

Steven Chong

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Recommendation: BUY

Current Price:	RM 3.57
Previous Target Price:	RM 4.30
Target Price:	↔ RM 4.30
Upside/Downside:	20.4%

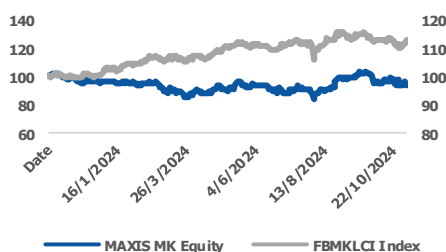
Stock information

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)	27,964.2
52-Week Price Range (RM)	4.15-3.22
Beta (x)	1.2
Free float (%)	23.7
3M Average Volume (m)	2.9
3M Average Value (RM' m)	11.0

Top 3 Shareholders (%)

Binariang GSM Sdn Bhd	62.2
Employees Provident Fund Board	11.7
Amanah Saham Nasional Bhd	10.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-2.2	4.4	-11.4
Relative (%)	-1.4	2.8	-21.0

Maxis Berhad

Results still within expectation



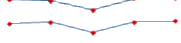






Summary

- **Maxis recorded CNP of RM375.0m (+8.4% yoy, +2.7% qoq) in 3QFY24, bringing 9MFY24 CNP to RM1.1bn (+9.1% yoy), which was in-line with ours and consensus' expectations, accounting for 77% and 78% of forecasts respectively.**
- **Kept our earnings forecast unchanged for FY24-26 as we foresee softer earnings in 4QFY24 due to higher subsidy costs in tandem with the seasonal increase in device sales.**
- **Re-iterate our BUY recommendation with TP of RM4.30, based on DCF valuation (WACC of 6.6% with a long-term growth rate of 0.5%).**

Results Review

- **Results review.** 3QFY24 core net profit stood at RM375m (+8.4% yoy, +2.7% qoq). The notable yoy performance was attributed to lower staff cost as a result of Maxis's optimisation efforts last year. Revenue for the quarter rose to RM2.6bn (+5.5% yoy, -0.4% qoq), supported by growth from both service revenue and device sales.
- **Results within expectation.** 9MFY24 core net profit of RM1.1bn makes up to 77% and 78% of both our and consensus forecasted net profit, which was within expectations.
- **Operations Highlights.** In 3Q24, total mobile subscribers grew to 9.6m (+3.8% yoy, +0.3% qoq) led by resilient growth in postpaid customer base. Meanwhile, both postpaid (-4.3% yoy, -1.2% qoq) and prepaid (-3.1% yoy, -0.5% qoq) ARPU remained under pressure due to tougher competition within the consumer mobile market. Home Fibre also displayed robust growth in subscription to 698k (+8.2% yoy, +1.2% qoq), while ARPU slightly taper off to RM109 (-0.5% yoy, -1.2% qoq) in view of the growing adoption of Maxis bundled deals.
- **Industry Highlights.** There have been no further updates regarding Maxis's future plans following the announcement of the winner for the second 5G network by MCMC. While the Group has remained muted on its available options, we reckon Maxis is required to incur c.RM360m annually on 5G access fees under the current agreement with DNB.
- **Declared dividend of 4 sen per share.** We expect another dividend of 4 sen per share to be declared in next quarter. As such, total dividend for FY24 could end up at 16 sen per share, which translates into a dividend yield of 4.5% based on current share price of RM3.57.
- **Valuation.** We re-iterate our **BUY** recommendation with an unchanged target price of RM4.30 based on DCF valuation (WACC of 6.6% 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)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	2,576.0	2,442.0	5.5	2,586.0	(0.4)	7,438.0	7,765.0	4.4		Strong growth in mobile service, home connectivity and enterprise revenue
EBITDA	1,040.0	924.0	12.6	1,034.0	0.6	2,895.0	3,117.0	7.7		
Pre-tax profit	471.0	374.0	25.9	469.0	0.4	1,230.0	1,401.0	13.9		EBITDA margin expanded due to staff optimisation effort
Net profit	350.0	277.0	26.4	342.0	2.3	900.0	1,027.0	14.1		
Core net profit	375.0	346.0	8.4	365.0	2.7	1,004.0	1,095.0	9.1		
Core EPS (sen)	4.8	4.4	8.4	4.7	2.7	12.8	14.0	9.1		
EBITDA margin (%)	40.4	37.8		40.0		38.9	40.1			
PBT margin (%)	18.3	15.3		18.1		16.5	18.0			
Core PATMI margin (%)	14.6	14.2		14.1		13.5	14.1			

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
P/E (x)	24.5	24.2	19.7	17.9	16.0
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	6.61%
Fair Value (RM)	4.30

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>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) Ong Tze Hern (ext 2113) Samuel Woo (ext 2121) Muhammad Subaiyil Amir (ext 2112)</p>
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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

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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