



## Media Release

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### **RAM Ratings affirms DigiTel's AAA/Stable sukuk rating**

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RAM Ratings has affirmed the AAA/Stable rating of Digi Telecommunications Sdn Bhd's (DigiTel or the Company) RM5 bil Islamic Medium-Term Notes Programme (2017/-).

The affirmation reflects the merged entity, CelcomDigi Berhad's (CelcomDigi or the Group) well-established position in Malaysia's mobile market, superior profitability and robust cashflow protection metrics, following the merger between Celcom Berhad (Celcom) and Digi.Com Berhad on 30 November 2022. The Group's strategies and operations have become increasingly integrated, with a unified network and common corporate branding under CelcomDigi. As such, we view DigiTel, Celcom and the broader CelcomDigi in aggregate from a rating perspective.

CelcomDigi now has an industry-leading position from a subscriber, revenue and earnings perspective. As of June 2024, CelcomDigi held the largest subscriber market share in Malaysia's mobile sector, with 40%, and an approximately 48% relative revenue market share compared to other key players (Maxis and U-Mobile). This enables the Group to concentrate on enhancing profitability and strengthening its balance sheet through economies of scale, market share growth and expected integration synergies.

The Group is more indebted post-merger, but its credit metrics are still largely within RAM's AAA threshold. Despite competition and modest subscriber growth constraining expansion in a mature market, CelcomDigi's top line remained steady at RM9.40 bil in 9M FY December 2024 (9M FY December 2023: RM9.41 bil) and its OPBDIT margin at 46% in fiscal 2023 (2022: 44%). Debt reduction efforts post-merger reduced total debt to RM13.0 bil as of end-December 2023 (from RM14.9 bil a year earlier), improving FFODC to 0.43 times (2022: 0.19 times) and easing gearing to 0.79 times (2022: 0.91 times). CelcomDigi aims to gain RM8 bil in synergies, expecting to cut costs by RM800 mil annually after 2027. With centralised treasury management, the Group maintains a net-debt to earnings before interest, taxes, depreciation and amortisation ratio target of 2.5 times; as at end-September 2024, the ratio stood at 2.2 times.

While U Mobile has been designated to lead the rollout of the second 5G network, details on collaborations with other mobile network operators are not yet available pending the completion of negotiations and the process of securing regulatory approval. In the interim, we expect CelcomDigi's capex-to-revenue ratio to stay

around 18% for 2024. Apart from Digital Nasional Berhad, the special-purpose vehicle tasked with deploying Malaysia's 5G infrastructure and, local telecommunications companies have yet to invest substantially in 5G. As capital spending rises, prudent leverage management and funding strategies will be crucial.

The telecommunications industry's long-term outlook hinges on 5G adoption, touted as transformative technology to reignite earnings growth. Though 5G can enhance industrial and business use case opportunities, substantial revenue from these sources remains uncertain. Retail earnings growth from rising data demand may be gradual in the near term. In the interim, the Group is leveraging emerging technologies through global partnerships and the CelcomDigi AI Experience Centre to drive Malaysia's digital transformation, geared at expanding new market opportunities.

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### **Date of release: 19 December 2024**

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