

28 April 2026

CTOS Digital

Refreshing its Strategies

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CTOS's 1QFY26 core net earnings (+35%) met expectations. With new direction and long-term strategies in tow, CTOS is expecting to sustainably deliver a 10%-12% growth in earnings. This should be enabled by more partnerships to be developed in addition to opportunities with BNPL providers. Upgrade to **OUTPERFORM** (from **MARKET PERFORM**) with a higher DCF-derived TP of **RM0.83** (from **RM0.79**).

1QFY26 within expectations. CTOS's 1QFY26 core net profit of RM20.0 made up 20% of our full-year forecast and 19% of consensus full-year estimates. We deem this to be broadly within as the group typically reports a stronger 2H due to seasonal factors, coupled with a better project flow expected during the later part of the year.

YoY, 1QFY26 core net profits of RM20.0m (adjusted for one-off data centre impairments and strategy realignment expenses) grew 35%, driven by stronger income from key accounts (financial institutions and corporates) as well as the consumer segment. The commercial segment remained flattish due to challenges in retaining certain SME accounts. This was offset by stronger associate contributions (+128%), despite the disposal of its Experian stake in 4QFY25, supported by more stable earnings recognition from RAM following its transition to accrual accounting.

QoQ, core net profit fell by 24%, owing to seasonally lower revenue and contributions from associates. We note that its consumer segment had improved by 8%, which could be driven by the group's wider partnership-led distribution.

Outlook. Unveiling its new guidance, CTOS projects to deliver a 10%-12% 3-year CAGR in revenue and net profit, with the immediate FY26 guidance at RM345m-RM355m and RM95m-RM100m, respectively.

To achieve this, the group intends to leverage on more digital partnerships (beyond a key partner, Touch-N-Go) to widen the distribution of its services. The newly introduced Consumer Credit Act 2025 (effective Mar 2026) look to provide opportunities to CTOS, with its addressable market for credit-related services now extending to BNPL providers and thin-file or no-file segments which require the use of alternative credit scoring solutions.

Admitting that it had experienced heightened operating expenses in FY25, partly led by VSS exercises, the group will look towards optimisation via consolidation and realignment of functions to improve working efficiency.

Forecast. We leave our forecasts unchanged, where we had already reflected the group's near-term earnings to be absent of tax benefits.

Upgrade to OUTPERFORM (from MARKET PERFORM) with a higher DCF-driven TP of RM0.83 (from RM0.79). The revision reflects a lower COE of 10.0% (from 10.5%), reducing our WACC to 6.3% (from 6.5%), on the back of improved earnings visibility (TG unchanged at 2.0%). With new management in place and a clearer strategic focus on core financial institution clients, we believe the period of guidance downgrades is likely behind the group, particularly as prior ambitions to expand aggressively into SMEs appear less suited to the current uncertain macro environment.

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

OUTPERFORM ↑

Price : **RM0.735**
Target Price : **RM0.83** ↑

Share Price Performance



KLCI 1,717.27
YTD KLCI chg 2.2%
YTD stock price chg -8.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	CTOS MK Equity
Market Cap (RM m)	1,672.2
Shares Outstanding	2,275.1
52-week range (H)	1.04
52-week range (L)	0.61
3-mth Avg. Daily Vol.	4,635,511
Free Float	74%
Beta	0.52

Major Shareholders

Employees Provident Fund	23.0%
Jade Vine Sdn Bhd	20.2%
Aberdeen Group PLC	16.7%

Summary Earnings Table

FY Dec (RM m)	FY25A	FY26F	FY27F
Revenue	326.1	367.5	399.8
Operating Profit	89.8	84.5	92.0
Profit Before Tax	112.3	119.5	130.0
Net Profit	104.9	98.5	94.5
Core Net Profit	88.1	98.5	94.5
Consensus (NP)	-	100.2	103.5
Earnings Revision (%)	-	-	-
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)	19.7	17.6	18.3
Price/BV (x)	2.9	2.7	2.6
Net Gearing (x)	0.1	0.1	0.1
Net Dvd. Yield (%)	3.6	4.3	4.1



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Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Revenue	81.6	88.0	-7.3%	76.1	7.3%	81.6	76.1	7.3%
Operating profit	15.7	33.8	-53.5%	14.3	10.1%	15.7	14.3	10.1%
Net Interest Expense/(Income)	-1.2	-1.9	-32.8%	-2.5	-50.6%	-1.2	-2.5	-50.6%
Associates Contribution	6.3	16.4	-61.5%	2.8	128.4%	6.3	2.8	128.4%
Profit before tax	20.8	48.4	-57.0%	14.5	43.2%	20.8	14.5	43.2%
Taxation	-2.2	-4.0	-43.7%	-0.2	848.3%	-2.2	-0.2	848.3%
Minority interest	-0.1	0.1	-143.9%	0.2	-136.0%	-0.1	0.2	-136.0%
Net Profit	18.5	44.6	-58.5%	14.4	28.2%	18.5	14.4	28.2%
Core Net Profit	20.0	26.3	-23.9%	14.8	35.1%	20.0	14.8	35.1%
Dividend Per Share (sen)	0.57	0.86		0.44		0.57	0.44	
Operating Margin	19.3%	38.5%		18.8%		19.3%	18.8%	
Pretax Margin	25.5%	55.0%		19.1%		25.5%	19.1%	
Effective tax rate	10.8%	8.2%		1.6%		10.8%	1.6%	

Source: Company, Kenanga Research

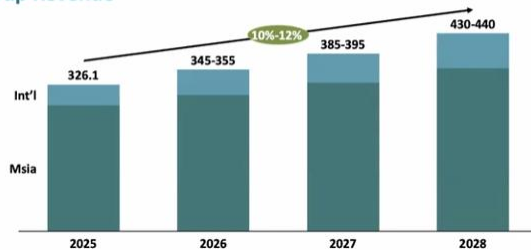
Revenue Breakdown

FYE Dec (RM m)	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
By Segment								
Fin. Institutions and Corporates	41.9	44.3	-5.4%	38.0	10.1%	41.9	38.0	10.1%
Commercial	29.1	34.0	-14.2%	29.3	-0.4%	29.1	29.3	-0.4%
Consumer	10.5	9.7	8.4%	8.8	20.3%	10.5	8.8	20.3%
Total	81.6	88.0	-7.3%	76.1	7.3%	81.6	76.1	7.3%

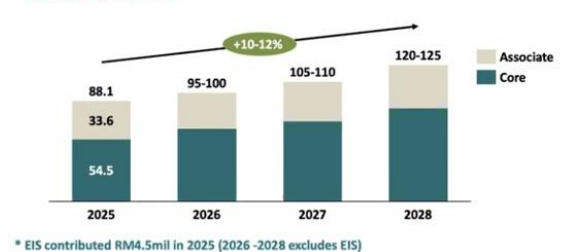
Source: Company, Kenanga Research

Exhibit 1: CTOS's 3-Year Earnings Guidance

Group Revenue



NORM. PATAMI



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)	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.			1-Yr. Fwd.	1-Yr. Fwd.
NON-BANK FINANCIAL INSTITUTIONS																	
AEON CREDIT SERVICE (M) BHD	OP	6.02	6.25	3.8%	3,073.9	N	02/2027	78.2	86.5	3.4%	10.6%	7.7	7.0	1.0	12.7%	31.5	5.2%
BURSA MALAYSIA BHD	OP	8.65	9.25	6.9%	7,000.4	Y	12/2026	37.0	36.5	19.8%	-1.5%	23.4	23.7	8.6	37.1%	35.0	4.0%
CTOS DIGITAL BHD	MP	0.735	0.790	7.5%	1,672.2	Y	12/2026	4.3	4.1	11.8%	-4.1%	17.2	18.0	2.7	15.9%	3.2	4.4%
LPI CAPITAL BERHAD	OP	14.42	16.00	11.0%	5,744.7	N	12/2026	96.2	99.2	4.2%	3.1%	15.0	14.5	2.3	15.6%	88.0	6.1%
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	OP	3.45	4.40	27.5%	3,009.0	Y	12/2026	47.1	48.9	2.6%	3.7%	7.3	7.1	1.3	17.3%	19.0	5.5%
WELL CHIP GROUP BHD	OP	1.44	2.00	38.9%	864.0	N	12/2026	19.7	21.7	37.2%	10.2%	7.3	6.6	1.4	21.8%	6.9	4.8%
SECTOR AGGREGATE					21,364					8.4%	4.3%	12.6	12.1	2.1	16.9%		5.0%

Source: Kenanga Research

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Stock ESG Ratings:

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

☆ 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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