

Celcomdigi Berhad

(6947 | CDB MK) Telecommunications & Media | Telecommunications service providers

A Leaner Telco in the Making

KEY INVESTMENT HIGHLIGHTS

- **Maintain BUY recommendation with an unchanged target price of RM4.95 post the 1QFY24 results announcement**
- **1QFY24 normalised earnings up by +53.3%yoy to RM487m after adjusting for one-off severance package amounting to RM139m**
- **Slight decline in service revenue, primarily from both prepaid and postpaid**
- **Marginal increase in cost as the group continues to deliver synergies and operational excellence**

Remains a favorite. We are keeping our **BUY** recommendation on Celcomdigi Bhd (CDB) with an unchanged **target price of RM4.95** post the 1QFY24 results announcement. While there was a slight weakness in the service revenue, we view that the group started off 1QFY24 on a positive note. This mainly stemmed from the continuous delivery of the targeted synergies as well as operational excellence. At this juncture, the group has completed 44% of the nationwide network integration and modernisation programme which is ahead of schedule. In the coming quarters, we would expect the service revenue to play a catch-up role premised on the new mobile proposition coupled with its convergence strategy.

Synergies impact start to be seen. CDB's 1QFY24 normalised earnings came in at RM487m (+53.3%yoy) after adjusting for one-off severance packages. The earnings improvement was mainly premised on lower depreciation and amortization as well as a reversal of over-recognition of tax provision.

All in, CDB's 1QFY24 financial performance came in within our expectations, making up 20.9% of our full year FY24 earnings estimates.

Resilient service revenue. 1QFY24 service revenue saw a marginal decline of -1.2%yoy to RM2,671m. This was mainly attributable to the lower revenue from the prepaid and postpaid segments which were impacted by the lower interconnect rate, reduced bulk messaging traffic and overall softer usages. In view of this, management has revamped the mobile offerings to be more competitive with its peers. Nonetheless, the higher home and fiber and wholesale segments helped to partially buffer the decline in service revenue.

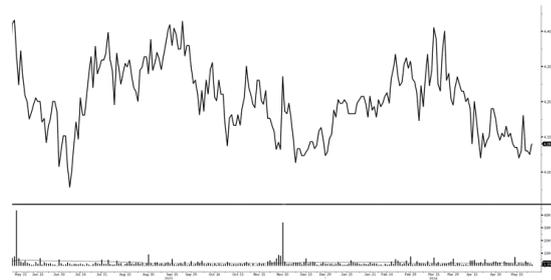
Total expenses under control. 1QFY24 total expenses were only up slightly by +0.4%yoy to RM2,597m as the management prioritise delivering synergies and scaling efficiency, backed by operational excellence. We observed a notable decline in depreciation and amortization (-16.0%yoy) and operation and maintenance (-10.1%yoy) costs. There was a spike in staff costs due to the inclusion of one-off severance packages amounting to RM139m. This, however, would translate into some saving on staff costs in the coming quarters.

Maintain BUY**Unchanged Target Price: RM4.95**

RETURN STATISTICS

Price @ 28 th May 2024 (RM)	4.04
Expected share price return (%)	+22.5
Expected dividend yield (%)	+3.5
Expected total return (%)	+26.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.4	-5.0
3 months	-2.6	-10.0
12 months	-8.5	-20.7

INVESTMENT STATISTICS

FYE Dec (RM)	2024E	2025F	2026F
Revenue	13,725	13,888	14,186
Operating Profit	3,539	3,967	4,315
Profit Before Tax	3,154	3,592	3,943
Core PATAMI	2,334	2,766	3,036
Core EPS (sen)	20	24	26
DPS (sen)	13.9	16.5	18.1
Dividend Yield (%)	3.5	4.1	4.5

KEY STATISTICS

FBM KLCI	1,615.82
Issue shares (m)	11,731.51
Estimated free float (%)	13.38
Market Capitalisation (RM'm)	47,864.55
52-wk price range	RM4.01 - RM4.60
3-mth average daily volume (m)	2.56
3-mth average daily value (RM'm)	10.75
Top Shareholders (%)	
Telenor ASA	33.10
Axiata Group Bhd	33.10
Employees Provident Fund Board	9.88

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CELCOMDIGI BHD: 1QFY24 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	1QFY24	1QFY23	% YoY	4QFY23	%QoQ
Revenue	3,154	3,180	-0.8	3,275	-3.7
EBITDA	1,326	1518	-12.6	1344	-1.3
Depreciation and amortisation	-769	-916	-16.1	-546	40.9
EBIT/(LBIT)	557	601	-7.4	798	-30.2
Finance costs	-153	-162	-5.6	-146	4.6
Finance income	20	21	-2.1	21	-3.2
Share of profit of associate	3	n.a.	n.a.	7	-64.1
PBT	427	460	-7.2	680	-37.2
Taxation	-56	-140	-59.7	-241	-76.6
PAT/LAT	371	321	15.7	439	-15.6
MI	-5	3	-287.2	4	-224.9
PATAMI	376	318	18.4	435	-13.5
Normalised PATAMI	487	318	53.3	503	-3.1
EPS/(LPS) (sen)	3	3	18.4	4	-13.5
EBITDA margin (%)	42.0	48			
EBIT margin (%)	17.7	19			
Normalised PATAMI margin (%)	15.5	10			
Effective tax rate (%)	13.2	30			

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	20265F
Revenue	6,773	12,682	13,725	13,888	14,186
EBITDA	2,976	5,919	6,494	6,597	6,890
EBIT	1,578	2,689	3,539	3,967	4,315
PBT	1,330	2,181	3,154	3,592	3,943
Normalised PATAMI	1,272	2,182	2,334	2,766	3,036
Normalised EPS (sen)	16.4	18.6	19.9	23.6	25.9
Normalised EPS Growth (%)	12.1	13.7	7.0	18.5	9.8
PER (x)	24	21.5	20.1	17.0	15.5
Dividend Per Share (sen)	12.2	13.2	13.9	16.5	18.1
Dividend yield (%)	3.1	3.3	3.5	4.1	4.5

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	20265F
Fixed assets	6,280	6,127	5,231	4,684	4,237
Intangible assets	19,259	18,951	18,951	18,951	18,951
Others	8,418	7,933	7,936	7,936	7,936
Non-current assets	33,957	33,011	32,118	31,571	31,124
Cash	1,221	397	837	2,040	3,409
Trade debtors	2,424	2,474	3,760	4,185	4,470
Others	410	544	564	567	573
Current assets	4,055	3,415	5,162	6,793	8,452
Trade creditors	0	0	0	0	0
Short-term debt	4,139	2,228	2,228	2,228	2,228
Others	4,624	5,194	5,547	5,602	5,702
Current liabilities	8,762	7,422	7,774	7,829	7,930
Long-term debt	10,748	10,769	10,569	10,769	10,969
Others	2,102	1,777	1,777	1,777	1,777
Non-current liabilities	12,850	12,546	12,346	12,546	12,746
Share capital	16,596	16,596	16,596	16,596	16,596
Retained earnings	-300	-249	451	1,281	2,192
Minority interest	103	111	111	111	111
Equity	16,399	16,459	17,159	17,989	18,900

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	20265F
PBT	1,330	2,181	3,154	3,592	3,943
Depreciation & amortisation	1,398	3,230	2,956	2,630	2,575
Others	-267	-475	-954	-373	-189
Changes in working capital	357	806	-920	-936	-1,028
Operating cash flow	2,817	5,742	4,236	4,913	5,301
Capital expenditure	-888	-1,806	-2,059	-2,083	-2,128
Others	-1,533	-338	100	110	121
Investing cash flow	-2,422	-2,144	-1,959	-1,973	-2,007
Debt raised/(repaid)	-1,175	-3,166	-200	200	200
Equity raised/(repaid)	-1	0	1	2	3
Dividends paid	-1,011	-1,502	-1,634	-1,936	-2,125
Others	2,808	245	-1	-2	-3
Financing cash flow	621	-4,423	-1,834	-1,736	-1,925
Net cash flow	1,017	-825	443	1,203	1,369
Beginning cash flow	205	1,218	394	837	2,040
Ending cash flow	1,218	394	837	2,040	3,409

Profitability Margins (%)	2022A	2023A	2024E	2025F	20265F
EBITDA margin	44	47	47	47	49
PBT margin	20	17	23	26	28
PATAMI margin	19	17	17	20	21

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology