

COMPANY RESULTS

TIME dotCom (TDC MK)

3Q24: In Line; Near-term Focus On Capital Management

TIME's 3Q24 core net profit came in at RM112m (+5% qoq and yoy), in line with expectations. Earnings grew on the back of higher revenue and share of profit from associates. We understand 4Q24-to-date performance has been stable qoq as Oct 24's strong performance was partly offset by a softer Nov 24 fixed broadband revenue trend. The stock offers an attractive dividend yield of 7% for 2024-25. Maintain BUY. Target price: RM6.00.

3Q24 RESULTS

Year to 31 Dec (RMm)	3Q24	qoq % chg	yoy % chg	9M24	yoy % chg
Revenue	423.4	1.2	3.0	1,259.6	7.8
EBITDA	111.0	(35.5)	(38.6)	463.4	11.0
PBT	85.2	(37.1)	(43.2)	371.5	17.1
Reported Net profit	58.7	(40.7)	(44.9)	268.4	(89.2)
EPS (sen)	3.2	(40.7)	(45.2)	14.5	(89.3)
Core EBITDA	181.0	0.4	2.5	537.1	8.8
Core EBITDA Margin	42.8	(0.3)	(0.2)	42.6	0.4
Core Net Profit	111.9	4.8	5.3	329.1	6.7
Segmental Revenue	1Q24	2Q24	3Q24	qoq % chg	yoy % chg
Voice	11.9	11.7	12.2	3.8	(3.4)
Internet	356.5	363.4	366.4	0.8	5.5
Cloud and Other Service	48.6	42.9	43.8	2.2	(12.9)

Source: TIME, UOB Kay Hian

RESULTS

- 3Q24 core net profit in line.** TIME dotCom (TIME) recorded a 3Q24 core net profit of RM111.9m (+5% qoq; +5% yoy). The qoq increase was due to a higher overall revenue of RM423.4m (+1% qoq; +3% yoy) and higher associate earnings (partly due to a RM7.8m deferred tax asset recognised by AIMS). Cumulatively, 9M24 core net profit came in at RM329.1m (+7% yoy), representing 71-72% of our and consensus full-year forecasts, which we deem within expectations. We expect retail and enterprise revenues to play catch-up in 4Q24.
- Focus on active capital management given limited capex opportunities in the near term.** Cash balance stands at RM1.1b as management acknowledged that 4Q dividends will remain lush in view of limited capex opportunities in the near term. In fact, management is guiding for lower overall 2024 capex of RM300m (from RM400m at the start of the year). The stock provides a lush dividend yield of 6-7%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	1,455	1,591	1,687	1,774	1,867
EBITDA	652	567	703	748	796
Operating profit	503	384	540	592	649
Net profit (rep./act.)	450	2,569	466	520	563
Net profit (adj.)	379	409	466	520	563
EPS (sen)	20.9	22.5	25.6	28.6	31.0
PE (x)	22.5	20.9	19.1	17.1	15.8
P/B (x)	1.7	2.3	2.2	2.2	2.1
EV/EBITDA (x)	12.4	12.4	11.1	11.0	10.9
Dividend yield (%)	6.6	18.3	6.5	7.3	7.9
Net margin (%)	26.1	25.7	27.6	29.3	30.2
Net debt/(cash) to equity (%)	(14.7)	(35.8)	(26.6)	(17.5)	(6.5)
Interest cover (x)	18.1	6.1	5.5	6.0	7.0
ROE (%)	12.1	9.8	11.5	13.2	14.8
Consensus net profit	-	-	459	503	544
UOBKH/Consensus (x)	-	-	0.93	1.04	1.12

Source: TIME dotCom, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM4.69
Target Price	RM6.00
Upside	+27.9%

COMPANY DESCRIPTION

Fixed line operator.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	TDC MK
Shares issued (m):	1,848.8
Market cap (RMm):	8,652.5
Market cap (US\$m):	1,947.4
3-mth avg daily t'over (US\$m):	2.1

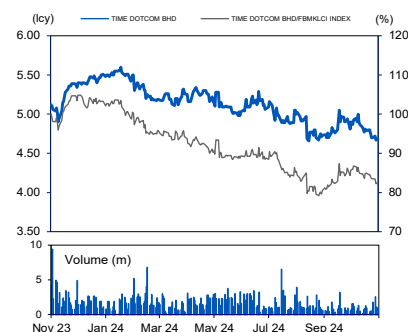
Price Performance (%)

52-week high/low	RM5.23/RM4.58			
1mth	3mth	6mth	1yr	YTD
(2.7)	(7.3)	(10.3)	(8.1)	(13.0)

Major Shareholders

	%
Pulau Kapas Ventures	25.1
Employee Provident Fund	13.2
Khazanah National Bhd	7.2
FY24 NAV/Share (RM)	2.21
FY24 Net Cash/Share (RM)	0.59

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Retail.** 3Q24 retail revenue rose 2% qoq and 10% yoy, driven by higher household penetration. The company's premises coverage reached 1.73m as of end-3Q24, vs 1.675m from the previous quarter. We understand that TIME has seen a stable performance 4Q24-to-date, with Nov 24's performance being soft after registering the strongest month of the year in Oct 24.
- **Cloud and other solutions revenue** fell 13% yoy to RM43.8m in 3Q24. This is due to a growing non-recurring revenue nature as customers opt for private cloud services, as well as changes in terms and subscription rates (after Broadcomm's acquisition of VMware). Qoq, revenue grew 2%, likely due to seasonality.
- **3Q24 core EBITDA margin was flattish qoq and yoy at 43%**, which reflects the group's focus on keeping margins stable and good cost discipline.
- **Customer acquisition cost eased yoy and qoq** as management focused on more targeted commissions and better management of offline and online customer acquisition, while successfully shifting the acquisition pattern towards direct channels instead of third-party channels.

EARNINGS REVISION/RISK

- No change to earnings.

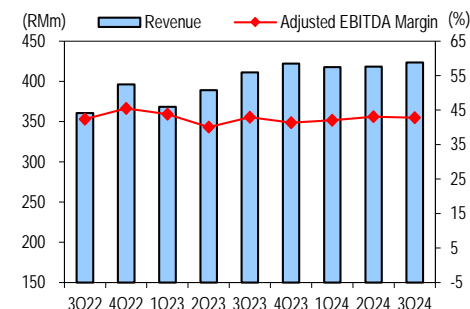
VALUATION/RECOMMENDATION

- **Maintain BUY with a DCF-based target price of RM6.00** (WACC: 7%, terminal growth: 4%). At our target price, the stock will trade at 13.7x 2025 EV/EBITDA, +2SD from mean. The stock offers an attractive dividend yield of 6%.
- **Defending market leadership with superior broadband.** We believe TIME has a consumer-centric product with presence in key locations where consumers demand a certain bandwidth (higher than the 100mbps segment). In the past, 80% of TIME's consumer base was on the 100mbps package. Today, it is about 50%, with the remaining 50% at 500mbps or higher. In particular, TIME's customer acquisition has been more targeted towards the 500mbps package with strong take-up rates. As such, we expect TIME to defend its market leadership for bandwidths at 500mbps and above, pulling away from entry-level competition in the market. Customer churn will naturally be higher in the 100mbps segment but overall margin guidance remains intact.
- **Expand coverage footprint to better serve customers.** Capex guidance has been lowered to RM300m for 2024 (from RM400m) on the back of slower-than-expected network expansion for single dwelling premises – there is a slew of approvals that is required to plant up. Nevertheless, the company is focused on investing in a robust network to provide good customer service and establish competitive advantage for the future.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

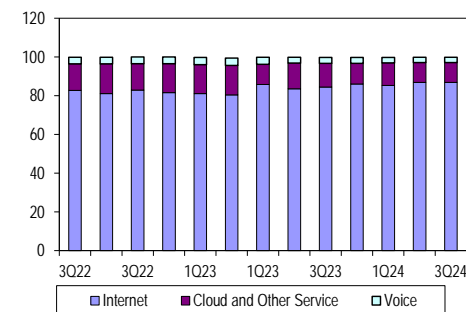
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Converted rural off-grid site with genset power to commercial grid power and adopted the use of new energy vehicles with GHG reduction feature. - Waste recyclable rate increased from 89% in 2022 to 91% in 2023, with total office recyclable waste increasing 70% and recyclables rising 75% as compared with 2022. • Social <ul style="list-style-type: none"> - >RM4.5m spent on community investments and >4,800 volunteering hours by employees. • Governance <ul style="list-style-type: none"> - Good company transparency along with an anti-bribery and anti-corruption policy. - Recorded zero cases of confirmed incidents of non-compliance with MABC Policies in 2023.

REVENUE AND EBITDA MARGIN



Source: TIME, UOB Kay Hian

REVENUE BY SEGMENT



Source: TIME, UOB Kay Hian

KEY ASSUMPTIONS

Key Assumptions	2024F	2025F	2026F
Revenue growth (%)	6.0	5.2	5.2
EBITDA margin (%)	41.7	42.2	42.6
CAPEX to Revenue (%)	23.0	20.0	20.0
Product growth (%)			
- Voice	-10.0	-10.0	-10.0
- Internet	6.8	5.7	5.7
- Data centre	5.0	5.0	5.0

Source: TIME, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	1,591	1,687	1,774	1,867
EBITDA	567	703	748	796
Deprec. & amort.	183	163	156	147
EBIT	384	540	592	649
Associate contributions	34	37	59	65
Net interest income/(expense)	18	44	41	35
Pre-tax profit	435	621	693	749
Tax	(144)	(149)	(166)	(180)
Minorities	(6)	(6)	(6)	(6)
Net profit	2,569	466	520	563
Net profit (adj.)	409	466	520	563

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	1,647	1,872	2,071	2,297
Other LT assets	1,657	1,694	1,753	1,818
Cash/ST investment	1,535	1,229	939	604
Other current assets	476	501	524	549
Total assets	5,315	5,296	5,287	5,268
ST debt	11	17	17	17
Other current liabilities	517	502	517	533
LT debt	42	142	242	342
Other LT liabilities	570	570	570	570
Shareholders' equity	4,140	4,023	3,893	3,752
Minority interest	36	42	48	54
Total liabilities & equity	5,315	5,296	5,287	5,268

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	768	515	574	608
Pre-tax profit	435	621	693	749
Tax	(144)	(149)	(166)	(180)
Deprec. & amort.	183	163	156	147
Associates	(38)	(37)	(59)	(65)
Working capital changes	148	(39)	(8)	(9)
Non-cash items	183	(44)	(41)	(35)
Investing	1,551	(317)	(285)	(309)
Capex (growth)	(277)	(388)	(355)	(373)
Investments	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	1,827	71	70	64
Financing	(1,613)	(503)	(579)	(633)
Dividend payments	(1,570)	(582)	(650)	(704)
Issue of shares	49	0	0	0
Proceeds from borrowings	23	106	100	100
Others/interest paid	(114)	(27)	(28)	(29)
Net cash inflow (outflow)	706	(306)	(290)	(335)
Beginning cash & cash equivalent	485	1,535	1,229	939
Changes due to forex impact	344	0	0	0
Ending cash & cash equivalent	1,535	1,229	939	604

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	35.7	41.7	42.2	42.6
Pre-tax margin	27.4	36.8	39.0	40.1
Net margin	161.5	27.6	29.3	30.2
ROA	54.1	8.8	9.8	10.7
ROE	70.9	11.4	13.1	14.7
Growth				
Turnover	9.4	6.0	5.2	5.2
EBITDA	(13.0)	23.9	6.4	6.4
Pre-tax profit	(15.8)	42.6	11.6	8.1
Net profit	470.9	(81.9)	11.7	8.2
Net profit (adj.)	7.8	13.9	11.7	8.2
EPS	7.8	13.9	11.7	8.2
Leverage				
Debt to total capital	1.2	3.8	6.2	8.6
Debt to equity	1.3	3.9	6.6	9.6
Net debt/(cash) to equity	(35.8)	(26.6)	(17.5)	(6.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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