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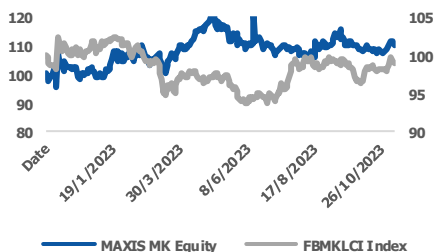
Recommendation:	HOLD
Current Price:	RM 4.03
Previous Target Price:	RM 4.44
Target Price:	RM 4.35
Upside/Downside:	7.9%

Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6012 / MAXIS MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	☆☆☆☆
Shares issued (m)	7,832.1
Market Cap (RM' m)	31,563.3
52-Week Price Range (RM)	3.65-4.59
Beta (x)	1.2
Free float (%)	12.9
3M Average Volume (m)	2.9
3M Average Value (RM' m)	11.8

Top 3 Shareholders	(%)
Binariang GSM Sdn Bhd	62.2
Employees Provident Fund Board	11.1
Amanah Saham Nasional Bhd	10.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.2	2.5	4.9
Relative (%)	-0.3	3.4	6.6

Maxis Berhad

Bogged down by staff optimisation cost










Summary

- **Maxis's 9MFY23 net profit of RM936m was below our expectations due to higher costs related to workforce optimisation.**
- **Looking ahead, Postpaid revenue continues to lead Maxis' growth and device sales expected to rebound in 4Q23 in conjunction with iPhone 15's launch.**
- **We maintain our HOLD recommendation with a lower target price of RM4.35 (WACC 5.67%, terminal growth 1%).**

Results Review

- **Results review.** 3QFY23 net profit declined 9% yoy to RM287m, dragged down by higher staff costs (+37% qoq to RM277m) related to workforce optimisation. Revenue for the quarter fell 1.1% yoy to RM2.44b mainly due to lower device sales (-16.8% qoq to RM297m) as customers held back in anticipation of iPhone 15 launch in 4Q23.
- **Below expectations.** In 9M23, cumulative net profit at RM936m makes up to 62% and 69% of our and consensus forecasted net profit of RM1.49b and RM1.36b respectively. The variance was mainly due to the higher staff costs. Management noted that the staff optimisation is one-off for this year in bid to reduce 10% of their workforce with half of them from the Enterprise business. Maxis expects a payback period of 1 year for the higher staff costs but has not guided on future cost savings from the workforce reduction.
- **Operations Highlights.** Postpaid continues to lead growth after subscribers grew 8% yoy and 2.4% qoq to 3.53m while ARPU declined to RM76.8 vs RM77.9 in 2Q23. Enterprise segment also contributed so slight revenue growth while Prepaid and Home Connectivity were flat.
- **Industry Highlights.** The telecommunication industry is gearing up for 5G with focus on the Enterprise segment as the Consumer segment is harder to monetize.
- **Outlook.** Despite the setback of higher staff costs, Maxis is still on track to meet its management guidance of a) low single digit growth in Service Revenue, b) Flat EBITDA growth at RM3.9b. However, management reduced its capex guidance to slightly less than RM1b.
- **Valuation.** Trimmed our FY23 earnings forecast by 11% to adjust for the higher staff costs. Re-iterate our **HOLD** recommendation on Maxis with a lower target price of RM4.35 (previously RM4.44).
- **Risk.** Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY2 3	3QFY2 2	YoY (%)	2QFY2 3	QoQ (%)	9MFY2 2	9MFY2 3	YoY (%)	5 Quarters Trend	Comments
Revenue	2,442.0	2,405.0	1.5	2,470.0	(1.1)	7,235.0	7,438.0	2.8		Lower device sales
EBITDA	929.0	1,006.0	(7.7)	1,002.0	(7.3)	2,945.0	2,903.0	(1.4)		Staff optimisation cost
Pre-tax profit	384.0	470.0	(18.3)	453.0	(15.2)	1,397.0	1,266.0	(9.4)		
Net profit	287.0	315.0	(8.9)	329.0	(12.8)	926.0	936.0	1.1		
Core net profit	287.0	315.0	(8.9)	329.0	(12.8)	926.0	936.0	1.1		
Core EPS (sen)	3.7	4.1	(8.9)	4.2	(12.8)	11.9	12.0	1.1		
EBITDA margin (%)	38.0	41.8		40.6		40.7	39.0			
PBT margin (%)	15.7	19.5		18.3		19.3	17.0			
Core PATAMl margin (%)	11.8	13.1		13.3		12.8	12.6			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	9241.0	9789.0	9836.1	9889.8	####
EBITDA	3876.0	3938.0	3983.6	4153.7	4250.7
Depreciation & Amortisation	-1649.0	-1721.0	-1819.7	-1681.3	-1720.5
EBIT	2213.0	2218.0	2163.9	2473.5	2532.2
Net Finance Income/ (Cost)	-451.0	-407.0	-378.3	-378.6	-380.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1762.0	1811.0	1785.7	2094.9	2152.0
Tax	-454.0	-630.0	-446.5	-524.6	-536.8
Profit After Tax	1308.0	1181.0	1339.2	1570.3	1615.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	1308.0	1181.0	1339.2	1570.3	1615.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	1308.0	1181.0	1339.2	1570.3	1615.2

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	41.9%	40.2%	40.5%	42.0%	42.0%
EBIT margin	23.9%	22.7%	22.0%	25.0%	25.0%
PBT margin	19.1%	18.5%	18.2%	21.2%	21.3%
PAT margin	14.2%	12.1%	13.6%	15.9%	16.0%
NP margin	14.2%	12.1%	13.6%	15.9%	16.0%
Core NP margin	14.2%	12.1%	13.6%	15.9%	16.0%
ROE	19.4%	18.5%	20.7%	23.6%	24.1%
ROA	6.7%	5.8%	6.5%	7.5%	7.7%
Net gearing	132.3%	145.0%	141.8%	148.7%	137.3%

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Postpaid subscribers ('000)	3,139	3,343	3,400	3,500	3,600
Prepaid subscribers ('000)	5,959	5,785	5,700	5,800	5,900
Postpaid ARPU (RM)	80.4	78.8	78.0	77.0	76.0
Prepaid ARPU (RM)	37.8	38.7	38.0	38.0	38.0

Valuations

	FY24f
Terminal growth rate	100%
WACC	5.67%
Fair Value (RM)	4.36

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	1191.0	628.0	697.2	301.0	303.2
Receivables	1654.0	2136.0	2163.9	2472.5	2226.6
Other current assets	5.0	17.0	58.2	106.5	49.1
Total Current Assets	2850.0	2781.0	2919.4	2879.9	2578.9
Fixed Assets	5193.0	5639.0	6028.6	6345.0	6631.8
Intangibles	1474.0	11507.0	14450.0	14400.0	11350.0
Other non-current assets	2926.0	3118.0	3079.5	3135.7	3115.1
Total Non-current assets	19593.0	20264.0	20558.1	20880.6	21096.9
Short-term Debt	2034.0	283.0	2204.0	199.7	672.7
Payables	3527.0	3807.0	3934.4	3807.6	4149.5
Other Current Liabilities	185.0	353.0	300.0	300.0	300.0
Total Current Liabilities	5746.0	4443.0	6438.4	4307.2	5122.2
Long-term Debt	8056.0	9582.0	7674.0	9978.7	8833.0
Other non-current liabilities	1916.0	2649.0	2736.9	2661.3	2850.9
Total Non-current Liabilities	9972.0	12231.0	10410.9	12640.0	11683.9
Shareholder's equity	6725.0	6369.0	6472.2	6643.0	6703.3
Minority interest	0.0	1.0	2.0	3.0	4.0
Equity	6725.0	6371.0	6472.2	6643.0	6703.3

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Operating cash flow	3763.0	3303.0	3158.9	3250.6	3333.8
Net capex	-1633.0	-1720.0	-1573.8	-1582.4	-1619.3
Others	133.0	424.0	245.9	247.2	253.0
Investing cash flow	-1497.0	-1296.0	-1327.9	-1335.1	-1366.3
Dividends paid	-1330.0	-1566.0	-1244.0	-1399.5	-1555.0
Debt drawdown	2300.0	1500.0	500.0	2000.0	500.0
Debt repayment	-2050.0	-1750.0	-283.0	-2204.0	-199.7
Finance costs	-456.0	-428.0	-407.8	-408.2	-410.5
Others	-271.0	-326.0	-300.0	-300.0	-300.0
Financing cash flow	-1807.0	-2570.0	-1734.8	-2311.7	-1965.2
Net cash flow	459.0	-563.0	96.2	-396.3	2.2
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	705.0	1164.0	601.0	697.2	301.0
Ending cash	1164.0	601.0	697.2	301.0	303.2

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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