

Lee Cherng Wee

(603) 7890 8888 (ext 2067)

leecw@apexsecurities.com.my

Recommendation:	HOLD
Current Price:	RM 4.37
Previous Target Price:	RM 4.36
Target Price:	↔ RM 4.36
Upside/Downside:	-0.2%

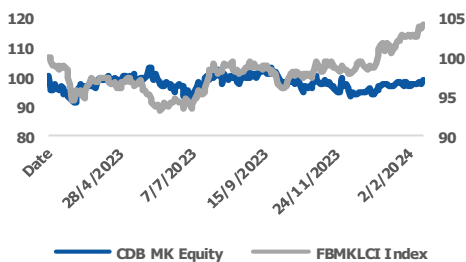
Stock information

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)	51,266.7
52-Week Price Range (RM)	3.96-4.6
Beta (x)	1.2
Free float (%)	13.4
3M Average Volume (m)	2.9
3M Average Value (RM' m)	12.2

Top 3 Shareholders (%)

Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund Board	9.8

Share Price Performance



	1M	3M	12M
Absolute (%)	4.0	1.6	-2.2
Relative (%)	-0.6	-4.4	-7.4

CelcomDigi Berhad

Ending the year with a steady performance

Summary

- **CelcomDigi's FY23 normalised net profit of RM2.15b was within our expectations amid higher taxation and cost savings from integration synergy.**
- **The company achieved 35% of its network integration in 2023, ahead of its 30% target and is aiming to accomplish another 40% in 2024.**
- **We maintain our HOLD recommendation with an unchanged target price of RM4.36 (WACC 6.01%, terminal growth 1%).**










Results Review

- **Results review.** 4QFY23 reported net profit declined 4.4% qoq and 13.4% yoy to RM439m mainly due to higher taxation following certain non-deductible expenses. Revenue for the quarter was 5.5% higher qoq but 0.9% lower yoy due to higher device sales (+37% qoq to RM538m) and flat service revenue.
- **Within expectation.** FY23 core net profit of RM2.15b (excluding accelerated depreciation) makes up to 97% our forecasted net profit of RM2.21b. Reported net profit of RM1.57b accounted for 99% and 116% of our and consensus net profit forecasts.
- **Operations Highlights.** Postpaid revenue grew 0.9% qoq but slipped 1.7% yoy to RM1.27b amid higher subscribers (+74k qoq to 6.94m) despite lower ARPU of RM66.2 (vs RM67 in 3Q23) despite higher. Meanwhile, Prepaid revenue was flat (+1.3% yoy and -1.0% qoq) at RM1.15b with a flat ARPU of RM28 and lower subscribers (-131.8k to 13.5m).
- **Synergy.** Following the Celcom-Digi merger, the company has achieved RM366m of gross synergy from economies of scales and renegotiations of commercial terms. It also incurred RM114m of integration cost for organisational setup, brand campaigns and professional fees. This translates into a net synergy of RM252m in 2023. The management did not guide for the quantum of synergy in 2024.
- **Outlook.** The management has introduced its 2024 guidance of a) low single digit growth in Service Revenue, b) Flat growth in EBIT, c) capex intensity of 15%-18%.
- **Dividend.** A fourth interim dividend of 3.5 sen per share, bringing total dividend for the year to 13.2 sen which is in line with our expectation. This translates into a yield of 3.2%.
- **Valuation.** With reported earnings coming in line with expectations, we kept our forecasts for FY24 and FY25 unchanged. We re-iterate our **HOLD** recommendation on CDB with an unchanged target price of RM4.36.
- **Risk.** Price slashing by competitors. Changes in government regulations.

Wednesday, February 21, 2024

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	3,275.0	3,306.0	(0.9)	3,104.0	5.5	12,511.0	12,682.0	1.4		4Q lifted by higher device sales Cost savings from integration synergy
EBITDA	1,597.1	1,556.0	2.6	1,566.8	1.9	5,957.0	6,154.9	3.3		
Pre-tax profit	679.7	739.0	(8.0)	572.0	18.8	2,852.0	2,179.7	(23.6)		Excluding accelerate depreciation
Net profit	439.2	507.0	(13.4)	459.0	(4.3)	1,964.0	1,567.2	(20.2)		
Core net profit	507.0	627.0	(19.1)	598.0	(15.2)	627.0	2,150.0	242.9		
Core EPS (sen)	4.3	5.3	(19.1)	5.1	(15.2)	17.0	18.3	7.5		
EBITDA margin (%)	48.8	47.6		47.4		47.6	48.5			
PBT margin (%)	20.8	22.4		15.0		22.8	17.2			
Core PATAMI margin (%)	15.5	15.5		16.9		5.0	17.0			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F
Revenue	12511.0	12682.0	12693.5	12990.0
EBITDA	5957.0	6155.0	6029.4	6300.2
Depreciation & Amortisation	-2696.0	-3364.7	-2264.0	-2371.5
EBIT	3332.0	2689.0	3765.4	3928.7
Net Finance Income/ (Cost)	-494.0	-538.7	-500.0	-480.0
Associates & JV	15.0	30.7	15.0	15.0
Pre-tax Profit	3332.0	2689.0	3765.4	3928.7
Tax	-888.0	-614.2	-820.1	-865.9
Profit After Tax	1964.0	1567.2	2460.3	2597.8
Minority Interest	103.0	106.0	110.0	110.0
PATAMI	1861.0	1461.2	2350.3	2487.8
Exceptionals	0.0	582.8	0.0	0.0
Core Net Profit	627.0	2150.0	2460.3	2597.8

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F
EBITDA margin	47.6%	48.5%	47.5%	48.5%
EBIT margin	26.6%	21.2%	29.7%	30.2%
PBT margin	26.6%	21.2%	29.7%	30.2%
PAT margin	15.7%	12.4%	19.4%	20.0%
NP margin	14.9%	11.5%	18.5%	19.2%
Core NP margin	14.9%	11.5%	18.5%	19.2%
ROE	11.4%	8.9%	14.0%	14.3%
ROA	5.6%	4.5%	7.3%	7.7%
Net gearing	83.8%	78.6%	72.7%	67.9%

Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F
Postpaid subscribers ('000)	6,672	6,938	6,900	6,950
Prepaid subscribers ('000)	13,313	13,483	13,800	14,000
Postpaid ARPU (RM)	70.0	66.2	70.0	70.0
Prepaid ARPU (RM)	29.0	28.3	30.0	30.0

Valuations

Terminal growth rate	1.0%
WACC	6.0%
Fair Value (RM)	4.39

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F
Cash	1221.0	430.7	267.8	215.3
Receivables	2425.0	2536.4	2538.7	2598.0
Other current assets	409.0	572.3	607.7	619.6
Total Current Assets	4055.0	3539.4	3414.2	3432.9
Fixed Assets	6409.0	4312.5	3952.5	3529.5
Intangibles	18695.0	20000.0	20000.0	20500.0
Other non-current assets	1127.0	1278.0	1299.9	1329.2
Total Non-current assets	33484.0	32590.4	32252.4	32358.6
Short-term Debt	4139.0	2480.0	2000.0	2000.0
Payables	3522.0	3551.0	3554.2	3637.2
Other Current Liabilities	696.0	1070.7	821.2	834.6
Total Current Liabilities	8357.0	7101.7	6375.4	6471.8
Long-term Debt	10748.0	10798.0	10500.0	10000.0
Other non-current liabilities	2119.0	1817.1	1880.8	1889.7
Total Non-current Liabilities	12867.0	12615.1	12380.8	11889.7
Shareholder's equity	16212.0	16230.6	16722.7	17242.2
Minority interest	103.0	106.0	110.0	110.0
Equity	16315.0	16336.6	16832.7	17352.2

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F
Operating cash flow	2817.0	5002.1	4709.3	4954.2
Net capex	-888.0	-1268.2	-1904.0	-1948.5
Others	-1547.0	0.0	0.0	0.0
Investing cash flow	-2422.0	-1268.2	-1904.0	-1948.5
- Debt drawdown	3550.0	1631.0	2000.0	2000.0
- Debt repayment	-1175.0	-3065.0	-1500.0	-1500.0
- Payment of lease liabilities	-485.0	-1000.0	-1000.0	-1000.0
- Finance costs	-258.0	-538.7	-500.0	-480.0
- Dividends paid	-1011.0	-1548.6	-1968.2	-2078.2
Financing cash flow	621.0	-4521.2	-2968.2	-3058.2
Net cash flow	1016.0	-787.3	-162.9	-52.5
Beginning cash	205.0	1218.0	430.7	267.8
Ending cash	1218.0	430.7	267.8	215.3

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

Head Office:

6th Floor, Menara Apex,
Off Jalan Semenyih,
Bukit Mewah 43000 Kajang,
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

DEALING TEAM

Head Office:

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

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

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

RESEARCH TEAM

Mutiara Damansara Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)

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.

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