Corporate Update

Celcomdigi Berhad

(6947 | CDB MK) Main | Telecommunication

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **Neutral**

Revised Target Price **RM3.76** (from RM3.68)

Difficulty in Growing the Service Revenue

No rerating catalyst in sight. We are keeping our **NEUTRAL** recommendation on Celcomdigi Bhd (CDB) with a slight revision in target price to **RM3.76** (previously RM3.68) post the 1QFY25 results announcement as we roll forward our valuation-based year to FY26. The group's 1Q25 financial performance came in within our expectation. We continue to see challenges in growing the service revenue from the start of the merger. Nonetheless, the group managed to control its opex and capex which help to limit the decline in earnings. In the quarter-in-review, there notable decline in the staff cost as well as the depreciation and amortisation costs. 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 4.5%. This is comparable to its closest mobile peers.

Contraction in normalised earnings. CDB normalised earnings came in at RM434m, a decline of -8.6%yoy. This was due to a combination of marginally lower service revenue (-1.2%yoy) as well as higher total cost.

The lower service revenue mainly stemmed from contraction in prepaid (-5.7%yoy) and wholesale and others (-4.0%yoy) revenue. Note that the prepaid subs declined by -2.6%yoy to 13.0m. Fortunately, the postpaid and home fibre segments recorded growth of +3.2%yoy and 48.1%yoy respectively. Meanwhile, the enterprise suffered a decline in revenue of –4.1%yoy to RM282m. Note the enterprise business is still relatively small, making up approximately 11% of the service revenue.

Meanwhile, we observed that cost of goods and services went up by +13.8%yoy. There was higher device and traffic costs from strong sales and sta usage. This was partially negated by lower staff costs (-29.7%yoy) as well as lower depreciation and amortisation costs (-15.0%yoy).

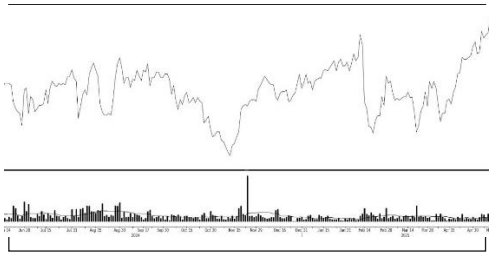
In-line with expectation. All in, CDB's 1QFY25 financial performance came in within our expectations, making up 22.8% of full year FY25 earnings estimates.

Slight revision in target price. While we made no changes to our earnings estimates at this juncture, we roll forward our valuation-based year to FY26 while maintaining our DCF parameters. This led to slightly higher target price of **RM3.76** from RM3.68 previously.

Healthier free cashflow. The group's 1Q25 free cash flow improved to RM472m from RM283m previously. We view that this was partially attributed to more careful spending. Note that 1Q25 capex declined by -53.4%yoy to RM148m. The better financial position also enabled the group to declare higher 1Q25 dividend of 3.7sen, up from 3.5sen as at 1Q24.

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	3.92
Expected share price return (%)	-4.1
Expected dividend yield (%)	+4.4
Expected total return (%)	+0.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.3	3.1
3months	12.1	17.1
12 months	-3.9	0.9

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	18	20
DPS (sen)	15.4	17.3	19.1
Dividend Yield	3.9%	4.4%	4.9%

KEY STATISTICS

FBM KLCI	1,527.02
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 – RM4.17
3-mth average daily volume (m)	2.81
3-mth average daily value (RM'm)	10.14
Top Shareholders (%)	
Telenor ASA	33.10
Axiata Group Bhd	33.10
Employees Provident Fund	10.63

Analyst

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CELCOMDIGI BHD: 1QFY25 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	1Q25	1Q24	% YoY	4Q24	%QoQ
Revenue	3,209.3	3,170.9	1.2	3,276.0	-2.0
EBITDA	1,350.0	1,342.7	0.5	1,328.3	1.6
Depreciation and amortisation	-653.7	-768.8	-15.0	-1,000.6	-34.7
EBIT/(LBIT)	696.2	573.9	21.3	327.6	112.5
Finance costs	-144.0	-152.7	-5.7	-156.0	-7.7
Finance income	2.9	3.4	-16.2	3.3	-12.7
Share of profit of associate	-2.0	2.6	-175.5	6.2	-132.2
PBT	553.1	427.3	29.4	181.0	205.5
Taxation	-164.9	-56.2	193.6	-19.8	734.8
PAT/LAT	388.1	371.1	4.6	161.3	140.7
MI	4.3	-5.4	-180.5	4.2	2.4
PATAMI	383.8	376.5	1.9	157.0	144.4
Normalised PATAMI	434.0	475.0	-8.6	409.0	6.1
EPS/(LPS) (sen)	3.3	3.2	1.9	1.3	144.4
EBITDA margin (%)	42.1	42	-0.3	41	-0.3
EBIT margin (%)	21.7	18	3.6	10	3.6
Normalised PATAMI margin (%)	13.5	12	0.1	5	0.1
Effective tax rate (%)	29.8	13	16.7	11	16.7

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)	21.33	26.24	24.13	21.52	19.40
Dividend Per Share (sen)	13.20	14.30	15.39	17.26	19.15
Dividend yield (%)	3.38	3.66	3.94	4.41	4.90

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	3,263	3,127	3,000	2,879
Changes in working capital	-475	-475	47	32	35
Others	806	-304	-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