

Steven Chong
 (603) 7890 8888 (ext 2068)
stevenchong@apexsecurities.com.my

Recommendation: BUY

Current Price:	RM 3.72
Previous Target Price:	RM 4.35
Target Price:	↓ RM 4.29
Upside/Downside:	15.3%

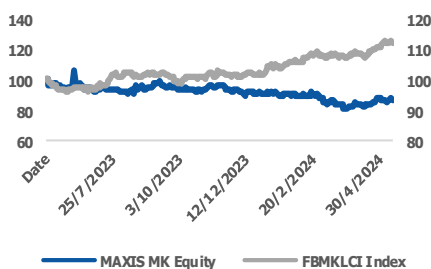
Stock information

Board	MAIN
Sector	Telecommunication
Bursa / Bloomberg Code	6012 / MAXIS MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆★★
Bloomberg ESG Rating	N/A
Shares issued (m)	7,832.1
Market Cap (RM' m)	29,135.3
52-Week Price Range (RM)	4.55-3.35
Beta (x)	1.2
Free float (%)	12.4
3M Average Volume (m)	2.4
3M Average Value (RM' m)	8.8

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 (%)	6.3	-1.6	-14.3
Relative (%)	1.7	-5.3	-24.3

Maxis Berhad

Within expectation

Summary

- **Maxis's 1QFY24 net profit of RM355.0m was within our and consensus expectation.**
- **Reported improved sales in 1QFY24 attributed to accelerate growth in Maxis's mobile service, home connectivity and enterprise revenue.**
- **Re-iterate our BUY recommendation with a lower target price of RM4.29 (WACC 6.95%, terminal growth 0.5%).**

Results Review

- **Results review.** 1QFY24 core net profit grew by 8.9% yoy to RM355.0m, thanks to the expansion in EBITDA margin in tandem with improved topline. Revenue for the quarter rose by 3.0% yoy to RM2.6b, driven by its strong convergence strategy which continue to accelerate growth in Maxis's mobile service and home connectivity.
- **Within expectations.** 1QFY24 core net profit of RM355.0m makes up to 26% of both our and consensus forecasted net profit and was within expectation.
- **Operations Highlights.** Postpaid retains its momentum after subscribers grew 7.5% yoy and 21.5% qoq to 3.7m while ARPU declined to RM75.1 vs RM76.5 in 4QFY23. Prepaid remained resilient as subscribers grew 1.5% yoy (-1.8% qoq) to 5.7m despite the effects of pre-to-post migration. Home Connectivity and Enterprise segments also displayed positive performance in 1QFY24. Home Fibre saw an additional 76k connections during the quarter led by strong adoption of Maxis bundled package with home fibre and postpaid plan.
- **Industry Highlights.** Telco players are currently awaiting the announcement of DNB's due diligence findings as well as the finalisation of share subscription agreements by end-May.
- **Outlook.** We maintained a conservative forecast 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 first interim dividend of 4.0 sen, which is in line with Maxis's historical dividend payout. The said dividend will be payable on 24 June 2024.
- **Valuation.** We re-iterate our **BUY** recommendation with a lower target price of RM4.29 based on DCF valuation (WACC of 6.95% with a long-term growth rate of 0.5%).
- **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)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	2,603.0	2,526.0	3.0	2,742.0	(5.1)	9,789.0	10,180.0	4.0		Strong growth in mobile service, home connectivity and enterprise
EBITDA	1,043.0	972.0	7.3	898.0	16.1	3,933.0	3,793.0	(3.6)		
Pre-tax profit	461.0	419.0	10.0	160.0	188.1	1,745.0	1,390.0	(20.3)		EBITDA margin expanded in tandem with the growth in topline
Net profit	335.0	310.0	8.1	38.0	781.6	1,100.0	938.0	(14.7)		
Core net profit	355.0	326.0	8.9	221.0	60.6	1,149.0	1,180.0	2.7		
Core EPS (sen)	4.5	4.2	8.9	2.8	60.6	14.7	15.1	2.7		
EBITDA margin (%)	40.1	38.5		32.7		40.2	37.3			
PBT margin (%)	17.7	16.6		5.8		17.8	13.7			
Core PATMI margin (%)	13.6	12.9		8.1		11.7	11.6			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	9241.0	9789.0	10180.0	10477.6	10815.6
Operating Profit	3957.0	3979.0	3992.0	4108.7	3873.2
EBITDA	3862.0	3930.0	3793.0	3889.8	3632.4
Depreciation & Amortisation	-1649.0	-1721.0	-1903.0	-1816.9	-1486.6
EBIT	2213.0	2209.0	1890.0	2072.8	2145.8
Net Finance Income/ (Cost)	-451.0	-407.0	-446.0	-444.6	-387.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1762.0	1802.0	1444.0	1628.3	1758.4
Tax	-454.0	-651.0	-452.0	423.4	457.2
Profit After Tax	1308.0	1151.0	992.0	1204.9	1301.2
Minority Interest	0.0	-1.0	-1.0	-1.0	-1.0
Net Profit	1308.0	1152.0	993.0	1205.9	1302.2
Exceptionals	33.0	-7.0	165.0	0.0	0.0
Core Net Profit	1341.0	1145.0	1158.0	1205.9	1302.2

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	41.8%	40.1%	37.3%	37.1%	33.6%
EBIT margin	23.9%	22.6%	18.6%	19.8%	19.8%
PBT margin	19.1%	18.4%	14.2%	15.5%	16.3%
PAT margin	14.2%	11.8%	9.7%	11.5%	12.0%
NP margin	14.2%	11.8%	9.8%	11.5%	12.0%
Core NP margin	14.2%	11.8%	9.8%	11.5%	12.0%
ROE	19.4%	18.9%	17.3%	21.5%	23.5%
ROA	5.8%	5.0%	4.4%	5.3%	5.6%
Net gearing	30.6%	38.9%	36.6%	32.7%	28.6%

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Postpaid subscribers ('000)	3139	3343	3598	3778	3967
Prepaid subscribers ('000)	5959	5785	5875	6169	6477
Home subscribers ('000)	591	669	750	788	827
Capex as % sales	18%	18%	11%	8%	8%

Valuations

	FY25F
Terminal growth rate	0.50%
WACC	6.95%
Fair Value (RM)	4.29

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	1191.0	628.0	569.0	1471.5	2309.8
Receivables	1654.0	2136.0	2435.0	2506.2	2587.0
Inventories	5.0	8.0	22.0	22.6	23.4
Other current assets	0.0	9.0	15.0	15.0	15.0
Total Current Assets	2850.0	2781.0	3041.0	4015.3	4935.2
Fixed Assets	5193.0	5639.0	5384.0	4405.3	3783.9
Intangibles	11474.0	11507.0	11193.0	11193.0	11193.0
Other non-current assets	2926.0	3118.0	3163.0	3163.0	3163.0
Total Non-current assets	19593.0	20264.0	19740.0	18761.3	18139.9
Short-term Debt	2034.0	283.0	857.0	857.0	857.0
Payables	3527.0	4176.0	4126.0	4246.6	4629.0
Other Current Liabilities	185.0	353.0	439.0	439.0	439.0
Total Current Liabilities	5746.0	4812.0	5422.0	5542.6	5925.0
Long-term Debt	8056.0	9582.0	8915.0	8915.0	8915.0
Other non-current liabilities	1916.0	2560.0	2700.0	2700.0	2700.0
Total Non-current Liabilities	9972.0	12142.0	11615.0	11615.0	11615.0
Shareholder's equity	6725.0	6089.0	5743.0	5617.9	5534.1
Minority interest	0.0	2.0	1.0	1.0	1.0
Equity	6725.0	6091.0	5744.0	5618.9	5535.1

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	1762.0	1802.0	1444.0	1628.3	1758.4
Depreciation & amortisation	1649.0	100.5	107.0	103.2	112.0
Changes in working capital	-53.0	164.0	-363.0	48.8	300.8
Others	405.0	1236.5	1665.0	1291.4	918.5
Operating cash flow	3763.0	3303.0	2853.0	3071.7	3089.7
Net capex	-1633.0	-1720.0	-1141.0	-838.2	-865.2
Others	136.0	424.0	378.0	0.0	0.0
Investing cash flow	-1497.0	-1296.0	-763.0	-838.2	-865.2
Changes in borrowings	250.0	-250.0	-40.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-1330.0	-1566.0	-1331.0	-1331.0	-1386.1
Others	-727.0	-754.0	-780.0	0.0	0.0
Financing cash flow	-1807.0	-2570.0	-2151.0	-1331.0	-1386.1
Net cash flow	459.0	-563.0	-61.0	902.5	838.3
Forex	0.0	0.0	0.0	0.0	0.0
Others	-27.0	-27.0	-29.0	0.0	0.0
Beginning cash	705.0	1164.0	601.0	569.0	1471.5
Ending cash	1191.0	628.0	569.0	1471.5	2309.8

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p> <p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070)</p>

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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