

Steven Chong

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Recommendation: BUY

Current Price: RM 3.64

Previous Target Price: RM 4.28

Target Price: ↔ RM 4.28

Upside/Downside: 17.6%

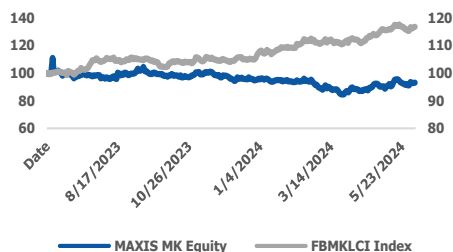
Stock information

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)	28,508.8
52-Week Price Range (RM)	4.55-3.35
Beta (x)	1.1
Free float (%)	12.3
3M Average Volume (m)	2.5
3M Average Value (RM' m)	9.0

Top 3 Shareholders (%)

Binariang GSM Sdn Bhd	62.2
Employees Provident Fund Board	11.4
Amanah Saham Nasional Bhd	10.3

Share Price Performance



	1M	3M	12M
Absolute (%)	1.1	2.5	-10.8
Relative (%)	0.3	-1.9	-24.0

Maxis Berhad

All eyes on the proposed second 5G network

Summary

- **Ready to participate in the second 5G network, albeit the higher cost involved.**
- **Enterprise segment highlights potential strong growth opportunity due to the low adoption rate of 5G.**
- **We re-iterate our BUY recommendation with a TP of RM4.28 based on DCF valuation (WACC of 6.55% with a long-term growth rate of 0.5%).**

Results Review

- **Recap on DNB development.** To recap, all major Malaysian telco operators, including Maxis, CelcomDigi, Telekom Malaysia, U Mobile, and YTL Communications, have agreed to participate in DNB's 5G rollout and are finalising their shareholdings in DNB. Collectively, the five operators will have a 70.0% stake in DNB, with the MOF holding the remaining 30.0%. That being said, the process was delayed, impacted by setback on ongoing due diligence review which is expected to be completed by end-June 24.
- **Expression of interest to participate in the second 5G network.** While this new venture will likely involve additional capital expenditure, Maxis intends to leverage on existing infrastructure to reduce costs. Management opined that it is much more favourable to participate through a completely new entity in order to gain better control over network quality, rather than relying on TM's infrastructure which still requires the Group to incur additional legacy cost from maintaining TM's assets. Should Maxis decide to exit DNB, it will dispose its stakes to the remaining shareholders in DNB.
- **ARPU trending downwards with...** both prepaid and postpaid ARPU has been tapering off due to intensifying competition. Nevertheless, the weakness in ARPU was offset by encouraging subscriber's growth, thanks to Maxis's focus on network quality and personalised mobile package offered to its customers. Meanwhile, the ongoing fixed mobile convergence (FMC) strategy has contributed to customer loyalty and retention within Maxis's postpaid subscriber's base.
- **Enterprise is key to growth.** Although consumer 5G adoption rate is rising rapidly, demand from enterprise remained tepid due to the high costs for 5G devices. Nevertheless, this also represents an opportunity for Maxis to tap into this space, further enhancing bottom line growth.
- **Valuation.** We re-iterate our **BUY** recommendation with a target price of RM4.28 based on DCF valuation (WACC of 6.55% 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.

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	9241.0	9789.0	10180.0	10477.6	10831.8
Operating Profit	3957.0	3979.0	3992.0	4108.7	4095.6
EBITDA	3862.0	3930.0	3793.0	3889.8	3854.9
Depreciation & Amortisation	-1649.0	-1721.0	-1903.0	-1816.9	-1557.4
EBIT	2213.0	2209.0	1890.0	2072.8	2297.5
Net Finance Income/ (Cost)	-451.0	-407.0	-446.0	-444.6	-420.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1762.0	1802.0	1444.0	1628.3	1876.7
Tax	-454.0	-651.0	-452.0	423.4	488.0
Profit After Tax	1308.0	1151.0	992.0	1204.9	1388.8
Minority Interest	0.0	-1.0	-1.0	-1.0	-1.0
Net Profit	1308.0	1152.0	993.0	1205.9	1389.8
Exceptionals	33.0	-7.0	165.0	0.0	0.0
Core Net Profit	1341.0	1145.0	1158.0	1205.9	1389.8

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	41.8%	40.1%	37.3%	37.1%	35.6%
EBIT margin	23.9%	22.6%	18.6%	19.8%	21.2%
PBT margin	19.1%	18.4%	14.2%	15.5%	17.3%
PAT margin	14.2%	11.8%	9.7%	11.5%	12.8%
NP margin	14.2%	11.8%	9.8%	11.5%	12.8%
Core NP margin	14.2%	11.8%	9.8%	11.5%	12.8%
ROE	19.4%	18.9%	17.3%	21.5%	24.7%
ROA	5.8%	5.0%	4.4%	5.5%	6.2%
Net gearing	30.6%	38.9%	36.6%	38.7%	36.4%

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%	10%	12%

Valuations

	FY25F
Terminal growth rate	0.50%
WACC	6.55%
Fair Value (RM)	4.28

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	1191.0	628.0	569.0	480.2	906.7
Receivables	1654.0	2136.0	2435.0	2506.2	2590.9
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	3024.0	3536.0
Fixed Assets	5193.0	5639.0	5384.0	4614.8	4357.3
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	18970.8	18713.3
Short-term Debt	2034.0	283.0	857.0	0.0	0.0
Payables	3527.0	4176.0	4126.0	4246.6	4491.5
Other Current Liabilities	185.0	353.0	439.0	439.0	439.0
Total Current Liabilities	5746.0	4812.0	5422.0	4685.6	4930.5
Long-term Debt	8056.0	9582.0	8915.0	8990.3	8996.2
Other non-current liabilities	1916.0	2560.0	2700.0	2700.0	2700.0
Total Non-current Liabilities	9972.0	12142.0	11615.0	11690.3	11696.2
Shareholder's equity	6725.0	6089.0	5743.0	5617.9	5621.6
Minority interest	0.0	2.0	1.0	1.0	1.0
Equity	6725.0	6091.0	5744.0	5618.9	5622.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	1762.0	1802.0	1444.0	1628.3	1876.7
Depreciation & amortisation	1649.0	100.5	107.0	103.2	112.0
Changes in working capital	-53.0	164.0	-363.0	48.8	159.4
Others	405.0	1236.5	1665.0	1291.4	958.4
Operating cash flow	3763.0	3303.0	2853.0	3071.7	3106.5
Net capex	-1633.0	-1720.0	-1141.0	-1047.8	-1299.8
Others	136.0	424.0	378.0	0.0	0.0
Investing cash flow	-1497.0	-1296.0	-763.0	-1047.8	-1299.8
Changes in borrowings	250.0	-250.0	-40.0	-781.7	5.9
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	-2112.7	-1380.2
Net cash flow	459.0	-563.0	-61.0	-88.8	426.5
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	480.2
Ending cash	1191.0	628.0	569.0	480.2	906.7

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)</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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