Reach Ten Holdings Bhd (REACHTEN)

Leading Telco Services and Solutions Provider In East Msia

- **Established in 2005, Reach Ten Holdings Bhd is a telecommunications service provider involved in the provision of satellite-based internet services and fibre optic network solutions, catering to government agencies, enterprises, and rural communities.**
- **Moving forward, we forecast a 3-year core earnings CAGR of 2.8%, to reach at RM67.9m, RM53.0m and RM55.8m driven by broadband and fibre infrastructure expansion under JENDELA Phase 2, strong recurring revenue (~87.0–93.1%), and operating leverage from an established PPE base.**
- **We ascribe a fair value of RM0.71 for REACHTEN. Our valuation is derived by pegging a forward P/E of 13.0x to the mid-FY26f EPS of 5.44 sen, implying a 36.5% upside to its IPO price of RM0.52. We believe the pegged P/E is fair given the 12-month forward P/E and trailing 12-month P/E among its closest peers stood at 13.3-16.5x.**

Investment Highlights

Reach Ten's crown jewels. In our view, a significant appeal of Reach Ten lies in the substantial portion of its business dedicated to recurring revenue streams, which provides a solid foundation for future earnings visibility. Over the period from FYE 2021 to FPE 2024, a notable 87.0% and 93.1% of its revenue stemmed from long-term contracts across its satellite broadband, fibre leased lines, and managed telecommunications infrastructure, spanning durations ranging from 12 to 60 months.

JENDELA's 2 proxy. As the Group's operations are highly concentrated in Sarawak—a state that remains one of the most underpenetrated in terms of broadband coverage and fibre infrastructure—continues to be a focal point under JENDELA's mandate to uplift underserved areas. Reach Ten's deep integration within the state's connectivity landscape—underpinned by 649 km of fibre cable and 217 km of duct infrastructure—positions it as a key proxy to scale new developments with minimal upfront cost.

Base-case upside. Assuming a 13.5% top-line growth from the FY23 base of RM182.3m, we estimate that EBITDA could expand by 8.3% in FY25, rising from ~39.6% to ~40.7%, translating to an incremental EBITDA of RM6.2m. Margin uplift would be driven by minimal incremental CapEx/OpEx, supported by Reach Ten's PPE base—comprising 649 km of fibre, 217 km of ducts, and a teleport hub in Kuching. Strong JENDELA Phase 1 credentials further reinforce its pipeline visibility under Phase 2.

Scalable economies of scale. Sarawak's low population density of 24 persons/km² (vs Peninsular Malaysia's 189 persons/km²) supports cost-efficient fibre and broadband deployment, particularly in rural and semi-urban areas. The sparse density allows for the use of open trench excavation, which is significantly cheaper than trenchless methods required in congested city centres. For Reach Ten, this translates into lower civil works cost per km, enabling scalable rollouts under JENDELA Phase 2.

Higher tenancy ratios. We expect Reach Ten's 36 towers to be progressively leased to MNOs under multi-year tenancy agreements, positioning the Group to benefit from rising bandwidth demand driven by 4G and future 5G rollouts. The strategic placement of these rural towers supports higher tenancy ratios, while recurring lease income underpins earnings visibility, particularly as we expect MNOs to expand network coverage in underserved areas.

IPO Note – Not rated

Loui Low
louilow@msec.com.my
(603) 2201 2100

Muhammad Nabil
muhammadnabil@msec.com.my
(603) 2201 2100

Non-Rated

Share price	**RM0.52**
Target price	**RM0.71**
Previous TP	-
Capital upside	36.5%
Dividend return	3.1%
Total return	39.6%

Company profile

Through its wholly-owned subsdiaries, Reach Ten Holdings Berhad primarily involved in satellite-based broadband services, fibre optic communication networks, and telecommunications infrastructure as well managing services.

Stock information

Bursa Code	5332
Bloomberg ticker	REACHTEN MK
Listing market	MAIN
Share issued (m)	1,000.0
Market Cap (m)	520.0
Shariah compliant	YES
MITI	YES

Major shareholders	**%**
Chin Yu Lay	17.7
Eddryson Effe	15.0
Lu Pak Lim	14.7

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	51.3	67.9	53.0
EPS (sen)	5.13	6.79	5.30
P/E (x)	10.1	7.7	9.8

Timetable of IPO

Opening of application	8 April
Closing of application	18 April
Balloting of application	22 April
Allotment of the IPO shares	28 April
Listing on the ACE market	2 May

JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

M+Online Equipping Traders For The Win
M+Global Winning The World

Company Background

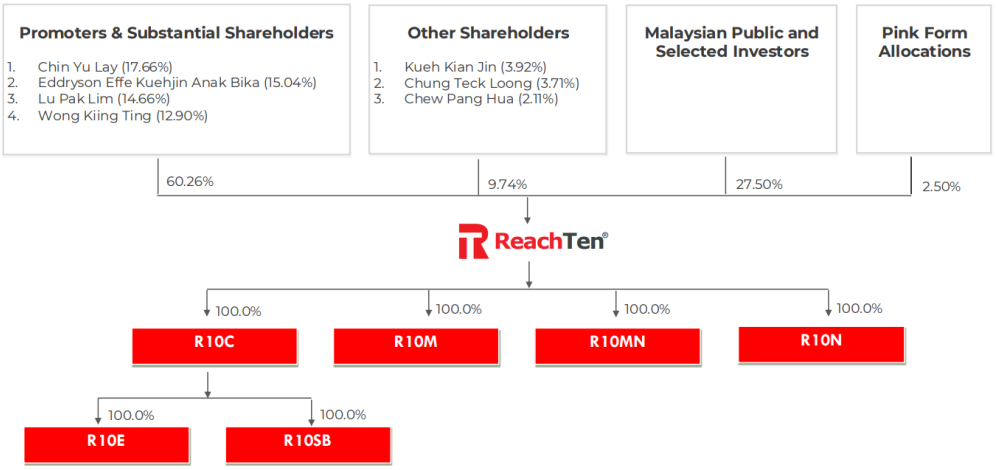
Reach Ten Holdings Berhad primarily generates revenue through three core activities: satellite-based broadband services, fibre optic communication networks, and telecommunications infrastructure and managed services. These segments are focused on bridging the digital divide across underserved and remote regions in Sarawak.

Fig #1 Reach Ten's business summary

Business Segments	TELECOMMUNICATION NETWORKS, SERVICES AND INFRASTRUCTURE		
	Satellite-based Communication Networks & Services	Fibre Optic Communication Networks and Services	Telecommunications Infrastructure Services and Managed Services
Infrastructure owned and deployed as at 10 March 2025	Operate 1,215 VSAT infrastructure	Own approximately 217KM of fibre optic duct infrastructure and approximately 649 km of fibre optic cable link	• Own 33 monopoles and 3 lattice towers • Deployed 29 lattice towers for customers
Principal Locations	Sarawak	Sarawak	Sarawak
Customers/Users	Government entities, enterprises and rural communities	Government entities, enterprises and individual consumers	Government entities, enterprises and rural communities
Suppliers	Local and foreign satellite operators, suppliers for hardware and software	Local and foreign Internet service providers, subcontractors, suppliers for fibre optic cable, hardware and software	Local subcontractors, local and foreign suppliers for cable and power equipment
Revenue Model	• Supply and installation fees (one-off project based) • Broadband services (recurring)	• Installation & activation fees (one-off project based) • Point-to-Point leased line services (recurring) • Broadband services (recurring)	• Telecommunications infrastructure services (one-off project based) • Managed Services (Recurring)

Source: Reach Ten Holdings Berhad

Fig #2 Reach Ten's organization structure



Source: Reach Ten Holdings Berhad

Satellite-based broadband services. The group provides broadband and VOIP connectivity to rural communities via VSAT systems. Services are delivered under multi-year government contracts such as JENDELA and SALURAN, with bundled offerings including satellite backhaul, WiFi distribution, and maintenance. Charges are billed monthly over 12–36 months.

Fibre optic communication networks and services. Reach Ten owns and operates 649 km of fibre cable and 217 km of duct infrastructure in Kuching and Samarahan, providing a point-to-point leased lines and shared broadband to commercial, residential, and government users. The Group also undertakes one-off installation and

commissioning works, supporting stable recurring income from long-term service contracts spanning 24–60 months.

Fig #3 Reach Ten's fibres coverage



Source: Reach Ten Holdings Berhad

Telecommunications infrastructure and managed services. Reach Ten involves monetising 36 owned towers (33 monopoles, 3 lattice) through multi-year leases with mobile network operators. Top-line is further supported by one-off rural tower construction projects for government clients, while post-handover, towers are either retained for managed services or transferred.

Future Plans and Business Strategies

Expand broadband and fibre optic infrastructure. The group intends to deploy new broadband and fibre infrastructure across Sarawak, particularly in underserved areas under JENDELA Phase 2. This includes the installation of VSAT terminals, expansion of teleport facilities, and rollout of new fibre routes to support the growing demand for rural digital connectivity solutions.

Strengthen working capital for contract execution. The group's ability to undertake larger broadband and fibre deployment projects depends on the availability of working capital. To support contract mobilisation and meet operational requirements, the group plans to allocate working capital for bandwidth procurement, subcontractor payments, and other project-related expenses across its infrastructure rollouts.

Fig #4 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Expansion and establishment of fibre optic communication network infrastructure	60.0	57.7%	Within 36 months
Construction of telecommunication towers	25.0	24.0%	Within 36 months
Enhancing satelitte -based communication netowrks and service capabilities	4.3	4.1%	Within 36 months
Repayment of bank borrowings	1.7	1.6%	Within 12 months
Working capital	5.0	4.8%	Within 24 months
Listing expenses	8.0	7.7%	Within 1 month
Total	104.0	100.0%	

Source: Reach Ten Holdings Berhad

Financials

Revenue and earnings highlights. The group reported revenue of RM54.6m in FY23, marking a 14.5% YoY increase from RM47.7m in FY22. This growth was primarily driven by higher contributions from satellite-based broadband services, which made up 74.4% of FY23 revenue (FY22: 67.7%). Fibre optic communication contributed 22.2% in FY23 (FY22: 12.4%), supported by increased leased line and installation income. Core earnings rose to RM12.3m in FY23, up 54.4% from RM8.0m in FY22.

Earnings forecasts. We forecast a 3-year core earnings CAGR of 2.8%, to reach at RM67.9m, RM53.0m and RM55.8m driven by broadband and fibre infrastructure expansion under JENDELA Phase 2, strong recurring revenue (~87.0–93.1%), and operating leverage from an established PPE base. Reach Ten's integration in Sarawak's connectivity network (649 km fibre, 217 km ducts) positions it as a key proxy for rural broadband growth, with minimal incremental CapEx.

Fig #5 Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	174.7	182.3	169.7	192.6	210.6
EBITDA	61.0	72.1	94.2	78.3	85.5
EBIT	58.5	69.0	88.3	68.6	72.2
PBT	58.0	69.7	89.3	69.8	73.5
PAT	43.8	51.3	67.9	53.0	55.8
PATMI – Core	43.8	51.3	67.9	53.0	55.8
PATMI – Reported	43.8	51.3	67.9	53.0	55.8
% change YoY – Core PATMI	394.7%	17.3%	32.2%	-21.8%	5.3%
Core EPS (sen)	4.4	5.13	6.79	5.30	5.6
P/E (x)	11.9	10.1	7.7	9.8	9.3
DPS (sen)	0.7	5.1	2.0	1.6	1.7
Yield (%)	1.3%	9.8%	3.9%	3.1%	3.2%
BVPS (RM/share)	0.05	0.06	0.21	0.25	0.29
P/B (x)	10.3	8.7	2.5	2.1	1.8
ROE (%)	135.5%	92.8%	50.4%	23.3%	21.0%
Net Gearing (%)	0.1	CASH	CASH	CASH	CASH

M+ Research

Valuations

We ascribe a fair value of RM0.71 for REACHTEN. Our valuation is derived by pegging a forward P/E of 13.0x to the mid-FY26f EPS of 5.44 sen, implying a 36.5% upside to its IPO price of RM0.52. We believe the pegged P/E is fair given the 12-month forward P/E and trailing 12-month P/E among its closest peers stood at 13.3-16.5x. However, we do not rule out the possibility of the market pricing in higher multiples given its superior net margins compared to its closest peers.

Fig #6 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
Reach Ten Holdings Bhd	**MAIN**	**Dec**	**0.520**	**520.0**	**10.1**	**9.8**	**28.2**
OCK Group Bhd	MAIN	Dec	0.380	399.4	12.2	10.0	5.1
Binasat Communications Bhd	ACE	Dec	0.145	61.9	30.2	NM	1.7
Privasia Technology Bhd	ACE	Dec	0.075	50.7	13.4	NM	5.0
REDtone Digital Bhd	MAIN	Jun	0.495	382.6	6.0	8.4	17.5
Telekom Malaysia Bhd	MAIN	Jun	6.760	25,943.1	12.9	16.1	17.2
TIME dotCom Bhd	MAIN	Jun	5.030	9,299.6	24.3	19.0	22.6
Avg ex-Reach Ten Holdings Bhd				**223.6**	**16.5**	**13.4**	**11.5**

Source: M+ Research

Investment risks

Customer concentration risk. The group derives a substantial portion of its revenue from a small number of key customers, particularly under government initiatives. Any reduction, delay, or non-renewal of these contracts may materially impact the group's revenue visibility, business performance, and overall financial condition.

Concentration in Sarawak. As the group's operations are geographically concentrated in Sarawak, its business performance may be adversely affected by region-specific regulatory changes, delays in state-led initiatives, or changes in infrastructure rollout priorities by the Sarawak government.

Reliance on third-party bandwidth providers. The group sources wholesale satellite and fibre bandwidth from third-party providers such as MEASAT. Any disruption, termination, or price revision in these arrangements may impair its service delivery and profitability.

Inability to scale infrastructure profitably. The group's long-term profitability depends on its ability to expand its broadband and tower infrastructure while maintaining cost efficiency. Any mismatch between infrastructure investment and contract monetisation may impact margins and cash flow conversion.

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned