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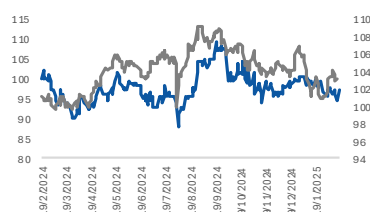
<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM3.52
Previous Target Price:	RM4.30
Target Price:	↔ RM4.30
Capital Upside/ Downside:	22.2%
Dividend Yield (%):	4.5%
<b>Total Upside/ Downside:</b>	<b>26.7%</b>

**Stock information**

Board	MAIN
Sector	Telecommunication
Bursa/ Bloomberg Code	6012/ MAXIS MK
Syariah Compliant	Yes
ESGRating	★★★
Sharesissued (m)	7,833.1
Market Cap (RM' m)	27,572.6
52-Week Price Range (RM)	4-3.22
Beta (x)	1.1
Free float (%)	23.7
3M Average Volume (m)	2.9
3M Average Value (RM' m)	10.3

**Top 3 Shareholders**

	(%)
Binariang Gsm Sdn Bhd	62.2
Employees Provident Fund Board	12.1
Amanah Saham Nasional Bhd	10.3

**Share Price Performance**

	1M	3M	12M
Absolute (%)	-1.1	-3.6	-7.1
Relative (%)	-2.3	-2.5	-9.8

# Maxis Bhd

## Earnings on Track, Steady Growth Ahead

### Executive Summary

- Maxis's 4QFY24 CNP jumped +52.4% yoy and -13.9% qoq to RM323.0m, bringing FY24 CNP at RM1.4bn, which deemed within expectations, accounted to 99.9% and 101.6% of ours and consensus expectations respectively.
- Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.
- Re-iterate our BUY recommendation with an unchanged target price of RM4.30, derived from DCF valuation with WACC of 6.6% and long-term growth rate of 0.5%.

**Results within expectations.** FY24 CNP at RM1.4bn (+16.6% yoy) came within expectations, accounting to 99.9% of our CNP forecast and 101.6% of consensus CNP estimation.

**YoY.** 4QFY24 CNP jumped +52.4% yoy to RM323.0m, lifted by stronger revenue contribution due to net adds in postpaid subscribers coupled with surge in contract deliveries and project completions within the enterprise segment. Revenue for the quarter grew by +7.6% yoy to RM2.8bn.

**QoQ.** CNP decreased by -13.9% qoq, on the back of an uptick in operational expenses. Meanwhile, revenue for the quarter climbed +1.1% qoq.

**Outlook.** Maxis' 2025 guidance includes: i) low single-digit growth in service revenue and ii) flat to low single digit EBITDA growth. The cautious outlook stems from uncertainty, as Maxis aims to drive growth in its home fibre segment, which could result in more volatile margins compared to its established mobile services. At the same time, with a clearer understanding of the 5G operating framework and its experience collaborating with DNB, Maxis plans to increase capital expenditure in FY25. This investment is intended to improve network infrastructure with DNB, enhancing the overall customer network experience.

**Earnings Revision.** Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.

**Valuation.** Re-iterate our **BUY** recommendation on MAXIS with unchanged target price of RM4.30, based on DCF valuation with a WACC of 6.6%, long-term growth rate of 0.5% and 0% ESG factored premium/discount based on three-star ESG rating.

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

**Earnings Summary**

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	10180.0	10536.0	10581.2	10935.0	11344.1
EBITDA	3793.0	4104.0	4114.4	4106.7	4254.6
Pre-tax profit	1483.0	1877.0	1973.5	2109.9	2355.9
Net profit	831.0	1396.0	1460.4	1561.3	1743.4
Core net profit	824.0	1418.0	1460.4	1561.3	1743.4
Core EPS (sen)	10.5	18.1	18.6	19.9	22.3
P/E (x)	33.5	19.4	18.9	17.7	15.8
P/B (x)	4.8	4.7	4.5	4.3	4.1
EV/EBITDA (x)	4.8	4.6	4.7	4.9	4.8
Dividend Yield (%)	4.5%	4.8%	4.5%	5.7%	6.3%
Net Gearing (%)	160%	149%	134%	118%	104%

Source: Company, Apex Securities

# Results Note

Wednesday, 19 Feb, 2025

## Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	2,771.0	2,742.0	1.1	2,576.0	7.6	10,536.0	10,180.0	3.5	Quarterly YoY growth led by postpaid and enterprise segment
EBITDA	987.0	898.0	9.9	1,040.0	(5.1)	4,104.0	3,793.0	8.2	
Pre-tax profit	428.0	178.0	140.4	487.0	(12.1)	1,877.0	1,444.0	30.0	Margin expanded due to cost optimisation and lower depreciation charges
Net profit	321.0	56.0	473.2	366.0	(12.3)	1,396.0	993.0	40.6	
Corenet profit	323.0	212.0	52.4	375.0	(13.9)	1,418.0	1,216.0	16.6	
Core EPS (sen)	4.1	2.7	52.4	4.8	(13.9)	18.1	15.5	16.6	
EBITDA margin (%)	35.6	32.7		40.4		39.0	37.3		
PBT margin (%)	15.4	6.5		18.9		17.8	14.2		
Corenet profit margin (%)	11.7	7.7		14.6		13.5	11.9		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue									
Postpaid	948.0	903.0	5.0	925.0	2.5	3,700.0	4,403.0	(16.0)	Drop in cumulative revenue in tandem with declining ARPU
Prepaid	627.0	655.0	(4.3)	641.0	(2.2)	2,565.0	2,619.0	(2.1)	
Home Connectivity	247.0	243.0	1.6	251.0	(1.6)	993.0	925.0	7.4	Higher project deliveries in 3Q and 4Q
Enterprise	426.0	243.0	75.3	251.0	69.7	993.0	925.0	7.4	
Subscribers									
Postpaid	3,882.0	3,598.0	7.9	3,797.0	2.2				Growing postpaid and home subscribers due to celcom convergence plans
Prepaid	5,822.0	5,875.0	(0.9)	5,767.0	1.0				
Home Connectivity	784.0	750.0	4.5	782.0	0.3				
ARPU									
Postpaid	74.5	76.5	(2.6)	73.5	1.4				
Prepaid	36.5	37.9	(3.7)	36.9	(1.1)				
Home Connectivity	109.2	109.3	(0.1)	109.0	0.2				

Source: Company, Apex Securities

# Results Note

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## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>10180.0</b>	<b>10536.0</b>	<b>10581.2</b>	<b>10935.0</b>	<b>11344.1</b>
<b>Operating Profit</b>	<b>3992.0</b>	<b>4179.0</b>	<b>4196.9</b>	<b>4197.4</b>	<b>4354.4</b>
<b>EBITDA</b>	<b>3793.0</b>	<b>4104.0</b>	<b>4114.4</b>	<b>4106.7</b>	<b>4254.6</b>
Depreciation & Amortisation	-1903.0	-1780.0	-1683.1	-1546.5	-1469.0
<b>EBIT</b>	<b>1890.0</b>	<b>2324.0</b>	<b>2431.3</b>	<b>2560.2</b>	<b>2785.6</b>
Net Finance Income/ (Cost)	-407.0	-447.0	-457.8	-450.3	-429.7
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1483.0</b>	<b>1877.0</b>	<b>1973.5</b>	<b>2109.9</b>	<b>2355.9</b>
Tax	-651.0	-481.0	53.1	548.6	612.5
<b>Profit After Tax</b>	<b>832.0</b>	<b>1396.0</b>	<b>1460.4</b>	<b>1561.3</b>	<b>1743.4</b>
Minority Interest	-1.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>831.0</b>	<b>1396.0</b>	<b>1460.4</b>	<b>1561.3</b>	<b>1743.4</b>
Exceptionals	-7.0	22.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>824.0</b>	<b>1418.0</b>	<b>1460.4</b>	<b>1561.3</b>	<b>1743.4</b>

### Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	10.5	18.1	18.6	19.9	22.3
P/E (x)	33.5	19.4	18.9	17.7	15.8
P/B (x)	4.8	4.7	4.5	4.3	4.1
EV/EBITDA (x)	4.8	4.6	4.7	4.9	4.8
DPS (sen)	16.0	17.0	16.0	19.9	22.3
Dividend Yield (%)	4.5%	4.8%	4.5%	5.7%	6.3%
EBITDA margin (%)	37.3%	39.0%	38.9%	37.6%	37.5%
EBIT margin (%)	18.6%	22.1%	23.0%	23.4%	24.6%
PBT margin (%)	14.6%	17.8%	18.7%	19.3%	20.8%
PAT margin (%)	8.2%	13.2%	13.8%	14.3%	15.4%
NP margin (%)	8.2%	13.2%	13.8%	14.3%	15.4%
CNP margin (%)	8.1%	13.5%	13.8%	14.3%	15.4%
ROE (%)	14.3%	24.0%	23.9%	24.5%	25.8%
ROA (%)	3.6%	6.4%	6.2%	6.3%	6.8%
Gearing (%)	170.1%	157.3%	170.0%	170.0%	170.0%
Net gearing (%)	160.2%	149.4%	134.1%	118.2%	103.8%

Valuations	FY26F
Terminal Growth Rate	0.5%
WACC	6.6%
<b>Fair Value (RM)</b>	<b>4.30</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>4.30</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	569.0	464.0	2195.8	3308.1	4466.5
Receivables	2435.0	2415.0	2425.4	2506.5	2600.2
Inventories	22.0	17.0	17.1	17.6	18.3
Other current assets	15.0	8.0	8.0	8.0	8.0
<b>Total Current Assets</b>	<b>3041.0</b>	<b>2904.0</b>	<b>4646.2</b>	<b>5840.2</b>	<b>7093.1</b>
Fixed Assets	5384.0	5091.0	4677.6	4443.4	4335.6
Intangibles	1193.0	1104.2	1104.2	1104.2	1104.2
Other non-current assets	3163.0	3286.0	3286.0	3286.0	3286.0
<b>Total Non-current assets</b>	<b>19740.0</b>	<b>19419.0</b>	<b>19005.6</b>	<b>18771.4</b>	<b>18663.6</b>
Short-term Debt	857.0	193.0	0.0	0.0	0.0
Payables	4126.0	4111.0	4128.6	4357.1	4520.1
Other Current Liabilities	439.0	297.0	297.0	297.0	297.0
<b>Total Current Liabilities</b>	<b>5422.0</b>	<b>5601.0</b>	<b>4425.6</b>	<b>4654.1</b>	<b>4817.1</b>
Long-term Debt	8915.0	8096.0	10392.8	10853.2	11471.6
Other non-current liabilities	2700.0	2720.0	2720.0	2720.0	2720.0
<b>Total Non-current Liabilities</b>	<b>11615.0</b>	<b>10816.0</b>	<b>13112.8</b>	<b>13573.2</b>	<b>14191.6</b>
Shareholder's equity	5743.0	5905.0	612.4	6383.2	6747.0
Minority interest	1.0	1.0	1.0	1.0	1.0
<b>Total Equity</b>	<b>5744.0</b>	<b>5906.0</b>	<b>6113.4</b>	<b>6384.2</b>	<b>6748.0</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>1483.0</b>	<b>1877.0</b>	<b>1973.5</b>	<b>2109.9</b>	<b>2355.9</b>
Depreciation & amortisation	1903.0	1780.0	1683.1	1546.5	1469.0
Changes in working capital	-363.0	10.0	7.2	146.8	68.6
Others	-170.0	-610.0	-513.1	-548.6	-612.5
<b>Operating cash flow</b>	<b>2853.0</b>	<b>3057.0</b>	<b>3150.7</b>	<b>3254.6</b>	<b>3281.0</b>
Net capex	-1141.0	-1101.0	-1269.7	-1312.2	-1361.3
Others	378.0	408.0	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-763.0</b>	<b>-693.0</b>	<b>-1269.7</b>	<b>-1312.2</b>	<b>-1361.3</b>
Changes in borrowings	-40.0	-450.0	1103.8	460.4	618.4
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-1331.0	-1253.0	-1253.0	-1290.5	-1379.6
Others	-780.0	-748.0	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>-2151.0</b>	<b>-2451.0</b>	<b>-149.2</b>	<b>-830.0</b>	<b>-761.3</b>
<b>Net cash flow</b>	<b>-61.0</b>	<b>-87.0</b>	<b>1731.8</b>	<b>1112.4</b>	<b>1158.4</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	601.0	540.0	464.0	2195.8	3308.1
<b>Ending cash</b>	<b>540.0</b>	<b>453.0</b>	<b>2195.8</b>	<b>3308.1</b>	<b>4466.5</b>

# Results Note

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions rose 11.7% yoy to 320k Co2 tonnes in FY23
Waste & Effluent	★★★	Waste recyclable rate increased from 89% in 2022 to 91% in 2023, with total office recyclable waste increasing by 70% and recyclables increasing by 75% as compared to 2022. This was mainly due to the resumption of work-in-office practice, and at the same time adoption of paper-less and digital work processes by staff.
Energy	★★★	While energy consumption increased from 1,495m MJ to 1,688m, however this was due to increase in network sites.
Water	★★★	Begin measuring water consumption in FY23 which stood at 43,224m3.
Compliance	★★★	In compliance with local and international environmental regulations

### Social

Diversity	★★★	Fairly balanced between male to female ratio at 56% and 42% respectively.
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★★	Employee Lost-Time Incident Frequency rate rose from 0.18 to 1.70 due to resumption of work activities post-pandemic.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

### Governance

CSR Strategy	★★★	Enabling greater access to digital learning for students, especially in rural communities through its eKelas programme. To date, eKelas has benefitted the lives of over 95,000 students registered on the portal across the country.
Management	★★	Average board members age @ 56, 2/10 female board composition, 5/10 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

## Recommendation Framework:

**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.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.