

Lee Cherng Wee, CFA
 (603) 7890 8888 (ext 2067)
leecw@apexsecurities.com.my

Maxis Berhad

Record high revenue

Summary

- **Maxis's FY23 net profit of RM1.35b was slightly below our expectations due to higher accelerated depreciation and asset write-off.**
- **4Q23 sales growth was led device sales in conjunction with iPhone 15's launch.**
- **Following the recent decline in share price, our recommendation is upgraded to BUY with an unchanged target price of RM4.35 (WACC 5.67%, terminal growth 1%).**

Results Review

- **Results review.** 4QFY23 reported net profit declined 77% yoy and 81% qoq to RM56m due to accelerated depreciation, assets write-off and tax settlement of RM73m. Excluding the one-off adjustments, core net profit grew 34% yoy and 5% qoq to RM360m. Revenue for the quarter rose 7% yoy and 12% qoq to RM2.47b led by increase in device sales (+23% yoy and +82% qoq to RM540m) following the launch of iPhone 15.
- **Slightly below expectations.** FY23 core net profit of RM1.35b makes up to 90% and 104% of our and consensus forecasted net profit of RM1.5b and RM1.3b respectively. The variance was mainly due to the higher-than-expected accelerated depreciation. FY23 revenue hit a record high of RM10.2b (+4% yoy) surpassing last year's reported figure of RM9.8b which exceeded ours and consensus forecast by 5% and 2% respectively.
- **Operations Highlights.** Postpaid continues growth momentum after subscribers grew 8% yoy and 2% qoq to 3.6m while ARPU declined to RM76.5 vs RM76.8 in 3Q23. Prepaid revenue declined 4% yoy due to lower ARPU of RM37.9, from RM38.1 in 3Q23 and RM39.4 in 4Q22. Home Connectivity and Enterprise segments also displayed positive performance in 4Q23.
- **Industry Highlights.** Management expects due diligence on DNB to complete in the next quarter and is talking to potential partners to work on the second network.
- **Outlook.** The management has introduced its 2024F guidance of a) low single digit growth in Service Revenue, b) Flat EBITDA and c) capex of less than RM1b.
- **Dividend.** The board has declared its 4th interim dividend of 4 sen, taking full year dividend to 16 sen which is in line with our expectation. This translates into a dividend yield of 4.2%.
- **Valuation.** Following the decline in share prices, we upgrade our recommendation to **BUY** with an unchanged target price of RM4.35.
- **Risk.** Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.

Recommendation:	BUY
Current Price:	RM 3.81
Previous Target Price:	RM 4.35
Target Price:	↔ RM 4.35
Upside/Downside:	14.2%

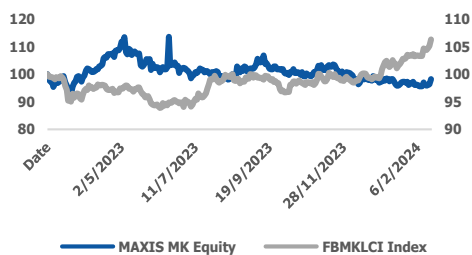
Stock information

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)	29,840.2
52-Week Price Range (RM)	3.75-4.59
Beta (x)	1.1
Free float (%)	12.6
3M Average Volume (m)	1.7
3M Average Value (RM' m)	6.5

Top 3 Shareholders










	(%)
Binariang GSM Sdn Bhd	62.2
Employees Provident Fund Board	11.3
Amanah Saham Nasional Bhd	10.3

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-5.0	-5.2
Relative (%)	-3.5	-10.5	-10.2

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	2,742.0	2,554.0	7.4	2,442.0	12.3	9,789.0	10,180.0	4.0		Higher device sales
EBITDA	1,057.0	988.0	7.0	929.0	13.8	3,933.0	3,960.0	0.7		
Pre-tax profit	178.0	409.0	(56.5)	384.0	(53.6)	1,806.0	1,444.0	(20.0)		Accelerated depreciation
Net profit	56.0	239.0	(76.6)	287.0	(80.5)	1,165.0	992.0	(14.8)		
Core net profit	360.0	269.0	33.8	344.0	4.7	1,313.0	1,353.0	3.0		
Core EPS (sen)	4.6	3.5	33.8	4.4	4.7	16.9	17.4	3.0		
EBITDA margin (%)	38.5	38.7		38.0		160.8	155.6			
PBT margin (%)	6.5	16.0		15.7		73.9	57.5			
Core PATAMl margin (%)	13.1	10.5		14.1		48.9	53.2			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	9241.0	9789.0	10180.0	9889.8	10120.8
EBITDA	3876.0	3929.0	3960.0	4153.7	4250.7
Depreciation & Amortisation	-1649.0	-1721.0	-1903.0	-1681.3	-1720.5
EBIT	2213.0	2209.0	1890.0	2473.5	2532.2
Net Finance Income/ (Cost)	-451.0	-407.0	-446.0	-378.6	-380.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1762.0	1802.0	1444.0	2094.9	2152.0
Tax	-454.0	-651.0	-452.0	-524.6	-536.8
Profit After Tax	1308.0	1151.0	992.0	1570.3	1615.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	1308.0	1151.0	992.0	1570.3	1615.2
Exceptionals	0.0	162.0	361.0	0.0	0.0
Core Net Profit	1308.0	1313.0	1353.0	1570.3	1615.2

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	41.9%	40.1%	38.9%	42.0%	42.0%
EBIT margin	23.9%	22.6%	18.6%	25.0%	25.0%
PBT margin	19.1%	18.4%	14.2%	21.2%	21.3%
PAT margin	14.2%	11.8%	9.7%	15.9%	16.0%
NP margin	14.2%	11.8%	9.7%	15.9%	16.0%
Core NP margin	14.2%	11.8%	9.7%	15.9%	16.0%
ROE	19.4%	18.1%	17.3%	26.6%	27.0%
ROA	6.7%	5.7%	5.0%	7.5%	7.6%
Net gearing	132.3%	145.0%	160.2%	169.7%	156.7%

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Postpaid subscribers ('000)	3,139	3,343	3,598	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	1.00%
WACC	5.56%
Fair Value (RM)	4.35

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	1191.0	628.0	569.0	143.7	146.0
Receivables	1654.0	2136.0	2435.0	2472.5	2226.6
Other current assets	5.0	17.0	37.0	106.5	49.1
Total Current Assets	2850.0	2781.0	3041.0	2722.7	2421.6
Fixed Assets	5193.0	5639.0	5384.0	6388.4	6666.2
Intangibles	11474.0	11507.0	11193.0	11400.0	11350.0
Other non-current assets	2926.0	3118.0	3163.0	3135.7	3115.1
Total Non-current assets	19593.0	20264.0	19740.0	20924.1	21131.3
Short-term Debt	2034.0	283.0	857.0	199.7	672.7
Payables	3527.0	3807.0	4126.0	3807.6	4149.5
Other Current Liabilities	185.0	353.0	439.0	300.0	300.0
Total Current Liabilities	5746.0	4443.0	5422.0	4307.2	5122.2
Long-term Debt	8056.0	9582.0	8915.0	9978.7	8833.0
Other non-current liabilities	1916.0	2649.0	2700.0	2661.3	2850.9
Total Non-current Liabilities	9972.0	12231.0	11615.0	12640.0	11683.9
Shareholder's equity	6725.0	6369.0	5743.0	5913.8	5974.0
Minority interest	0.0	1.0	2.0	3.0	4.0
Equity	6725.0	6371.0	5744.0	5913.8	5974.0

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Operating cash flow	3763.0	3303.0	2853.0	3250.6	3333.8
Net capex	-1633.0	-1720.0	-1141.0	-1582.4	-1619.3
Others	133.0	424.0	378.0	247.2	253.0
Investing cash flow	-1497.0	-1296.0	-763.0	-1335.1	-1366.3
Dividends paid	-1330.0	-1566.0	-1331.0	-1399.5	-1555.0
Debt drawdown	2300.0	1500.0	1400.0	2000.0	500.0
Debt repayment	-2050.0	-1750.0	-1440.0	-2204.0	-199.7
Finance costs	-456.0	-428.0	-457.0	-408.2	-410.5
Others	-271.0	-326.0	-323.0	-300.0	-300.0
Financing cash flow	-1807.0	-2570.0	-2151.0	-2311.7	-1965.2
Net cash flow	459.0	-563.0	-61.0	-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	540.0	143.7
Ending cash	1164.0	601.0	540.0	143.7	146.0

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

6th Floor, Menara Apex,
Off Jalan Semenyih,
Bukit Mewah 43000 Kajang,
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

Mutiara Damansara Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)

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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