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03-2036 2280

Rationale for report: Sector update

Investment Highlights

- **Celcom offers its maiden unlimited prepaid data plan.** Axiata Group's Celcom has just introduced its first unlimited prepaid plan priced at RM35/month or RM12/week that provides unlimited calls to all networks. Similar to Hotlink and U Mobile GX30, the speeds are capped at 3Mbps. The RM35/month plan also offers 3GB of hotspot data while the RM12/week plan provides 1GB of hotspot data. With hotspot data speed capped at 3Mbps, additional quotas can be purchased at RM1/1GB for 1 day or RM3/5GB for 3 days.

Without speed caps, Ultra Hour passes will cost RM1 per hour, RM2 for 3 hours, RM5 for 12 hours and RM8 for 24 hours. However, Ultra Hour passes cannot be utilised for hotspot usage. While this new Xpax Unlimited Pass has no hard quota limit, Celcom reserves the right to manage its bandwidth if usage is deemed excessive under the Fair Usage Policy (FUP).

This new Xpax plan replaces the current pass of RM38/month for 48GB and RM12/week for 18GB which was launched earlier this year. The speeds were also capped at 3Mbps with similar hotspot quotas.

- **Hot on Maxis' heels.** Recall that Maxis introduced its unlimited prepaid data last week with the leading celco launching a Hotlink Prepaid Unlimited plan offering unlimited internet and local calls for the first time at RM35/month, RM12/week and RM3/day with speed limited to 3Mbps. Hotlink offers another package at RM45/month at speeds of up to 6Mbps. These plans include Viu free access and offer add-ons with unlimited data speeds at RM1/hour, RM3 for 3GB/day and RM10 for 5GB/week. Existing Hotlink Red customers may upgrade to the new plan with a RM5 fee via the Hotlink mobile app.

However, Maxis also applies the FUP which will vary for each internet pass — 5GB for daily, 15GB for weekly and 50GB for monthly passes at high-speed internet even though there is no quota limit for surfing on reduced speeds capped at 512kbps, which still provides decent user experience for video streaming on standard definition, social media apps and web browsing.

- **Both plans compete head-on with U Mobile.** As a comparison, U Mobile offers unlimited data capped at 3Mbps at a price which is lower by RM5/month at RM30/month. However, the weekly option is the same at RM12/week although it also offers 3GB hotspot. U Mobile currently offers a slightly higher plan at RM35/month with speed caps of 6Mbps and 6GB of hotspot sharing. Meanwhile, Digi has yet to announce an unlimited prepaid plan, with its Cili Padi XL currently offering 3GB internet, unlimited Facebook, Twitter and Instagram at RM15/month. Add-ons for unlimited internet can be purchased at RM8/day.

Given that the 1QFY20 prepaid average revenue per users were slightly lower at RM32/month for Maxis and Celcom vs. their new plans, we do not expect their revenues to be significantly impacted even though network utilisation is likely to escalate from higher data traffic.

- **Unlimited postpaid data may be on the way.** Similar to our earlier comments on Maxis, we also expect Celcom to introduce unlimited data plans for the postpaid segment as well; otherwise its existing customers could migrate to the lower priced prepaid segment. Currently, Celcom' 1Q2020 postpaid average revenue per user (ARPU) of RM85/month is 2.7x its prepaid's RM32/month.

For now, U Mobile and Digi are the only celcos offering unlimited postpaid data plans. U Mobile's GX50 postpaid plan offers unlimited data and calls plus 5GB of hotspot sharing at a discounted RM40/month (from RM50/month). Digi offers its Infinite online plan with unlimited data at speeds up to 10Mbps and calls at RM100/month while Unifi Mobile is priced at RM99/month.

Unifi Bebas prepaid plans offer 4GB data at RM30 with no validity period but RM7/hour for voice calls. Meanwhile, Maxis' lowest postpaid plan is currently RM98/month with unlimited calls and data quota of 40GB while Celcom offers unlimited calls at RM80/month with data quota of 30GB.

As such, we expect new prepaid plans from Digi as well as postpaid packages being launched by Maxis and Celcom over the next few months in tandem with the escalating cellular wars.

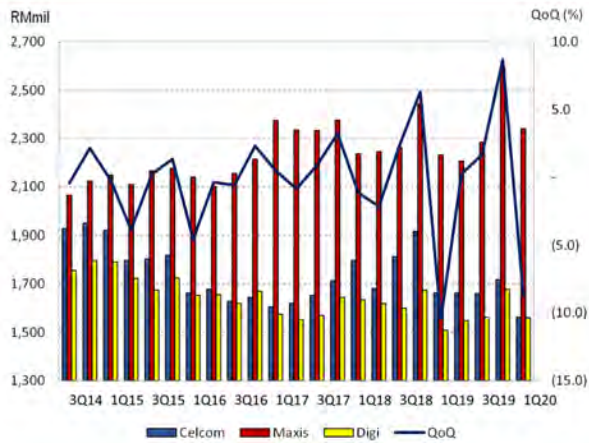
- **Total subscriber trajectory continued its downward trend from prepaid attrition** after a brief uptick in 2Q2019 amid the still intense mobile competition. Mobile subscribers decreased by 580K QoQ as prepaid declines of 704K were only able to be partially offset by postpaid additions of 124K. Only Maxis registered a 91K net increase while Celcom declined by 390K and Digi by 281K.
- **Maintain NEUTRAL** outlook on the sector given the rising mobile competition amid escalating capex requirements against the backdrop of the National Fiberisation and Connectivity Plan (NFCCP) agenda to improve national connectivity and affordability. Our only **BUY** currently is **Axiata**, given its low EV/EBITDA valuations and rising prospects for monetisation of its multiple businesses.

EXHIBIT 1: VALUATION MATRIX

Stocks	Call	Market		EV/EBITDA		PE		Div yield		ROE		Net debt/ FY20F EBITDA
		capitalisation	Fair value	FY20F	FY21F	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F	
		RMmil	RM/share	x	x	x	x	%	%	%	%	
Axiata	BUY	32,746	4.50	4.4	4.1	46.6	40.5	2.6	2.6	3.3	3.8	1.7
Maxis	HOLD	39,956	6	13	12	27.1	25.6	3.6	3.8	20.9	22.1	2.4
Digi	HOLD	34,210	4.55	11.5	11.3	24.6	23.7	4.1	4.2	251.2	260.6	1.3
Telekom	HOLD	16,347	4.2	6.1	5.9	18.5	17.9	2.3	2.3	10.2	10.1	1.6

Source: AmlInvestment Bank

EXHIBIT 2: REVENUE BREAKDOWN



Source: Bursa Malaysia

EXHIBIT 3: REVENUE CHANGES

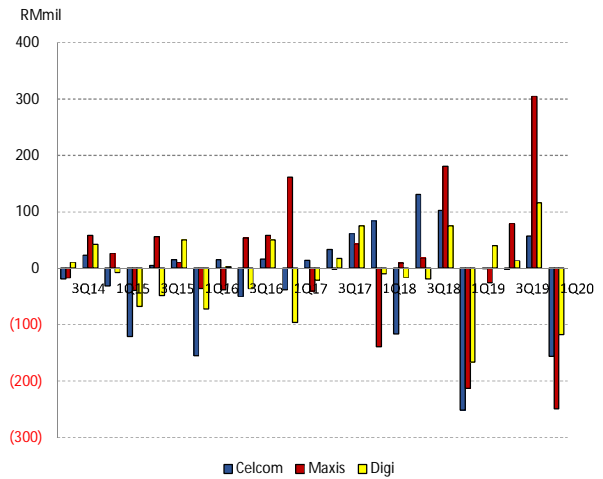
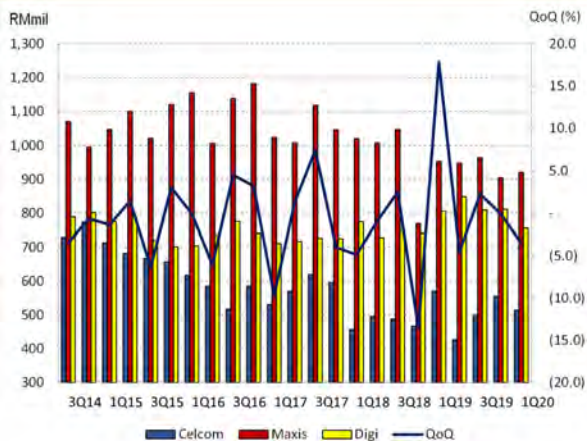
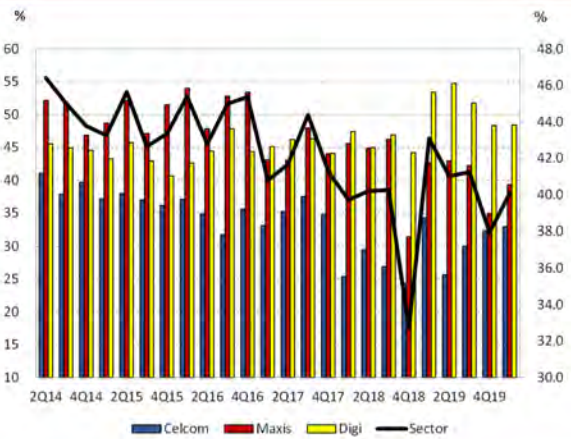


EXHIBIT 4: EBITDA BREAKDOWN



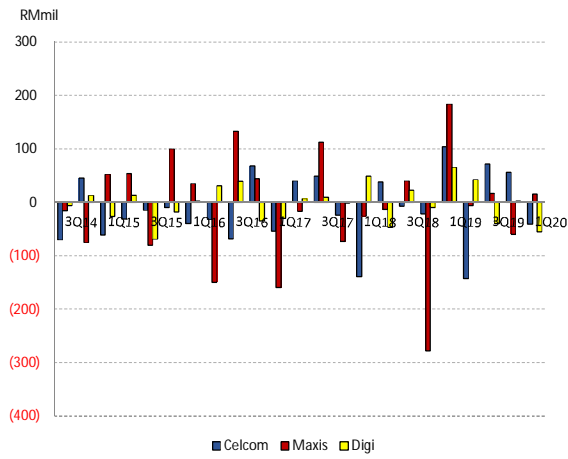
Source: Bursa Malaysia

EXHIBIT 5: EBITDA MARGIN



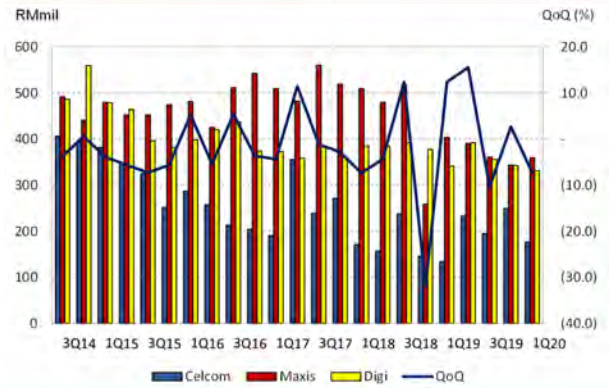
Source: Bursa Malaysia

EXHIBIT 6: EBITDA CHANGES



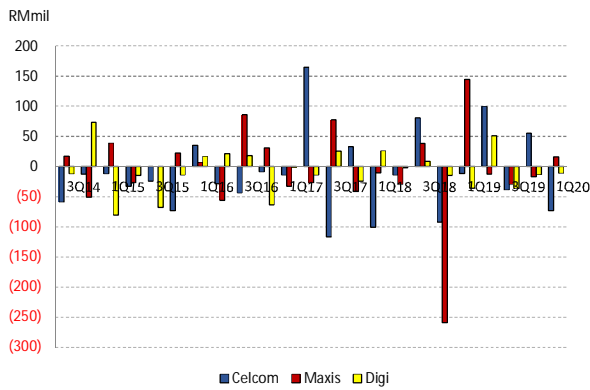
Source: AmInvestment Bank

EXHIBIT 7: PATAMI BREAKDOWN



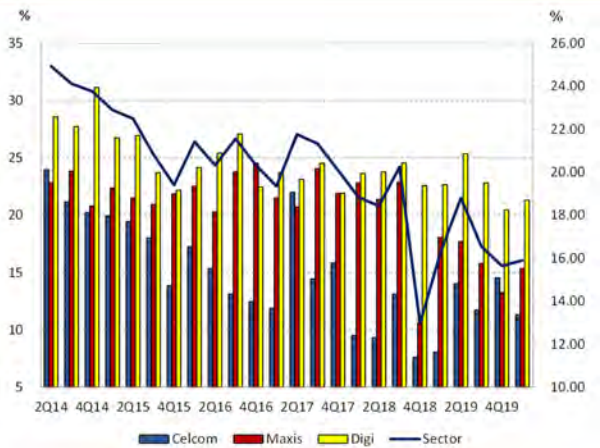
Source: AmInvestment Bank

EXHIBIT 8: PATAMI CHANGES



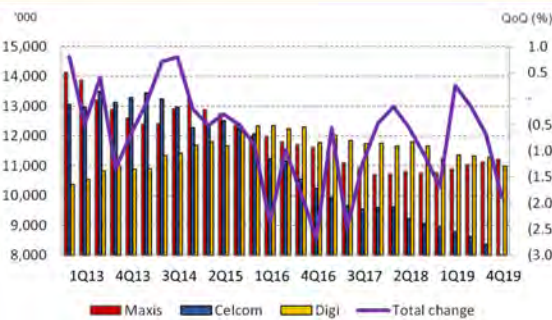
Source: AmInvestment Bank

EXHIBIT 9: PATAMI MARGIN



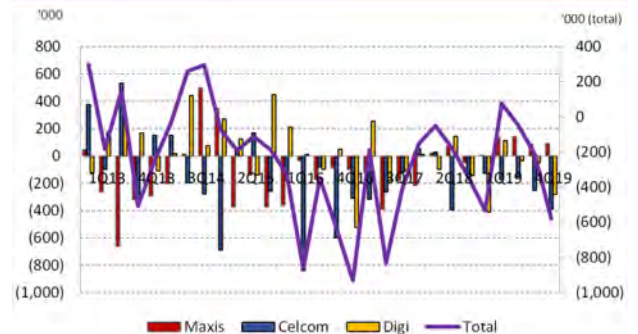
Source: AmInvestment Bank

EXHIBIT 10: MOBILE SUBSCRIBERS



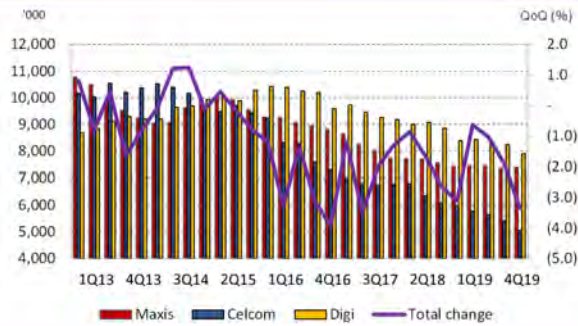
Source: Companies' investor presentation slides

EXHIBIT 11: MOBILE SUBSCRIBER CHANGES



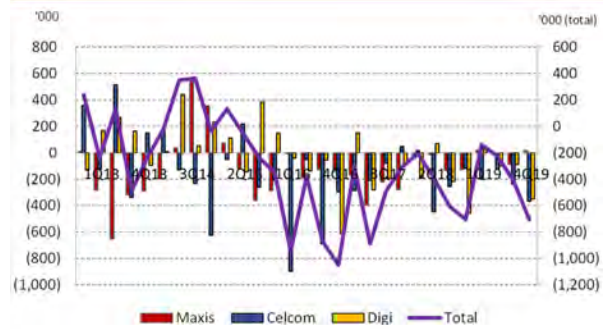
Source: Companies' investor presentation slides

EXHIBIT 12: PREPAID SUBSCRIBERS



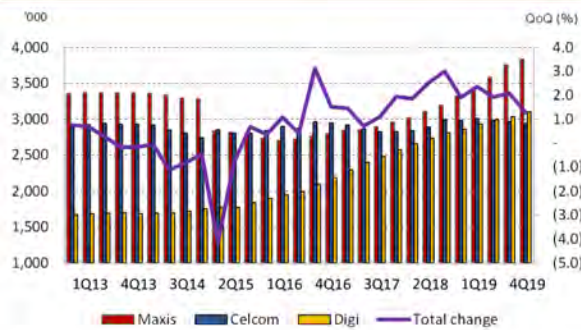
Source: Companies' investor presentation slides

EXHIBIT 13: PREPAID SUBSCRIBER CHANGES



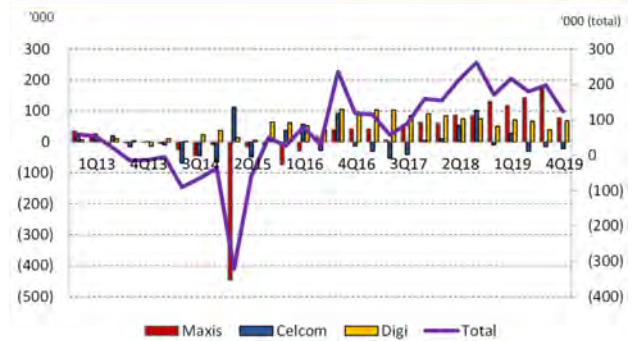
Source: Companies' investor presentation slides

EXHIBIT 14: POSTPAID SUBSCRIBERS



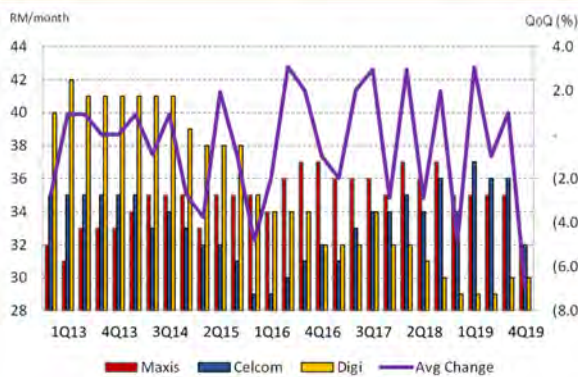
Source: Companies' investor presentation slides

EXHIBIT 15: POSTPAID SUBSCRIBER CHANGES



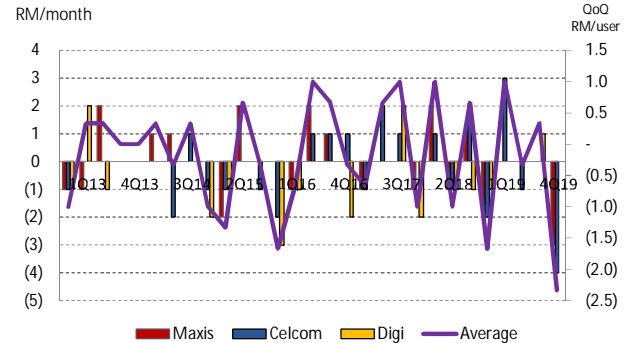
Source: Companies' investor presentation slides

EXHIBIT 16: PREPAID ARPU



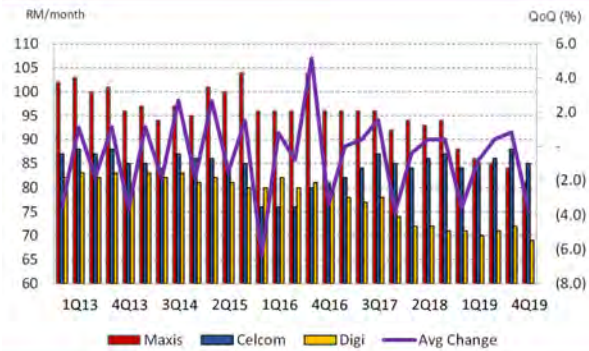
Source: Companies' investor presentation slides

EXHIBIT 17: PREPAID ARPU CHANGES



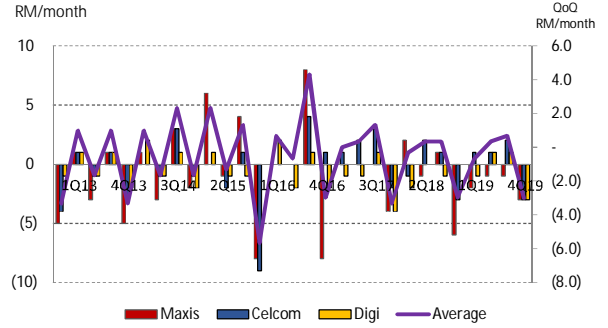
Source: Companies' investor presentation slides

EXHIBIT 18: POSTPAID ARPU



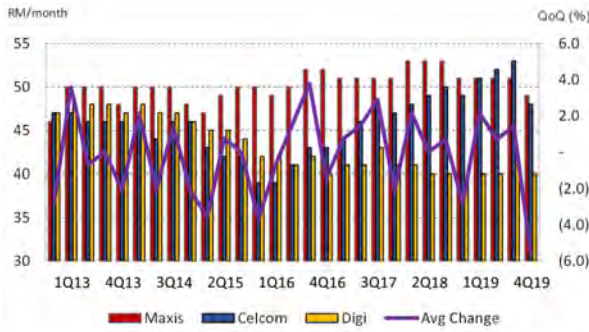
Source: Companies' investor presentation slides

EXHIBIT 19: POSTPAID ARPU CHANGES



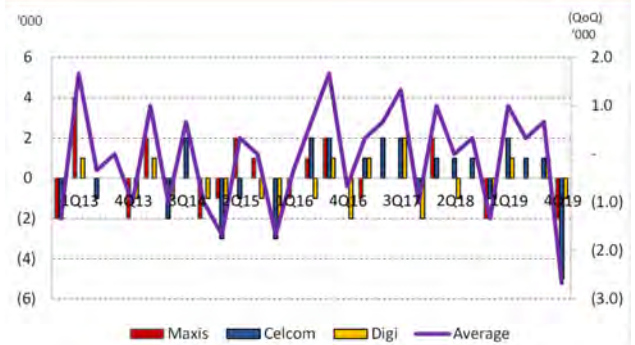
Source: Companies' investor presentation slides

EXHIBIT 20: BLENDED ARPU



Source: Companies' investor presentation slides

EXHIBIT 21: BLENDED ARPU CHANGES



Source: Companies' investor presentation slides

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