

30 January 2026

## CTOS Digital

### Higher Taxes in Sight

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CTOS's FY25 core net earnings (-18% YoY) and dividends were within expectations. While proceeds from the recent disposal of its 26% stake in Experian are expected to support the expansion and process enhancements, the absence of associate contributions is likely to leave an earnings gap, prompting a revision of CTOS's FY26 earnings guidance to RM95m-RM100m. In addition, the expiry of the group's pioneer tax incentive in Nov 2026 is drawing closer, with CTOS continuing to explore alternative tax arrangements to support earnings. We maintain our **MARKET PERFORM** call and DCF-derived TP of RM0.79.

**FY25 within expectations.** CTOS's FY25 core net profit of RM88.1m made up 103% of our full-year forecast and 98% of consensus full-year estimate. An interim dividend of 0.86 sen was declared, amounting to a full-year payout of 2.7 sen at 70% payout, closely within our anticipated 2.8 sen total payment for the year.

**YoY,** FY25 revenue grew by 7%, led by continued demand in its Key Accounts and Direct-to-Consumer segments. The group's associate contributions also increased by 19% thanks to a better pipeline of projects. However, owing to higher investments on customer acquisition as well as a greater proportion of lower-margin international business in the earlier parts of the year, FY25 core net profit declined by 18%. This accounts for a RM17.9m disposal gain from Experian.

**QoQ,** 4QFY25 core net profit increased by 5%, mainly on the back of stronger topline in the Key Accounts and Commercial segments from seasonally greater demand for CTOS's credit-related services.

**Highlights.** CTOS has met its FY25 earnings target of RM85m-RM90m. However, while it had initially projected for FY26 to deliver between RM100m-RM105m in earnings, its recent disposal of Experian would result in a gap in earnings, prompting them to reduce their guidance to RM95m-RM100m, instead.

The disposal consideration of RM80m is expected to be channelled back into the group's operations, citing the need for further tech investments as well as product development, with compliance-related products and new analytics solutions aimed to support its Key Accounts segment.

In the international space, the group opines it will continue to further expand its project pipeline, already having 100% telco coverage in the Philippines and Indonesia. Cross-selling continues to be a focus to boost contributions from this space.

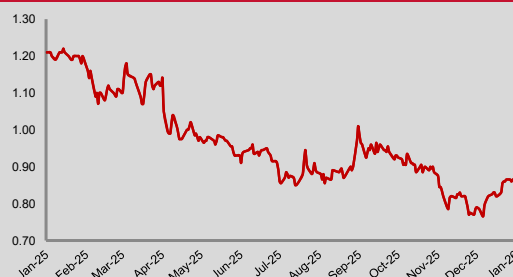
**Forecast.** Our FY26F earnings was slightly tweaked to reflect the incorporation of FY25 actual results. As our FY26F projections were already conservative and broadly aligned with the group's revised guidance, we have left them largely unchanged. We also introduce our FY27F numbers, noting that the 4% decline in earnings is fully attributable to the expiry of the pioneer tax incentive in Nov 2026. This would revert the group's effective tax rate of 7% closer to the standard corporate tax level of 24%

**Maintain MARKET PERFORM and DCF-driven TP of RM0.79.** Our TP is based on an unchanged WACC of 6.5% and TG of 2.0%. Our TP had accounted for a slower longer-term trajectory for CTOS, particularly with tax pressures expected to materialise in the near-term. While the group is exploring alternative tax incentive programmes, we believe a renewal of the pioneer status is unlikely, given it has already been extended twice previously.

## MARKET PERFORM ↔

Price : **RM0.870**  
Target Price : **RM0.79** ↔

### Share Price Performance



|                     |          |
|---------------------|----------|
| KLCI                | 1,730.89 |
| YTD KLCI chg        | 3.0%     |
| YTD stock price chg | 8.1%     |

### Stock Information

|                       |                |
|-----------------------|----------------|
| Shariah Compliant     | Yes            |
| Bloomberg Ticker      | CTOS MK Equity |
| Market Cap (RM m)     | 1,979.3        |
| Shares Outstanding    | 2,310.0        |
| 52-week range (H)     | 1.23           |
| 52-week range (L)     | 0.76           |
| 3-mth Avg. Daily Vol. | 3,851,365      |
| Free Float            | 65%            |
| Beta                  | 0.46           |

### Major Shareholders

|                          |       |
|--------------------------|-------|
| Employees Provident Fund | 20.7% |
| Jade Vine Sdn Bhd        | 20.2% |
| Aberdeen Group PLC       | 16.7% |

### Summary Earnings Table

| FY Dec (RM m)          | FY25A        | FY26F        | FY27F        |
|------------------------|--------------|--------------|--------------|
| <b>Revenue</b>         | <b>326.1</b> | <b>367.5</b> | <b>399.8</b> |
| Operating Profit       | 89.8         | 84.5         | 92.0         |
| Profit Before Tax      | 112.3        | 119.5        | 130.0        |
| <b>Net Profit</b>      | <b>104.9</b> | <b>98.5</b>  | <b>94.5</b>  |
| <b>Core Net Profit</b> | <b>88.1</b>  | <b>98.5</b>  | <b>94.5</b>  |
| Consensus (NP)         | -            | 105.3        | 109.3        |
| Earnings Revision (%)  | -            | 0.1%         | NEW          |
| Core EPS (sen)         | 3.8          | 4.3          | 4.1          |
| Core EPS Growth (%)    | -16.2        | 11.8         | -4.1         |
| NDPS (sen)             | 2.7          | 3.2          | 3.1          |
| BV/Share (RM)          | 0.3          | 0.3          | 0.3          |
| Core PER (x)           | 22.8         | 20.4         | 21.3         |
| Price/BV (x)           | 3.3          | 3.2          | 3.1          |
| Net Gearing (x)        | 0.1          | 0.1          | 0.1          |
| Net Dvd. Yield (%)     | 3.1          | 3.7          | 3.5          |



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**Risks to our call include:** (i) higher-than-expected demand for credit-related services, (ii) incurrence of unexpected gains, and (iii) higher international associate contributions.

**Results Highlights**

| FYE Dec (RM m)                | 4Q<br>FY25  | 3Q<br>FY25  | QoQ<br>Chg   | 4Q<br>FY24  | YoY<br>Chg    | 12M<br>FY25  | 12M<br>FY24  | YoY<br>Chg    |
|-------------------------------|-------------|-------------|--------------|-------------|---------------|--------------|--------------|---------------|
| <b>Revenue</b>                | <b>88.0</b> | <b>83.0</b> | <b>6.0%</b>  | <b>76.8</b> | <b>14.5%</b>  | <b>326.1</b> | <b>304.9</b> | <b>7.0%</b>   |
| Operating profit              | 33.8        | 20.7        | 63.8%        | 24.3        | 39.3%         | 85.3         | 91.6         | -6.9%         |
| Net Interest Expense/(Income) | -1.9        | -2.4        | -22.5%       | -2.5        | -27.0%        | -9.3         | -9.8         | -5.2%         |
| Associates Contribution       | 16.4        | 8.2         | 101.0%       | 11.5        | 42.9%         | 36.3         | 30.6         | 18.5%         |
| <b>Profit before tax</b>      | <b>48.4</b> | <b>26.4</b> | <b>83.1%</b> | <b>33.3</b> | <b>45.6%</b>  | <b>112.3</b> | <b>112.5</b> | <b>-0.1%</b>  |
| Taxation                      | -4.0        | -1.9        | 114.0%       | -0.8        | 369.7%        | -7.9         | -6.6         | 21.0%         |
| Minority interest             | 0.1         | 0.1         | 12.8%        | 0.1         | 25.5%         | 0.5          | 0.5          | -5.2%         |
| <b>Net Profit</b>             | <b>44.6</b> | <b>24.7</b> | <b>80.5%</b> | <b>32.5</b> | <b>37.1%</b>  | <b>104.9</b> | <b>106.4</b> | <b>-1.4%</b>  |
| <b>Core Net Profit</b>        | <b>26.3</b> | <b>25.0</b> | <b>5.2%</b>  | <b>32.2</b> | <b>-18.5%</b> | <b>88.1</b>  | <b>107.6</b> | <b>-18.1%</b> |
| Dividend Per Share (sen)      | 0.86        | 0.75        |              | 0.99        |               | 2.70         | 3.25         |               |
| Operating Margin              | 38.5%       | 24.9%       |              | 31.6%       |               | 26.2%        | 30.0%        | -3.9%         |
| Pretax Margin                 | 55.0%       | 31.9%       |              | 43.3%       |               | 34.5%        | 36.9%        |               |
| Effective tax rate            | 8.2%        | 7.0%        |              | 2.5%        |               | 7.1%         | 5.8%         |               |

Source: Company, Kenanga Research

**Revenue Breakdown**

| FYE Dec (RM m)      | 4Q<br>FY25  | 3Q<br>FY25  | QoQ<br>Chg  | 4Q<br>FY24  | YoY<br>Chg   | 12M<br>FY25  | 12M<br>FY24  | YoY<br>Chg  |
|---------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|
| <b>By Segment</b>   |             |             |             |             |              |              |              |             |
| Key Accounts        | 44.3        | 41.3        | 7.4%        | 36.5        | 21.2%        | 163.0        | 150.4        | 8.4%        |
| Commercial          | 34.0        | 31.9        | 6.5%        | 32.7        | 3.7%         | 125.2        | 128.0        | -2.1%       |
| Direct-to-Consumers | 9.7         | 9.9         | -1.3%       | 7.5         | 29.1%        | 37.9         | 26.5         | 42.8%       |
| <b>Total</b>        | <b>88.0</b> | <b>83.0</b> | <b>6.0%</b> | <b>76.8</b> | <b>14.5%</b> | <b>326.1</b> | <b>304.9</b> | <b>7.0%</b> |

Source: Company, Kenanga Research

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## Peer Table Comparison

| Name                                   | Rating | Last Price (RM) | Target Price (RM) | Upside | Market Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) |            | Core EPS Growth |             | PER (x) - Core Earnings |             | PBV (x)    | ROE          | Net Div. (sen) | Net Div Yld |
|--|--------|-----------------|-------------------|--------|-------------------|-------------------|-------------|----------------|------------|-----------------|-------------|-------------------------|-------------|------------|--------------|----------------|-------------|
|  |        |                 |                   |        |                   |                   |             | 1-Yr. Fwd.     | 2-Yr. Fwd. | 1-Yr. Fwd.      | 2-Yr. Fwd.  | 1-Yr. Fwd.              | 2-Yr. Fwd.  | 1-Yr. Fwd. | 1-Yr. Fwd.   | 1-Yr. Fwd.     | 1-Yr. Fwd.  |
| <b>NON-BANK FINANCIAL INSTITUTIONS</b> |        |                 |                   |        |                   |                   |             |                |            |                 |             |                         |             |            |              |                |             |
| AEON CREDIT SERVICE (M) BHD            | OP     | 5.90            | 6.25              | 5.9%   | 3,012.6           | N                 | 02/2026     | 69.7           | 86.0       | -3.9%           | 23.4%       | 8.5                     | 6.9         | 1.0        | 12.3%        | 28.0           | 4.7%        |
| BURSA MALAYSIA BHD                     | MP     | 9.02            | 8.80              | -2.4%  | 7,299.9           | Y                 | 12/2026     | 35.3           | 35.9       | 14.1%           | 1.7%        | 25.6                    | 25.2        | 9.0        | 35.5%        | 34.0           | 3.8%        |
| CTOS DIGITAL BHD                       | MP     | 0.870           | 0.790             | -9.2%  | 1,979.3           | Y                 | 12/2026     | 4.3            | 4.1        | 11.8%           | -4.1%       | 20.4                    | 21.3        | 3.2        | 15.9%        | 3.2            | 3.7%        |
| LPI CAPITAL BERHAD                     | OP     | 15.08           | 16.00             | 6.1%   | 6,007.6           | N                 | 12/2025     | 93.6           | 100.8      | -1.1%           | 7.6%        | 16.1                    | 15.0        | 2.5        | 15.4%        | 84.0           | 5.6%        |
| SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD | OP     | 3.45            | 4.40              | 27.5%  | 3,009.0           | Y                 | 12/2025     | 46.5           | 47.9       | 2.9%            | 3.1%        | 7.4                     | 7.2         | 1.3        | 19.1%        | 18.5           | 5.4%        |
| <b>SECTOR AGGREGATE</b>                |        |                 |                   |        | <b>21,308</b>     |                   |             |                |            | <b>2.6%</b>     | <b>8.3%</b> | <b>14.2</b>             | <b>13.1</b> | <b>2.4</b> | <b>16.7%</b> |                | <b>4.6%</b> |

Source: Kenanga Research

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**Stock ESG Ratings:**

|                 | Criterion                         | Rating |   |   |   |  |
|-----------------|-----------------------------------|--------|---|---|---|--|
| <b>GENERAL</b>  | Earnings Sustainability & Quality | ★      | ★ | ☆ |   |  |
|                 | Community Investment              | ★      | ★ | ★ |   |  |
|                 | Workforce Safety & Wellbeing      | ★      | ★ | ★ | ★ |  |
|                 | Corporate Governance              | ★      | ★ | ★ |   |  |
|                 | Anti-corruption Policy            | ★      | ★ | ★ |   |  |
|                 | Emissions Management              | ★      | ★ | ★ | ★ |  |
| <b>SPECIFIC</b> | Cybersecurity/Data Privacy        | ★      | ★ | ★ | ☆ |  |
|                 | Digitalisation & Innovation       | ★      | ★ | ★ | ★ |  |
|                 | Financial Inclusion               | ★      | ★ | ★ | ★ |  |
|                 | Ethical Practices                 | ★      | ★ | ★ |   |  |
|                 | Legal & Regulatory Compliance     | ★      | ★ | ★ |   |  |
|                 | Customer Experience               | ★      | ★ | ★ | ★ |  |
| <b>OVERALL</b>  |                                   | ★      | ★ | ★ |   |  |

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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