



Company Report

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CELCOMDIGI

(CDB MK EQUITY, DSOM.KL)

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Waiting for synergies to move the needle

HOLD

(Maintained)

Rationale for report: Company Update

Price	RM3.62
Target price	RM3.70
52-week High/Low	RM4.00/RM3.30

Key Changes

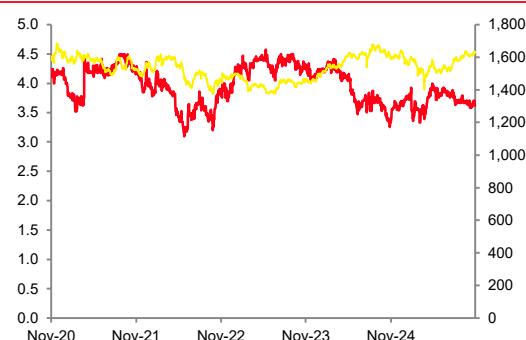
Target price	●
EPS	●

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	12,679.4	12,629.7	12,625.1	12,618.1
Core net profit (RM mil)	1,812.4	1,788.3	1,832.6	1,842.5
FD Core EPS (sen)	15.4	15.2	15.6	15.7
FD Core EPS growth (%)	(25.0)	(1.3)	2.5	0.5
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	14.3	15.2	15.6	15.7
PE (x)	23.4	23.7	23.2	23.0
EV/EBITDA (x)	9.5	9.4	9.4	9.5
Div yield (%)	3.7	3.9	4.0	4.1
ROE (%)	8.5	11.1	11.4	11.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	11,731.5
Market Cap (RMmil)	42,468.1
Book Value (RM/Share)	1.37
P/BV (x)	2.6
ROE (%)	8.5
Net Gearing (%)	-
Major Shareholders	Axiata Group (33.1%) Telenor ASA (33.1%) EPF (10.3%)
Free Float	23.3
Avg Daily Value (RMmil)	10.5

Price performance	3mth	6mth	12mth
Absolute (%)	(4.0)	(8.8)	8.7
Relative (%)	(6.9)	(11.8)	6.5



— CDB MK — FBMKLCI Index

Investment Highlights

We maintain **HOLD** on CelcomDigi with a lower TP of RM3.70 (from RM3.85), as the investment case hinges on synergies that will only meaningfully materialise post-2027. Integration continues to advance, with over 90% of network modernisation completed, a unified app launched and retail upgrades underway. Revenues remain stable and the stock offers a 4% dividend yield, providing some defensiveness in the interim. We trim earnings by 7–8%, reflecting higher 5G wholesale costs and a larger provision for doubtful debts.

- **Retain Hold at lower TP of RM3.70 (from RM3.85).** This is based on an EV/Ebitda multiple of 9.5x and CY26 Ebitda. We continue to like the group for its decent dividend yield of 4% and defensive earnings profile. YTD dividends totalled 11.1sen/share, reflecting a dividend payout ratio of 121%. However, execution remains a key risk should promised synergies fail to materialise.
- **Lower earnings by 7-8% on higher costs.** 9M25 core earnings fell 9% YoY to RM1.2bil, coming in at the lower end of consensus at 70% and missing our estimate at 62%. The deviation versus our forecast was driven by higher costs. This was mainly due to elevated 5G wholesale charges, reflecting increased available capacity. The group also booked a larger provision for doubtful debts, which rose to 2% of 9M25 revenues (from 1% in 9M24), following earlier collection issues that requires process fine-tuning. Results were further weighed by a one-off RM44mil charge in 3Q25 stemming from a prior period misstatement.
- **Committed to deliver 5-year NPV synergies of RM8-10bil.** As at 3Q25, the group has achieved synergies of RM2.4bil. Integration is progressing well, with >90% network modernisation completed, a unified app launched, retail upgrades underway, and operating models refined. Management targets steady-state annualised cost savings of RM700–800mil, though the bulk of these are expected to be reflected only after 2027.
- **Flat service revenues.** A slight uptick in consumer (+0.6% YoY), was offset by softer enterprise revenues (-6% YoY). Within consumer, postpaid (+4% YoY) and fibre (+45% YoY) growth, was offset by prepaid (-5% YoY) contraction. Mobile enterprise revenues (-7% YoY) fell, driven by a structural decline in bulk SMS. While this trend persists, the remaining contribution from bulk SMS is now far less significant.

EXHIBIT 1: 3Q25 RESULTS SUMMARY

RMmil	3Q25	3Q24	YoY (%)	2Q25	QoQ (%)	9M25	9M24	YoY (%)
Revenue	3,125	3,126	-0.1	3,178	-1.7	9,513	9,387	1.3
EBITDA	1,346	1,502	-10.4	1,421	-5.3	4,115	4,243	-3.0
Margin (%)	43.1	48.0	-10.4	44.7	-3.7	43.3	45.2	-4.3
Depreciation and amortisation	-700	-743	5.9	-682	-2.7	-2,035	-2,263	10.1
EBIT	646	758	-14.9	740	-12.7	2,080	1,980	5.0
Interest income	6	4	59.3	5	15.6	13	26	-48.8
Interest expense	-149	-155	4.2	-147	-1.0	-440	-454	3.0
JV/Associates	-2	-12	83.1	4	nm	-0	-1	63.2
EI	0	0	nm	3	nm	8	2	>100
PBT	502	607	-17.2	600	-16.3	1,661	1,554	6.9
Tax	-153	-166	8.2	-159	3.8	-476	-327	-45.7
Effective tax rate (%)	30.4	27.4	10.9	26.4	14.9	28.7	21.0	36.4
MI	-9	-4	-148.2	-0	-5,398.1	-13	-8	-66.4
Net profit	341	437	-21.9	441	-22.7	1,171	1,219	-3.9
Core net profit	341	437	-21.9	439	-22.2	1,205	1,325	-9.1
EPS (sen)	2.9	3.7	-22.0	3.7	-22.5	9.9	10.4	-4.6
Core EPS (sen)	2.9	3.7	-21.9	3.7	-22.2	10.3	11.3	-9.1
DPS (sen)	3.8	3.6	5.6	3.8	0.0	11.1	10.6	4.7

Source: CelcomDigi, Amlnvesment Bank

EXHIBIT 2: 3Q25 REVENUE & COST BREAKDOWN

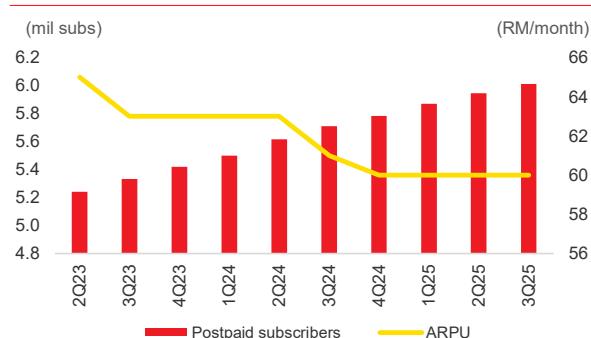
RMmil	3Q25	3Q24	YoY (%)	2Q25	QoQ (%)	9M25	9M24	YoY (%)
Service revenue	2,729	2,689	1.5	2,693	1.3	8,068	8,073	-0.1
Consumer revenue	2,456	2,394	2.6	2,398	2.4	7,226	7,182	0.6
Postpaid	1,091	1,046	4.3	1,079	1.1	3,238	3,118	3.8
Prepaid	1,051	1,096	-4.1	1,050	0.1	3,157	3,328	-5.1
Wholesale & others	245	203	20.7	208	17.8	645	608	6.1
Home & fiber	69	49	40.8	61	13.1	186	128	45.3
Enterprise revenue	273	295	-7.5	295	-7.5	842	891	-5.5
Mobile	199	230	-13.5	220	-9.5	642	690	-7.0
Solutions	74	55	34.5	75	-1.3	200	201	-0.5
Total cost	1,784	1,618	10.3	1,794	-0.6	5,438	5,152	5.6
COGS	814	722	12.7	812	0.2	2,479	2,202	12.6
Cost of materials	(504)	463	nm	528	nm	596	1,500	-60.3
Traffic charges	(311)	258	nm	284	nm	254	701	-63.8
OPEX	970	896	8.3	982	-1.2	2,959	2,950	0.3
Sales and marketing	157	162	-3.1	166	-5.4	494	506	-2.3
Staff costs	188	205	-8.3	175	7.4	612	782	-21.8
Operations and maintenance	248	255	-2.7	234	6.0	710	709	0.2
Other expenses	148	158	-6.3	163	-9.2	474	465	1.9
USP fund and license fees	129	74	74.3	141	-8.5	434	392	10.7
Credit loss allowances	100	43	>100	101	-1.0	233	95	>100

Source: CelcomDigi, Amlnvesment Bank

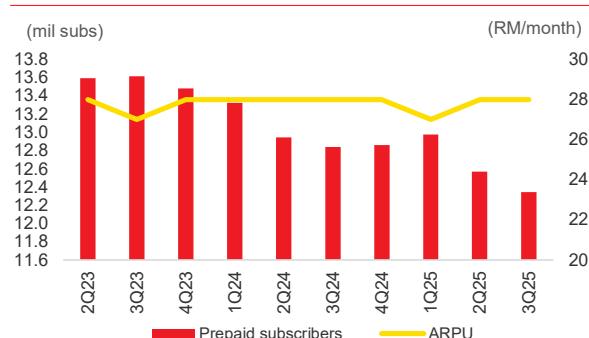
EXHIBIT 3: 3Q25 SUBSCRIBER AND ARPU BREAKDOWN

	3Q25	3Q24	YoY (%)	2Q25	QoQ (%)
Total subscribers ('000)	20,494	20,255	1.2	20,375	0.6
Consumer	18,617	18,708	-0.5	18,750	-0.7
Postpaid	6,010	5,710	5.3	5,946	1.1
Prepaid	12,347	12,839	-3.8	12,568	-1.8
Home & Fibre	260	159	63.5	236	10.2
Enterprise	1,877	1,547	21.3	1,625	15.5
ARPU (RM)	39	39	0.0	38	2.6
Consumer					
Postpaid	60	61	-1.6	60	0.0
Prepaid	28	28	0.0	28	0.0
Home & Fibre	93	109	-14.7	94	-1.1

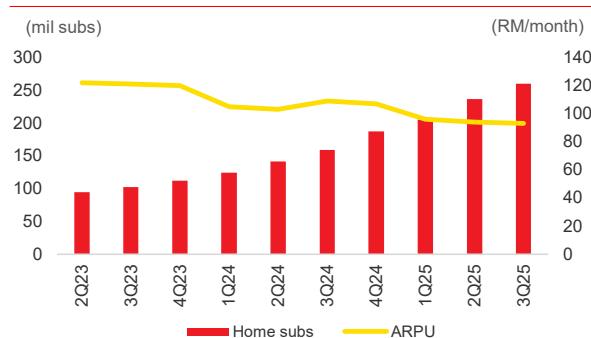
Source: CelcomDigi, Amlnvesment Bank

EXHIBIT 4: POSTPAID SUBSCRIBERS AND ARPU

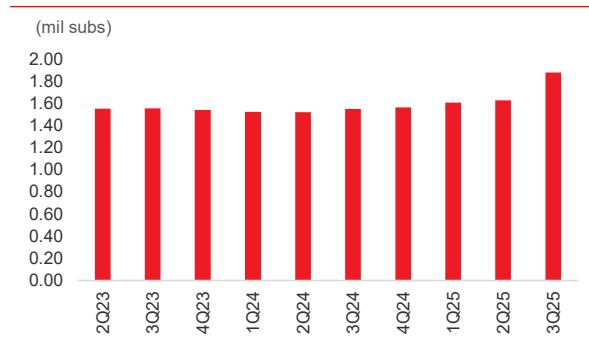
Source: CelcomDigi, AmlInvestment Bank

EXHIBIT 5: PREPAID SUBSCRIBERS AND ARPU

Source: CelcomDigi, AmlInvestment Bank

EXHIBIT 6: HOME FIBER SUBSCRIBERS AND ARPU

Source: CelcomDigi, AmlInvestment Bank

EXHIBIT 7: ENTERPRISE SUBSCRIBERS

Source: CelcomDigi, AmlInvestment Bank

EXHIBIT 8: CHANGE IN EARNINGS

RMmil	FY25F			Old	FY26F			Old	FY27F		
	Old	New	%		New	%	Old		New	Old	%
Revenue	12,630	12,630	-	12,625	12,625	-	12,618	12,618	-	12,618	-
Earnings	1,934	1,788	-7.5%	1,978	1,833	-7.4%	1,987	1,842	-7.3%	1,842	-7.3%
Traffic charges	914	994	8.7%	903	981	8.7%	891	969	8.7%	969	8.7%
Credit loss allowances	110	219	100%	110	220	100%	110	220	100%	220	100%

Source: AmlInvestment Bank

EXHIBIT 9: VALUATIONS

Target EV/Ebitda (x) -	9.5
CY27 Ebitda (RMmil)	5,663
Enterprise value (RMmil)	54,825
Less: Borrowings (RMmil)	12,997
Add: Cash (RMmil)	397
Equity value (RMmil)	42,226
Shares outstanding (mil shares)	11,732
ESG premium	3%
12-month target price	RM3.70 (from RM3.85)

Source: AmlInvestment Bank

Company profile

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 CY26 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%.

EXHIBIT 10: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	12,682.2	12,679.4	12,629.7	12,625.1	12,618.1
EBITDA	5,919.1	5,808.2	5,866.5	5,771.1	5,662.7
Depreciation/Amortisation	(3,230.1)	(3,263.4)	(2,976.2)	(2,851.2)	(2,752.4)
Operating income (EBIT)	2,688.9	2,544.7	2,890.3	2,920.0	2,910.3
Other income & associates	31.0	4.9	-	-	-
Net interest	(539.0)	(597.3)	(537.3)	(508.6)	(486.0)
Exceptional items	-	(217.2)	-	-	-
Pretax profit	2,181.0	1,735.1	2,353.0	2,411.3	2,424.3
Taxation	(614.0)	(346.4)	(564.7)	(578.7)	(581.8)
Minorities/pref dividends	(14.6)	(12.2)	-	-	-
Net profit	1,552.3	1,376.5	1,788.3	1,832.6	1,842.5
Core net profit	2,416.0	1,812.4	1,788.3	1,832.6	1,842.5
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	12,571.6	11,728.0	11,092.1	10,583.2	10,174.7
Intangible assets	18,950.8	18,943.0	18,916.3	18,890.1	18,864.4
Other long-term assets	1,489.0	1,542.8	1,542.8	1,542.8	1,542.8
Total non-current assets	33,011.5	32,213.7	31,551.1	31,016.1	30,581.9
Cash & equivalent	397.0	237.3	92.4	211.2	295.8
Stock	246.7	261.3	204.7	204.6	204.5
Trade debtors	2,474.4	3,148.4	2,439.1	2,438.2	2,436.8
Other current assets	297.3	214.5	214.5	214.5	214.5
Total current assets	3,415.4	3,861.5	2,950.6	3,068.4	3,151.5
Trade creditors	4,285.0	4,974.0	3,887.3	3,885.9	3,883.8
Short-term borrowings	2,227.5	1,860.3	1,818.1	1,751.8	1,698.3
Other current liabilities	909.1	194.8	194.8	194.8	194.8
Total current liabilities	7,421.7	7,029.0	5,900.3	5,832.6	5,776.9
Long-term borrowings	10,769.4	11,189.2	10,689.2	10,317.6	10,017.2
Other long-term liabilities	1,777.0	1,668.0	1,668.0	1,668.0	1,668.0
Total long-term liabilities	12,546.4	12,857.3	12,357.2	11,985.6	11,685.2
Shareholders' funds	16,347.7	16,074.5	16,129.9	16,152.0	16,157.0
Minority interests	111.0	114.3	114.3	114.3	114.3
BV/share (RM)	1.39	1.37	1.37	1.38	1.38
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	2,181.0	1,735.1	2,353.0	2,411.3	2,424.3
Depreciation/Amortisation	3,230.1	3,263.4	2,976.2	2,851.2	2,752.4
Net change in working capital	(503.4)	(1,019.5)	(320.7)	(0.4)	(0.7)
Others	175.3	(361.6)	(570.8)	(588.9)	(594.8)
Cash flow from operations	5,083.1	3,617.5	4,437.7	4,673.2	4,581.3
Capital expenditure	(1,811.7)	(2,686.7)	(1,808.4)	(1,811.2)	(1,813.5)
Net investments & sale of fixed assets	(369.8)	242.8	-	-	-
Others	31.9	198.5	6.1	10.1	13.0
Cash flow from investing	(2,149.5)	(2,245.4)	(1,802.4)	(1,801.0)	(1,800.5)
Debt raised/(repaid)	(2,249.8)	97.7	(1,047.4)	(942.9)	(858.6)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(1,501.6)	(1,654.1)	(1,732.9)	(1,810.4)	(1,837.6)
Others	(6.4)	(10.0)	-	-	-
Cash flow from financing	(3,757.8)	(1,566.4)	(2,780.3)	(2,753.3)	(2,696.2)
Net cash flow	(824.3)	(194.3)	(145.0)	118.8	84.6
Net cash/(debt) b/f	1,220.8	397.0	237.3	92.4	211.2
Net cash/(debt) c/f	397.9	202.8	92.4	211.2	295.8
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	87.2	-	(0.4)	-	(0.1)
EBITDA growth (%)	98.9	(1.9)	1.0	(1.6)	(1.9)
Pretax margin (%)	17.2	13.7	18.6	19.1	19.2
Net profit margin (%)	12.2	10.9	14.2	14.5	14.6
Interest cover (x)	5.0	4.3	5.4	5.7	6.0
Effective tax rate (%)	28.2	20.0	24.0	24.0	24.0
Dividend payout (%)	96.7	120.2	96.9	98.8	99.7
Debtors turnover (days)	70	81	81	71	71
Stock turnover (days)	6	7	7	6	6
Creditors turnover (days)	112	133	128	112	112

Source: Company, AmlInvestment Bank Bhd estimates

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