

## Steven Chong

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<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM 3.87
Previous Target Price:	RM 4.00
Target Price:	↔ RM 4.00
Capital Upside/Downside:	3.4%
Dividend Yield (%):	3.6%
<b>Total Upside/Downside:</b>	<b>7.0%</b>

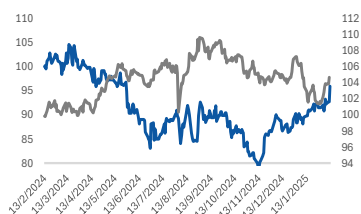
## Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6947 / CDB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	11,731.5
Market Cap (RM' m)	45,400.9
52-Week Price Range (RM)	4.43-3.25
Beta (x)	1.1
Free float (%)	23.3
3M Average Volume (m)	3.1
3M Average Value (RM' m)	11.2

## Top 3 Shareholders (%)

Telenor Asa	33.1
Axiata Group Bhd	33.1
Employees Provident Fund Board	10.5

## Share Price Performance



	1M	3M	12M
Absolute (%)	5.2	16.6	-9.2
Relative (%)	4.1	17.2	-12.7

# CelcomDigi Berhad

## Earnings on Track, Depreciation Remains a Headwind

### Executive Summary

- **CDB recorded 4QFY24 CNP of RM39.4m (-17.5% qoq, -35.9% yoy) bringing full year FY24 CNP to RM1.7bn (-0.03% yoy), was within our and consensus forecasts, accounting for 100% and 98% of forecasts respectively.**
- **We tweaked downwards our earnings forecast for FY25 by -12.1% after adjusting for higher depreciation charges which stem from i) higher-than-expected CAPEX spending in FY24, coupled with ii) the ongoing reassessment of the useful life of legacy assets into FY25.**
- **Revised our call to HOLD (previously BUY) with unchanged TP of RM4.00 based on WACC 6.9% and terminal growth of 0.5%.**

**Results within expectations.** FY24 CNP of RM1.7bn came well within both ours and consensus expectation, making up to 100% and 98% of forecasted CNP respectively. CNP was derived after stripping out one-off adjustments of RM174.4m (accelerated depreciation on ROU: RM112.7m, allowance for credit loss on receivables: RM157.8m and others: -RM95.3m)

**YoY.** 4QFY24 CNP dropped -35.9% yoy to RM369.4m, dragged by higher depreciation costs as well as additional 5G access expenses. Revenue for the quarter was flat at RM3.3bn with the prepaid segment experiencing subscriber losses due to CDB's earlier strategy of shifting focus away from dual SIM customers.

**QoQ.** CNP decreased by -17.5% qoq on the back of slight uptick in operational expenses. That said, revenue for the quarter climbed +4.8% qoq driven by growth across all segments except the prepaid segment.

**Outlook.** 2025 outlook guidance of i) low single digit growth in service revenue, and ii) low to mid-single digit in EBIT and iii) capex of 14%-16%. We note that depreciation costs spiked in 4QFY24 due to depreciation on legacy assets which arose from reassessment of useful life of network site assets as well as IT platforms, leading to a reduction in their expected lifespan. While these charges will gradually taper off by FY26 as legacy assets are phased out, total depreciation is expected to remain elevated similar to FY24, stem from increased CAPEX spending.

**Earnings Revision.** We tweaked downwards our earnings forecast for FY25 by -12.1% after adjusting for the higher depreciation charges.

**Valuation.** As the recent price appreciation has fully priced in CDB's fair value, we revised our recommendation to **HOLD** (previously BUY) with unchanged target price of **RM4.00** based on DCF valuation (WACC of 6.9% with a long-term growth rate of 0.5%).

**Risk.** Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.

### Earnings Summary

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	12685.0	12679.4	12790.6	12959.0	13281.5
EBITDA	5952.3	5482.3	5849.4	5793.3	6202.0
Pre-tax profit	2184.0	1735.0	2035.5	2318.9	3060.7
Net profit	1584.4	1376.4	1562.7	1780.3	2349.8
Core net profit	1758.8	1651.5	1562.7	1780.3	2349.8
Core EPS (sen)	15.0	14.1	13.3	15.2	20.0
P/E (x)	25.8	27.5	29.1	25.5	19.3
P/B (x)	2.8	2.8	2.7	2.7	2.6
EV/EBITDA (x)	5.3	6.0	5.8	6.1	5.9
Dividend Yield (%)	3.2%	3.4%	3.6%	2.7%	3.6%
Net Gearing (%)	83.8%	76.6%	68.9%	59.8%	51.1%

Source: Company, Apex Securities

# Results Note

Friday, 14 Feb, 2025

## Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	3,276.0	3,275.0	0.0	3,126.5	4.8	12,679.5	12,683.7	(0.0)	Dragged subscriber loss in Prepaid segment
EBITDA	1,328.3	1,344.2	(1.2)	1,514.3	(12.3)	5,591.0	5,920.8	(5.6)	
Pre-tax profit	181.0	680.6	(73.4)	606.6	(70.2)	1,751.9	2,182.8	(19.7)	
Net profit	162.3	440.0	(63.1)	440.5	(63.2)	1,406.9	1,568.3	(10.3)	NP slid due to one-off impairment coupled with
Core net profit	369.4	576.2	(35.9)	447.7	(17.5)	1,665.5	1,742.7	(4.4)	higher depreciation on legacy ROU assets
Core EPS (sen)	3.1	4.9	(35.9)	3.8	(17.5)	14.2	14.9	(4.4)	
EBITDA margin (%)	40.5	41.0		48.4		44.1	46.7		
PBT margin (%)	5.5	20.8		19.4		13.8	17.2		
Core net profit margin (%)	11.3	17.6		14.3		13.1	13.7		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
<b>Revenue</b>									
Postpaid	1,062.0	1,024.0	3.7	1,046.0	1.5	4,180.0	4,076.0	2.6	
Prepaid	1,088.0	1,146.0	(5.1)	1,096.0	(0.7)	4,416.0	4,573.0	(3.4)	
Home & Fiber	56.0	38.0	47.4	49.0	14.3	184.0	138.0	33.3	
Enterprise	307.0	38.0	707.9	49.0	526.5	184.0	138.0	33.3	
<b>Subscribers</b>									
Postpaid	5,793.0	5,419.0	6.9	5,710.0	1.5	22,620.0	21,157.0	6.9	
Prepaid	12,862.0	13,483.0	(4.6)	12,839.0	0.2	51,967.0	54,148.0	(4.0)	Subscribers loss from dual sim consolidation
Home & Fiber	188.0	112.0	67.9	159.0	18.2	612.0	395.0	54.9	
Enterprise	1,551.0	1,539.0	0.8	1,547.0	0.3	6,139.0	6,223.0	(1.3)	
<b>ARPU</b>									
Postpaid	60.0	63.0	-4.8	61.0	(1.6)	60.0	63.0	(4.8)	
Prepaid	28.0	28.0	0.0	28.0	-	28.0	28.0	-	
Home & Fiber	107.0	120.0	-10.8	109.0	-1.8	107.0	120.0	(10.8)	

Source: Company, Apex Securities

# Results Note

Friday, 14 Feb, 2025

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	12685.0	12679.4	12790.6	12959.0	13281.5
Operating Profit	6157.2	5798.4	6060.5	6010.6	6425.9
EBITDA	5952.3	5482.3	5849.4	5793.3	6202.0
Depreciation & Amortisation	2585.0	3229.4	3186.0	2915.7	2611.2
EBIT	2722.9	2332.3	2663.4	2877.5	3590.8
Net Finance Income/ (Cost)	-539.0	-597.3	-627.9	-558.6	-530.0
Associates & JV	15.0	30.7	31.6	32.6	33.6
Pre-tax Profit	2184.0	1735.0	2035.5	2318.9	3060.7
Tax	-888.0	-614.2	488.5	556.5	734.6
Profit After Tax	1584.4	1361.8	1547.0	1762.4	2326.2
Minority Interest	0.0	-14.6	-15.7	-17.9	-23.6
Net Profit	1584.4	1376.4	1562.7	1780.3	2349.8
Exceptionals	149.6	174.4	0.0	0.0	0.0
Core Net Profit	1758.8	1651.5	1562.7	1780.3	2349.8

### Key Ratios

FYE Sep	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	15.0	14.1	13.3	15.2	20.0
P/E (x)	25.8	27.5	29.1	25.5	19.3
P/B (x)	2.8	2.8	2.7	2.7	2.6
EV/EBITDA (x)	5.3	6.0	5.8	6.1	5.9
DPS (sen)	12.2	13.2	14.1	10.6	14.0
Dividend Yield (%)	3.2%	3.4%	3.6%	2.7%	3.6%
EBITDA margin (%)	46.9%	43.2%	45.7%	44.7%	46.7%
EBIT margin (%)	21.5%	18.4%	20.8%	22.2%	27.0%
PBT margin (%)	17.2%	13.7%	15.9%	17.9%	23.0%
PAT margin (%)	12.5%	10.7%	12.1%	13.6%	17.5%
NP margin (%)	12.5%	10.9%	12.2%	13.7%	17.7%
CNP margin (%)	13.9%	13.0%	12.2%	13.7%	17.7%
ROE (%)	10.8%	10.0%	9.5%	10.5%	13.3%
ROA (%)	4.8%	4.6%	4.5%	5.1%	6.5%
Gearing (%)	91.2%	79.0%	70.0%	65.0%	65.0%
Net gearing (%)	83.8%	76.6%	68.9%	59.8%	51.1%

### Valuations

Terminal Growth Rate	0.5%
WACC	7.0%
Fair Value (RM)	4.00
ESG premium/discount	0.0%
Implied Fair Value (RM)	4.00

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	1221.0	397.0	174.4	882.9	2447.8
Receivables	2425.0	2474.0	2495.7	2528.6	2591.5
Inventories	164.0	247.0	249.2	252.4	258.7
Other current assets	-395.0	743.5	297.0	297.0	297.0
Total Current Assets	3415.0	3861.5	3216.2	3960.9	5595.0
Fixed Assets	6409.0	6127.0	4859.6	4017.3	3531.1
Intangibles	18695.0	18951.0	18951.0	18951.0	18951.0
Other non-current assets	7908.0	7135.7	7934.0	7934.0	7934.0
Total Non-current assets	33012.0	32213.7	31744.6	30902.3	30416.1
Short-term Debt	4139.0	2228.0	0.0	0.0	0.0
Payables	3522.0	4285.0	4191.1	4326.9	4269.2
Other Current Liabilities	696.0	909.0	909.0	909.0	909.0
Total Current Liabilities	8357.0	7422.0	5100.1	5235.9	5178.2
Long-term Debt	10748.0	10769.0	11563.8	10971.2	11446.2
Other non-current liabilities	1798.0	2088.3	1777.0	1777.0	1777.0
Total Non-current Liabilities	12546.0	12857.3	13340.8	12748.2	13223.2
Shareholder's equity	16212.0	16348.0	16408.7	16767.8	17498.5
Minority interest	103.0	111.0	111.0	111.0	111.0
Total Equity	16315.0	16459.0	16519.7	16878.8	17609.5

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2184.0	1735.0	2035.5	2318.9	3060.7
Depreciation & amortisation	3150.0	3186.0	2915.7	2611.2	2295.2
Changes in working capital	656.0	631.0	-117.8	99.7	-126.9
Others	-3172.9	-141.7	-102.8	-234.1	-394.9
Operating cash flow	2817.0	5410.4	4730.7	4795.7	4834.1
Net capex	-888.0	-1806.0	-1918.6	-2073.4	-2125.0
Others	-1534.0	-44.6	0.0	0.0	0.0
Investing cash flow	-2422.0	-1850.6	-1918.6	-2073.4	-2125.0
Changes in borrowings	1890.0	-11605.9	-1433.2	-592.6	475.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-1011.0	-1502.0	-1502.0	-1421.2	-1619.1
Others	-258.0	8722.9	60.0	0.0	0.0
Financing cash flow	621.0	-4384.9	-2875.2	-2013.8	-1144.1
Net cash flow	-825.2	-193.3	-63.1	708.5	1564.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	1017.0	-790.6	0.0	0.0	0.0
Beginning cash	205.4	1221.4	237.5	174.4	882.9
Ending cash	397.2	237.5	174.4	882.9	2447.8

# Results Note

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	While total carbon emissions increase by 86.5% yoy in FY23, but carbon intensity per data usage has fallen from 0.11 CO2e/terabyte to 0.09 CO2e/terabyte.
Waste & Effluent	★★★	Waste generated per employee rose from 51kg/employee to 182kg/employee following the resumption of working in office.
Energy	★★	Power consumption jumped 106.6% yoy in tandem with higher energy usage per customer from 36.84 KWh to 44.47KWh.
Water	★★★	Begin measuring water consumption in FY23 which stood at 43,224m3.
Compliance	★★★	In compliance with local and international environmental regulations

### Social

Diversity	★★★	Fairly balanced between male to female ratio at 52% and 48% respectively.
Human Rights	★★★	Aligned with the Universal Declaration of Human Rights (UDHR) and are guided by the United Nations Guiding Principles (UNGP) on Business and Human Rights.
Occupational Safety and Health	★★★	Employee Lost-Time Incident Frequency rate rose from 0 to 0.14.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

### Governance

CSR Strategy	★★★	Provisioned 250 units of FWA to provide free internet connectivity to several centres such as Temporary Evacuation Centres nationwide during floods.
Management	★★	3/10 female board composition, 4/10 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

### Recommendation Framework:

**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

### 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.

### ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of Friday, 14 Feb, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.