

Maxis Berhad

(6012 | MAXIS MK) Telecommunications & Media | Telecommunications service providers

Saved by Lower Effective Tax Rate

KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with unchanged TP of RM4.08 post announcement of 2QFY23 results**
- **PBT remains under pressure despite better revenue performance, impacted by higher depreciation and amortization and finance costs**
- **Better 2QFY23 service revenue of RM2.1b (+3.2%yoy), led by all segments except for consumer prepaid segment**
- **2QFY23 capex and dividend remained on the conservative end as compared to 2QFY22**

Steady performance. We are keeping our NEUTRAL recommendation for Maxis with unchanged target price of RM4.08 post the 2QFY23 results announcement. There is steady revenue growth on a year-over-year basis. However, there are some concerns on the cost front, especially on depreciation and amortization as well as finance cost which put downward pressure on the pretax profit. Meanwhile, the quarterly dividend remains conservative at 4sen per share in view of potentially higher capex commitment.

Home connectivity grew at the fastest pace. 2QFY23 earnings came in at RM330m, an improvement of 2%yoy. This is due to a combination of a lower effective tax rate in absence of prosperity tax and higher service revenue which grew by +3.2%yoy to RM2,113m. Predictably, higher revenue was seen across all segments except for consumer prepaid revenue because of continuous pre-to-post conversion.

Figure 1: Quarterly revenue breakdown

	2QFY23	2QFY22	Variance (%)	Remark
Consumer				
Postpaid	871	810	7.5	Higher take-up rate of Hotlink Postpaid
Prepaid	651	679	-4.1	Pre-to-post conversion and lower ARPU
Home connectivity	229	209	9.6	Competitive converged service offerings
Enterprise				
Fixed & solutions	161	165	-2.4	Higher subscriber growth and roaming
Mobile	201	185	8.6	

Source: Company, MIDFR

No surprises. Cumulatively, 1HFY23 earnings amounted to RM650m (+6%yoy) premised on lower effective tax rate due to discontinuation of prosperity tax in 2023 and better revenue performance. All in, Maxis 1HFY23 financial performance came in within our expectation, making up 52% of our full year FY23 earnings estimates.

Going slow on capex. 2QFY23 capex contracted by -31.1%yoy to RM166m. This led to 1HFY23 capex of RM296m, a decline of -28.2%yoy from RM412m. There was prudent capex investment as network capacity requirement stabilises.

Maintain NEUTRAL

Unchanged Target Price: RM4.08

RETURN STATISTICS

Price @ 9 th August 2023 (RM)	3.95
Expected share price return (%)	+3.3
Expected dividend yield (%)	+5.0
Expected total return (%)	+8.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.3	-5.0
3 months	-3.9	-10.1
12 months	5.3	9.0


INVESTMENT STATISTICS

FYE Dec	2023E*	2024F	2025F
Revenue	9,755	9,946	10,201
Operating Profit	2,064	2,131	2,252
Profit Before Tax	1,671	1,750	1,884
Core PATAMI	1,241	1,299	1,398
Core EPS	16	17	18
DPS	20	20	20
Dividend Yield	5%	5%	5%

KEY STATISTICS

FBM KLCI	1,462.03
Issue shares (m)	7830
Estimated free float (%)	12.46
Market Capitalisation (RM'm)	30,858.38
52-wk price range	RM3.27-RM4.59
3-mth average daily volume (m)	1.20
3-mth average daily value (RM'm)	0.32
Top Shareholders (%)	
Binariang GSM Sdn Bhd	62.24
Employees Provident Fund Board	11.48
Amanah Saham Nasional Bhd	10.34

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In addition, we opine that the slower capital spending also reflects the potentially 5G related capex in 2HFY23. At this juncture, the group expects FY23 capex to be at similar level as compared to FY22 capex at around RM1.1b. 

Cautious dividend payout. 2QFY23 dividend remains conservative at 4sen per share. This represents the second consecutive quarter where dividend fall below 5sen as seen in FY22. We view that the pressure on the operating cash flow mainly led to the subdued dividend payment. Note that 2QFY23 operating free cash flow dipped by -25.6%yoy to RM1,131m.

Maxis: 2QFY23 Results Summary

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Yearly		
	2Q23	% YoY	%QoQ	FY23	FY22	%YoY
Revenue	2,470	2	-2	4,996	4,830	3
EBITDA	1,430	42	47	2,402	1,946	23
Depreciation and amortisation	-862	109	100	-1,293	-829	56
EBIT/(LBIT)	568	-5	5	1,109	1,117	-1
Finance costs	-123	18	5	-240	-203	18
Finance income	8	60	60	13	13	0
PBT/(LBT)	453	-9	6	882	927	-5
Taxation	-124	-30	14	-233	-316	-26
PAT/LAT	329	2	3	649	611	6
MI	-1	n.m.	n.m.	-1	0	n.m.
PATAMI	330	2	3	650	611	6
EPS/(LPS) (sen)	4	2	3	8	8	6
EBITDA margin (%)	58			48	40	
EBIT margin (%)	23			22	23	
PATAMI margin (%)	13			13	13	
Effective tax rate (%)	27			26	34	

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	9,241	9,789	9,755	9,946	10,201
EBITDA	3,862	3,939	3,842	3,865	3,948
EBIT	2,213	2,218	2,064	2,131	2,252
PBT	1,762	1,811	1,671	1,750	1,884
Normalised PATAMI	1,308	1,182	1,241	1,299	1,398
Normalised EPS (sen)	17	15	16	17	18
Normalised EPS Growth (%)	-5.6	-9.6	4.9	4.7	7.6
PER (x)	24	26	25	24	22
Dividend Per Share (sen)	17	20	20	20	20
Dividend yield (%)	4.3	5.1	5.1	5.1	5.1

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	5,193	5,639	4,492	4,100	3,782
Intangible assets	11,474	11,507	11,474	11,474	11,474
Others	2,926	3,118	2,773	2,773	2,773
Non-current assets	19,593	20,264	18,739	18,347	18,029
Cash	1,191	628	1,670	1,884	2,116
Trade debtors	1,654	2,136	1,915	1,953	2,003
Others	5	17	5	6	6
Current assets	2,850	2,781	3,591	3,842	4,125
Trade creditors	3,527	3,807	4,298	4,382	4,472
Short-term debt	2,034	283	2,034	2,034	2,034
Others	-1,118	1,656	185	185	185
Current liabilities	4,443	5,746	6,517	6,601	6,691
Long-term debt	8,056	9,582	8,258	8,299	8,341
Others	8,056	2,649	1,388	1,388	1,388
Non-current liabilities	9,972	12,231	9,646	9,687	9,729
Share capital	2,564	2,585	2,564	2,564	2,564
Retained earnings	4,161	3,784	3,602	3,336	3,169
Minority interest	0	2	0	0	0
Equity	6,725	6,371	6,166	5,900	5,733

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	1,762	1,811	1,671	1,750	1,884
Depreciation & amortisation	1,694	1,778	1,778	1,735	1,696
Others	-13	-555	109	47	39
Changes in working capital	320	269	59	41	8
Operating cash flow	3,763	3,303	3,617	3,572	3,627
Capital expenditure	-1,633	-1,720	-1,375	-1,343	-1,377
Others	136	424	0	0	0
Investing cash flow	-1,497	-1,296	-1,375	-1,343	-1,377
Debt raised/(repaid)	-14	-570	41	41	41
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	-1,330	-1,566	-1,565	-1,565	-1,565
Others	-463	-434	-489	-491	-493
Financing cash flow	-1,807	-2,570	-2,013	-2,015	-2,017
Net cash flow	459	-563	228	214	232
Beginning cash flow	705	1,164	1,414	1,643	1,856
Ending cash flow	1,164	601	1,643	1,856	2,089

Profitability Margins (%)	2021A	2022A	2023E	2024F	2025F
EBITDA margin	42	40	39	39	39
PBT margin	19	19	17	18	18
PATAMI margin	14	12	13	13	14

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology