Corporate Update

Celcomdigi Berhad

(6947 | CDB MK) Main | Telecommunication

SHARIAH Compliant | 4 Stars | FTSE4Good

NEUTRAL

Revised Target Price **RM3.67**
(from RM3.76)

Contraction in Service Revenue

Subdued revenue outlook. We are keeping our Neutral recommendation on Celcomdigi (CDB) with a revised target price of RM3.67. This is following the 2QFY25 results announcement which fall short of ours and consensus expectations. Challenges to grow the service revenue persist. Revenue performance across the various segment was mixed with consumer prepaid and enterprise mobile segments took a hit. Growth from other segments was insufficient to be offset the decline. Thus, the improvement in bottomline was mainly led by prudent cost management in both opex and capex. Moving forward, while we acknowledge the various put in place to growth the key target segments, we anticipate competitions would lead to subdued revenue growth outlook.

Sustained profit margin. CDB's 2QFY25 normalised earnings amounted to RM434.0m, an improvement of +8.5%yoy. This was despite stagnant service revenue of RM3,693m (-0.1%yoy). The improvement in profitability was mainly supported by lower depreciation and amortisation (-12.5%yoy, staff cost (-21.1%yoy) and sales and marketing expenses (-4.0%yoy). As a result, there was a slight expansion in profit margin to 13.8% from 13.1% a year ago. Note that the group is on track to achieve 2027 expectations is P&L savings of around RM700m to RM800m with cumulative RM557m saved as of 2Q25.

The marginally lower service revenue was mainly brought about by the weaker consumer prepaid revenue of RM1.0b (-5.5%yoy) and enterprise mobile customer of RM220m (-5.6%yoy). Meanwhile, the total revenue was up by 2.3%yoy to RM3.2b, mainly due to the higher device revenue which improved by +17.9%yoy to RM453m.

Slightly below expectation. All in CDB's 1HFY25 financial performance came in slightly below ours and consensus expectations, making up 42.6% and 43.9% of full year FY25 earnings estimates respectively.

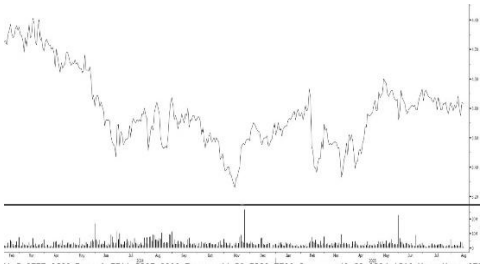
Higher dividend payment. The group announced 2Q25 dividend of 3.8sen per share which is comparably higher as compared to 3.5sen announced a year ago. This was supported by better cashflow management inclusive of lower capex of RM351m, a decline from -32.2%yoy, which lead to lower capex intensity of 11.0% from 16.7% achieved in 2Q24.

Lower earnings and TP. While we leave our revenue unchanged at this juncture, we input higher cost of goods sold. As a results, our FY25 to FY27 earnings estimates has been revised downwards by between -8.2% to -9.4%.

We also took this opportunity to roll forward our valuation-based year to FY26 and derived a new target price of RM3.67 (from RM3.76 previously) while we keep our DCF parameters unchanged. Note that the lower target price is reflectively of the downward adjustment in our earnings estimates.

RETURN STATISTICS	
Price @ 18th August 2025 (RM)	3.78
Expected share price return (%)	-2.9
Expected dividend yield (%)	+4.1
Expected total return (%)	+1.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.3	4.7
3months	6.2	12.1
12 months	20.5	29.5

INVESTMENT STATISTICS

FYE Dec (RM)	2025E	2026F	2027F
Revenue	12,999	13,409	13,859
Operating Profit	2,744	3,020	3,337
Profit Before Tax	2,238	2,508	2,819
Core PATAMI	1,723	1,931	2,170
Core EPS	15	16	19
DPS	14.0	15.6	17.6
Dividend Yield (%)	3.7	4.1	4.7

KEY STATISTICS

FBM KLCI	1,584.96
Issue shares (m)	11,731.51
Estimated free float (%)	23.26
Market Capitalisation (RM'm)	44,931.68
52-wk price range	RM3.25 – RM4.00
3-mth average daily volume (m)	2.81
3-mth average daily value (RM'm)	10.76
Top Shareholders (%)	
Axiata Group Bhd	33.10
Telenor ASA	33.10
Employees Provident Fund Board	10.70

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CELCOMDIGI BHD: 2QFY25 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	2Q25	%YoY	% QoQ	1HFY25	1HFY24	%QoQ
Revenue	3,178.5	2.3	-1.0	6,387.8	6,276.9	1.8
EBITDA	1,417.8	0.9	5.0	2,767.8	2,759.6	0.3
Depreciation and amortisation	-681.7	-9.2	4.3	-1,335.4	-1,519.4	-12.1
EBIT/(LBIT)	736.2	12.4	5.7	1,432.4	1,240.2	15.5
Finance costs	-147.4	1.0	2.4	-291.4	-298.7	-2.4
Finance income	4.9	89.3	72.4	7.8	6.0	29.5
Share of profit of associate	3.6	-57.6	-282.4	1.6	11.2	n.m.
PBT	597.3	14.8	8.0	1,150.4	947.5	21.4
Taxation	-158.5	51.8	-3.9	-323.5	-160.6	101.4
PAT/LAT	438.8	5.5	13.1	826.9	786.9	5.1
MI	-0.2	-101.6	-103.7	4.2	4.4	n.m.
PATAMI	438.9	8.1	14.4	822.7	782.5	5.1
Normalised PATAMI	434.0	8.5	0.0	810.1	769.3	5.3
EPS/(LPS) (sen)	3.7	8.1	14.4	6.9	6.6	5.3
EBITDA margin (%)	44.6	-0.7	-0.7	43.3	44.0	-0.6
EBIT margin (%)	23.2	2.1	2.1	22.4	19.8	2.7
Normalised PATAMI margin (%)	13.7	0.7	0.7	12.7	12.3	0.4
Effective tax rate (%)	26.5	6.5	6.5	28.1	17.0	11.2

Source: Company, MBSBR

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	5,871	6,020	6,216
EBIT	2,689	2,797	2,744	3,020	3,337
PBT	2,181	1,735	2,238	2,508	2,819
Reported PATAMI	1,552	1,389	1,723	1,931	2,170
Normalised PATAMI	2,150	1,748	1,723	1,931	2,170
Normalised EPS (sen)	18.33	14.90	14.69	16.46	18.50
Normalised EPS Growth (%)	12.05	-18.70	-1.41	12.07	12.37
PER (x)	20.57	25.30	25.66	22.90	20.38
Dividend Per Share (sen)	13.20	14.30	13.96	15.64	17.58
Dividend yield (%)	3.50	3.79	3.70	4.15	4.66
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	1,580	2,896	4,178
Trade debtors	2,474	3,148	3,205	3,306	3,417
Others	544	476	482	491	500
Current assets	**3,415**	**3,861**	**5,267**	**6,693**	**8,096**
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	-435	-338	-230
Minority interest	111	114	114	114	114
Equity	**16,459**	**16,189**	**16,275**	**16,372**	**16,480**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	2,181	1,735	2,238	2,508	2,819
Depreciation & amortisation	3,230	3,263	3,127	3,000	2,879
Changes in working capital	-475	-475	47	32	35
Others	806	-304	-529	-592	-665
Operating cash flow	5,742	4,219	4,883	4,947	5,067
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	0	0	0	0
Dividends paid	-1,502	-1,654	-1,637	-1,835	-2,062
Others	245	1,630	0	0	0
Financing cash flow	-4,423	-2,167	-1,437	-1,635	-1,862
Net cash flow	-825	-193	1,380	1,317	1,282
Beginning cash flow	1,218	394	200	1,580	2,896
Ending cash flow	394	200	1,580	2,896	4,178
Profitability margin (%)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
EBITDA margin	47	46	45	45	45
PBT margin	17	14	17	19	20
PATAMI margin	17	14	13	14	16

Source: Company, MBSBR

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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