

Steven Chong

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Recommendation:	BUY
Current Price:	RM 3.53
Previous Target Price:	RM 4.28
Target Price:	RM 4.32
Upside/Downside:	22.4%

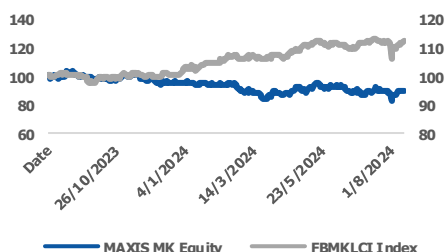
Stock information

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)	7,833.1
Market Cap (RM' m)	27,650.9
52-Week Price Range (RM)	4.27-3.22
Beta (x)	1.1
Free float (%)	23.7
3M Average Volume (m)	2.3
3M Average Value (RM' m)	8.3

Top 3 Shareholders (%)

Binariang GSM Sdn Bhd	62.2
Employees Provident Fund Board	11.6
Amanah Saham Nasional Bhd	10.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-2.8	-7.1	-14.3
Relative (%)	-3.5	-7.9	-23.9

Maxis Berhad

Exciting growth venue from data centre

Summary

- **Maxis recorded CNP of RM365.0m (+9.9% yoy, +2.8% qoq) in 2QFY24, bringing 1HFY24 CNP to RM720.0m (+9.4% yoy), which was in-line with ours and consensus' expectations, accounting for 54% and 51% of forecasts respectively.**
- **We adjust our FY24-26 earnings by +7.1%/+6.6%/+6.1% to account for the revision in EBITDA guidance and growth opportunity in the data centre space.**
- **Re-iterate our BUY recommendation with higher TP of RM4.32, based on DCF valuation (WACC of 6.5% with a long-term growth rate of 0.5%).**

Results Review

- **Results review.** 2QFY24 core net profit stood at RM365.0m (+9.9% yoy, +2.8% qoq). The strong year-over-year performance was driven by an increase in EBT margin (18.7% vs 18.3%) alongside improved top-line results. Revenue for the quarter recorded RM2.6bn (+4.7% yoy, -0.7% qoq), supported by growth in Maxis's mobile services and enterprise segments.
- **Results within expectation.** 1HFY24 core net profit of RM720.0m makes up to 54%/51% of both our and consensus forecasted net profit and was within expectations.
- **Operations Highlights.** In 2Q24, postpaid segment retains its momentum with subscribers reaching 3.7m (+8.0% yoy, +2.0% qoq). On the other hand, ARPU declined to RM74.40 (-4.5% yoy, -0.9% qoq) stem from expansion of mobile plan offerings to attract the budget-conscious customer segment. Prepaid remained resilient with subscribers rising to 5.8m (+2.3% yoy, +0.8% qoq) overcoming the impact of pre-to-post migration. That said, prepaid ARPU trended lower to RM37.10 (-2.9% yoy, -0.1% qoq) as competition in the prepaid market remains fierce. Home Fibre also displayed robust growth in home connectivity to 777k (+10.1% yoy, +1.6% qoq) while ARPU remained surprisingly steady at RM110.20 (+1.8% yoy, -0.2% qoq) despite strong adoption of Maxis bundled deals.
- **Industry Highlights.** Maxis is exploring opportunities to provide connectivity services to data centers in response to the growing demand for digital services and the expansion of data center facilities in Malaysia. We opined Maxis stand a strong chance of capturing a sizable market share, as data centers across the country seek to diversify their connectivity solutions providers. This, combined with focus on offering integrated solutions that includes connectivity, cloud services, and managed services for enterprises, positions the Group well.
- **Outlook.** Management upheld their conservative outlook for service revenue growth at low single digits and maintained a capex target of under RM1.0bn. However, EBITDA growth guidance upgraded from flat to low single digits.
- **Valuation.** We upgrade our FY24-26 earnings by +7.1%/+6.6%/+6.1% to account for the revision in EBITDA guidance and growth opportunity in the data centre


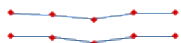


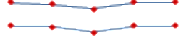




space. Consequently, we re-iterate our **BUY** recommendation with a higher target price of RM4.32 based on DCF valuation (WACC of 6.5% with a long-term growth rate of 0.5%).

- **Risk.** Price slashing by competitors. Changes in government regulations. Higher-than-expected 5G capex affecting cashflow and dividend.

Thursday, August 22, 2024

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	2,586.0	2,470.0	4.7	2,603.0	(0.7)	4,996.0	5,189.0	3.9		Strong growth in mobile service, home connectivity and enterprise
EBITDA	1,034.0	999.0	3.5	1,043.0	(0.9)	1,971.0	2,077.0	5.4		
Pre-tax profit	469.0	437.0	7.3	461.0	1.7	856.0	930.0	8.6		EBIT margin expanded in tandem with the growth in topline
Net profit	342.0	313.0	9.3	335.0	2.1	623.0	677.0	8.7		
Core net profit	365.0	332.0	9.9	355.0	2.8	658.0	720.0	9.4		
Core EPS (sen)	4.7	4.2	9.9	4.5	2.8	8.4	9.2	9.4		
EBITDA margin (%)	40.0	40.4		40.1		39.5	40.0			
PBT margin (%)	18.1	17.7		17.7		17.1	17.9			
Core PATMI margin (%)	14.1	13.4		13.6		13.2	13.9			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	9789.0	10180.0	10477.6	10831.8	11242.3
Operating Profit	3979.0	3992.0	4400.6	4332.7	4496.9
EBITDA	3930.0	3793.0	4181.7	4091.9	4232.1
Depreciation & Amortisation	-1721.0	-1903.0	-1816.9	-1557.4	-1470.4
EBIT	2209.0	1890.0	2364.7	2534.6	2761.6
Net Finance Income/ (Cost)	-407.0	-446.0	-444.6	-418.0	-401.6
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1802.0	1444.0	1920.2	2116.5	2360.0
Tax	-651.0	-452.0	499.2	550.3	613.6
Profit After Tax	1151.0	992.0	1420.9	1566.2	1746.4
Minority Interest	-1.0	-1.0	-1.0	-1.0	-1.0
Net Profit	1150.0	991.0	1419.9	1565.2	1745.4
Exceptionals	-7.0	165.0	0.0	0.0	0.0
Core Net Profit	1143.0	1156.0	1419.9	1565.2	1745.4

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	40.1%	37.3%	39.9%	37.8%	37.6%
EBIT margin	22.6%	18.6%	22.6%	23.4%	24.6%
PBT margin	18.4%	14.2%	18.3%	19.5%	21.0%
PAT margin	11.8%	9.7%	13.6%	14.5%	15.5%
NP margin	11.7%	9.7%	13.6%	14.5%	15.5%
Core NP margin	11.7%	9.7%	13.6%	14.5%	15.5%
ROE	18.9%	17.3%	24.3%	27.1%	30.5%
ROA	5.0%	4.4%	6.3%	7.0%	7.8%
Net gearing	38.9%	36.6%	38.0%	36.1%	35.4%

Valuations

	FY25F
Terminal growth rate	0.50%
WACC	6.53%
Fair Value (RM)	4.32

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	628.0	569.0	847.2	1126.2	1172.2
Receivables	2136.0	2435.0	2506.2	2590.9	2689.1
Inventories	8.0	22.0	22.6	23.4	24.3
Other current assets	9.0	15.0	15.0	15.0	15.0
Total Current Assets	2781.0	3041.0	3391.0	3755.5	3900.6
Fixed Assets	5639.0	5384.0	4614.8	4357.3	4235.9
Intangibles	11507.0	11193.0	11193.0	11193.0	11193.0
Other non-current assets	3118.0	3163.0	3163.0	3163.0	3163.0
Total Non-current assets	20264.0	19740.0	18970.8	18713.3	18591.9
Short-term Debt	283.0	857.0	0.0	0.0	0.0
Payables	4176.0	4126.0	4052.0	4333.4	4497.6
Other Current Liabilities	353.0	439.0	439.0	439.0	439.0
Total Current Liabilities	4812.0	5422.0	4491.0	4772.4	4936.6
Long-term Debt	9582.0	8915.0	9335.9	9228.5	9142.1
Other non-current liabilities	2560.0	2700.0	2700.0	2700.0	2700.0
Total Non-current Liabilities	12142.0	11615.0	12035.9	11928.5	11842.1
Shareholder's equity	6089.0	5743.0	5833.9	5766.8	5712.8
Minority interest	2.0	1.0	1.0	1.0	1.0
Equity	6091.0	5744.0	5834.9	5767.8	5713.8

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	1802.0	1444.0	1920.2	2116.5	2360.0
Depreciation & amortisation	1721.0	1903.0	1816.9	1557.4	1470.4
Changes in working capital	164.0	-363.0	-145.8	195.9	65.2
Others	-384.0	-131.0	-498.2	-549.3	-612.6
Operating cash flow	3303.0	2853.0	3093.0	3320.6	3283.0
Net capex	-1720.0	-1141.0	-1047.8	-1299.8	-1349.1
Others	424.0	378.0	0.0	0.0	0.0
Investing cash flow	-1296.0	-763.0	-1047.8	-1299.8	-1349.1
Changes in borrowings	-250.0	-40.0	-436.1	-107.4	-86.4
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-1566.0	-1331.0	-1331.0	-1634.4	-1801.4
Others	-754.0	-780.0	0.0	0.0	0.0
Financing cash flow	-2570.0	-2151.0	-1767.1	-1741.8	-1887.8
Net cash flow	-563.0	-61.0	278.2	279.0	46.1
Forex	0.0	0.0	0.0	0.0	0.0
Others	-27.0	-29.0	0.0	0.0	0.0
Beginning cash	1164.0	601.0	569.0	847.2	1126.2
Ending cash	628.0	569.0	847.2	1126.2	1172.2

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) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</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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