

CELCOMDIGI

(CDB MK EQUITY, DSOM.KL)

HOLD

(MAINTAINED)

Price: RM3.25

Target Price (% return): RM3.55 (14%)

52-week High/Low: RM4.00/RM3.15

Telecommunication

Rationale for report: Company Result

Guiding for low single digit growth

CDB's 2025 earnings (-14% YoY) missed expectations, weighed down by elevated costs, which we expect to normalise in 2026. While 2026 guidance of low single digit service revenue and Ebit growth may not be a near-term catalyst, it is sufficient to underpin our HOLD stance until more meaningful synergies emerge from 2028 onwards. We cut our earnings forecasts by 5-8% and lower TP to RM3.55/share (from RM3.70).

- Retain Hold at lower TP of RM3.55/share.** This is based on an EV/Ebitda multiple of 9.5x and CY27 Ebitda. Our call is supported by its dividend yield of 4-5%. Execution remains the main key risk for the stock, should promised merger synergies fail to materialise.
- Committed to dividend payout ratio of >80%.** We currently assume a dividend payout of 100%. This implies a dividend yield of 4-5%. For 2025, the group's implied payout ratio was 111%. Free cash flow yield is supportive of this at 6-7%. While net debt/Ebitda rose during the quarter from 2.2x to 2.4x, this was due to spectrum payments in end-2025.
- Provision for doubtful debts to normalise in 2026.** 2025 core earnings fell 14% YoY, missing expectations. This formed only 88% of Am's and 92% of consensus full year estimates. The miss was driven by higher 5G wholesale fees and provision for doubtful debts. The latter is expected to normalise into 2026, closer to 2024 levels. Credit loss allowances increased from 1.2% of revenues in 2024 to 2.8% of revenues in 2025.
- Higher 5G wholesale fees, but offset by lower Capex intensity.** Traffic charges were higher by +24% YoY on higher 5G usage. While this trend will continue, as more traffic shifts to 5G, it will be partially offset by lower 4G Capex. 2025 Capex declined 34% YoY to RM1.6bil - implying a Capex intensity of 12% vs. the initial guidance of 14-16%. Guidance for 2026 Capex intensity is 12-13%. Over time, this should translate into lower D&A expenses.

Analyst (s)

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Key Changes

Target Price:	📈
EPS:	📉

Stock and Financial Data

Shares Outstanding (million)	11,731.5
Market Cap (RMmil)	38,127.4
Book Value (RM/Share)	1.35
P/BV (x)	2.4
ROE (%)	9.5
Net Gearing (%)	-
Free Float	23.3
Avg Daily Value (RMmil)	16.2

Major Shareholders

Axiata Group	(33.1%)
Telenor ASA	(33.1%)
EPF	(10.3%)

Price performance	3mth	6mth	12mth
Absolute(%)	(12.4)	(14.2)	(14.5)
Relative(%)	(18.5)	(23.7)	(22.6)

Source: CelcomDigi, AmInvestment Bank Bhd.

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)	24.5	22.4	21.7	19.7
EV/EBITDA (x)	9.2	8.9	8.9	8.6
Div yield (%)	4.5	4.5	4.6	5.1
ROE (%)	9.5	10.7	11.1	12.2
Net Gearing (%)	nm	nm	nm	nm

Source: CelcomDigi, AmInvestment Bank Bhd.

Price Chart

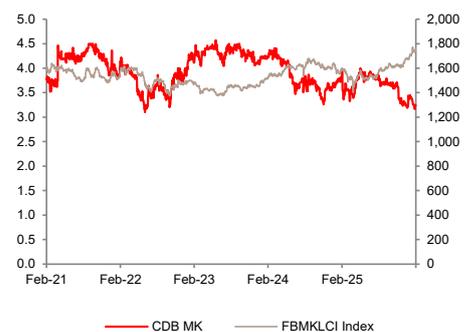


EXHIBIT 1. 4Q25 Results Summary

RMmil	4Q25	4Q24	YoY (%)	3Q25	QoQ (%)	2025	2024	YoY (%)
Revenue	3,445	3,276	5.2	3,125	10.2	12,958	12,663	2.3
EBITDA	1,405	1,552	-9.5	1,346	4.4	5,520	5,794	-4.7
Margin (%)	40.8	47.4	-13.9	43.1	-5.3	42.6	45.8	-6.9
Depreciation and amortisation	(812)	(1,001)	18.8	(700)	-16.1	(2,848)	(3,263)	12.7
EBIT	593	551	7.6	646	-8.2	2,672	2,531	5.6
Interest income	5	3	41.4	6	-18.7	18	30	-38.8
Interest expense	(147)	(156)	5.6	(149)	1.1	(588)	(610)	3.7
JV/Associates	1	6	-83.0	(2)	nm	1	5	-88.1
El	(6)	(217)	97.3	0	nm	2	(215)	nm
PBT	444	181	>100	502	-11.6	2,105	1,735	21.3
Tax	(97)	(20)	-390.7	(153)	36.4	(573)	(346)	-65.4
Effective tax rate (%)	21.8	10.9	99.9	30.4	-28.1	27.2	20.0	36.3
MI	(4)	(4)	16.8	(9)	59.7	(17)	(12)	-37.5
Net profit	344	157	>100	341	0.8	1,515	1,376	10.1
Core net profit	350	487	-28.2	341	2.5	1,554	1,812	-14.2
EPS (sen)	3.0	1.3	>100	2.9	2.8	12.9	11.7	9.9
Core EPS (sen)	3.0	4.2	-28.2	2.9	2.5	13.2	15.4	-14.2
DPS (sen)	3.6	3.7	-2.7	3.6	0.0	14.7	14.3	2.8

Source: CelcomDigi Bhd, AmlInvestment Bank Bhd.

EXHIBIT 2. 4Q25 Revenue & Cost Breakdown

RMmil	4Q25	4Q24	YoY (%)	3Q25	QoQ (%)	2025	2024	YoY (%)
Service revenue	2,831	2,720	4.1	2,729	3.7	10,906	10,790	1.1
Consumer revenue	2,495	2,413	3.4	2,456	1.6	9,728	9,594	1.4
Postpaid	1,117	1,063	5.1	1,091	2.4	4,355	4,182	4.1
Prepaid	1,056	1,088	-2.9	1,051	0.5	4,213	4,416	-4.6
Wholesale & others	249	206	20.9	245	1.6	902	812	11.1
Home & fiber	73	56	30.4	69	5.8	258	184	40.2
Enterprise revenue	336	307	9.4	273	23.1	1,178	1,196	-1.5
Mobile	204	240	-15.2	199	2.3	846	929	-9.0
Solutions	133	67	97.8	74	79.1	333	267	24.5
Total cost	2,046	1,729	18.3	1,784	14.7	7,484	6,881	8.8
COGS	1,052	814	29.2	814	29.2	3,531	3,016	17.1
Cost of materials	735	557	32.0	(504)	nm	2,339	2,057	13.7
Traffic charges	317	258	22.9	(311)	nm	1,193	959	24.4
OPEX	994	915	8.6	970	2.5	3,953	3,865	2.3
Sales and marketing	158	165	-4.2	157	0.6	652	671	-2.8
Staff costs	206	135	52.6	188	9.6	818	917	-10.8
Operations and maintenance	217	246	-11.8	248	-12.5	927	955	-2.9
Other expenses	158	183	-13.7	148	6.8	632	648	-2.5
USP fund and license fees	125	123	1.6	129	-3.1	559	515	8.5
Credit loss allowances	130	63	>100	100	30.0	363	158	>100

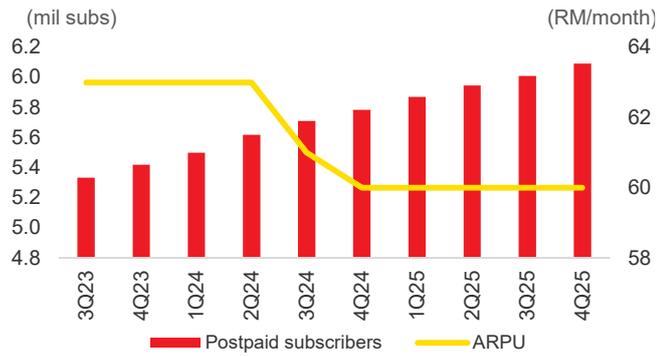
Source: CelcomDigi Bhd, AmlInvestment Bank Bhd.

EXHIBIT 3. 4Q25 Subscriber and ARPU Breakdown

	4Q25	4Q24	YoY (%)	3Q25	QoQ (%)
Total subscribers ('000)	20,590	20,394	1.0	20,494	0.5
Consumer	18,658	18,833	-0.9	18,617	0.2
Postpaid	6,091	5,784	5.3	6,010	1.3
Prepaid	12,282	12,862	-4.5	12,347	-0.5
Home & Fibre	285	187	52.4	260	9.6
Enterprise	1,932	1,561	23.8	1,877	2.9
ARPU (RM)	40	39	2.6	39	2.6
Consumer					
Postpaid	60	60	0.0	60	0.0
Prepaid	29	28	3.6	28	3.6
Home & Fibre	90	107	-15.9	93	-3.2

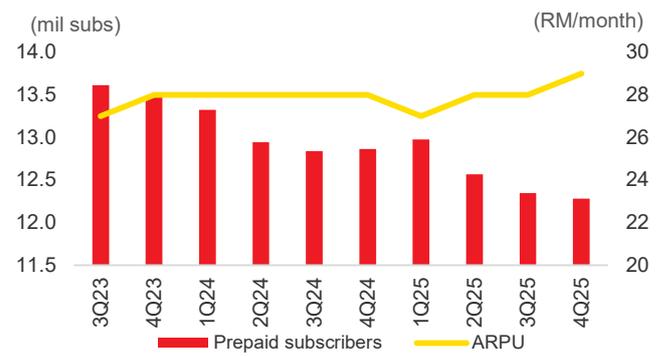
Source: CelcomDigi Berhad, AmlInvestment Bank Bhd.

EXHIBIT 4. Postpaid subscribers and ARPU



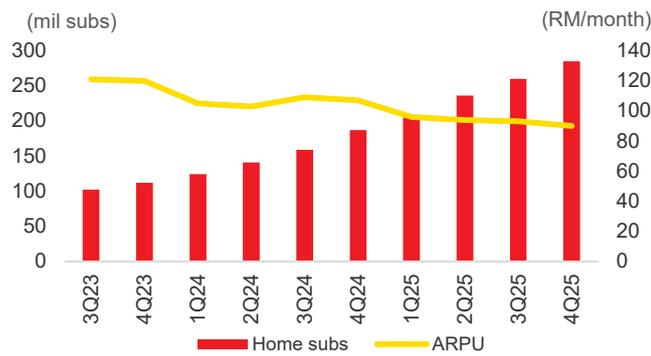
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 5. Prepaid subscribers and ARPU



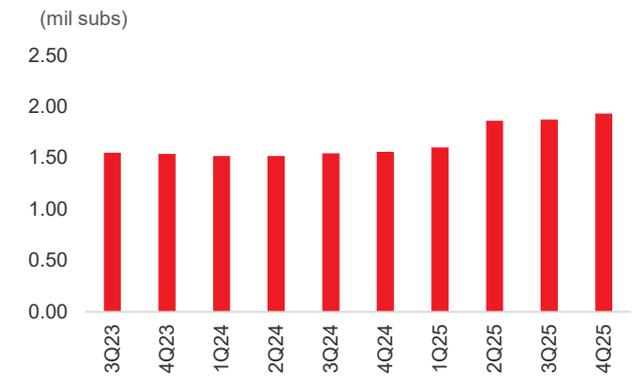
Source: Company, AmInvestment Bank Bhd.

EXHIBIT 6. Home fiber subscribers and ARPU



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 7. Enterprise business



Source: Company, AmInvestment Bank Bhd.

EXHIBIT 8. Change in Earnings

RMmil	FY26F			FY27F		
	Old	New	%	Old	New	%
Revenue	12,625	13,149	4.2%	12,618	13,205	4.7%
Earnings	1,833	1,700	-7.7%	1,842	1,761	-4.9%
Traffic charges	981	1,040	6.0%	969	1,030	6.3%
Other cost	603	720	19.2%	604	725	20%

Source: AmInvestment Bank Bhd.

EXHIBIT 9. 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 (from RM3.70)

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. However, as this has been well flagged, we believe upside has been priced in.

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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