

CelcomDigi

Operational Efficiencies Drive Earnings

By Kylie Chan Sze Zan / kyliechan@kenanga.com.my

CDB's 1QFY26 results tracked expectations, reflecting a commendable performance. Earnings growth was driven by operational efficiencies (OE), alongside mild service revenue expansion (led by the postpaid segment). Debt provisions declined QoQ, marking the early stages of normalization.

Subscriber and ARPU trends were mixed QoQ. While postpaid continued to fare well, prepaid showed divergence (ARPU strengthened but net churn widened). Looking ahead, CDB targets c.RM450m in FY26F cost savings, driven largely by technology-enabled OE initiatives.

We trim FY26F/27F earnings by 5%/6% to reflect DNB equity accounting from 2HFY26F. We also lowered our TP to RM3.35 (from RM4.27) but maintain our **OUTPERFORM** rating.

In-line with expectations. CDB's 1QFY26 core net profit of RM416m (+7% YoY) came in within expectations, accounting for 26% of our full-year forecast and 24% of consensus estimates. The group declared 1QFY26 DPS of 3.4 sen (1QFY25: 3.7 sen), in-line with our expectations.

Expanding base and ARPA momentum lift service revenue. 1QFY26 service expanded 1.7% YoY, in line with CDB's full-year guidance for low single-digit growth.

The growth was mainly driven by: (i) postpaid: following a surge in subscriber net adds, supported by effective customer retention and pre-to-post customer migration; and (ii) home fiber: underpinned by ARPU expansion and subscriber growth amid sustained demand for converged bundles. Strong momentum across both segments lifted ARPA to RM113 (1QFY25: RM105), marking the 5th consecutive quarter of growth.

Notably, postpaid revenue expanded despite a one-off adjustment of c.RM10m stemming from the reclassification of fiber-to-the-home (FTTH) and fixed wireless access (FWA) accounts in 1QFY26.

These gains more than offset drag from: (i) prepaid: weighed down by persistent subscriber churn amid the group's continued pivot away from low-value users; and (ii) enterprise mobile: impacted by structural declines in bulk SMS volumes, despite improved core mobile revenue.

Higher earnings driven by operational efficiencies. 1QFY26 EBIT expansion (+4% YoY) was within CDB's guidance of low single-digit growth. The improvement was mainly driven by lower staff costs as 1QFY25 was impacted by a one-off agency force program (AFP) payment (RM41m). To a lesser extent, earnings also benefited from lower device costs. These tailwinds more than offset higher depreciation stemming from elevated capex investments in FY25.

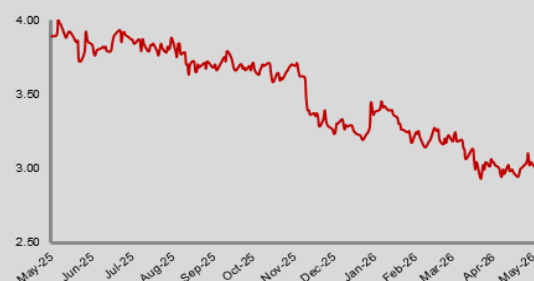
1QFY26 core net profit expanded 7% YoY, as the combination of higher EBIT and lower tax expenses more than offset an increase in finance costs.

QoQ credit loss provisions dipped. While credit loss allowances remained elevated YoY, it declined significantly QoQ to RM74m (4QFY25: RM130m). This reflects the gradual normalization of provisions for doubtful debts (PFDD) towards CDB's target of 2.5% of service revenue (1QFY26: 2.7%).

OUTPERFORM ↔

Price : RM3.04
Target Price : RM3.35 ↓

Share Price Performance



KLCI 1,746.31
YTD KLCI chg 3.9%
YTD stock price chg -4.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	CDB MK Equity
Market Cap (RM m)	35,663.8
Shares Outstanding	11,731.5
52-week range (H)	4.00
52-week range (L)	2.93
3-mth avg. daily vol.	3,630,339
Free Float	26%
Beta	0.93

Major Shareholders

Axiata Group Bhd	33.1%
Telenor ASA	33.1%
Employees Provident Fund Board	10.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	12,958	13,107	13,374
EBITDA	5,500	5,609	5,680
EBIT	2,652	2,701	2,668
PBT	2,103	2,003	1,999
Net Profit	1,530	1,523	1,519
Core Net Profit	1,499	1,506	1,503
Consensus (NP)	-	1,667	1,900
Earnings Revision (%)	-	-5.4	-6.1
EBITDA Margin (%)	42.4	42.8	42.5
Core EPS (sen)	12.8	12.8	12.8
Core EPS Growth (%)	-16.4	0.5	-0.2
DPS (sen)	14.7	14.8	14.7
BVPS (RM)	1.4	1.3	1.3
PER (x)	23.4	23.3	23.3
PBV (x)	2.2	2.2	2.3
Net Gearing (x)	13.8	10.5	6.9
Div. Yield (%)	4.9	4.9	4.9



14 May 2026

Postpaid still decent despite one-off accounting reclassification. For the postpaid segment, decent QoQ net adds of +25k in 1QFY26 (4QFY25: +78k) marked an uninterrupted growth streak for 12th straight quarters. The slight contraction in 1QFY26 ARPU to RM59 (1QFY25: RM60) reflects the reclassification in FTTH and FWA accounts as mentioned above - excluding this impact, ARPU would have held steady QoQ at RM60.

Prepaid churn widened but ARPU is firming. Sequential prepaid net churn persisted for a 4th consecutive quarter and widened sharply in 1QFY26 to -295k (4QFY25: -65k). This reflects CDB's continued strategy of pruning low-value subscribers to strengthen its revenue-generating customer base. On the positive side, the higher concentration of paying subscribers likely drove a QoQ uplift in ARPU to RM30 (1QFY25: RM27).

Home fiber net adds sees unrelenting traction. Home fiber continued its growth streak since 2QFY23 with net adds of +21k in 1QFY26 (4QFY25: +25k), supported by healthy uptake of converged plans. Meanwhile, ARPU spiked to RM103 (4QFY25: RM90), reversing its downtrend that started since 1QFY25. This was driven by price adjustments and the reclassification of accounts from the postpaid segment.

Key takeaways from CDB's analyst briefing are as follows:

1. CDB targets RM450m in combined cost-of-goods and opex savings in FY26 (refer to Figure 1), as it transitions from integration-driven synergies to structurally recurring operational efficiencies (OE). Approximately 80% of these OE savings are technology-driven, as CDB accelerates digital and AI adoption while embedding automation across its operations.

In 1QFY26, the group recognised RM41m of these savings, while ongoing OE initiatives have delivered a further RM122m in savings to date (which will be recognised from 2QFY26 onwards).

Despite these significant cost tailwinds, CDB maintained its FY26 EBIT growth guidance of low single-digit growth. This is underpinned by the possibility that these gains may be offset by unforeseen external headwinds.

2. According to CDB, although the group will begin equity accounting for DNB from 2HFY26, the impact on PAT is not expected to be 'material' due to ongoing cost optimisation initiatives at DNB.

While DNB's network coverage of populated areas (CoPA) is robust at 82.4%, it remains largely concentrated in outdoor areas. Going forward, DNB will shift its focus towards expanding 5G in-building coverage, particularly in strategic buildings. This rollout will leverage existing network sites owned by its mobile network operator (MNO) shareholders, including CDB.

3. The prevailing inflationary environment has exerted cost pressures on router modems, fibre, and energy. However, the combined impact of these pressures is expected to be immaterial to CDB's cost base.

Forecasts. We trim our FY26F/27F earnings estimates by 5%/6%, reflecting the commencement of equity accounting for DNB from 2HFY26F.

Valuations. We revise our target multiple to 9x FY26F EV/EBITDA (from 11.3x), in line with CDB's recently de-rated historical average, resulting in a lower TP of RM3.29 (from RM4.27). The adjustment reflects heightened uncertainty over the extent of earnings dilution from DNB, which may exceed the extent which we have forecasted. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5). Maintain **OUTPERFORM**.

Investment case. We remain optimistic on CDB due to: (i) post-merger integration is expected to drive EBIT margin expansion via improved operating leverage and cost synergies (eg. from workforce rationalisation, consolidation of overlapping network sites, clean-up of redundant legacy assets through accelerated depreciation and write-offs), (ii) a healthy average FCF yield of 7%–10% in FY26F–27F supports sustained dividend payouts, and (iii) its leading market share (with a subscriber base c. 30% larger than its closest competitor) confers better economies of scale, enabling better absorption of fixed and network-related costs.

Risks to our call include: (i) slower and lower-than-expected realization of merger synergies and OE cost savings, (ii) sluggish monetization of 5G as Malaysian enterprises are reluctant to deploy substantial technology investments, overhaul existing processes and retrench staff etc, and (iii) higher than expected earnings dilution from the takeover of Malaysia's second 5G network.

14 May 2026

Results Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
Revenue	3,208	3,445	-6.9%	3,209	0.0%
EBITDA	1,413	1,413	0.0%	1,356	4.2%
Depreciation	(686)	(812)	-15.5%	(654)	4.9%
EBIT	727	601	21.0%	702	3.5%
Net Finance Costs	(149)	(143)	4.5%	(141)	5.5%
JV	0	1	>-100%	(2)	->100%
EI	2	(9)	>100%	(6)	>100%
Pretax Profit	580	450	28.9%	553	4.9%
Taxation	(158)	(97)	63.0%	(165)	-4.2%
Minority Interest	(4)	(4)	13.5%	(4)	-7.8%
Reported Net Profit	418	350	19.6%	384	8.9%
Core Net Profit	416	359	15.9%	390	6.7%
Core EPS (sen)	3.5	3.1	15.8%	3.3	6.7%
DPS (sen)	3.4	3.6	-5.6%	3.7	-8.1%
EBITDA margin	44.0%	41.0%		42.3%	
PBT Margin	18.1%	13.1%		17.2%	
Core Net margin	13.0%	10.4%		12.1%	

Source: Company, Kenanga Research

Segmental Highlights					
	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg
Service Revenue					
Postpaid	1,102	1,117	-1.3%	1,066	3.4%
Prepaid	1,024	1,056	-3.0%	1,056	-3.0%
Wholesale	210	249	-15.7%	195	7.7%
Enterprise Mobile	198	204	-2.9%	222	-10.8%
Enterprise Solutions	74	133	-44.4%	57	29.8%
Home Fiber	89	73	21.9%	55	61.8%
Total	2,697	2,832	-4.8%	2,651	1.7%
Others	27	28	-3.6%	27	0.0%
Device	485	586	-17.2%	528	-8.1%
Total Revenue	3,209	3,446	-6.9%	3,206	0.1%

Source: Company, Kenanga Research

14 May 2026

Operating Metrics					
	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg
Subscribers ('000)					
Postpaid	6,985	6,960	25	6,646	339
Prepaid	11,987	12,282	(295)	12,975	(988)
Home Fiber	337	316	21	227	110
ARPU (RM)					
Postpaid	59	60	(1)	60	(1)
Prepaid	30	29	1	27	3
Home Fiber	103	90	13	96	7

Source: Company, Kenanga Research

Figure 1: Cost Savings from Operational Efficiencies (OE)

		2026 Target
OPEX	Site Operating Cost Optimisation: Rental renegotiations, Energy optimisation, Network footprint optimisation	~RM180m
	Procurement Efficiency: IT and Network related contracts renegotiations	~RM160m
	Others: Optimised spend in admin & support cost and other operating cost	~RM50m
COGS	Backhaul Management: VSAT upgrade review, Leased line conversion	~RM20m
	Traffic Management: 4G/5G traffic management	~RM30m
	Others: Device management, etc	~RM25m

Source: Company

14 May 2026

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	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.	2-Yr.	1-Yr.	2-Yr.	1-Yr.	2-Yr.					1-Yr.	2-Yr.
								Fwd.	Fwd.	Fwd.	Fwd.	Fwd.	Fwd.					Fwd.	Fwd.
TELECOMMUNICATION																			
AXIATA GROUP BHD	MP	2.21	2.70	22.2%	20,306.0	Y	12/2026	5.8	5.9	-37.7%	2.8%	38.2	37.2	1.1	0.5%	11.0	5.0%		
CELCOMDIGI BHD	OP	3.04	4.27	40.5%	35,663.8	Y	12/2026	13.6	13.6	6.2%	0.6%	22.4	22.3	2.3	10.1%	16.0	5.3%		
MAXIS BHD	MP	3.58	3.63	1.4%	28,049.6	Y	12/2026	20.5	21.3	1.3%	3.9%	17.4	16.8	4.4	25.6%	18.0	5.0%		
OCK GROUP BHD	OP	0.440	0.430	-2.3%	454.0	Y	06/2026	2.5	2.8	-12.6%	10.8%	17.3	15.6	0.8	4.4%	1.0	2.3%		
TELEKOM MALAYSIA BHD	OP	7.55	8.86	17.4%	28,974.9	Y	12/2026	47.7	47.9	3.1%	0.4%	15.8	15.8	2.6	16.6%	33.0	4.4%		
TIME DOTCOM BHD	OP	6.36	6.60	3.8%	11,758.5	Y	12/2026	28.0	30.2	6.3%	7.8%	22.7	21.0	4.0	16.8%	42.0	6.6%		
SECTOR AGGREGATE					125,206.9					-2.0%	2.3%	20.6	20.1	2.5	12.3%		4.8%		

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Cybersecurity & Data Privacy	★	★	☆		
	Network Quality & Coverage	★	★	★	★	
	Digitalisation & Innovation	★	★	★		
	Supply Chain Management	★	★	★	☆	
	Talent Management	★	★	★		
	Customer Satisfaction	★	★	★		
OVERALL		★	★	★		

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

14 May 2026

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my