

CTOS Digital (CTOS MK)

3Q26: Within Expectations; Trudging Across Choppy Seas

Highlights

- Results came in broadly within our expectations on a commendable qoq and yoy improvement.
- CTOS has contained the cybersecurity incident, but affected credit reporting services remain suspended following BNM's suspension of CCRIS access, with restoration subject to independent validation.
- The disruption affects approximately 35% of weekly revenue (RM2.5m), reducing PATAMI by RM1.3m for each additional week of downtime, with an estimated total 2026 PATAMI impact of RM16m.
- Cut earnings by 16-18% to reflect earnings impact from the disruption, potential customer attrition and additional cybersecurity costs. Maintain HOLD with lower target price of RM0.48.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Revenue	87.6	0.8	5.5	256.0	7.5
Key Accounts (KA)	44.4	(1.9)	7.6	131.5	10.8
Commercial	33.0	7.1	3.4	92.9	1.8
Direct-to-consumer (D2C)	10.2	(5.8)	3.7	31.6	12.4
Gross Profit	58.9	4.6	5.7	170.3	5.3
EBITDA	25.8	18.1	2.4	68.0	7.3
PBT	29.3	15.9	14.5	75.3	19.5
Tax Expense	(1.6)	(34.3)	(12.9)	(6.3)	59.5
Net Profit	27.5	21.6	15.6	68.7	15.6
Core Net Profit	27.5	21.9	13.5	68.5	12.3
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
EBITDA	29.4	4.3	-0.9	26.5	(0.1)
PBT	33.4	4.3	2.6	29.4	2.9
Core net profit	31.4	5.4	2.2	26.8	1.1

Source: CTOS, UOB Kay Hian

Analysis

- Broadly within expectations.** CTOS Digital's (CTOS) 3Q26 core net profit came in at RM27.5m (+22% qoq, +14% yoy), bringing 9M26 core net profit to RM68.5m (+12%), accounting for 71% and 82% of both our and consensus full-year estimates respectively. CTOS has declared a third interim dividend of 0.70 sen.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	304.9	326.1	324.8	332.0	342.6
EBITDA	108.3	86.4	82.6	102.4	116.4
Operating profit	91.6	70.1	77.2	93.0	103.6
Net profit (rep./act.)	106.3	104.9	83.4	85.4	97.3
Net profit (adj.)	107.5	88.5	83.4	85.4	97.3
EPS	4.7	3.8	3.6	3.7	4.2
PE	8.4	10.2	10.8	10.6	9.3
P/B	1.4	1.5	1.5	1.5	1.5
EV/EBITDA	15.2	18.1	20.0	16.3	14.3
Dividend yield	8.3	6.9	5.6	5.7	6.5
Net margin	34.9	32.2	25.7	25.7	28.4
Net debt/(cash) to equity	13.7	0.9	15.1	17.0	17.3
Interest cover	11.1	7.3	8.4	9.5	13.3
ROE	18.8	18.8	14.9	15.3	17.2
Consensus Net Profit			83.9	90.1	99.8
UOBKH/Consensus (x)			0.99	0.95	0.97

Source: CTOS, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM0.39
Target Price	RM0.48
Upside	23.1%
Previous TP	RM0.78

Stock Data

Sector	Financial services
Bloomberg ticker	CTOS MK
Shares issued (m)	2,211.0
Market cap (RMm)	862.3
Market cap (US\$m)	210.8
3-mth avg daily t'over (US\$m)	0.8

Price Performance (%)

52-week high/low			RM0.95/RM0.335	
1mth	3mth	6mth	1yr	YTD
(36.1)	(44.1)	(45.8)	(57.1)	(52.4)

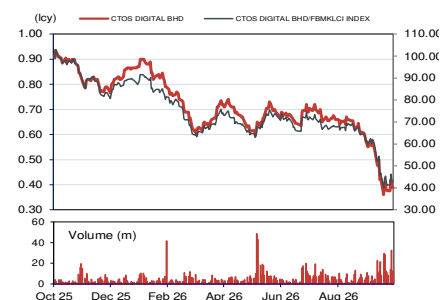
Major Shareholders (%)

Jade Vine Sdn Bhd	21.5
Employees Provident Fund Board	19.9
Abrdn plc	14.9

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.31
FY26 Net Debt/Share (RM)	0.06

Price Chart



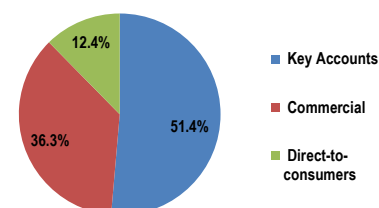
Source: Bloomberg

Company Description

CTOS is mainly involved in the business of credit reporting, digital software-related services, software development, outsourcing and training services, and investment holding. It also facilitates credit extension and commercializes credit risk management.

- **9M26 top-line growth remained intact (+8%),** mainly reflecting strong demand in the key accounts (+11% yoy) and direct-to-consumer (+12% yoy) segments. Bottom line profit grew by a wider 12% yoy, off the higher operating costs from last year's performance.
- **Cybersecurity incident contained; service restoration subject to validation.** CTOS recently disclosed unauthorised access to an environment supporting its consumer business, during which certain files containing a limited subset of processed consumer information were accessed. The incident has since been contained, with an independent forensic assessment indicating that no other environments were affected. Subsequently, Bank Negara Malaysia (BNM) has suspended CTOS' access to Central Credit Reference Information System, and affected credit reporting services remain unavailable. CTOS has completed an external scan and forensic review, and targets to complete the remaining independent assessments by end-Oct 26. Services will be restored only after validation by an independent forensic review. Management indicated that key financial institution contracts remain in force, with no customers having directly indicated an intention to terminate their contracts, although some have temporarily shifted to alternative providers or direct connections to BNM.
- **Financial impact.** Management estimates that the disruption affects around 35% of weekly revenue, equivalent to RM2.5m per week, with each additional week of downtime reducing PATAMI by RM1.3m. Its base case assumes affected services remain unavailable until the third week of October, followed by a 30-day gradual recovery. The estimated revenue and PATAMI impacts are RM3m and RM5m respectively in 3Q26, and RM13m and RM7m in 4Q26. Management also cited a total 2026 PATAMI impact of RM16m, comprising RM12m from business disruption and RM4m in IT-related costs.

9M26 Sales



Source: CTOS, UOB Kay Hian

Earnings Revision/Risk

- Following our model updates, we cut our 2026-28 earnings forecasts by 12-18% to reflect management's guidance on the financial impact of the disruption in 2026, as well as a more gradual recovery in transaction volumes, potential customer attrition to competing credit bureaus and additional cybersecurity costs in 2027 and 2028.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of RM0.48 (from RM0.78),** based on a rollover 13x 2027F PE (from 18x 2026F PE), which is -2SD below its five-year mean.

Environment, Social, Governance (ESG) Updates

Environmental

- No environmental issues which may materially impact biodiversity or climate change in any significant way.

Social

- Conducted over 200 financial education roadshows for Malaysia's consumers

Governance

- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	326.1	324.8	332.0	342.6
EBITDA	86.4	82.6	102.4	116.4
Deprec. & amort.	16.3	5.4	9.4	12.7
EBIT	70.1	77.2	93.0	103.6
Associates	31.7	24.2	30.1	33.1
Net interest income/(expense)	(11.9)	(9.8)	(10.8)	(8.8)
Pre-tax profit	89.9	91.6	112.3	128.0
Tax	(7.9)	(8.2)	(27.0)	(30.7)
Minorities	0.5	0.0	0.0	0.0
Net profit	104.9	83.4	85.4	97.3
Net profit (adj.)	88.5	83.4	85.4	97.3

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	148.7	68.4	70.4	82.3
Pre-tax profit	89.9	91.6	112.3	128.0
Tax	(7.9)	(8.2)	(27.0)	(30.7)
Deprec. & amort.	14.5	5.4	9.4	12.7
Working Capital Changes	6.0	(5.6)	(1.3)	(0.3)
Other operating cashflows	(32.4)	(9.5)	(18.9)	(21.2)
Investing	63.7	(30.0)	(30.0)	(27.0)
Capex (growth)	(16.3)	(30.0)	(30.0)	(30.0)
Investments	0.0	0.0	0.0	1.0
Proceeds from Sale of Assets	80.0	0.0	0.0	1.0
Others	0.0	0.0	0.0	1.0
Financing	(170.5)	(50.0)	(51.2)	(58.4)
Dividend payments	(67.3)	(50.0)	(51.2)	(58.4)
Proceed from Borrowings	88.0	0.0	0.0	0.0
Loan repayment	(149.1)	0.0	0.0	0.0
Others/interest paid	(42.1)	0.0	0.0	0.0
Net cash inflow (outflow)	41.9	(11.6)	(10.8)	(3.1)
Beginning cash & cash equivalent	19.4	60.3	48.6	37.8
Changes due to forex impact	(1.0)	0.0	0.0	0.0
Ending cash & cash equivalent	60.3	48.6	37.8	34.7

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	526.7	571.0	590.3	606.3
Other LT assets	156.2	157.4	158.7	160.0
Cash/ST investment	60.3	48.6	37.8	34.7
Other current assets	79.012	91.037	87.233	89.594
Total assets	822.1	868.1	874.1	890.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	87.8	85.8	87.1	90.2
LT debt	65.5	140.5	141.5	142.5
Other LT liabilities	23.4	23.4	23.4	23.4
Shareholders' equity	606.8	607.5	610.1	621.5
Minority interest	(0.9)	0.0	0.0	0.0
Total liabilities & equity	822.1	868.1	874.1	890.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	26.5	25.4	30.9	34.0
Pre-tax margin	27.6	28.2	33.8	37.4
Net margin	32.2	25.7	25.7	28.4
ROA	13.5	10.4	10.6	12.0
ROE	18.8	14.9	15.3	17.2
Growth				
Turnover	67.4	66.8	70.4	75.9
EBITDA	20.6	15.3	43.0	62.5
Pre-tax profit	5.2	7.3	31.5	49.8
Net profit	46.8	16.7	19.5	36.1
Net profit (adj.)	46.8	16.7	19.5	36.1
EPS	53.1	44.3	47.6	68.1
Leverage				
Debt to total capital	10.8	23.1	23.2	22.9
Debt to equity	10.8	23.1	23.2	22.9
Net debt/(cash) to equity	0.9	15.1	17.0	17.3
Interest cover	7.3	8.4	9.5	13.3

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