CelcomDigi (CDB MK)

3Q26: In Line; 2026 EBIT Guidance Revised Upwards

Highlights

- CelcomDigi reported 3Q26 net profit of RM408m (+20% yoy; +3% qoq). The quarter was characterised by: a) underlying postpaid revenue growth momentum; b) disciplined cost management; and c) efficient spending of capex.
- The group upgraded its 2026 opex and COGS savings target to RM476m (from RM470m) and declared a third interim dividend of 3.4 sen/share.
- Maintain BUY with a DCF-based target price of RM4.05. The stock offers an attractive dividend yield of 6.0%.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Revenues	**3,306.0**	**3.8**	**5.8**	**9,700.0**	**1.2**
Reported EBITDA	1,357.0	(0.7)	(4.7)	4,229.0	(2.5)
EBITDA Margin (%)	41.0	(1.9)	(4.5)	43.6	(1.6)
Net profit	**408.0**	**2.5**	**19.6**	**1,228.0**	**5.5**
Core Net profit	**408.0**	**(5.1)**	**1.9**	**1,260.0**	**(0.2)**
EPS (sen)	3.5	2.5	19.6	10.5	5.5
DPS (sen)	3.4	0.0	(5.6)	10.2	(8.1)
Subscribers ('000)	20,178	(0.6)	(1.5)		
Blended ARPUs (RM/mth)	42	2.4	2.4		
Cost Structure (% of revenue)	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**
Direct expenses	26.1%	30.5%	26.0%	26.9%	29.8%
S&M	5.0%	4.6%	5.0%	4.8%	4.6%
Staff cost	6.0%	6.0%	6.0%	5.8%	6.1%
G&A, others	16.8%	14.5%	16.7%	18.1%	16.4%

Source: CelcomDigi, UOB Kay Hian

Analysis

- **3Q26 earnings in line.** CelcomDigi reported a 3Q26 net profit of RM408m (+20% yoy; +3% qoq). The quarter was characterised by: a) underlying postpaid revenue growth momentum; b) disciplined cost management; and c) efficient spending of capex. Full-year 2026 capex guidance has been lowered to 12% (from 12-13%). 9M26 underlying net profit of RM1,260m (-5% yoy), which excluded a RM32m settlement cost and stamp due in 2Q26, accounted for 73% of our and 75% of street's full-year forecasts, in line within expectations.

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	1,725	2,005	2,362
Net profit (adj.)	1,730	1,660	1,725	2,005	2,362
EPS	14.7	14.1	14.7	17.1	20.1
PE (x)	16.8	17.5	16.9	14.6	12.5
P/B (x)	1.8	1.8	1.8	1.8	1.8
EV/EBITDA (x)	6.8	7.4	7.0	6.8	6.5
Dividend yield (%)	5.8	5.9	6.0	6.9	8.1
Net margin (%)	10.9	11.7	13.0	14.9	17.1
Net debt/(cash) to equity (%)	79.2	79.9	74.8	66.7	60.9
Interest cover (x)	3.8	4.4	4.5	4.7	5.0
ROE (%)	10.7	10.4	10.8	12.5	14.6
Consensus net profit	n.a	n.a	1,717	1,879	2,096
UOBKH/Consensus (x)	n.a	n.a	1.00	1.07	1.13

Source: CelcomDigi, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM2.48
Target Price	RM4.05
Upside	63.3%

Stock Data

Sector	Communication Services
Bloomberg ticker	CDB MK
Shares issued (m)	11,731.5
Market cap (RMm)	29,090.8
Market cap (US$m)	7,074.1
3-mth avg daily t'over (US$m)	1.9

Price Performance (%)

52-week high/low				RM3.86/RM2.65
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(6.0)	(11.0)	(12.6)	(26.0)	(11.0)

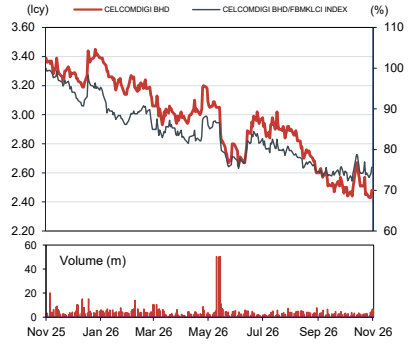
Major Shareholders (%)

Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	10.8

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 2G, 4G and 5G services.

- **Attractive dividend yield of 6%.** The group declared a third interim net DPS of 3.4 sen/share (98% dividend payout). We maintain our full-year DPS of 14.9 sen (101% payout), which translates to a 6.0% dividend yield.
- **2026 full-year synergistic savings forecast raised to RM476m.** CelcomDigi has upgraded its 2026 opex and COGS savings target to RM476m (from RM470m), reflecting stronger-than-expected efficiency gains across its network operations. This should help mitigate the anticipated 40-45% yoy increase in 5G wholesale costs in 2026, driven by rising 5G adoption and data traffic. In 3Q26, the group realised an additional RM141m in synergy-related cost savings, bringing cumulative savings to RM282m ytd. The group is on track to deliver RM600m in synergistic cost savings in 2027.

2026 Synergistic Cost Savings of RM476m

		2026 Target
OPEX	**Site Operating Cost Optimisation:** Rental renegotiations, Energy optimisation, Network footprint optimisation	~RM119m
	Procurement Efficiency: IT and Network related contracts renegotiations	~RM165m
	Others: Optimised spend in admin & support cost and other operating cost	~RM117m
COGS	**Backhaul Management:** VSAT upgrade review, Leased line conversion	~RM40m
	Traffic Management: 4G/5G traffic management	~RM10m
	Others: Device management, etc	~RM25m

Source: CelcomDigi, UOB Kay Hian

- **Consumer postpaid revenue improved to RM1,115m (+3% yoy; +1% qoq),** underpinned by a rational market and stable price points in the market. Consequently, ARPU was stable at RM60/month as the group achieved net adds of 51,000 sequentially.
- **Prepaid revenue rose marginally by 1% qoq to RM1,016m (-2% yoy).** Subscribers fell 224,000 during the quarter, reflecting the recently enforced prepaid registration guidelines (effective end-Aug 26). Positively, CelcomDigi managed to grow its ARPU to RM29/month (2Q26: RM28/month), which helped to cushion its declining subscriber base.
- **Growing home and fibre base.** CelcomDigi's flagship CelcomDigi ONE plan continues to see robust subscriber growth, with net additions of 19,000 qoq. This was done achieved via the upselling of convergence solutions across its existing customer base. ARPU was stable at RM105/month (2Q26: RM105/month; 3Q25: RM97/month).

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of RM4.05.** At our fair value, the stock trades at +0.5SD 2027F EV/EBITDA of 9.9x. CelcomDigi remains on track to achieving its synergistic target of RM700m-800m in annual cost savings beyond 2027.

Earnings Revision/Risk

- No changes to earnings.
- **2026 EBIT and capex guidance revised.** The group revised its 2026 EBIT growth guidance to mid-single digit (from low single digit), citing promising progress in its synergistic cost savings and asset-base management (lower depreciation and amortisation). CelcomDigi has also reduced its capex intensity to 12% (from 12-13%) given sourcing optimisation practices and capex efficiencies.

Share Price Catalyst/Risk

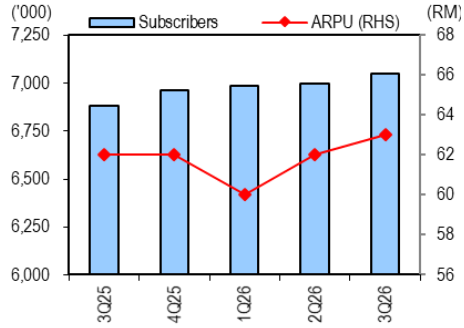
- **DNB's direction.** Digital Nasional Berhad (DNB) is projected to direct its near-term capex towards scaling network capacity and optimising cost through network design. Notably, the company's new shareholders do not anticipate additional equity cash calls or capital injections over the next few years, with funding requirements likely to be done through debt financing.

Performance Guidance For 2026

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

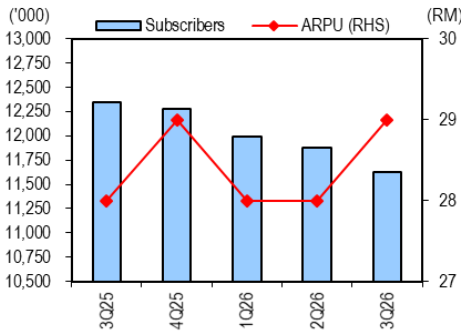
Source: CelcomDigi, UOB Kay Hian

Quarterly Postpaid ARPU And Subs



Source: CelcomDigi, UOB Kay Hian

Quarterly Prepaid ARPU And Subs



Source: CelcomDigi, UOB Kay Hian

Five-year EV/EBITDA Band



Source: Bloomberg, CelcomDigi, 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
Net interest income/(expense)	(569.1)	(598.7)	(659.8)	(630.4)
Pre-tax profit	**2,102.9**	**2,292.4**	**2,646.4**	**3,092.1**
Tax	(572.9)	(550.2)	(635.1)	(742.1)
Minorities	(16.4)	(16.4)	(16.4)	(16.4)
Net profit	**1,513.5**	**1,725.8**	**1,994.8**	**2,333.6**
Net profit (adj.)	1,659.5	1,725.8	1,994.8	2,333.6

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	2,096.3	3,901.8	5,327.4
Other current assets	3,943.6	4,266.9	4,309.7	4,373.2
Total assets	**36,464.4**	**36,899.8**	**37,525.4**	**38,138.0**
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	15,978.1	15,974.6	15,967.7
Minority interest	123.8	140.2	156.7	173.1
Total liabilities & equity	**36,464.4**	**36,899.8**	**37,449.1**	**38,023.7**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	4,024.0	5,103.7	5,244.1	5,233.7
Pre-tax profit	2,102.9	2,292.4	2,646.4	3,092.1
Tax	(572.9)	(550.2)	(635.1)	(742.1)
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	583.6	593.3
Investing	**(1,469.6)**	**(1,834.4)**	**(1,280.1)**	**(1,288.0)**
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	60.1	72.8
Financing	**(2,001.5)**	**(1,951.0)**	**(2,158.4)**	**(2,521.0)**
Dividend payments	(1,736.3)	(1,743.1)	(2,014.8)	(2,356.9)
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**	**1,318.3**	**1,805.5**	**1,424.6**
Beginning cash & cash equivalent	**224.0**	**778.0**	**2,096.3**	**3,901.8**
Changes due to forex impact	0.9	-	-	1.0
Ending cash & cash equivalent	**778.0**	**2,096.3**	**3,901.8**	**5,327.4**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	43.4	44.2	43.8	43.8
Pre-tax margin	16.2	17.1	19.5	22.4
Net margin	12.8	12.9	14.7	16.9
ROA	4.6	4.5	5.1	5.9
ROE	10.4	10.7	12.4	14.6
Growth				
Turnover	2.2	2.4	1.0	1.5
EBITDA	(8.7)	4.3	0.1	1.5
Pre-tax profit	21.1	7.9	15.0	16.7
Net profit	9.9	12.9	15.1	16.9
Net profit (adj.)	(4.1)	2.9	15.1	16.9
EPS	(4.1)	2.9	15.1	16.9
Leverage				
Debt to total capital	48.5	45.8	45.8	45.9
Debt to equity	85.4	88.0	91.1	94.3
Net debt/(cash) to equity	79.9	74.8	66.7	60.9
Interest cover	4.4	4.5	4.7	5.0

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