AmInvestment Bank

Company Report

14 Aug 2026

CELCOMDIGI

(CDB MK EQUITY, DSOM.KL)

BUY

(UPGRADED)

Price: RM2.89

Target Price (% return): RM3.55 (+28%)

52-week High/Low: RM3.86/RM2.65

Telecommunication

Rationale for report: Company Result

Don't fear the bogeyman

We upgrade CDB to BUY, as share price weakness has created a more compelling risk-reward despite unchanged fundamentals. The market appears overly focused on DNB-related concerns. With underlying free cash flow intact, strong incentives to preserve dividends and DNB losses likely past their peak, downside risks appear increasingly contained. Coupled with ongoing cost optimisation, we believe CDB remains well positioned to deliver stable earnings and attractive shareholder returns.

- **Upgrade to BUY at TP of RM3.55/share.** This is based on an unchanged target CY27 EV/EBITDA multiple of 9.5x.
- **Strong incentives to protect dividend.** We forecast a 5% dividend yield, based on an assumed 100% payout ratio. Stripping out one-off payments, underlying FCF remained broadly stable at approximately RM700mil. We believe management has strong incentives to preserve dividends, given major shareholder Axiata's reliance on CDB's distributions to support its own shareholder payouts. Telcos also continue to serve as an important yield proxy for Shariah-compliant funds, whose AUM have grown at a healthy 5-year CAGR of 5% to RM274bil.
- **DNB drag looks increasingly manageable.** Management guided that DNB's share of losses will be equity accounted from 4QFY26, with a full year earnings impact of less than 5%. Based on our forecasts, this implies losses of up to RM1bil, an improvement from RM1.2bil in 2024. Further cost savings remain achievable, while debt financing is also being explored to reduce the need for additional capital injections. More importantly, as traffic progressively migrates to 5G, the group should benefit from lower 4G-related operating and capital expenditure over time.
- **1H26 core earnings were broadly in line with expectations.** Core profit declined 2% YoY at RM848mil, representing 50% of both our and consensus estimates. Service revenue and EBIT grew 2% YoY and 1% YoY, respectively, consistent with management's guidance. Cost optimisation remains a key earnings driver, with RM141mil of savings realised during 1H26. Management is targeting a further RM330mil of savings in 2H26, largely through site operating cost optimisation and procurement efficiencies, providing additional support to margins and earnings going forward.

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	12,957.7	13,149.4	13,205.4	13,259.0
Core net profit (RM mil)	1,554.5	1,700.4	1,760.7	1,940.0
FD Core EPS (sen)	13.3	14.5	15.0	16.5
FD Core EPS growth (%)	(14.2)	9.4	3.5	10.2
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	14.7	14.5	15.0	16.5
PE (x)	21.8	19.9	19.3	17.5
EV/EBITDA (x)	8.5	8.1	8.1	7.9
Div yield (%)	5.1	5.1	5.2	5.8
ROE (%)	9.5	10.7	11.1	12.2
Net Gearing (%)	nm	nm	nm	nm

Source: CelcomDigi, AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	11,731.5
Market Cap (RMmil)	33,904.1
Book Value (RM/Share)	1.35
P/BV (x)	2.1
ROE (%)	9.5
Net Gearing (%)	-
Free Float	23.3
Avg Daily Value (RMmil)	11.3

Major Shareholders

Axiata Group	(33.1%)
Telenor ASA	(33.1%)
EPF	(10.8%)

Price performance	3mth	6mth	12mth
Absolute(%)	(4.9)	(9.4)	(24.7)
Relative(%)	(4.3)	(9.2)	(31.2)

Source: CelcomDigi, AmInvestment Bank Bhd.

Price Chart

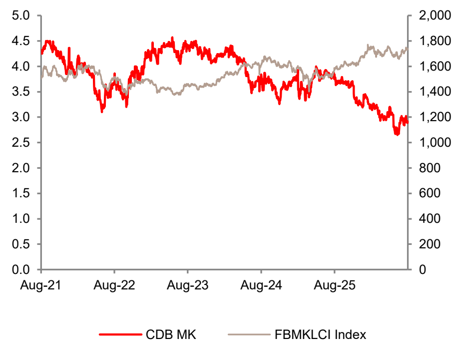


EXHIBIT 1. 2Q26 Results Summary

RMmil	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	6M26	6M25	YoY (%)
Revenue	3,186	3,178	0.2	3,208	-0.7	6,394	6,388	0.1
EBITDA	1,402	1,421	-1.4	1,415	-0.9	2,817	2,769	1.7
Margin (%)	44.0	44.7	-1.6	44.1	-0.2	44.1	43.4	1.6
Depreciation and amortisation	-661	-682	3.0	-686	3.6	-1,347	-1,335	-0.9
EBIT	741	740	0.2	729	1.6	1,470	1,434	2.5
Interest income	5	5	1.7	6	-16.7	11	8	41.6
Interest expense	-156	-147	-5.8	-155	-0.6	-311	-291	-6.7
JV/Associates	-3	4	nm	0	nm	-3	2	nm
EI	-32	3	nm	0	nm	-32	8	nm
PBT	558	600	-7.0	580	-3.8	1,138	1,158	-1.7
Tax	-153	-159	3.5	-158	3.2	-311	-323	3.9
Effective tax rate (%)	27.4	26.4	3.8	27.2	0.7	27.3	27.9	-2.2
MI	-7	-0	-4,302.5	-4	-75.0	-11	-4	-144.7
Net profit	398	441	-9.8	418	-4.8	816	830	-1.7
Core net profit	430	439	-2.0	418	2.9	848	863	-1.8
EPS (sen)	3.4	3.7	-9.4	3.6	-4.8	7.0	7.0	-0.9
Core EPS (sen)	3.7	3.7	-2.0	3.6	2.9	7.2	7.4	-1.8
DPS (sen)	3.4	3.8	-10.5	3.4	0.0	6.8	7.5	-9.3

Source: CelcomDigi Bhd, AmInvestment Bank Bhd.

EXHIBIT 2. 2Q26 Revenue & Cost Breakdown

RMmil	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	6M26	6M25	YoY (%)
Service revenue	2,730	2,693	1.4	2,697	1.2	5,427	5,347	1.5
Consumer revenue	2,449	2,403	1.9	2,425	1.0	4,874	4,778	2.0
Postpaid	1,104	1,079	2.3	1,102	0.2	2,206	2,147	2.7
Prepaid	1,016	1,050	-3.2	1,024	-0.8	2,040	2,106	-3.1
Wholesale & others	234	213	9.9	210	11.4	444	409	8.6
Home & fiber	95	61	55.7	89	6.7	184	116	58.6
Enterprise revenue	281	290	-3.1	272	3.3	553	569	-2.8
Mobile	199	221	-10.0	198	0.5	397	443	-10.4
Solutions	82	69	18.8	74	10.8	156	126	23.8
Total cost	1,819	1,794	1.4	1,795	1.3	3,614	3,654	-1.1
COGS	855	812	5.3	834	2.5	1,689	1,665	1.4
Cost of materials	536	528	1.5	554	-3.2	1,090	1,100	-0.9
Traffic charges	320	284	12.7	280	14.3	600	565	6.2
OPEX	964	982	-1.8	961	0.3	1,925	1,989	-3.2
Sales and marketing	153	166	-7.8	160	-4.4	313	337	-7.3
Staff costs	184	175	5.1	191	-3.7	375	424	-11.5
Operations and maintenance	256	234	9.4	239	7.1	495	462	7.0
Other expenses	170	163	4.3	153	11.1	323	326	-0.9
USP fund and license fees	152	141	7.8	144	5.6	296	305	-3.0
Credit loss allowances	50	101	-50.5	74	-32.4	124	133	-6.6

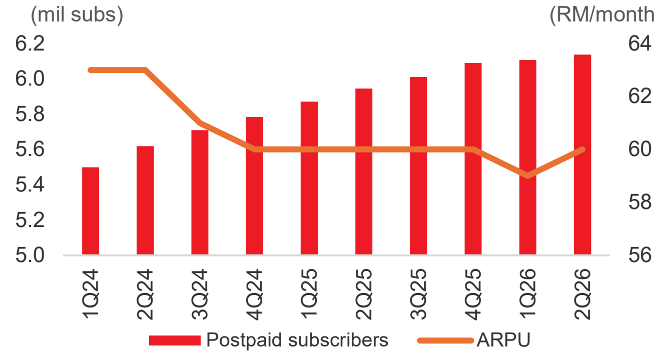
Source: CelcomDigi Bhd, AmInvestment Bank Bhd.

EXHIBIT 3. 2Q26 Subscriber and ARPU Breakdown

	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)
Total subscribers ('000)	20,309	20,612	-1.5	20,369	-0.3
Consumer	18,326	18,750	-2.3	18,391	-0.4
Postpaid	6,137	5,946	3.2	6,106	0.5
Prepaid	11,874	12,568	-5.5	11,988	-1.0
Home & Fibre	315	236	33.5	297	6.1
Enterprise	1,983	1,862	6.5	1,978	0.3
ARPU (RM)	40	41	-2.4	41	-2.4
Consumer					
Postpaid	60	60	0.0	59	1.7
Prepaid	28	28	0.0	28	0.0
Home & Fibre	109	99	10.1	103	5.8

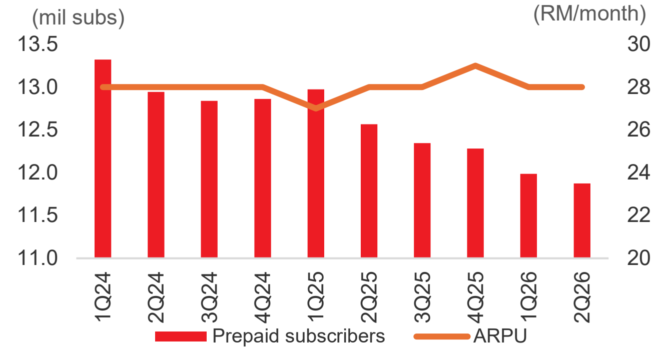
Source: CelcomDigi Berhad, AmInvestment Bank Bhd.

EXHIBIT 4. Postpaid subscribers and ARPU



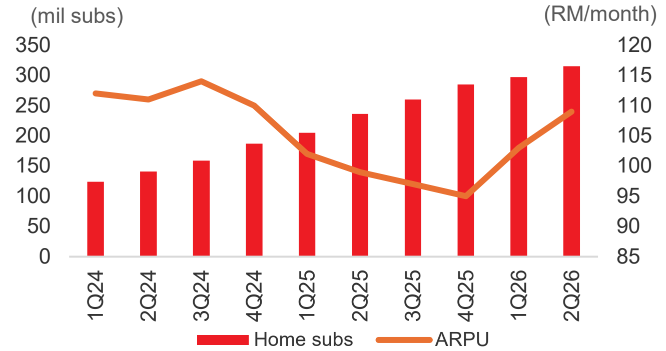
Source: CelcomDigi, AmInvestment Bank Bhd.

EXHIBIT 5. Prepaid subscribers and ARPU



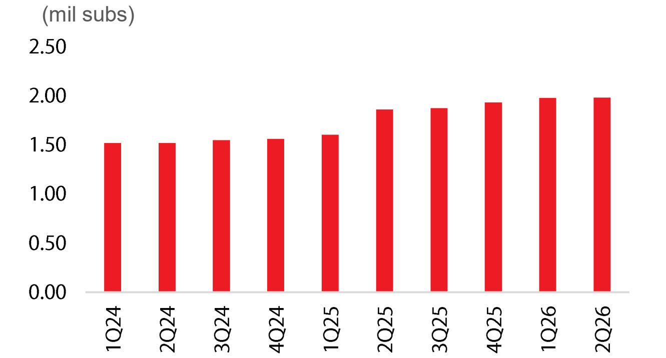
Source: CelcomDigi, AmInvestment Bank Bhd.

EXHIBIT 6. Home fiber subscribers and ARPU



Source: CelcomDigi, AmInvestment Bank Bhd.

EXHIBIT 7. Enterprise business



Source: CelcomDigi, AmInvestment Bank Bhd.

EXHIBIT 8. Valuation

Target EV/Ebitda (x)	9.5
CY27 Ebitda (RMmil)	5,606
Enterprise value (RMmil)	53,259
Less: Borrowings (RMmil)	13,640
Add: Cash (RMmil)	872
Equity Value (RMmil)	40,491
Shares outstanding (mil shares)	11,732
ESG premium	3%
Target price	RM3.55/share

Source: AmInvestment Bank Bhd.

Background

CelcomDigi is Malaysia's largest mobile operator. It is the product of the merger between Celcom and Digi, which was completed in November 2022. Axiata and Norwegian based Telenor, each owns a 33.1% stake in the group. The group has a combined user base of 20mil subscribers. Historically, Celcom has been known for its extensive coverage and Digi for its cost efficiency.

Investment thesis and catalysts

Merger synergies. Assuming flattish revenues, we expect profit to be driven by merger synergies. The group is guiding for post 2027 steady state annual cost reductions of RM800mil, with savings stemming from network (RM150mil), IT (RM140mil), people (RM160mil) and other (RM350mil) costs.

Market consolidation. If news reports of Maxis exploring a buyout of U Mobile is true, this could lead to an industry rerating. Market consolidation would potentially result in reduced competition, creating a more stable pricing environment.

Valuation methodology

Our target price is based on a target EV/Ebitda multiple of 9.5x and CY27 Ebitda. Our multiple is the two-year average for the Malaysia mobile sector. We believe this is more relevant than the five-year average, as it better reflects the sector de-rating post 5G developments in Malaysia.

With the transition to a wholesale network model for 5G, Malaysia mobile players have undergone a sector derating, on expectations of reduced pricing power in the future and threats of increased competition.

Risk factors

There are downside risks to share price from execution, if the group is unable to deliver on promised synergies.

Competition is a risk, given mature mobile penetration rates and lower barriers to entry, following a transition to the dual 5G network model. We estimate every 1% decrease in ARPU, lowers earnings by 4%.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	12,679.4	12,957.7	13,149.4	13,205.4	13,259.0
EBITDA	5,808.2	5,519.3	5,657.7	5,606.2	5,741.6
Depreciation/Amortisation	(3,263.4)	(2,847.5)	(2,906.1)	(2,798.9)	(2,717.9)
Operating income (EBIT)	2,544.7	2,671.8	2,751.6	2,807.3	3,023.7
Other income & associates	4.9	0.6	-	-	-
Net interest	(597.3)	(569.5)	(514.3)	(490.6)	(471.1)
Exceptional items	(217.2)	-	-	-	-
Pretax profit	**1,735.1**	**2,102.9**	**2,237.3**	**2,316.7**	**2,552.6**
Taxation	(346.4)	(572.9)	(537.0)	(556.0)	(612.6)
Minorities/pref dividends	(12.2)	(16.4)	-	-	-
Net profit	**1,376.5**	**1,513.5**	**1,700.4**	**1,760.7**	**1,940.0**
Core net profit	1,812.4	1,554.5	1,700.4	1,760.7	1,940.0

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	11,709.5	11,181.4	10,652.3	10,243.9	9,929.6
Intangible assets	18,943.0	18,891.5	18,866.9	18,843.8	18,822.0
Other long-term assets	1,439.1	1,576.4	1,576.4	1,576.4	1,576.4
Total non-current assets	**32,091.5**	**31,649.3**	**31,095.7**	**30,664.1**	**30,328.0**
Cash & equivalent	237.3	871.5	922.7	914.0	955.2
Stock	261.3	85.8	176.1	176.9	177.6
Trade debtors	2,722.3	3,669.4	3,243.1	3,256.9	3,270.2
Other current assets	699.2	188.4	188.4	188.4	188.4
Total current assets	**3,920.0**	**4,815.1**	**4,530.3**	**4,536.2**	**4,591.3**
Trade creditors	4,295.3	4,922.4	4,677.0	4,697.0	4,716.0
Short-term borrowings	1,860.3	3,044.2	2,740.6	2,650.3	2,575.8
Other current liabilities	843.8	386.5	386.5	386.5	386.5
Total current liabilities	**6,999.4**	**8,353.0**	**7,804.1**	**7,733.7**	**7,678.3**
Long-term borrowings	11,192.5	10,595.5	10,318.1	9,932.6	9,617.4
Other long-term liabilities	1,629.5	1,537.1	1,537.1	1,537.1	1,537.1
Total long-term liabilities	**12,822.0**	**12,132.6**	**11,855.2**	**11,469.7**	**11,154.5**
Shareholders' funds	**16,075.7**	**15,855.0**	**15,842.9**	**15,873.1**	**15,962.7**
Minority interests	114.3	123.8	123.8	123.8	123.8
BV/share (RM)	1.37	1.35	1.35	1.35	1.36

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	1,735.1	2,102.9	2,237.3	2,316.7	2,552.6
Depreciation/Amortisation	3,263.4	2,847.5	2,906.1	2,798.9	2,717.9
Net change in working capital	(574.5)	(1,074.1)	90.7	5.4	5.1
Others	(396.3)	(227.5)	(573.7)	(593.4)	(650.7)
Cash flow from operations	**4,027.7**	**3,648.8**	**4,660.4**	**4,527.6**	**4,624.9**
Capital expenditure	(2,710.5)	(1,577.0)	(1,826.5)	(1,839.1)	(1,851.3)
Net investments & sale of fixed assets	202.7	-	-	-	-
Others	217.5	107.4	36.7	37.4	38.1
Cash flow from investing	**(2,290.3)**	**(1,469.6)**	**(1,789.8)**	**(1,801.8)**	**(1,813.3)**
Debt raised/(repaid)	(247.5)	117.5	(1,106.9)	(1,004.0)	(920.1)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(1,654.1)	(1,736.3)	(1,712.4)	(1,730.5)	(1,850.3)
Others	(10.4)	12.0	-	-	-
Cash flow from financing	**(1,912.1)**	**(1,606.7)**	**(2,819.4)**	**(2,734.5)**	**(2,770.5)**
Net cash flow	**(174.6)**	**572.5**	**51.2**	**(8.7)**	**41.1**
Net cash/(debt) b/f	**397.0**	**219.4**	**871.5**	**922.7**	**914.0**
Net cash/(debt) c/f	**222.5**	**792.8**	**922.7**	**914.0**	**955.2**

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	-	2.2	1.5	0.4	0.4
EBITDA growth (%)	(1.9)	(5.0)	2.5	(0.9)	2.4
Pretax margin (%)	13.7	16.2	17.0	17.5	19.3
Net profit margin (%)	10.9	11.7	12.9	13.3	14.6
Interest cover (x)	4.3	4.7	5.4	5.7	6.4
Effective tax rate (%)	20.0	27.2	24.0	24.0	24.0
Dividend payout (%)	120.2	114.7	100.7	98.3	95.4
Debtors turnover (days)	75	90	96	90	90
Stock turnover (days)	7	5	4	5	5
Creditors turnover (days)	124	130	133	130	130

Source: Company, AmInvestment Bank Bhd.

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