

# Maxis Berhad

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

**Maintain BUY**

## Double-Digit Improvement in Earnings

**Unchanged Target Price: RM4.47**

### KEY INVESTMENT HIGHLIGHTS

- **Maintain BUY with an unchanged target price of RM4.47 post the announcement on 3QFY24 results**
- **Commendable 3QFY24 led to 9MFY24 earnings of RM1.1b, well within our expectations**
- **Better performance across both mobile and enterprise segments, with an anticipated marginal decline in prepaid segment**
- **Traditional mobile business will continue to provide a solid earnings base while future growth will stem from the enterprise segments**

**Commendable growth across consumer and enterprise segments.** We are keeping our **BUY** recommendation on Maxis with an unchanged **target price of RM4.47** post the 3QFY24 results announcement. The group continues to show commendable earnings performance despite the rather saturated market view competitive price, quota and speed offerings. In particular, the postpaid segment remains the group's best performance segment in absolute terms. Nevertheless, the home connectivity and fixed and solutions segments continue to show favourable progress. We expect the positive momentum, especially the latter, to persist as the group expand its offering such as providing fixed connectivity service for data centre and GPUaaS. The group's cash flow position is also much stronger due to the efficient capital working management. This can be seen from the careful spending in capex.

**Steady growth in service revenue.** 3QFY24 earnings came in at RM366m, an increase of +28%yoy. The improvement in earnings performance was led by better service revenue (+3.2%yoy). Performance from the postpaid segments outshine the rest in absolute value terms. The above led to 9MFY24 earnings of RM1,075m (+15%yoy). This came in within our expectations, making up 73.5% of our full year FY24 earnings estimates.

**Figure 1: Revenue breakdown**

	9MFY24	9MFY23	Variance (%)	Remark
<b>Consumer</b>	<b>5,436</b>	<b>5,263</b>	<b>3.3</b>	
Postpaid	2,752	2,617	5.2	Focus on segmentation and enhanced valued propositions leading to growth in both postpaid and prepaid customer base
Prepaid	1,938	1,964	-1.3	
Home connectivity	746	682	9.4	Higher home connection and focused on "positive discounting"
<b>Enterprise</b>				
Fixed & solutions	611	601	1.7	Higher connectivity and project milestones
Mobile	573	506	13.2	

Source: Company, MIDFR

**Prudent capital spending.** 3QFY24 capex reduced by -34.9%yoy to RM140m as the group continues to be prudent in its investment. This led to a -29.2%yoy reduction in 9MFY24 capex to RM362m. Given the run-rate, full year FY24 capex may come in below FY23 level, excluding any potential impact on 5G.

### RETURN STATISTICS

Price @ 8 <sup>th</sup> November 2024 (RM)	3.57
Expected share price return (%)	+25.2
Expected dividend yield (%)	+4.5
<b>Expected total return (%)</b>	<b>+29.7</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.1	-1.4
3 months	-8.6	2.9
12 months	-11.7	-20.9


### INVESTMENT STATISTICS

FYE Dec	2024E*	2025F	2026F
Revenue	10415.3	10704.7	11024.3
Operating Profit	2443.8	2601.8	2728.5
Profit Before Tax	2004.5	2218.8	2403.6
Core PATAMI	1463.3	1619.7	1754.7
Core EPS	18.7	20.7	22.4
DPS	16.0	16.0	16.0
Dividend Yield	4.5%	4.5%	4.5%

### KEY STATISTICS

FBM KLCI	1,621.24
Issue shares (m)	7832
Estimated free float (%)	23.70
Market Capitalisation (RM'm)	28,277.56
52-wk price range	RM3.22-RM4.15
3-mth average daily volume (m)	2.99
3-mth average daily value (RM'm)	11.16
Top Shareholders (%)	
Binariang GSM Sdn Bhd	62.24
Employees Provident Fund Board	11.71
Amanah Saham Nasional Bhd	10.34

**Foo Chuan Loong, Martin**  
martin.foo@midf.com.my

**Conservative dividend payout.** 3QFY24 dividend remains consistent at 4sen per share which has been the run-rate since FY23. While the operating cash flow has improved considerably, we view that the group takes a conservative approach in its dividend payout to prepare for any eventual increase in capex in view of 5G. Notwithstanding this, we view that at this juncture, the group already has the capability to revert to its original quarterly dividend payout of 5sen per share. 

### MAXIS BHD: 3QFY24 RESULTS SUMMARY

FYE 31st December (in RM'm, unless otherwise stated)	Quarterly			Yearly		
	3Q24	% YoY	%QoQ	9MFY24	9MFY23	%YoY
Revenue	2,576	5	0	7,765	7,438	4
EBITDA	1,040	13	1	3,117	2,189	42
Depreciation and amortisation	-443	3	1	-1,330	-1,294	3
EBIT/(LBIT)	597	21	0	1787	895	100
Finance costs	-118	4	-1	-362	353	-203
Finance income	8	60	14	24	18	33
PBT/(LBT)	487	27	1	1,449	1,266	14
Taxation	-121	25	-5	-374	-330	13
PAT/LAT	366	28	3	1,075	936	15
MI	0	n.m.	n.m.	0	0	n.m.
PATAMI	366	28	3	1,075	936	15
EPS (sen)	5	6	3	13.7	11.9	15
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	40	3	0	40	29	-11
EBIT margin (%)	23	3	0	23	12	-11
PATAMI margin (%)	14	0	0	14	13	-1
Effective tax rate (%)	25	0	-1	26	26	0

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	9,789	10,180	10,415	10,705	11,024
EBITDA	3,939	3,793	4,275	4,338	4,383
EBIT	2,218	1,890	2,444	2,602	2,729
PBT	1,811	1,444	2,005	2,219	2,404
Normalised PATAMI	1,182	1,223	1,463	1,620	1,755
Normalised EPS (sen)	15	16	19	21	22
Normalised EPS Growth (%)	-9.6	3.4	19.6	10.7	8.3
PER (x)	24	23	21	19	17
Dividend Per Share (sen)	20	16	16	16	16
Dividend yield (%)	5.6	4.5	4.5	4.5	4.5
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Fixed assets	5,639	5,384	4,491	3,718	3,055
Intangible assets	11,507	11,193	11,193	11,193	11,193
Others	3,118	3,163	3,163	3,163	3,163
<b>Non-current assets</b>	<b>20,264</b>	<b>19,740</b>	<b>18,847</b>	<b>18,074</b>	<b>17,411</b>
Cash	628	569	1,666	3,162	4,344
Trade debtors	2,136	2,435	2,491	2,560	2,637
Others	17	37	37	38	39
<b>Current assets</b>	<b>2,781</b>	<b>3,041</b>	<b>4,195</b>	<b>5,760</b>	<b>7,019</b>
Trade creditors	3,807	4,126	4,221	4,692	4,833
Short-term debt	283	857	857	857	857
Others	1,656	439	439	439	439
<b>Current liabilities</b>	<b>5,746</b>	<b>5,422</b>	<b>5,517</b>	<b>5,988</b>	<b>6,129</b>
Long-term debt	9,582	8,915	8,960	9,004	9,049
Others	2,649	2,700	2,700	2,700	2,700
<b>Non-current liabilities</b>	<b>12,231</b>	<b>11,615</b>	<b>11,660</b>	<b>11,704</b>	<b>11,749</b>
Share capital	2,585	2,593	2,593	2,593	2,593
Retained earnings	3,784	3,150	3,360	3,726	4,227
Minority interest	2	1	1	1	1
<b>Equity</b>	<b>6,371</b>	<b>5,743</b>	<b>5,953</b>	<b>6,319</b>	<b>6,820</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
PBT	1,811	1,444	2,005	2,219	2,404
Depreciation & amortisation	1,778	1,903	1,831	1,736	1,655
Others	-555	-820	39	401	63
Changes in working capital	269	326	-52	-107	-155
<b>Operating cash flow</b>	<b>3,303</b>	<b>2,853</b>	<b>3,822</b>	<b>4,249</b>	<b>3,966</b>
Capital expenditure	-1,720	-1,141	-937	-963	-992
Others	424	378	0	0	0
<b>Investing cash flow</b>	<b>-1,296</b>	<b>-763</b>	<b>-937</b>	<b>-963</b>	<b>-992</b>
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	-490	-492	-495
<b>Financing cash flow</b>	<b>-2,570</b>	<b>-2,151</b>	<b>-1,788</b>	<b>-1,790</b>	<b>-1,793</b>
<b>Net cash flow</b>	<b>-563</b>	<b>-61</b>	<b>1,097</b>	<b>1,496</b>	<b>1,182</b>
<b>Beginning cash flow</b>	<b>1,164</b>	<b>601</b>	<b>540</b>	<b>1,637</b>	<b>3,133</b>
<b>Ending cash flow</b>	<b>601</b>	<b>540</b>	<b>1,637</b>	<b>3,133</b>	<b>4,314</b>
<b>Profitability Margins (%)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
EBITDA margin	40	37	41	41	40
PBT margin	19	14	19	21	22
PATAMI margin	12	12	14	15	16

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