

14 February 2025

Communications | Telecommunications

CelcomDigi (CDB MK)

Buy (Maintained)

Expecting Greater Synergies; Keep BUY

Target Price (Return): MYR4.30 (+11%)
 Price (Market Cap): MYR3.87 (USD10,187m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (MYR/USD) 10.4m/2.32m

- **Keep BUY, with new DCF-derived MYR4.30 TP from MYR4.35, 11% upside and c.4% FY25F yield.** CelcomDigi's FY24 results were broadly in line with greater realisation of merger synergies alongside a stabilisation of the prepaid base. We see greater opex synergies in FY25F with the network integration at the tail-end. 5G developments remain fluid but likely priced-in, in our view.
- **Broadly in line.** 4Q24 reported earnings slipped 64% QoQ from lumpy non-cash network impairment (MYR217m) and accelerated depreciation charges (MYR113m) - now classified as a recurring expense. Stripping out the impairment charge, core earnings fell 7.3% QoQ (-7% YoY) from higher 5G/traffic and fibre cost and opex which offset lower staff cost and tax reversals. FY24 core earnings were in line, at 97% and 102% of our and consensus estimates. 4Q24 DPS of 3.7 sen puts FY24 DPS at 14.3sen (DPR: 103%).
- **Prepaid base stabilises; postpaid and home fibre-led growth.** Service revenue ticked-up 1.2% QoQ, reflecting some seasonal effects, with growth in postpaid and home fibre partially masked by prepaid contraction. Positively, prepaid subs base has stabilised (+23k QoQ) after four consecutive quarters of decline on steady ARPU. FY24 home fibre revenue growth of 34% was driven by a 68% jump in subs with aggressive upselling of fibre bundles to customers (80% fibre penetration on mobile). The competition has nonetheless diluted ARPU.
- **Ahead of integration milestones; depreciation looks to be still elevated.** Over 75% of CDB's network has been integrated/modernised as at end-4Q24, on track for full completion by mid-2025. Management is guiding for capex/sales of 14-16% for FY25F (FY24: 18.7%) with investments on new IT platforms to support the new operating model. We learnt that depreciation charges may still be elevated in the medium term from the new IT stacks, albeit those from legacy network assets should taper off. Management is targeting steady state capex/sales at the lower end of the FY25 guidance in the longer term.
- **Synergies – more please.** Overall FY24 net synergies (capex and opex) totalled MYR1.34bn, with capex avoidance at MYR1.15bn (86%) and integration cost at MYR385m. With integration cost having peaked, we expect CDB to extract greater opex synergies from FY25F. While 5G wholesale cost was not disclosed, management guided for this to ramp-up in FY25 although the impact should be cushioned by opex efficiencies/synergies. Post results call, we trim FY25F-26F core earnings by 2-3% and introduce FY27F numbers. Consequently, our DCF-derived TP is reduced to MYR4.30 (a 6% ESG premium imputed).
- **Key risks** are lower/weaker-than-expected merger synergies, competition and regulatory setbacks.

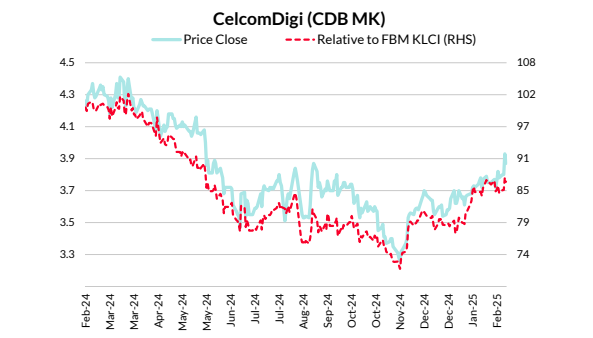
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	6.9	5.2	18.7	1.6	(9.0)
Relative	10.0	4.8	19.9	2.7	(13.0)
52-wk Price low/high (MYR)				3.26	-4.41



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	12,682	12,679	13,037	13,170	13,544
Recurring net profit (MYRm)	1,553	1,730	1,939	2,199	2,517
Recurring net profit growth (%)	29.1	11.4	12.1	13.4	14.5
Recurring P/E (x)	29.23	26.24	23.42	20.65	18.04
P/B (x)	2.8	2.8	2.8	2.8	2.7
P/CF (x)	7.45	9.04	8.06	7.45	7.36
Dividend Yield (%)	3.4	3.7	4.1	4.7	5.4
EV/EBITDA (x)	9.36	9.93	9.27	8.27	7.88
Return on average equity (%)	9.9	8.9	11.9	13.4	15.3
Net debt to equity (%)	76.6	79.1	72.5	63.4	54.1

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 3.7 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
The ESG metrics are not comparable due to the change in reporting boundaries and methodologies post-merger.	Scope 1	16,006	53,670	na	na
	Scope 2	262,927	467,841	na	na
	Scope 3	845	282	na	na
	Total emissions	279,778	521,793	na	na

Source: Company data, RHB

Latest ESG-Related Developments

CDB is decommissioning overall mobile sites by about a third as part of the merger process which would contribute to lower carbon and energy intensity.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 13 February 2025

E Score: 3.0 (GOOD)

CDB is committed to the reduction in overall carbon footprint as part of the 2050 Net Zero target.

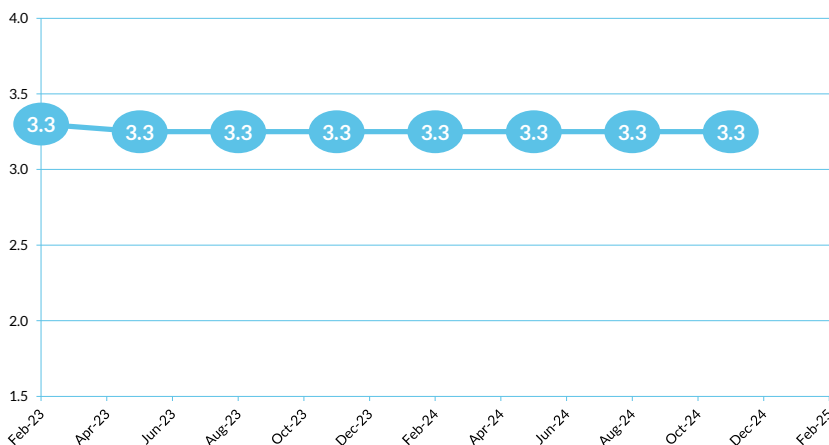
S Score: 3.3 (EXCELLENT)

CDB helps in meeting the nation’s digital inclusion agenda as a technology and communications enabler. As the largest telecommunications services provider in the country, the Group prides itself in delivering industry leading community and social outreach programme. The Group is a strong advocate of online safety with regular engagements with the relevant authorities and stakeholders to drive awareness and accountability.

G Score: 3.7 (EXCELLENT)

The Board is made up of 10 directors, of which four are independent and a third are women. The remuneration disclosures of independent directors are on a named basis. An in-house investor relations team provides access to the management with quarterly investor updates and on-site meetings.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.13	0.15	0.17	0.19	0.21
Communications	DPS	0.13	0.14	0.16	0.18	0.21
CelcomDigi	BVPS	1.39	1.37	1.40	1.40	1.41
CDB MK	Return on average equity (%)	9.9	8.9	11.9	13.4	15.3
Buy						
Valuation basis	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
DCF (WACC: 8.5%, TG: 1%)	Recurring P/E (x)	29.23	26.24	23.42	20.65	18.04
	P/B (x)	2.8	2.8	2.8	2.8	2.7
	FCF Yield (%)	9.8	5.8	7.2	9.1	10.0
	Dividend Yield (%)	3.4	3.7	4.1	4.7	5.4
	EV/EBITDA (x)	9.36	9.93	9.27	8.27	7.88
	EV/EBIT (x)	21.16	24.30	18.54	16.23	14.06
Key drivers	Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
i. Capex and opex synergies from the merger;	Total turnover	12,682	12,679	13,037	13,170	13,544
ii. Stronger than expected margin/earnings;	Gross profit	6,400	6,191	6,597	6,519	7,200
iii. Improved data monetisation on 5G.	EBITDA	6,212	5,872	6,199	6,776	6,918
	Depreciation and amortisation	(3,465)	(3,472)	(3,099)	(3,324)	(3,040)
	Operating profit	2,747	2,401	3,100	3,452	3,878
	Net interest	(539)	(597)	(580)	(589)	(597)
	Pre-tax profit	2,239	1,808	2,551	2,893	3,311
	Taxation	(614)	(346)	(612)	(694)	(795)
	Reported net profit	1,610	1,450	1,939	2,199	2,517
	Recurring net profit	1,553	1,730	1,939	2,199	2,517
Key risks	Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
i. Competition;	Change in working capital	493	(502)	44	16	46
ii. Lower than expected merger synergies;	Cash flow from operations	6,091	5,024	5,631	6,098	6,170
iii. Regulatory setbacks.	Capex	(1,630)	(2,371)	(2,347)	(1,975)	(1,625)
	Cash flow from investing activities	(1,541)	(2,358)	(2,327)	(1,956)	(1,606)
	Dividends paid	(1,549)	(1,678)	(1,877)	(2,112)	(2,466)
	Cash flow from financing activities	(3,439)	(1,625)	(2,077)	(2,312)	(2,666)
	Cash at beginning of period	1,221	397	237	895	2,147
	Net change in cash	1,111	1,041	1,227	1,830	1,898
	Ending balance cash	394	200	857	2,147	3,459
Company Profile	Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
CelcomDigi is the product of the 2022 merger between Digi Telecommunications and Celcom Axiata. It is the largest integrated converged mobile operator in Malaysia by revenue and subscriber market share. Axiata Group and Telenor Asia hold a respective 33.1% stake in the company .	Total cash and equivalents	397	237	895	2,147	3,459
	Tangible fixed assets	6,127	6,594	5,842	4,493	3,077
	Total assets	36,427	36,075	36,077	36,016	36,012
	Short-term debt	2,228	1,860	1,660	1,460	1,260
	Total long-term debt	10,769	11,189	11,189	11,189	11,189
	Total liabilities	19,968	19,886	19,589	19,441	19,387
	Total equity	16,459	16,189	16,488	16,575	16,625
	Total liabilities & equity	36,427	36,075	36,077	36,016	36,012
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	87.2	(0.0)	2.8	1.0	2.8
	Recurrent EPS growth (%)	29.1	11.4	12.1	13.4	14.5
	Gross margin (%)	50.5	48.8	50.6	49.5	53.2
	Operating EBITDA margin (%)	49.0	46.3	47.5	51.5	51.1
	Net profit margin (%)	12.7	11.4	14.9	16.7	18.6
	Dividend payout ratio (%)	96.2	115.7	96.8	96.0	98.0
	Capex/sales (%)	12.9	18.7	18.0	15.0	12.0
	Interest cover (x)	4.37	3.93	5.18	5.68	6.29

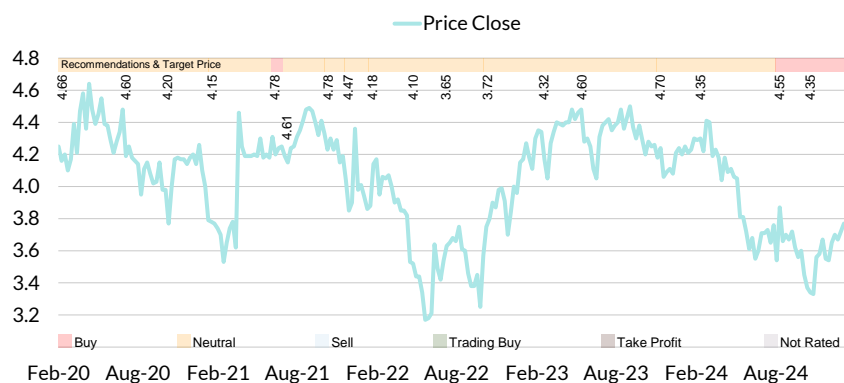
Source: Company data, RHB

Figure 1: Results review table

FYE Dec (MYRm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)	Comments
Revenue	3,274.8	3,126.5	3,276.0	4.8	0.0	12,682.2	12,679.5	(0.0)	Seasonally higher device sales QoQ
Service revenue	2,738.0	2,690.0	2,720.0	1.1	(0.7)	10,862.0	10,793.0	(0.6)	Stronger postpaid and home fibre revenue growth offset weaker prepaid revenue
COGS and Opex	(1,704.9)	(1,617.4)	(1,729.5)	6.9	1.4	(6,587.6)	(6,878.9)	4.4	Higher 5G traffic and fibre costs
Other income	27.2	29.5	30.5	3.4	12.0	59.3	93.3	57.3	
Core EBITDA	1,597.1	1,509.1	1,546.6	2.5	(3.2)	6,154.4	5,800.5	(5.8)	
Depreciation	(798.7)	(738.4)	(1,217.8)	64.9	52.5	(3,483.1)	(3,470.6)	(0.4)	Right of use (ROU) asset impairment of MYR217m and accelerated depreciation charge of MYR113m
EBIT	798.4	770.6	328.7	(57.3)	(58.8)	2,671.3	2,329.9	(12.8)	
Interest expense	(146.1)	(155.4)	(156.0)	0.4	6.8	(627.9)	(610.1)	(2.8)	
JV share	7.3	(12.4)	6.2	(149.5)	(15.7)	31.0	4.9	(84.2)	
Pretax profit	680.4	606.6	181.0	(70.2)	(73.4)	2,182.4	1,735.1	(20.5)	
Tax	(240.6)	(166.1)	(19.8)	(88.1)	(91.8)	(614.0)	(346.4)	(43.6)	Tax reversals in 3Q24
MI	(4.3)	(3.5)	(4.2)	20.3	(1.9)	(14.6)	(12.2)	(16.7)	
Net Profit	435.1	437.0	157.0	(64.1)	(63.9)	1,553.2	1,376.5	(11.4)	
Core Net Profit	435.1	437.0	405.0	(7.3)	(6.9)	1,556.5	1,624.5	4.4	Broadly in line

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-19	Buy	4.35	3.40
2024-08-20	Buy	4.55	3.55
2024-08-18	Neutral	4.35	3.76
2024-05-29	Neutral	4.35	3.86
2024-02-21	Neutral	4.35	4.31
2023-11-20	Neutral	4.70	4.30
2023-05-25	Neutral	4.60	4.46
2023-02-27	Neutral	4.32	4.30
2022-10-21	Neutral	3.72	3.57
2022-07-17	Neutral	3.65	3.42
2022-05-04	Neutral	4.10	3.82
2022-01-31	Neutral	4.18	3.80
2021-12-06	Neutral	4.47	4.08
2021-10-21	Neutral	4.78	4.35
2021-07-19	Neutral	4.61	4.20

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Sell:	Share price may fall by more than 10% over the next 12 months
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Analyst	Company
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