

19 August 2025

Communications | Telecommunications

## CelcomDigi (CDB MK)

**Buy** (Maintained)

### IT Transformation Cost To Peak In 4Q25; Keep BUY

- **Keep BUY, new MYR4.20 DCF TP (from MYR4.40), 11% upside, c.4% yield.** CelcomDigi's results were a slight miss, with core EBIT up 9.2% in 1H25. With IT transformation cost and depreciation set to rise in 2H25, EBIT growth should normalise to guided levels. We expect core earnings to still grow at a respectable 25% FY25-27F CAGR, from the improvement in commercial execution and greater synergies from the completion of its IT stack upgrades.
- **A slight miss; net synergies trending behind due to IT transformation.** Core PATAMI of MYR439m (+2% QoQ, +8.1% YoY) brought 1H25 core PATAMI to MYR869m (+11.2% YoY), at 49% of our full-year forecast (consensus: 47%) with a weaker 2H25 in the offing. 1H25 core EBIT grew 9.2%, at 51% of our/consensus forecasts. Relative to our forecast, net opex synergies are trending behind, with integration cost set to rise in 2H25 as IT investments peak. A second interim DPS of 3.8 sen puts 1H25 DPS at 7.5 sen (100% DPR).
- **Operational review.** Service revenue was flattish in 1H25 (-0.7% YoY, +1.4% QoQ) with weaker prepaid revenue partly buffered by stronger home fibre and postpaid revenues. 2Q25 EBIT improved 6% QoQ, mainly on lower staff cost with MYR41m in 1Q25 redundancy cost booked and device sales. Prepaid revenue dipped by a marginal 0.6% QoQ on seasonality (lower reloads and gaming spend). A clean-up of the prepaid registry also crimped prepaid subs (no revenue impact) after two quarters of marginal growth. Home broadband revenue and subs hit quarterly highs, up by double digits YoY or QoQ, thanks to the strong take-up of the converged (CD One) plans where a third of fibre gross additions originate. CDB said 5G wholesale costs have been steady QoQ (1H25: MYR110m).
- **Integration updates.** While network integration has reached 84% (end-June), the pace appears to have slowed over the quarter (1Q25: c.80%) which we believe could be due to protracted discussions on remaining sites. Management said the industry has made some progress on the discussions with the Government on the expanded Sales & Service Tax (SST) levied on tower rental/leases, with a worst-case impact of MYR100m on an annualised basis (c.5% of our forecast).
- **Outlook and forecast.** Management has reaffirmed its guidance of low-single-digit service revenue growth, EBIT growth of low-to-mid-single digit and capex intensity of 14-16% for FY25. This implies slower EBIT growth in 2H25 on higher depreciation (new network assets) and integration costs, with IT transformation investments to peak in 4Q25 (MYR317m integration cost guided for FY25F). Capex spending should also be seasonally higher in 2H25 (1H25: capex/sales of 7.8%). Post results call, we adjust FY25-27F core earnings by -7%, -3% and +0.3% to reflect lower and backloaded opex synergies. Our TP is lowered to MYR4.20, with a 6% ESG premium imputed.

Target Price (Return): MYR4.20 (+11%)  
Price (Market Cap): MYR3.78 (USD10,503m)  
ESG score: 3.3 (out of 4)  
Avg Daily Turnover (MYR/USD) 10.1m/2.38m

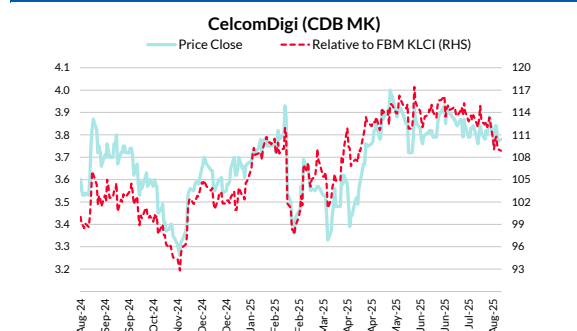
#### Analyst

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	4.4	(1.6)	(4.8)	11.2	0.5
Relative	7.9	(5.5)	(5.6)	11.2	2.9
52-wk Price low/high (MYR)				3.26	4.00



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	12,682	12,679	13,058	13,236	13,632
Recurring net profit (MYRm)	1,553	1,728	1,678	1,945	2,532
Recurring net profit growth (%)	29.1	11.3	(2.9)	15.9	30.2
Recurring P/E (x)	28.55	25.66	26.43	22.80	17.52
P/B (x)	2.7	2.8	2.8	2.8	2.8
P/CF (x)	7.28	8.83	8.29	7.64	7.17
Dividend Yield (%)	3.5	3.8	4.2	4.8	5.6
EV/EBITDA (x)	9.19	9.75	9.58	8.55	7.72
Return on average equity (%)	9.9	8.9	10.4	12.1	15.9
Net debt to equity (%)	76.6	79.1	73.8	67.4	60.5

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
Overall carbon emissions (Scope 1 and 2) increased due to the merger of two networks and despite efficiency gains notched. 2024 metrics also reflected the increase in the conversion multiplier due to the revisions in the National Grid Emission Factor (GEF) and other operational factors	Scope 1	16,006	53,670	43,810	na
	Scope 2	262,927	483,946	517,946	na
	Scope 3	845	282	4,350	na
	Total emissions	279,778	537,898	566,106	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 going forward.

## ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 18 Aug 2025

E Score: 3.0 (GOOD)

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

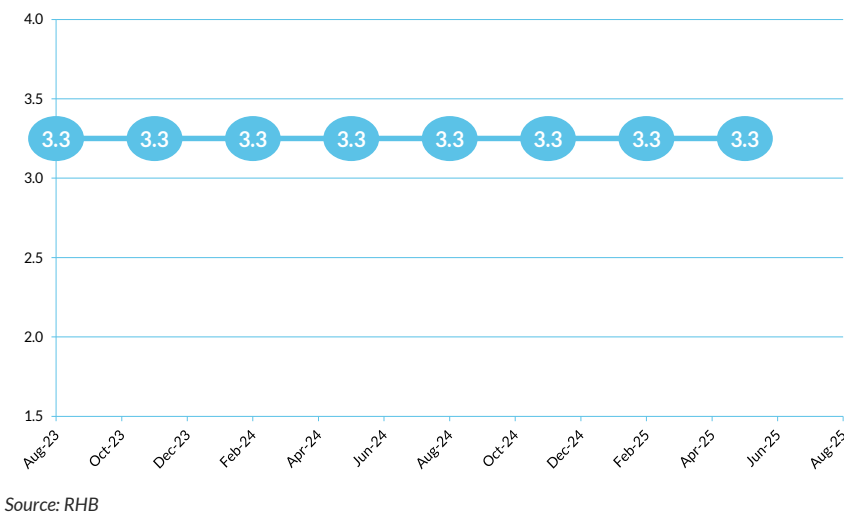
S Score: 3.3 (EXCELLENT)

As the leading converged communications player, CDB helps in meeting the nation’s digital inclusion agenda. The group prides itself on delivering industry-leading community and social outreach programmes, and 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 management, with quarterly investor updates and on-site meetings

## ESG Rating History



## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Malaysia	Recurring EPS	0.13	0.15	0.14	0.17	0.22
Communications	DPS	0.13	0.14	0.16	0.18	0.21
<b>CelcomDigi</b>	BVPS	1.39	1.37	1.37	1.36	1.36
CDB MK	Return on average equity (%)	9.9	8.9	10.4	12.1	15.9
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
DCF (WACC: 8.5%, TG: 1%)	Recurring P/E (x)	28.55	25.66	26.43	22.80	17.52
	P/B (x)	2.7	2.8	2.8	2.8	2.8
	FCF Yield (%)	10.1	6.0	7.3	8.6	9.3
<b>Key drivers</b>	Dividend Yield (%)	3.5	3.8	4.2	4.8	5.6
i. Merger synergies;	EV/EBITDA (x)	9.19	9.75	9.58	8.55	7.72
ii. Improving ARPU;	EV/EBIT (x)	20.77	23.86	20.03	17.35	13.59
iii. Stronger-than-expected margins/earnings.						
<b>Key risks</b>	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
i. Competition;	Total turnover	12,682	12,679	13,058	13,236	13,632
ii. Lower-than-expected merger synergies;	Gross profit	6,400	6,191	6,638	6,617	7,275
iii. Regulatory setbacks.	EBITDA	6,212	5,872	5,891	6,466	7,023
	Depreciation and amortisation	(3,465)	(3,472)	(3,074)	(3,279)	(3,035)
	Operating profit	2,747	2,401	2,817	3,187	3,988
	Net interest	(539)	(597)	(580)	(589)	(597)
	Pre-tax profit	2,239	1,808	2,268	2,629	3,421
	Taxation	(614)	(346)	(590)	(683)	(890)
	Reported net profit	1,610	1,450	1,678	1,945	2,532
	Recurring net profit	1,553	1,728	1,678	1,945	2,532
<b>Company Profile</b>	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
CelcomDigi 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 .	Change in working capital	493	(502)	47	22	49
	Cash flow from operations	6,091	5,024	5,348	5,805	6,182
	Capex	(1,630)	(2,371)	(2,089)	(1,985)	(2,045)
	Cash flow from investing activities	(1,541)	(2,358)	(2,070)	(1,966)	(2,025)
	Dividends paid	(1,549)	(1,678)	(1,877)	(2,112)	(2,481)
	Cash flow from financing activities	(3,439)	(1,625)	(2,077)	(2,312)	(2,681)
	Cash at beginning of period	1,221	397	237	870	1,819
	Net change in cash	1,111	1,041	1,202	1,527	1,476
	Ending balance cash	394	200	832	1,819	2,708
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	397	237	870	1,819	2,708
	Tangible fixed assets	6,127	6,594	5,609	4,315	3,325
	Total assets	36,427	36,075	35,825	35,528	35,533
	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	19,597	19,467	19,422
	Total equity	16,459	16,189	16,227	16,061	16,111
	Total liabilities & equity	36,427	36,075	35,825	35,528	35,533
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	87.2	(0.0)	3.0	1.4	3.0
	Recurrent EPS growth (%)	29.1	11.3	(2.9)	15.9	30.2
	Gross margin (%)	50.5	48.8	50.8	50.0	53.4
	Operating EBITDA margin (%)	49.0	46.3	45.1	48.9	51.5
	Net profit margin (%)	12.7	11.4	12.9	14.7	18.6
	Dividend payout ratio (%)	96.2	115.7	111.9	108.6	98.0
	Capex/sales (%)	12.9	18.7	16.0	15.0	15.0
	Interest cover (x)	4.37	3.93	4.70	5.24	6.47

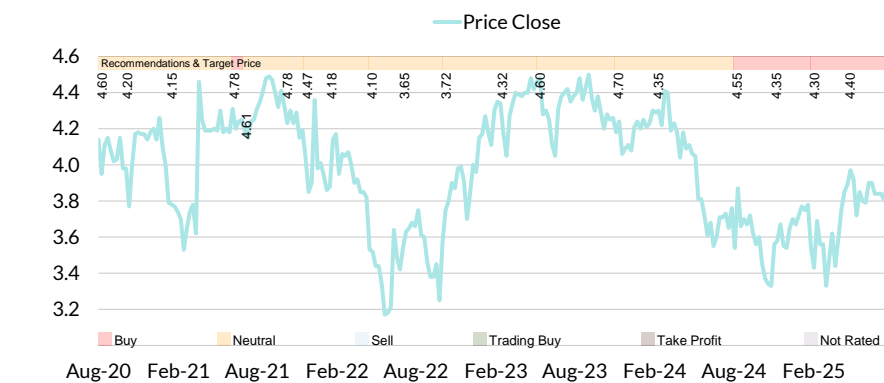
Source: Company data, RHB

Figure 1: Results review

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
<b>Revenue</b>	<b>3,105.9</b>	<b>3,209.3</b>	<b>3,178.5</b>	<b>(1.0)</b>	<b>2.3</b>	<b>6,276.9</b>	<b>6,387.8</b>	<b>1.8</b>	Seasonally lower device sales in 2Q25
Service revenue	2,695.0	2,655.0	2,693.0	1.4	(0.1)	5,383.0	5,348.0	(0.7)	Stronger postpaid and home fibre revenue offset weaker prepaid revenue QoQ
COGS and Opex	(1,709.0)	(1,861.0)	(1,794.0)	(3.6)	5.0	(3,532.0)	(3,655.0)	3.5	Lower staff cost, due to staff redundancy cost of MYR41m booked in 1Q25 related to IT platform upgrades
Other income	12.5	14.6	18.7	28.4	49.7	33.3	33.3	(0.1)	
<b>Core EBITDA</b>	<b>1,396.9</b>	<b>1,348.3</b>	<b>1,384.5</b>	<b>2.7</b>	<b>(0.9)</b>	<b>2,744.9</b>	<b>2,732.8</b>	<b>(0.4)</b>	Lower staff cost and higher credit cost QoQ
Depreciation	(750.6)	(653.7)	(681.7)	4.3	(9.2)	(1,519.4)	(1,335.4)	(12.1)	ROU asset impairment and accelerated depreciation of MYR247m booked in FY24
<b>EBIT</b>	<b>655.3</b>	<b>696.6</b>	<b>736.0</b>	<b>5.7</b>	<b>12.3</b>	<b>1,229.3</b>	<b>1,432.6</b>	<b>16.5</b>	
Interest expense	(146.0)	(144.0)	(147.4)	2.4	1.0	(298.7)	(291.4)	(2.4)	
JV share	8.5	(2.0)	3.6	(282.4)	(57.6)	11.2	1.6	(85.4)	
<b>Pretax profit</b>	<b>520.3</b>	<b>553.1</b>	<b>597.3</b>	<b>8.0</b>	<b>14.8</b>	<b>947.5</b>	<b>1,150.4</b>	<b>21.4</b>	
Tax	(104.4)	(164.9)	(158.5)	(3.9)	51.8	(160.6)	(323.5)	101.4	Green tax incentives in FY24
MI	(9.8)	(4.2)	0.2	(103.8)	(101.6)	(4.4)	(4.1)	(8.0)	
<b>Net Profit</b>	<b>406.0</b>	<b>383.9</b>	<b>438.9</b>	<b>14.3</b>	<b>8.1</b>	<b>782.5</b>	<b>822.8</b>	<b>5.2</b>	
<b>Core Net Profit</b>	<b>406.0</b>	<b>430.9</b>	<b>438.9</b>	<b>1.9</b>	<b>8.1</b>	<b>886.4</b>	<b>869.8</b>	<b>(1.9)</b>	A slight miss, with a weaker 2H25 expected

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-08	Buy	4.40	3.87
2025-02-14	Buy	4.30	3.54
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

Source: RHB, Bloomberg

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<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
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