup>~</sup>Limited time offer (until further notice), 4G quota only; <sup>^</sup>UL all-net calls (RM35), social quota & 1/2/3GB hotspot (latter 2 only with auto-renewal); <sup>#</sup>UL calls (all-net), UL gaming quota with optimised latency, promo price valid until further notice (normal price: RM88)

SOURCES: CGS-CIMB RESEARCH, HOTLINK, CELCOM XPAX, DIGI, U MOBILE, UNIFI MOBILE

In response to Maxis, Digi improved the attractiveness of its NEXT plans on 3 Mar 2022, by raising the base quota for NEXT 15/30 by 3/5GB (100%/33%), as well as including unlimited social media quota for NEXT 30/35 and 1-3GB of hotspot quota across the plans (latter two only available if subs choose the new auto-renewal option). It also removed its previous NEXT 45 plan (40GB, unlimited calls).



These now bring the NEXT offers back on par with or slightly less attractive vs. Hotlink Prepaid Fast.

U Mobile at end-Feb revamped its unlimited plans by introducing 2 new plans (U25 and U35), which replace its previous unlimited plans. While existing subs can still buy its previous UMI quota and GX unlimited plans, these will no longer be offered to new/port-in subs. U25 lowers the price for U Mobile's entry-level unlimited prepaid plan to RM20/month (promotional price until further notice, usual price: RM25). However, we do not see this as directly cutting prices as it comes with a lower speed cap (3Mbps, plus 1 hour/day of high-speed quota that must be used up in one-go) and no hotspot quota, albeit with unlimited calls, vs. the previous entry-level GX30 plan (RM30/month, 6Mbps speed cap, 6GB hotspot, pay-per-use for calls). Compared to similar unlimited plans (3Mbps speed cap) from Digi and Celcom, U25 is priced RM15 (43%) lower. Nevertheless, these plans should appeal to only a fairly niche segment of the market, given the low-speed cap.

Meanwhile, compared to the previous similarly priced GX38 plan (6Mbps, 6GB hotspot, unlimited calls), U Mobile's new U35 plan comes with lower 3GB hotspot quota, though this is compensated by an extra 1 hour/day of high-speed quota. U35 is more attractive vs. Maxis's RM45 unlimited plan (6Mbps), but arguably on par vs. Celcom's RM45 plan (6Mbps) as the latter offers 6/5GB hotspot/high-speed quota. The removal of the GX30 plan means any new sub that wants a 6Mbps plan from U Mobile will now have to pay extra RM5/month for the U35 plan, which we view positively as a bid to drive up ARPU for new/port-in subs.

Meanwhile, Digi launched its RDY plan at end-Dec 21, which we think may appeal to the youth segment/mobile gamers. For an attractive special launch price of RM68/month (until further notice; normal price: RM88), it offers 50GB base quota, unlimited calls and unlimited gaming quota with 'optimised latency' for 7 popular mobile games.

## IDD market was stable in Dec 21-Feb 22 >

Above-the-line competition in the international direct dial (IDD) market was stable in Dec 21-Feb 22, as tariffs remained unchanged vs. Sep-Nov 21.

**Figure 8: No changes in IDD rates in Dec 21-Feb 22**

Countries (RM/min)	Digi	Celcom	Maxis	U Mobile	Tune Talk
Indonesia	0.28	0.28	0.22	0.24	0.22
Bangladesh	0.12	0.12	0.10	0.10	0.12
Myanmar	1.20	0.86	0.86	0.86	1.00
India	0.10	0.12	0.08	0.09	0.12
Nepal	0.60	0.58	0.50	0.60	0.58

SOURCES: CGS-CIMB RESEARCH, DIGI, CELCOM, MAXIS, U MOBILE, TUNE TALK

## Broadband: Astro TV-fibre bundles not a major concern

### Limited impact from Astro's bundles with Maxis and Allo >

During 10 Jan-7 Mar 2022, Astro (ASTRO MK, Add, TP: RM1.45, CP: RM0.995) is offering a RM109/month Pakej Jimat bundle (Maxis 30Mbps Home Fibre + Astro Primary TV pack), with a monthly rebate of RM39 (equivalent to 26% off vs. the combined prices of the standalone plans) over the 24-month contract. Besides this combination, we note Astro is also offering monthly rebates of RM4-39 (1-12% discount vs. the aggregate product prices) over the 24-month contract for Maxis's 30-800Mbps/Allo's 50Mbps Home Fibre bundled with Astro's TV packs. We think most, if not all, of the rebates are borne by Astro. While this may incrementally improve the attractiveness of Maxis's/Allo's fibre plans vs. Unifi's, we believe that it is unlikely to shake up competition in a major way as it may appeal to only a select segment of subs who demand both pay TV and home fibre.

Figure 9: Astro's TV pack bundles with Maxis's and Allo's fibre plans

Speed	Package Combination	Set Top Box	Rebate (RM)	Package Price (RM)
30Mbps Maxis 50Mbps Allo	<b>Primary</b>	<b>Ulti</b>	<b>39</b>	<b>109.99</b> <span style="color: red; font-weight: bold;">RECOMMENDED!</span>
	Entertainment	Ultra	19	159.99
	Sports			159.99
	Movies			164.99
	Entertainment Plus			199.99
	Premium			224.99
	Platinum			264.99

SOURCE: ASTRO

### ViewQwest's new business fibre plans not a major threat ➤

In mid-Feb 22, ViewQwest launched new 30Mbps-1Gbps business fibre plans for an average of RM98-368/month (24-month contract) or RM88-365/month (36-month contract), bundled with 1-2 free routers. Although ViewQwest's offers are broadly in line with Maxis's business fibre plans and 3-24% cheaper vs. TM's, we do not think ViewQwest will pose a competitive threat to the existing players in the near- to medium-term, given its limited fibre coverage (available in selected areas in the Klang Valley and Johor Bahru only) and relatively weaker branding.

Figure 10: ViewQwest's new business fibre plans

30Mbps		100Mbps		300Mbps		500Mbps	
24-months	36-months	24-months	36-months	24-months	36-months	24-months	36-months
<b>RM98</b> per month	<b>RM88</b> per month	<b>RM128</b> per month	<b>RM118</b> per month	<b>RM188</b> per month	<b>RM178</b> per month	<b>RM268</b> per month	<b>RM258</b> per month
FREE MODEM RENTAL				FREE MODEM RENTAL			
<b>FREE ROUTER - Netgear R6850</b>  (Free to keep after contract ends)				<b>FREE WIFI-6 MESH ROUTER - Netgear Nighthawk MK62 (2-pack)</b>  (Free to keep after contract ends)			
<b>NEW - 800Mbps</b>				<b>NEW - 1Gbps*</b>			
24-months		36-months		24-months		36-months	
<b>RM338</b> per month		<b>RM328</b> per month		<b>RM348</b> per month		<b>RM338</b> per month	
				<b>1st 12 Months</b> RM388/mo for the remaining months		<b>1st 12 Months</b> RM378/mo for the remaining months	
FREE MODEM RENTAL							
<b>FREE WIFI-6 MESH ROUTER - Netgear Nighthawk MK62 (2-pack)</b>  (Free to keep after contract ends)							

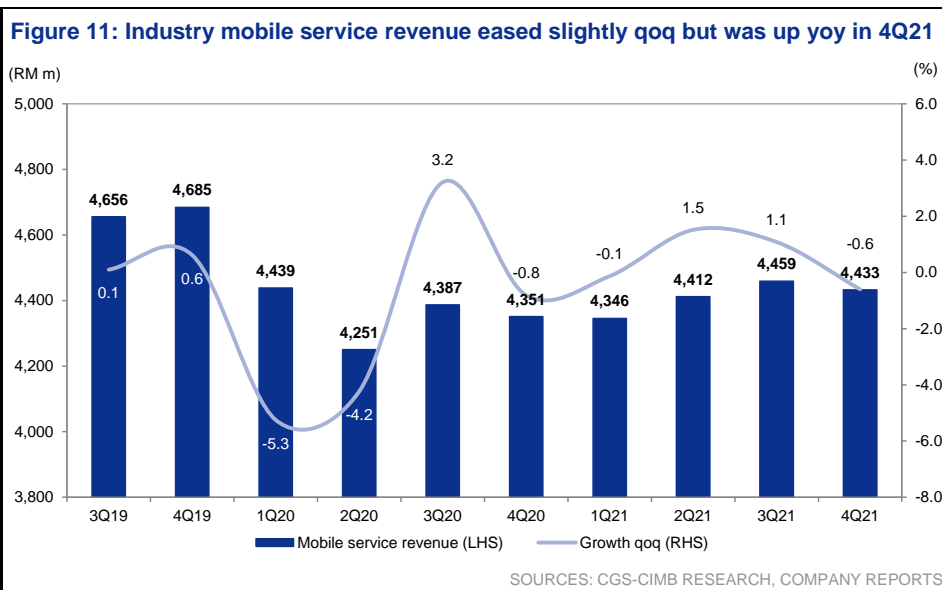
SOURCE: VIEWQWEST

## Read throughs from telcos' 4Q21 results

### One-off dilutive ARPU impact led to qoq mobile revenue dip ➤

4Q21 mobile industry service revenue (based on the Big 3; i.e. Maxis, Digi and Celcom) rose yoy for the third consecutive quarter (+1.9% yoy), mainly driven by Celcom. However, mobile industry service revenue eased 0.6% qoq, led by Maxis and Digi.

4Q21 prepaid revenue dipped 2.1% qoq (+0.5% yoy) as Digi was impacted by a one-off impact from customer billing platform migration, and Maxis was affected by 4G coverage gaps for some subs during the 3G sunset. The Big 3's prepaid subs were stable qoq at 20.7m, as Celcom's decent subs performance was offset by Digi. Meanwhile, 4Q21 postpaid revenue was flattish qoq (+3.2% yoy) as subs growth was offset by lower ARPU. The latter was driven mainly by dilution from the increased take-up of entry-level postpaid/family plans for Maxis and Digi.

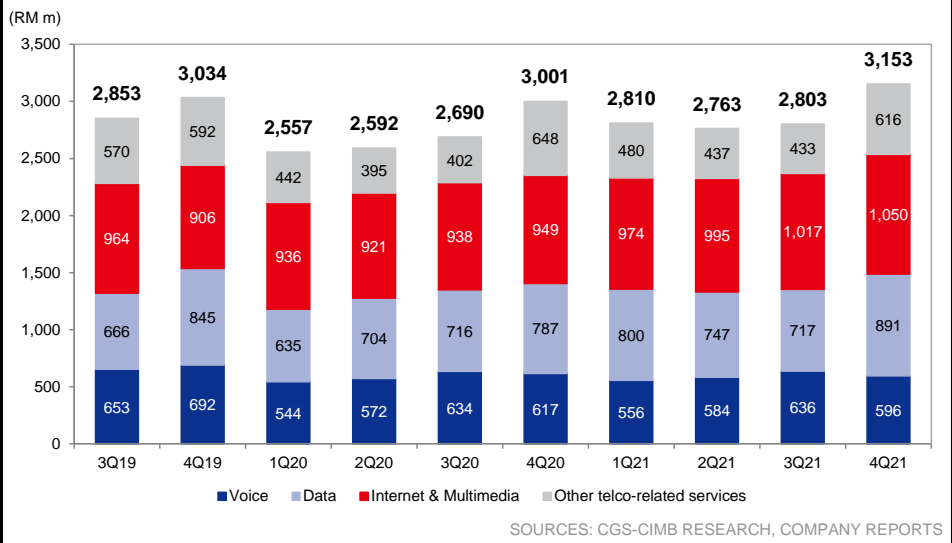


### Healthy qoq fixed-line revenue growth on most fronts ➤

TM's 4Q21 revenue grew 12.5% qoq (+5.1% yoy), owing to higher data (+24.3%), Internet (+3.2%) and other (+42.3%) revenues, partly offset by lower voice revenue (-6.3%). After five consecutive record quarters, Unifi's net adds softened qoq to +154k (+6.6%) but were still robust vs. pre-pandemic levels. The strong demand was supported by TM's accelerated fibre coverage expansion and the addition of more ports in urban areas. Unifi ARPU surprised positively, rising 2.2% qoq (after three straight quarters of dilution) due to existing subs' plan upgrades and take-up of bundled offers. Data revenue was boosted by seasonally higher indefeasible right-of-use (IRU) sales and continued wholesale fibre leasing growth, while other revenue was lifted by more customer ICT project deliveries (seasonal) and data centre sales.



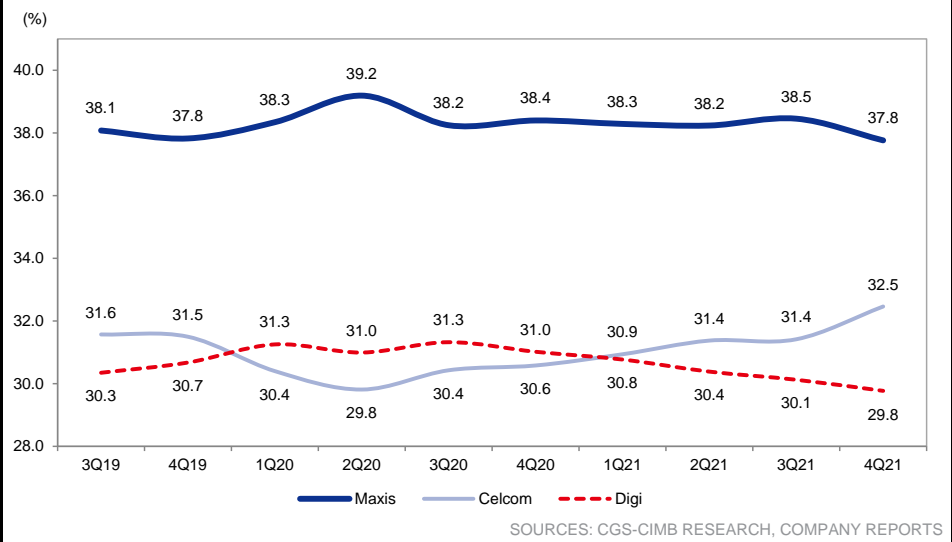
**Figure 12: TM's quarterly revenue, by business segment**



**Celcom's RMS rises again due to decent subs growth ➤**

Celcom grew its mobile service revenue qoq for the fourth consecutive quarter in 4Q21 (+2.7% qoq), outstripping Maxis and Digi, which both recorded declines of 2.4% and 1.8% qoq, respectively. Celcom's outperformance was likely due to continued robust take-up of its entry-level postpaid and prepaid unlimited products. Accordingly, Celcom's revenue market share (RMS) resumed its ascent by 1.0% pt qoq to 32.5% in 4Q21, at the expense of Maxis and Digi. Notably, Celcom has narrowed its RMS gap vs. Maxis to 5.3% pts in 4Q21.

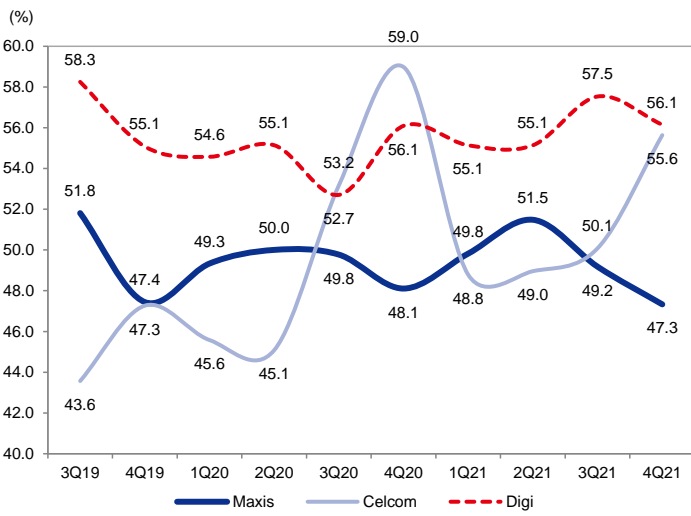
**Figure 13: Mobile service revenue market share (RMS) trend**



**Celcom posted best qoq EBITDA performance among Big 3 ➤**

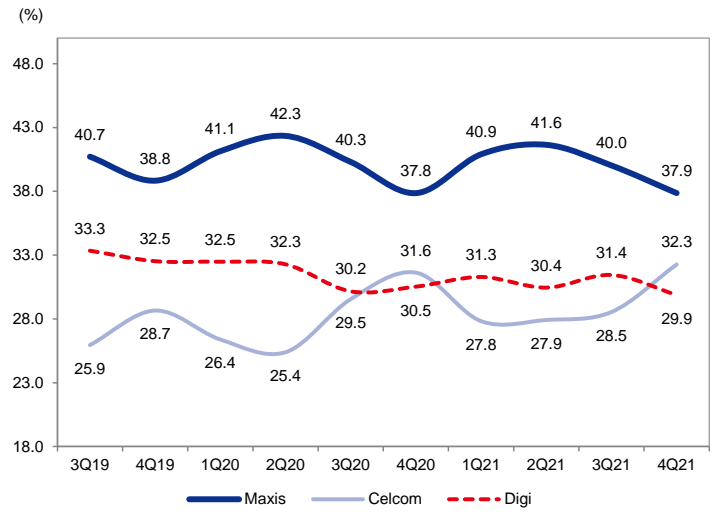
Celcom was the only Big 3 telco that posted qoq EBITDA growth in 4Q21, up 14.1% qoq (+2.0% yoy), with EBITDA margin (on service revenue) up 5.5% pts qoq, on the back of service revenue growth, reversal of bad debt provisions (improved credit management) and lower marketing cost. Maxis's/Digi's EBITDA slid 4.6%/4.1% qoq (stable/-2.1% yoy), with margins down 1.8%/1.4% pts qoq, on lower service revenue and higher device cost. Thus, Celcom captured 3.7% pts qoq EBITDA market share (EMS) to 32.3%, thereby narrowing its gap vs. Maxis and overtaking Digi as the second-ranked telco by EMS.

**Figure 14: EBITDA margin (on service revenue) trend**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 15: EBITDA market share of the Big 3**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Reiterate Underweight on Malaysia telco sector

### Mild industry mobile revenue growth in 2022F; still prefer fixed's structural growth story ➤

We reiterate our sector Underweight rating on the Malaysian telco sector, given the potentially sizeable earnings downside risk if the government proceeds with its 5G single wholesale network (SWN) rollout plan via Digital Nasional Bhd (DNB), which we think has yet to be fully priced into mobile network operators' (MNO) share prices. A decision on the latter may be announced by the government in Mar 22.

We see the Big 3's mobile service revenue growing by low single-digit yoy in 2022F (2021: +1.3%), due to a gradual recovery in roaming and migrant/tourist prepaid SIM sales as Covid-19 abates, partly offset by a fall-off in revenue boosted by PRIHATIN-led initiatives in FY21. Competition may also be more stable in 2022F, with potentially stronger consumer purchasing power and the Celcom-Digi merger alleviating some pricing pressure. However, we do not expect major market repair, as U Mobile will likely want to keep growing its revenue scale to achieve sustainable net profits/decent ROEs, while the Big 3 may continue to engage in sub acquisition/retention initiatives in a mature mobile market.

We are more positive on the revenue growth for the fixed business due to structural demand and relatively more benign competition. We expect TM's revenue to rise further by 4.2%/2.1%/1.2% yoy in FY22F/23F/24F, due to robust demand for: i) fibre broadband (still low penetration, supported by accelerated fibre rollout), ii) wholesale fibre leasing (for mobile backhaul and high-speed broadband access), and iii) data centre/cloud services (thanks to over-the-top firms locating their content locally and cloud migration of public data under MyDigital). Despite its accelerated fibre rollout plan, we expect TM's total opex to rise only marginally in FY22-24F, buffered by cost-saving initiatives, mainly from: i) its IT transformation programme, ii) natural staff attrition/voluntary separation schemes, iii) more efficient operations & maintenance cost, and iv) contract re-negotiations with vendors. Thus, core EPS may fall 3.4% yoy (Makmur tax), before rebounding 41.3% in FY23F (post-Makmur tax) and rising a further 9.2% in FY24F (ex-Makmur tax: +10.3%/+23.9%/+9.2% yoy in FY22F/23F/24F), which is a potential re-rating catalyst. TM's FY22F EV/OpFCF of 8.3x is 41% below the mobile average, with decent FY22-24F yields of 3.7-5.7% p.a. (60% payout).

Meanwhile, we see Maxis's FY22F core EPS sliding 11.1% (Makmur tax), before rebounding 24.4% in FY23F (post-Makmur tax, full recovery in roaming and migrant/tourist prepaid SIM sales), and rising 8.5% in FY24F. Ex-Makmur tax, core EPS would rise 0.5%/10.3%/8.5% yoy in FY22F/23F/24F. There is risk of our FY22-24F core EPS being 3.1-25.7% lower if the government proceeds with its SWN plans based on the current commercial wholesale offer. Its FY22F EV/OpFCF is 1.0 s.d. below its 12-year mean, with reasonable FY22-24F yields of 4.2-5.0% p.a.

Key upside risks to our sector rating include lower 5G wholesale fees, cancellation of SWN or MNOs offered equity stakes in DNB. TM (Add, TP: RM7.50) remains our Malaysian telco top pick, while we have a Reduce rating on Maxis (TP: RM3.80).

Figure 16: ASEAN telco sector comparison

Company	Bloomberg Ticker	Recom.	Current share price (local curr.)	Target price (local curr.)	Market cap (US\$ m)	Core P/E (x)		EV/EBITDA (x)		EV/OpFCF (x)		3-year CAGR (%)		Dvd Yield (%)	
						2021F	2022F	2021F	2022F	2021F	2022F	EPS	EBITDA	2021F	2022F
Maxis	MAXIS MK	REDUCE	4.01	3.80	7,482	24.0	27.0	10.3	10.1	16.2	14.9	1.5	2.8	4.2	4.2
TM	T MK	ADD	5.13	7.50	4,615	15.7	16.2	5.4	5.1	8.9	8.3	19.3	6.8	2.5	3.7
<b>MY telcos average (ex-outliers)</b>						<b>25.5</b>	<b>24.0</b>	<b>8.3</b>	<b>7.9</b>	<b>13.7</b>	<b>12.6</b>	<b>10.3</b>	<b>3.9</b>	<b>3.2</b>	<b>3.8</b>
SingTel	ST SP	ADD	2.53	3.30	30,796	21.2	16.3	7.9	7.1	13.9	16.7	19.8	1.6	3.5	4.6
Starhub	STH SP	HOLD	1.25	1.40	1,594	14.7	27.2	5.9	7.8	11.7	20.7	(9.5)	0.2	5.1	4.0
<b>SG telcos average (ex-outliers)</b>						<b>17.9</b>	<b>21.8</b>	<b>6.9</b>	<b>7.5</b>	<b>12.8</b>	<b>18.7</b>	<b>5.2</b>	<b>0.9</b>	<b>4.3</b>	<b>4.3</b>
TLKM	TLKM IJ	ADD	4,290	4,250	29,533	18.4	16.7	8.2	7.8	15.2	13.3	8.2	4.8	4.1	4.5
XL Axiata	EXCL IJ	ADD	2,770	3,550	2,064	26.8	19.9	4.7	4.5	12.3	11.0	44.3	6.0	1.9	3.0
Indosat	ISAT IJ	HOLD	5,400	6,200	3,026	41.5	nm	5.4	4.5	nm	9.6	(2.1)	23.8	32.4	0.0
Link Net	LINK IJ	ADD	4,350	5,200	866	13.1	13.1	5.5	4.9	16.6	13.4	2.3	7.5	2.3	2.3
<b>Indo telcos average (ex-outliers)</b>						<b>24.9</b>	<b>16.6</b>	<b>6.0</b>	<b>5.4</b>	<b>14.7</b>	<b>11.8</b>	<b>18.3</b>	<b>10.5</b>	<b>10.2</b>	<b>2.4</b>
AIS	ADVANC TB	HOLD	236.00	247.00	21,451	26.0	25.5	8.4	8.1	12.1	11.6	0.8	3.1	3.3	3.5
DTAC	DTAC TB	ADD	48.00	58.30	3,474	34.2	33.2	5.8	5.7	11.8	11.2	(18.9)	2.1	4.4	4.4
True	TRUE TB	HOLD	5.15	5.70	5,248	nm	nm	7.0	7.0	18.8	13.5	(14.3)	5.8	1.4	1.4
Jasmine	JASIF TB	REDUCE	11.20	10.00	2,738	10.3	10.1	10.5	10.2	10.5	10.2	1.7	0.9	8.5	8.3
DIF	DIF TB	ADD	14.20	17.20	4,614	11.9	12.1	12.0	12.2	12.0	12.2	0.4	(0.2)	7.4	7.4
Intouch	INTUCH TB	HOLD	77.25	73.00	7,571	23.7	22.9	23.8	23.1	23.9	23.1	0.5	0.0	3.7	3.9
<b>Thai telcos average (ex-outliers)</b>						<b>21.2</b>	<b>20.8</b>	<b>11.3</b>	<b>11.0</b>	<b>14.9</b>	<b>13.6</b>	<b>(3.1)</b>	<b>1.9</b>	<b>4.7</b>	<b>4.8</b>
<b>ASEAN Telcos average (ex-outliers)</b>						<b>21.6</b>	<b>20.9</b>	<b>8.7</b>	<b>8.4</b>	<b>14.2</b>	<b>13.8</b>	<b>6.5</b>	<b>4.5</b>	<b>5.7</b>	<b>3.9</b>

Note: Share prices as of 2 Mar 2022; Operating FCF is calculated as EBITDA minus average 3-year forward capex  
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG



## ESG in a nutshell

All four Malaysian telcos have final scores above the mid-point (based on our estimates), indicating that the sector as a whole performed well from an ESG perspective. The higher-rated telcos showed i) progressive network improvements, ii) industry-leading efforts in staff training, workforce diversity and positive workplace environment, iii) better board diversity, low-to-none material cases of corruption and broader disclosure, and iv) good progress on their carbon emission reduction targets.

### Keep your eye on

The government's plan to accelerate the 5G SWN rollout via Digital Nasional Bhd (DNB) could be a mid- to longer-term risk for incumbent mobile network operators (MNOs). Up to five digital banking licences in Malaysia may be issued by 1Q22.

### Implications

If the government proceeds with its 5G SWN plan based on the current commercial offer, we estimate Maxis may be charged substantial minimum wholesale fees of RM303m/RM403m/RM432m/RM432m in FY23F/24F/25F/26F, which could further rise to RM577m-1.5bn p.a. in FY27-31F. Meanwhile, we think MNOs will not be able to generate much extra revenue from 5G in the near/mid-term, leading us to believe there could be downside risks to our core EPS forecasts for Maxis over the medium term. We have incorporated this potential earnings risk into our ESG score/ranking and valuation for Maxis by applying a 20% discount to its DCF-based fair value. However, we have not factored the upside risk from digital banking opportunities into our valuations/forecasts for telcos, pending the announcement of the digital banking licence winners by Bank Negara Malaysia.

### ESG highlights

Overall, the Malaysian telco sector performed well from an ESG standpoint, as the companies have a relatively small impact on the environment, contribute significantly to community development (e.g. digital/financial inclusion) and are generally well-governed, in our view. Besides the potential 5G risk factor, Malaysian mobile operators' (MNOs) performance in data privacy and security is below the overall score, due to a massive data breach affecting 46.2m subs from at least 12 MNOs and MVNOs in 2014.

### Implications

We believe the telco sector's ESG performance is relatively better than other sectors, especially those in the natural resource, manufacturing, power generation (coal, natural gas) and sin sectors. On an absolute basis, we do not expect the good ESG performance to have a material positive impact on the sector's topline and earnings, as this is more likely to be driven by issues such as competition, M&As and regulatory developments, in our view.

### Trends

In return for the licence to operate their networks, the public expects telcos to roll out their networks and provide good and reliable quality of service (QoS) at affordable prices. If telcos fail at this, there may be community calls on the regulator to intervene to correct a real/perceived market failure, perhaps with the setting of more stringent QoS/coverage targets (with fines imposed if key performance indicators are not met), imposition of tariff ceilings or the suspension of licence/issuance of additional licences to bring in new entrants to spur competition. Telcos that do not consistently provide good and reliable QoS/coverage and customer service may also, over the longer run, risk losing subs and incur additional costs to manage high subs churn rates.

### Implications

Telcos' progressive network improvements may help improve its market traction over the medium term. We have factored this into our fundamental analysis for the respective telcos, by projecting mobile service revenue market share changes in FY22-24F.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, OPENSIGNAL



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Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified,



**CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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### Recommendation Framework

#### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.