

# REDtone narrows losses in 2Q

**Higher data revenue trims its losses by 91% to RM82,000**

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**KUALA LUMPUR:** REDtone International Bhd has managed to narrow its losses by 91%, with higher contributions from its data projects.

For its second quarter ended Nov 30 (2QFY12), the company posted a net loss of RM82,000 compared with a net loss of RM915,000 in the same quarter last year.

In a statement to Bursa Malaysia yesterday, REDtone said its revenue for 2Q increased by 67% to RM35.96 million from RM21.56 million a year ago, mainly due to higher revenue contributions from its data business.

*The Edge* weekly reported that REDtone had recently entered into a 4G/LTE network collaboration with two local telecommunication companies to rent out portions of

its bandwidth, which could spark a turnaround once the collaboration kicks in.

Industry observers are expecting REDtone, which has been loss-making since 2008, to return to the black when its collaboration with these telcos takes off.

For the six months to Nov 30, REDtone posted a net loss of RM751,000 on revenue of RM60.66 million compared with a net loss of RM1.78 million on revenue of RM45.47 million in the previous corresponding period.

For the six months ended Nov 30, its data and broadband recorded a revenue of RM17.4 million compared with RM13.2 million for the 12 months ended May 31, 2011 (FY11).

REDtone added that by extrapolating the six months results, its increase in revenue from data is about 167%.

The companies that REDtone might be leasing parts of its 4G/LTE spectrum to are Maxis Bhd, U Mobile Sdn Bhd, DiGi.Com Bhd and Celcom Axiata Bhd.

REDtone did not name the party it had signed the deal with but said it was more than one telco. Sources say that DiGi and Celcom are possible partners of REDtone.

REDtone had said it would make an announcement on the matter once the Malaysian Communications and Multimedia Commission (MCMC) finalises the positioning of each spectrum block.

According to a source, REDtone's rationale for entering into such an agreement is to raise capital to fund the eventual rollout of its own 4G/LTE network, which requires a large amount of capital expenditure.

Market talk of REDtone's tie-up has caused its share price to gradually increase over the past three weeks.

With a closing price of 32.5 sen yesterday, its shares have increased by 27.5% from 25.5 sen on Dec 28.

Based on its closing yesterday, REDtone had a market capitalisation of RM152.85 million.

Observers say that because REDtone is relatively small compared to

other larger telco players, funding may prove to be an issue.

As at Nov 30, it had cash reserves of RM20.56 million and investments of RM3.53 million while its total borrowings amounted to RM2.91 million.

Since 2010, there has been a number of collaborations between telco players, starting with Maxis signing a deal with Telekom Malaysia Bhd (TM), followed by Packet One Networks (M) Sdn Bhd (P1) with TM, and DiGi with Celcom.

In 2011, Maxis signed a deal with U-Mobile to share its 3G infrastructure.

In December 2010, nine companies received a letter of award from the MCMC concerning their specific 4G spectrum blocks. The nine are Celcom, Maxis, DiGi, U-Mobile, REDtone, P1, Asiaspace Sdn Bhd, YTL Communications Sdn Bhd and Puncak Semangat Sdn Bhd.

On its prospects, REDtone said repositioning itself from voice into data and broadband has shown encouraging results.