



Maxis Berhad

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

Steady Earnings Performance

KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with a revised TP of RM4.04 post announcement of 4QFY23 results**
- **PBT remains under pressure despite better revenue performance, impacted by higher depreciation and amortization and finance costs**
- **Better 4QFY23 service revenue of RM2.7b (+7%yoy), led by all segments except for consumer prepaid segment**
- **FY23 capex and dividend remained on the conservative end as compared to FY22**

Steady performance. We are keeping our **NEUTRAL** recommendation for Maxis with a revised **target price of RM4.04** post the 4QFY23 results announcement. There is steady revenue growth on a year-over-year basis. However, there are some concerns on the cost front, especially about 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 as operating cashflow is down on a year-to-date basis.

Home connectivity grew at the fastest pace. 4QFY23 normalised earnings came in at RM287m, an increase of +23%yoy. The earnings performance was led by better service revenue as well as the lower effective tax rate. Among the segments, the home connectivity remains the best performer.

Figure 1: Quarterly revenue breakdown

	4QFY23	4QFY22	Variance (%)	Remark
Consumer				
Postpaid	903	850	6.2	Higher postpaid customer
Prepaid	655	681	-3.8	Lower ARPU
Home connectivity	243	219	11.0	Growth in home connections

Source: Company, MIDFR

No surprises. Cumulatively, FY23 normalised earnings amounted to RM1224m (+5%yoy) premised on better service revenue and lower effective tax rate due to discontinuation of prosperity tax in 2023. All in, Maxis FY23 financial performance came in within our expectation, making up 98.6% of our full year FY23 earnings estimates.

The annual capex fell below RM1b. 4QFY23 capex contracted by -29.8%yoy to RM302m. This led to FY23 capex of RM813m, a decline of -27%yoy from RM1,114m in view of selective spend on IT digitalization. Moving forward, the annual capex spending is expected to remain at the RM1b mark. This, however, excludes any potential impact on 5G Advanced.

Maintain NEUTRAL

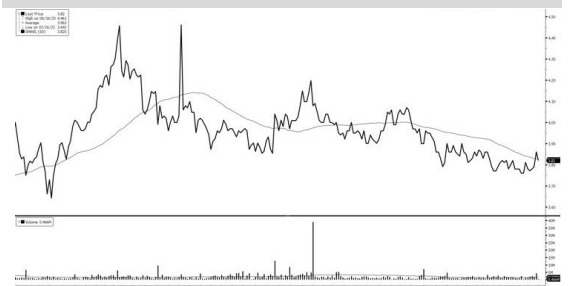
Revised Target Price: RM4.04

(Previously RM4.08)

RETURN STATISTICS

Price @ 22 nd February 2024 (RM)	3.81
Expected share price return (%)	+5.9
Expected dividend yield (%)	+4.2
Expected total return (%)	+10.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.3	-2.7
3 months	-0.8	-11.9
12 months	-8.4	-12.8

INVESTMENT STATISTICS

FYE Dec	2024E*	2025F	2026F
Revenue	10,251.0	10,508.8	10,882.3
Operating Profit	2175.6	2165.6	2348.1
Profit Before Tax	1749.6	1787.1	2014.6
Core PATAMI	1267.4	1294.6	1469.6
Core EPS	16.2	16.5	18.8
DPS	16.0	16.0	20.0
Dividend Yield	4.2%	4.2%	5.2%


KEY STATISTICS

FBM KLCI	1,545.49
Issue shares (m)	7830
Estimated free float (%)	12.92
Market Capitalisation (RM'm)	31,719.91
52-wk price range	RM3.65-RM4.59
3-mth average daily volume (m)	1.21
3-mth average daily value (RM'm)	0.32
Top Shareholders (%)	
Binariang GSM Sdn Bhd	62.24
Employees Provident Fund Board	11.01
Amanah Saham Nasional Bhd	10.3

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Dividend payout remains on conservative end. 4QFY23 dividend remains conservative at 4sen per share. This represents the four consecutive quarter where dividend fell 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 FY23 operating free cash flow dipped by -13.6%yoy to RM2,853m.

Downward adjustment on earnings and target price. While FY23 financial performance came in line with our expectations, we are reducing FY24 and FY25 earnings estimates to RM1,268 and RM1,296 respectively. This is achieved by factoring in the actual FY23 financial performance as well as taking a cue from the FY24 guidance. This also led to a lower DCF-derived target price of RM4.04 (previously RM4.08) while we maintained our valuation parameters. 

MAXIS BHD: 4QFY23 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Yearly		
	4Q23	% YoY	%QoQ	FY23	FY22	%YoY
Revenue	2,742	7	12	10,180	9,789	4
EBITDA	898	-9	-3	3,793	3,933	-4
Depreciation and amortisation	-609	31	41	-1,903	-1,721	11
EBIT/(LBIT)	289	-44	-41	1,890	2,212	-15
Finance costs	-120	0	6	-473	-437	8
Finance income	9	0	80	27	30	-10
PBT/(LBT)	178	-56	-54	1,444	1,805	-20
Taxation	-122	-30	26	-452	-645	-30
PAT/LAT	56	-76	-80	992	1,160	-14
MI	0	n.m.	n.m.	-1	-1	n.m.
PATAMI	56	-76	-80	993	1,161	-14
Normalised PATAMI	287	23	0	1,224	1,161	5
					0	
EPS/(LPS) (sen)	1	-76	-80	13	15	-14
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	33	-4	-3	37	40	3
EBIT margin (%)	11	-4	-3	19	23	4
PATAMI margin (%)	2	-1	-2	10	12	2
Effective tax rate (%)	69	-9	-2	31	36	4

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	9,789	10,180	10,251	10,509	10,882
EBITDA	3,939	3,793	4,110	4,142	4,281
EBIT	2,218	1,890	2,176	2,166	2,348
PBT	1,811	1,444	1,750	1,787	2,015
Normalised PATAMI	1,182	1,224	1,267	1,295	1,470
Normalised EPS (sen)	15	16	16	17	19
Normalised EPS Growth (%)	-9.6	3.5	3.5	2.1	13.5
PER (x)	25	24	24	23	20
Dividend Per Share (sen)	20	16	16	16	20
Dividend yield (%)	5.2	4.2	4.2	4.2	5.2
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	5,639	5,384	4,474	3,549	2,704
Intangible assets	11,507	11,193	11,193	11,193	11,193
Others	3,118	3,163	3,163	3,163	3,163
Non-current assets	20,264	19,740	18,830	17,905	17,060
Cash	628	569	1,460	2,773	3,550
Trade debtors	2,136	2,435	2,452	2,514	2,603
Others	17	37	37	38	39
Current assets	2,781	3,041	3,950	5,325	6,192
Trade creditors	3,807	4,126	4,155	4,607	4,770
Short-term debt	283	857	857	857	857
Others	1,656	439	439	439	439
Current liabilities	5,746	5,422	5,451	5,903	6,066
Long-term debt	9,582	8,915	8,960	9,004	9,049
Others	2,649	2,700	2,700	2,700	2,700
Non-current liabilities	12,231	11,615	11,660	11,704	11,749
Share capital	2,585	2,593	2,593	2,593	2,593
Retained earnings	3,784	3,150	3,165	3,207	3,111
Minority interest	2	1	1	1	1
Equity	6,371	5,743	5,758	5,800	5,704
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,811	1,444	1,750	1,787	2,015
Depreciation & amortisation	1,778	1,903	1,935	1,977	1,933
Others	-555	-820	11	390	73
Changes in working capital	269	326	-9	-17	-68
Operating cash flow	3,303	2,853	3,686	4,136	3,953
Capital expenditure	-1,720	-1,141	-1,025	-1,051	-1,088
Others	424	378	0	0	0
Investing cash flow	-1,296	-763	-1,025	-1,051	-1,088
Debt raised/(repaid)	-570	-1,440	-45	-45	-45
Equity raised/(repaid)	0	0	0	0	1
Dividends paid	-1,566	-1,331	-1,253	-1,253	-1,567
Others	-434	620	-472	-474	-477
Financing cash flow	-2,570	-2,151	-1,770	-1,772	-2,088
Net cash flow	-563	-61	891	1,313	777
Beginning cash flow	1,164	601	540	1,431	2,744
Ending cash flow	601	540	1,431	2,744	3,521
Profitability Margins (%)	2022A	2023A	2024E	2025F	2026F
EBITDA margin	40	37	40	39	39
PBT margin	19	14	17	17	19
PATAMI margin	12	12	12	12	14

Source: Company, 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