

Maxis Berhad

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

Getting Ready its War Chest**KEY INVESTMENT HIGHLIGHTS**

- **Maintain NEUTRAL with a revised TP of RM3.87 post announcement of 1QFY24 results**
- **Better 1QFY24 service revenue of RM2.2b (+3.7%oyoy), led by all segments except for the consumer prepaid segment**
- **1QFY24 capex and dividend remained on the conservative end as compared to 1QFY23**
- **We opine that the group is building is cash reserve to support its intention to roll out the second 5G network**

Optimising cash flow. We are keeping our **NEUTRAL** recommendation for Maxis with a **revised target price of RM3.87** (previously RM4.04), post the 1QFY24 results announcement. Operationally, we saw better service revenue and healthier profit margin. However, the quarterly dividend remains conservative at 4sen per share as the group seeks to optimise its cash flow. Coupled with careful capex spending, we see the cash level doubled to RM1.2b in 1QFY24. This could be in preparation to support the group's intention to build a second 5G network which we view could potentially put quite a burden on the group's financial position.

Steady growth in service revenue. 1QFY24 earnings came in at RM353m, an increase of +10%oyoy. The improvement in earnings performance was led by better service revenue (+3.7%oyoy) as well as a more favourable profit margin of 14%. Performance from the postpaid segments outshine the rest in absolute value terms.

All in, Maxis' 1QFY24 financial performance came in within our expectation, making up 27.8% of our full year FY24 earnings estimates.

Figure 1: Quarterly revenue breakdown

	1QFY24	1QFY23	Variance (%)	Remark
Consumer				
Postpaid	911	864	5.4	Higher subscriber base due to effective offering and pre-to-post migration
Prepaid	649	661	-1.8	Lower ARPU
Home connectivity	244	222	9.9	Higher home connections and ARPU
Enterprise				
Fixed & solutions	387	365	6.0	Higher connectivity demand including managed network services
Mobile				

Source: Company, MIDFR

Conservative capex stand. 1QFY24 capex contracted by -18.5%oyoy to RM106m. This was in view of selective spend on IT digitalization, mobile and fixed connectivity. Management guided that annual capex spending to remain below the RM1b mark.

Stagnant dividend. 1QFY24 dividend remains depressed at 4sen per share which has been the run-rate FY23. Coupled with defensive capex spending, we view that Maxis is putting a lot of emphasis on improving its operating free cash flow. Premised on this, we do not foresee the group to revise upwards the quarterly dividend payment to 5sen per share anytime soon.

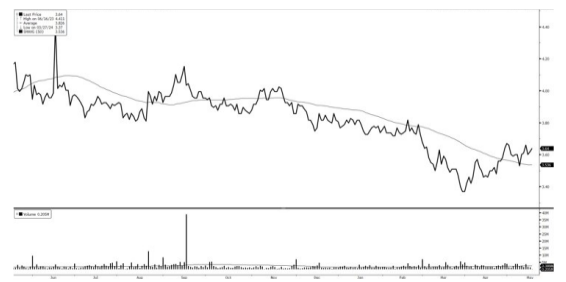
Maintain NEUTRAL**Revised Target Price: RM3.87**

(Previously RM4.04)

RETURN STATISTICS

Price @ 17 th May 2024 (RM)	3.65
Expected share price return (%)	+6.0
Expected dividend yield (%)	+4.3
Expected total return (%)	+10.3*

* Please refer to last paragraph

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	2024E*	2025F	2026F
Revenue	10,251.0	10,508.8	10,882.3
Operating Profit	2,175.6	2,165.6	2,308.3
Profit Before Tax	1,749.6	1,787.1	1,981.3
Core PATAMI	1,268.4	1,295.6	1,446.3
Core EPS	16.2	16.5	18.5
DPS	16.0	16.0	16.0
Dividend Yield	4.3%	4.3%	4.3%

KEY STATISTICS

FBM KLCI	1,616.62
Issue shares (m)	7830
Estimated free float (%)	12.46
Market Capitalisation (RM'm)	30,858.4
52-wk price range	RM3.27-RM4.59
3-mth average daily volume (m)	2.07
3-mth average daily value (RM'm)	8.54
Top Shareholders (%)	
Binariang GSM Sdn Bhd	62.24
Employees Provident Fund Board	11.48
Amanah Saham Nasional Bhd	10.3

MIDF Research Team
research@midf.com.my

Downward adjustment in target price. We are keeping our earnings estimates unchanged at this juncture. Nonetheless, we are rolling forward our valuation-based year to FY25. We also reduced our terminal growth rate assumption to 1%. This is premised on the group's resolve to build a second 5G network which we view would put the future earnings growth under pressure. As such, we are keeping our NEUTRAL call despite the expected total return exceeding +10% slightly. All in, our DCF-derived target price has been revised to **RM3.87** from RM4.04 previously. 

MAXIS BHD: 1QFY24 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	1Q24	1Q23	% YoY	4Q23	%QoQ
Revenue	2,603	2,526	3	2,742	-5
EBITDA	1,043	972	7	898	16
Depreciation and amortisation	-448	-431	4	-609	-26
EBIT/(LBIT)	595	541	10	289	106
Finance costs	-125	-117	7	-120	4
Finance income	9	5	80	9	0
PBT/(LBT)	479	429	12	178	169
Taxation	-126	-109	16	-122	3
PAT/LAT	353	320	10	56	530
MI	0	0	n.m.	0	n.m.
PATAMI	353	320	10	56	530
Normalised PATAMI	353	320	10	360	-2
EPS/(LPS) (sen)	4.5	4.1	10	4.6	-2
			+/- ppts		+/- ppts
EBITDA margin (%)	40	38	-4	33	-3
EBIT margin (%)	23	21	-4	11	-3
PATAMI margin (%)	14	13	1	13	1
Effective tax rate (%)	26	25	-9	69	-2

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	4,241
EBIT	2,218	1,890	2,176	2,166	2,308
PBT	1,811	1,444	1,750	1,787	1,981
Normalised PATAMI	1,182	1,223	1,268	1,296	1,446
Normalised EPS (sen)	15	16	16	17	18
Normalised EPS Growth (%)	-9.6	3.4	3.7	2.1	11.6
PER (x)	25	24	23	22	20
Dividend Per Share (sen)	20	16	16	16	16
Dividend yield (%)	5.4	4.3	4.3	4.3	4.3
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	3,839
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	6,481
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	3,400
Minority interest	2	1	1	1	1
Equity	6,371	5,743	5,758	5,800	5,993
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	1,811	1,444	1,750	1,787	1,981
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	-59
Operating cash flow	3,303	2,853	3,686	4,136	3,929
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	-1,253
Others	-434	620	-472	-474	-477
Financing cash flow	-2,570	-2,151	-1,770	-1,772	-1,775
Net cash flow	-563	-61	891	1,313	1,066
Beginning cash flow	1,164	601	540	1,431	2,744
Ending cash flow	601	540	1,431	2,744	3,810
Profitability Margins (%)	2022A	2023A	2024E	2025F	2026F
EBITDA margin	40	37	40	39	39
PBT margin	19	14	17	17	18
PATAMI margin	12	12	12	12	13

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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