Corporate Update

Celcomdigi Berhad

(6947 | CDB MK) Main | Telecommunication

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **Neutral**

Revised Target Price **RM3.68** (from RM3.53)

Mixed Revenue Performance

Lacking the catalyst to outperform expectation. We are keeping our NEUTRAL recommendation on Celcomdigi bhd (CDB) with a slight revision in target price to RM3.68 (previously RM3.53) post the 4QFY24 results announcement. As expected, FY24 revenue performance was lacklustre which saw only the postpaid and fixed enterprise segment outperformed. Looking at the various effort to grow the revenue, we view that the growth would only be marginal at best. On the other hand, cost of goods and services as well as opex trended higher. Depreciation and amortisation expenses also remain elevated post the merger. Given the lack of catalyst, we do not see much upside potential for CDB at this juncture. We only view the group's dividend yield to be attractive at around 5%.

Contraction in normalised earnings. CDB reported 4QFY24 earnings of RM157m, a decline of -63.9%yoy. However, after adjusting for exceptional items, the normalised earnings amounted to RM 405m, a narrower declin e of -19.5%yoy. Despite 4QFY24 revenue was flat, there is a sharp increase in depreciation and amortisation to RM1.0b. Fortunately, there is lower taxation due to the reversal of an over-provision on deferred tax liabilities and the provision for green tax incentives during the year, leading to lower effective tax rate of 10.9%.

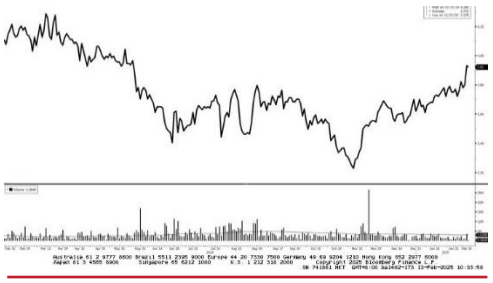
Note that the service revenue posted a marginal decline of -0.6%yoy to RM10,792m. This emanates from lower revenue from both the consumer (-0.5%yoy) and enterprise segment (-1.7%yoy). Only the postpaid segment and fixed enterprise segment saw an improvement of +3.9%yoy and +4.9% respectively.

In-line with expectation. The poor 4QFY24 financial performance led to full year FY24 reported earnings of RM1,376m (-11.3%yoy). On a normalised basis, FY24 normalised earnings amounted to RM 1,736m, a contraction of –18.7%yoy). While revenue was stagnant at RM12.7b, the group recorded higher cost of goods and services as well as lower finance income. All in, CDB's FY24 earnings performance came in within ours and consensus expectations, making up 100.12% and 101.94% of full year FY24 earnings estimates respectively.

Slightly higher target price. While the earnings came in within our expectation, we updated our financial model to incorporate FY24 actual numbers. As a result, both FY25 and FY26 earnings estimates has been adjusted marginally higher by +0.9% and +0.5% respectively. Subsequent to the adjustment on our earnings forecasts, we also take this opportunity to roll forward our valuation-based year to FY26. These lead to revised DCF-derived target price of RM3.68 from RM3.53 previously while maintaining all the valuation parameters.

RETURN STATISTICS	
Price @ 13th Feb 2024 (RM)	3.87
Expected share price return (%)	-4.9
Expected dividend yield (%)	+5.1
Expected total return (%)	+0.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.5	6.0
3months	8.3	21.6
12 months	-7.8	-11.3

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025E	2026F	2027F
Revenue	12,999	13,409	13,859
Operating Profit	2,975	3,280	3,589
PBT	2,469	2,768	3,071
Core PATAMI	1,901	2,132	2,364
Core EPS (sen)	16.2	18.2	20.2
DPS (sen)	15.4	17.3	19.1
Dividend Yield	4.6	5.1	5.7

KEY STATISTICS	
FBM KLCI	1,593.11
Issue shares (m)	11,731.51
Estimated free float (%)	23.26
Market Capitalisation (RM'm)	45,987.51
52-wk price range (rm)	RM3.25 – RM4.43
3-mth average daily volume (m)	3.07
3-mth average daily value (RM'm)	11.04
Top Shareholders (%)	
Telenor ASA	33.10
Axiata Group Bhd	33.10
Employees Provident Fund	10.50

Analyst

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CELCOMDIGI BHD: 4QFY24 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Annual		
	4Q24	% YoY	%QoQ	FY24	FY23	%YoY
Revenue	3,276	0.0	4.8	12,679	12,682	0.0
EBITDA	1,328	-1.1	-12.3	5,591	5,950	-6.0
Depreciation and amortisation	-1,001	83.4	34.6	-3,263	-3,230	1.0
EBIT/(LBIT)	328	-58.9	-57.5	2,328	2,720	-14.4
Finance costs	-156	6.8	0.6	-610	-628	-2.8
Finance income	3	-84.3	-8.4	13	89	-85.6
Share of profit of associate	6	-15.7	-149.5	5	31	n.m.
PBT	181	-73.4	-70.2	1,735	2,181	-20.4
Taxation	-20	-91.8	-88.1	-346	-614	-43.6
PAT/LAT	161	-63.3	-63.4	1,389	1,567	-11.4
MI	4	-1.9	20.3	12	15	n.m.
PATAMI	157	-63.9	-64.1	1,376	1,552	-11.3
Normalised PATAMI	405	-19.5	-1.0	1,736	2,135	-18.7
EPS/(LPS) (sen)	1	-63.9	-64.1	15	18	-18.7
EBITDA margin (%)	40.5	-0.5	-2.5	44.1	46.9	-2.8
EBIT margin (%)	10.0	-14.4	1.8	18.4	21.4	-3.1
Normalised PATAMI margin (%)	12.4	-8.5	-6.9	13.7	16.8	-3.1
Effective tax rate (%)	10.9	-24.5	41.4	20.0	28.2	-8.2

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	12,682	12,679	12,999	13,409	13,859
EBITDA	5,919	5,799	6,101	6,280	6,468
EBIT	2,689	2,797	2,975	3,280	3,589
PBT	2,181	1,735	2,469	2,768	3,071
Reported PATAMI	1,552	1,389	1,901	2,132	2,364
Normalised PATAMI	2,150	1,748	1,901	2,132	2,364
Normalised EPS (sen)	18.33	14.90	16.20	18.17	20.15
Normalised EPS Growth (%)	12.05	-18.70	8.74	12.15	10.92
PER (x)	18.39	22.62	20.80	18.55	16.72
Dividend Per Share (sen)	13.20	14.30	15.39	17.26	19.15
Dividend yield (%)	3.92	4.24	4.57	5.12	5.68
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Fixed assets	6,127	6,594	5,547	4,559	3,620
Intangible assets	18,951	18,943	18,943	18,943	18,943
Others	7,933	6,676	6,676	6,676	6,676
Non-current assets	**33,011**	**32,214**	**31,167**	**30,179**	**29,240**
Cash	397	237	1,588	2,915	4,207
Trade debtors	2,474	3,148	3,205	3,306	3,417
Others	544	476	482	491	500
Current assets	**3,415**	**3,861**	**5,276**	**6,712**	**8,124**
Trade creditors	4,285	4,371	4,481	4,623	4,778
Short-term debt	2,228	1,860	1,860	1,860	1,860
Others	909	797	797	797	797
Current liabilities	**7,422**	**7,029**	**7,139**	**7,280**	**7,436**
Long-term debt	10,769	11,189	11,352	11,552	11,752
Others	1,777	1,668	1,668	1,668	1,668
Non-current liabilities	**12,546**	**12,857**	**13,020**	**13,220**	**13,420**
Share capital	16,596	16,596	16,596	16,596	16,596
Retained earnings	-249	-521	-426	-320	-201
Minority interest	111	114	114	114	114
Equity	**16,459**	**16,189**	**16,284**	**16,390**	**16,509**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	2,181	1,735	2,469	2,768	3,071
Depreciation & amortisation	3,230	3,130	3,127	3,000	2,879
Changes in working capital	-475	-475	47	32	35
Others	806	-171	-582	-652	-723
Operating cash flow	5,742	4,219	5,060	5,147	5,261
Capital expenditure	-1,806	-2,687	-2,080	-2,011	-1,940
Others	-338	441	14	16	17
Investing cash flow	-2,144	-2,245	-2,066	-1,996	-1,923
Debt raised/(repaid)	-3,166	-2,143	200	200	200
Equity raised/(repaid)	0	1	2	3	4
Dividends paid	-1,502	-1,654	-1,806	-2,025	-2,246
Others	245	1,629	-2	-3	-4
Financing cash flow	-4,423	-2,167	-1,606	-1,825	-2,046
Net cash flow	-825	-193	1,389	1,327	1,292
Beginning cash flow	1,218	394	200	1,588	2,915
Ending cash flow	394	200	1,588	2,915	4,207
Profitability margin (%)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
EBITDA margin	47	46	47	47	47
PBT margin	17	14	19	21	22
PATAMI margin	17	14	15	16	17

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology