CelcomDigi (CDB MK)

Positive Risk Reward, Earnings Uplift From Synergistic Savings And Rational Price Competition

BUY (Maintained)

Share Price	RM2.98
Target Price	RM4.05
Upside	+35.9%

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Highlights

- 2Q26 will reflect a higher quantum of synergistic savings from the merger exercise. We estimate at least RM150m opex and COGS savings in 2Q26 vs RM41m in 1Q26. This will drive earnings uplift progressively into the rest of 2026, as management expects total synergistic savings of RM465m for the full-year 2026. These savings will stabilise at RM700m-800m by 2028.
- We expect rational price competition in 2Q and 3Q26, following sector-wide price revision for postpaid and prepaid. Consequentially, customer churn in 2Q may be high, particularly in the prepaid segment, but we expect a positive uplift to quarterly earnings as a result of the price adjustment.
- We see positive risk-reward for the stock, which is trading at -1SD from its mean valuation given the foreign selldown in Jun 26. Maintain BUY with a DCF-based target price of RM4.05.

Analysis

- **An efficient operator; RM465m in synergistic savings in 2026.** We expect CelcomDigi Berhad (CelcomDigi) to continue reaping the benefits of merger synergies in 2Q26, to the tune of an estimated RM150m across opex and COGS savings. This is a flow-through from 1Q25's RM41m opex savings and will result in earnings uplift for the rest of 2026. To recap, management projected synergistic cost savings of RM465m to be reflected in 2026. For 5M26, a total of RM163m savings have been reflected in P&L – or approximately 35% of total savings have been executed, with the balance to be recognised in the coming quarters. Management is confident CelcomDigi can deliver RM700m-800m in annual cost savings by 2028.
- **Signals of rational price competition in the market.** CelcomDigi drove rational price competition towards the end of 1Q26 and the other two players followed through. Collectively, all three players raised postpaid and prepaid prices by high single digits. We believe this may have a positive impact on 2Q26's and 3Q26's earnings. Naturally, we expect some churn as a result of the price hike, which may see some prepaid churn away from the three incumbent players to the MVNOs. Bundling and higher data allocation is a trend currently seen in 3Q26, while prices will remain elevated for the rest of the year.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	12,679	12,956	13,263	13,402	13,608
EBITDA	6,154	5,621	5,861	5,869	5,960
Operating profit	2,321	2,672	2,891	3,306	3,723
Net profit (rep./act.)	1,378	1,514	1,726	1,994	2,332
Net profit (adj.)	1,730	1,660	1,726	1,994	2,332
EPS	14.7	14.1	14.7	17.0	19.9
PE	20.2	21.1	20.3	17.5	15.0
P/B	2.2	2.2	2.2	2.2	2.2
EV/EBITDA	7.8	8.5	8.0	7.8	7.5
Dividend yield	4.8	4.9	5.1	5.9	6.9
Net margin	10.9	11.7	13.0	14.9	17.1
Net debt/(cash) to equity	79.2	79.9	75.4	67.8	62.7
Interest cover	3.8	4.4	4.5	4.7	5.1
ROE	10.7	10.4	10.8	12.6	14.8
Consensus net profit	-	-	1,703	1,899	2,093
UOBKH/Consensus (x)	-	-	1.01	1.05	1.11

Source: CelcomDigi, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Communication Services
Bloomberg ticker	CDB MK
Shares issued (m)	11,731.5
Market cap (RMm)	34,957.9
Market cap (US$m)	8,542.6
3-mth avg daily t'over (US$m)	2.9

Price Performance (%)

52-week high/low: RM3.89/RM2.65

1mth	3mth	6mth	1yr	YTD
6.8	0.7	(12.9)	(22.4)	(6.6)

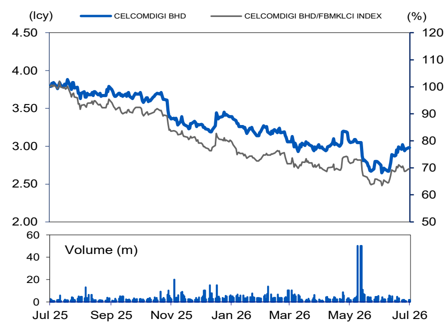
Major Shareholders

	%
Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	10.7

Balance Sheet Metrics

FY26F NAV/Share (RM)	1.36
FY26F Net Debt/Share (RM	1.02

Price Chart



Source: Bloomberg

Company Description

Mobile operator in Malaysia, providing 4G and 5G services.

- **Addressing the Digital Nasional (DNB) overhang.** The overhang on DNB has depressed telco valuation as investors await clarity in terms of DNB future losses/breakeven and a viable business case for DNB. Positively, we expect CelcomDigi to provide clarity on DNB's business position, capex requirements and opex enhancement in the near term. We also expect the transfer of MOF's share to the three shareholers ie CelcomDigi, Maxis and YTL Power to happen some time towards end-3Q26. The shareholders are currently finalising the refinancing of a RM1.5b government guarantee in DNB, before the transfer of ownership can come into effect.

CelcomDigi 2026 Breakdown of Synergystic Cost Savings Flow-Through To P&L

		2026 Target
OPEX	**Site Operating Cost Optimisation:** Rental renegotiations, Energy optimisation, Network footprint optimisation	~RM180m
	Procurement Efficiency: IT and Network related contracts renegotiations	~RM160m
	Others: Optimised spend in admin & support cost and other operating cost	~RM50m
COGS	**Backhaul Management:** VSAT upgrade review, Leased line conversion	~RM20m
	Traffic Management: 4G/5G traffic management	~RM30m
	Others: Device management, etc	~RM25m

Source: CelcomDigi

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of RM4.05.** At our fair value, the stock trades at +1SD 2026F EV/EBITDA of 10.2x. CelcomDigi remains on track to achieve its synergistic target of RM700m-800m in annual cost savings beyond 2027.

Earnings Revision/Risk

- Trim 2027-28 net profit forecasts by 8% to factor in: a) associate losses as a result of incorporating DNB in CelcomDigi's book; and b) lower interest income as a result of housekeeping.

Share Price Catalyst/Risk

- Stronger-than-expected service revenue uplift from price adjustment in early-26, with continuous pre-to-postpaid conversion and increased customer stickiness.
- Clarity on DNB's future financial position and cost synergies from network consolidation between the three shareholders.

Environmental, Social, Governance (ESG)

Environmental

- Reduced Scope 1 and 2 GHG emissions by 4% yoy in 2025, through network infrastructure consolidation, decommissioning of legacy equipment, and deployment of AI-driven energy optimisation tools.

Social

- Contributed RM1.7m for various social impact programmes (digital inclusion and digital skills) and humanitarian efforts, benefitting 128,096 individuals.
- Managed 325 National Information Dissemination (NADI) Centres for digital empowerment of rural communities.

Governance

- Achieved 38% of women composition in leadership roles in 2025 with a goal of reaching 40% by 2028.

Performance Guidance For 2026

	2026 guidance
Service Revenue	Low single-digit growth.
EBIT	Low single-digit growth.
Capex intensity	Around 12-13% of total revenue, focusing on enhancing IT platforms and network enhancement.

Source: CelcomDigi, UOB Kay Hian

1Q26 Mobile Price Uplift Seen In The Market

MNO	Postpaid	Prepaid
CelcomDigi	- Discontinued the RM40 5G plan - Introduced a new RM190 Unlimited 5G plan	- Increased by 12.5-20% across all plans
Maxis	- Increased its cheapest postpaid plan by 13% - (RM79 to RM89)	- Increased its RM25 Unlimited 5G plan to RM30 (+20%) - Discontinued its RM50 Unlimited 5G plan
UMobile	- Increased its cheapest postpaid plan by 18% - (RM38 to RM45)	- Increased by 9.5-12% for its bottom-tier plans - Discontinued its ULTRA Prepaid 40 plan

Source: UOB Kay Hian

Active MVNOs in Malaysia

MVNO	Host Network	Remarks
Tune Talk	CelcomDigi	
redONE Mobile	CelcomDigi	
XOX Mobile	CelcomDigi	
SpeakOut	CelcomDigi	
Spark by CelcomDigi	CelcomDigi	Replaces Yoodo
Tone Excel	Maxis	
MCalls	Maxis	
Ansar Mobile	Maxis	
HelloSIM	Maxis	Operated by Merchantrade
CMLINK	Maxis	Operated by China Mobile
VIBE Mobile	Umobile	
Eastel	Umobile	
Halo Telco	Tune Talk	

Source: UOB Kay Hian

Five-year EV/EBITDA Band

Source: CelcomDigi, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	12,956.0	13,262.9	13,402.0	13,608.4
EBITDA	5,621.0	5,860.6	5,869.1	5,959.9
Deprec. & amort.	2,847.5	2,969.4	2,562.9	2,237.3
EBIT	2,672.0	2,891.1	3,306.2	3,722.5
Total other non-operating income	(569.1)	(598.7)	(660.8)	(632.3)
Net interest income/(expense)	2,102.9	2,292.4	2,645.4	3,090.2
Pre-tax profit	(572.9)	(550.2)	(634.9)	(741.6)
Tax	(16.4)	(16.4)	(16.4)	(16.4)
Net profit	1,513.5	1,725.8	1,994.1	2,332.1
Net profit (adj.)	1,659.5	1,725.8	1,994.1	2,332.1

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	6,670.5	5,773.3	4,766.1	4,105.0
Other LT assets	24,978.8	24,763.3	24,547.9	24,332.4
Cash/ST investment	871.5	2,045.9	3,793.3	5,150.9
Other current assets	3,943.6	4,266.9	4,309.7	4,373.2
Total assets	36,464.4	36,849.5	37,416.9	37,961.5
ST debt	3,044.2	860.3	360.3	-139.7
Other current liabilities	5,308.9	5,331.8	5,384.7	5,466.1
LT debt	10,595.5	13,192.5	14,192.5	15,192.5
Other LT liabilities	1,537.1	1,537.1	1,537.1	1,537.1
Shareholders' equity	15,978.8	15,927.7	15,942.2	15,905.5
Minority Interest	123.8	140.2	156.7	173.1
Total liabilities & equity	36,464.4	36,849.5	37,416.9	37,961.5

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	4,024.0	5,103.7	5,244.3	5,234.2
Pre-tax profit	2,102.9	2,292.4	2,645.4	3,090.2
Tax	(572.9)	(550.2)	(634.9)	(741.6)
Deprec. & amort.	2,847.5	2,969.4	2,562.9	2,237.3
Associates	(0.4)	-	76.2	38.1
Working capital changes	(309.2)	(206.7)	10.1	14.9
Other operating cashflows	(43.9)	598.7	584.6	595.2
Investing	(1,469.6)	(1,834.4)	(1,281.2)	(1,289.9)
Capex (maintenance)	(1,574.0)	(1,856.8)	(1,340.2)	(1,360.8)
Proceeds from sale of assets	-	-	-	1.0
Others	104.4	22.4	59.0	70.9
Financing	(2,001.5)	(2,001.4)	(2,215.8)	(2,587.6)
Dividend payments	(1,736.3)	(1,793.4)	(2,072.2)	(2,423.4)
Issue of shares	-	-	-	-
Proceeds from borrowings	1,204.2	413.2	500.0	500.0
Others/interest paid	(375.3)	(621.1)	(643.6)	(665.1)
Net cash inflow (outflow)	553.0	1,267.9	1,747.4	1,356.6
Beginning cash & cash equivalent	224.0	778.0	2,045.9	3,793.3
Changes due to forex impact	0.9	-	-	1.0
Ending cash & cash equivalent	778.0	2,045.9	3,793.3	5,150.9

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	43.4	44.2	43.8	43.8
Pre-tax margin	16.2	17.3	19.7	22.7
Net margin	12.8	13.0	14.9	17.1
ROA	4.6	4.7	5.3	6.1
ROE	10.4	10.8	12.6	14.8
Growth				
Turnover	2.2	2.4	1.0	1.5
EBITDA	(8.7)	4.3	0.1	1.5
Pre-tax profit	21.1	9.0	15.4	16.8
Net profit	9.9	14.0	15.5	17.0
Net profit (adj.)	(4.1)	4.0	15.5	17.0
EPS	(4.1)	4.0	15.5	17.0
Leverage				
Debt to total capital	48.5	45.8	45.9	46.1
Debt to equity	85.4	88.2	91.7	95.3
Net debt/(cash) to equity	79.9	75.4	67.8	62.7
Interest cover (x)	4.4	4.5	4.7	5.1