APEX SECURITIES BERHAD

Monday, November 20, 2023

Lee Cherng Wee

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Recommendation:		HOLD
Current Price:		RM 4.26
Previous Target Price:		RM 4.08
Target Price:	1	RM 4.36
Upside/Downside:		2.3%

Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6947 / CDB MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	****
Bloomberg ESG Rating	N/A
Shares issued (m)	11,731.5
Market Cap (RM'm)	49,976.2
52-Week Price Range (RM)	3.64-4.6
Beta (x)	1.3
Free float (%)	46.7
3M Average Volume (m)	2.0
3M Average Value (RM'm)	8.9

Top 3 Shareholders	(%)		
Axiata Group Bhd	33.1		
Employees Provident Fund Board	9.6		
Amanah Saham Nasional Bhd	5.7		

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.7	-2.7	10.1
Relative (%)	-2.0	-3.7	9.2

CelcomDigi Berhad

Cost savings gaining traction

Summary

 CelcomDigi's 9MFY23 normalised net profit at RM1.64b came above our expectations due to lower regulatory and network costs, lower tax in absence of Cukai Makmur and lower depreciation.

Company Results

- Looking ahead, CelcomDigi is expected to realise their post-merger synergies of RM200-250m in 2023.
- We maintain our HOLD recommendation with a higher target price of RM4.36 (WACC 6.01%, terminal growth 1%).

Results Review

- **Results review**. 3QFY23 net profit declined 3.8% yoy to RM459m, due to higher depreciation but rose 31.9% qoq, due to lower operating costs (sales & marketing, operation & maintenance and regulatory costs). Revenue for the quarter was flat (+1% yoy and -0.6% qoq) at RM3.1b mainly on lower Postpaid revenue while Prepaid, Wholesale and Home Fibre recorded slight growths.
- **Above expectation**. In 9MFY23, normalised net profit of RM1.64b (excluding accelerated depreciation) makes up to 88% our forecasted net profit of RM1.87b. Reported net profit of RM1.13b accounted for 83% and 68% of our and consensus net profit forecasts.
- **Operations Highlights**. Postpaid revenue declined 2.2% yoy and 0.7% qoq to RM1.26b due to lower ARPU of RM67 (vs RM68 in 2QFY23) that offset higher subscribers (+92k qoq to 6.86m). Meanwhile, Prepaid revenue grew 1.9% yoy and 0.2% qoq to RM1.15b with a flat ARPU of RM28 and higher subscribers (+22k qoq to 13.6m).
- **Industry Highlights**. The telecommunication industry is gearing up for 5G with focus on the Enterprise segment as the Consumer segment is harder to monetise.
- Outlook. Despite flattish revenue in 3QFY23, CelcomDigi is still on track to meet
 management guidance of a) growth in Service Revenue and b) Flat to single digit
 growth in EBITDA. However, management expects capex to accelerate in 4QFY23
 as current capex-to-revenue ratio of 7.9% is still behind its guidance of 15-18%.
- Valuation. Lifted our FY23 normalised earnings forecast by 18% while reduced our revenue estimate by 7%, on the back of the better-than-expected reported bottom line. Re-iterate our HOLD recommendation on CelcomDigi, but with a higher target price of RM4.36 (previously RM4.08) as we roll over our valuation metrics to FY24.
- **Risk**. Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.



APEX SECURITIES BERHAD

Monday, November 20, 2023 Company Result Figure 1: Results Comparison FFE Dec (RM m) 30FY23 Sept. 2	APEX SECURITIES BERH	IAD											
Properties Pr	Monday, November 2	20, 2023											Company Result
Revenue	Figure 1: Results Compa	arison											
BITTIDA	FYE Dec (RM m) 30	QFY23	3QFY22				9MFY22	9MFY23		Quarters	Trend C	omments	
Per-taxprofits	Revenue	3,104.0	3,072.0	1.0	3,123.0	(0.6)	9,205.0	9,407.0	2.2		• L	ower postpa	id revenue
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FYE Dac (RM m) FY2 16 F	Financial Highlights												
Revenue	Income Statement					Baland	e Sheet						
Receivable 1987	FYE Dec (RM m)	FY22	FY23F	FY24F	FY25F	FYE D	ec (RM m)	FY22	FY23F	FY24F	FY25F	
Communication Communicatio Communication Communication Communication Communication	Revenue	12511.0	####	####	####	Cash			1221.0	507.5	342.3	288.5	
Part	EBITDA	5957.0	6138.2	6029.4	6300.2	Receiva	ables		2425.0	2526.0	2538.7	2598.0	
Net Finance Income	Depreciation & Amortisation	n -2696.0	-3364.7	-2261.3	-2370.0	Other cu	urrent assets	3	409.0	570.2	607.7	619.6	
Associates & JV 16.0 15.0 5.0 5.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 200.0 2000.0	EBIT	3221.0	2773.5	3768.1	3930.2	Total	Current As	ssets	4055.0	3603.7	3488.7	3506.1	
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Terminal growth rate 1.0%	Valuations					•	•						
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Fair Value (RM)

Monday, November 20, 2023 **Company Results**

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

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General Line: (603) 8736 1118

Head Office:

Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)

Mutiara Damansara Office: Kenneth Leong (ext 2093)

Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069)

Mutiara Damansara Office:

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General Line: (603) 7890 8899

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months. **TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months. **NEUTRAL**: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months. UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

DISCLAIMER

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