

# Maxis Berhad

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

**Maintain NEUTRAL**

## Earnings Miss

**Revised Target Price: RM3.78**

(Previously: RM4.05)

### KEY INVESTMENT HIGHLIGHTS

- **1HFY22 financial performance came in below our expectations.**
- **Better contribution from consumer postpaid and broadband subscribers.**
- **Maintain NEUTRAL with revised TP of RM3.78**

**Below expectations.** Maxis' 2QFY22 normalised earnings climbed +10.4%qoq while falling -8.6%yoy to RM329m. Higher EBITDA and lower depreciation costs drove the sequential quarterly earnings growth. Meanwhile, the 2QFY22 topline was at RM2.4b, representing a marginal increase of +0.7%qoq and yearly improvement of +6.6%yoy. Overall, Maxis normalized earnings came in below ours but met consensus expectations, accounting for 44% and 49% of full year FY22 earnings estimates respectively. The slight negative deviation could be attributed to higher depreciation and amortization cost.

**Quarter-on-quarter.** The marginal gain in revenue by +0.7%qoq was ascribed to growth in service revenue, which was offset by a slight decline in device revenue. Improvement in service revenue by +2.7%qoq to RM2.1b was on the back of better contribution from consumer business and that was influenced by more subscribers and higher ARPU across postpaid, prepaid and home connectivity (fibre and wireless broadband). However, enterprise business sales declined marginally by -0.5%qoq due to the billing profile to customers including one-time charges in prior quarter.

**Year-on-year.** Maxis recorded RM4.8b revenue in 1HFY22 (+7.0%yoy) owing to higher consumer sales and enterprise revenue. Consumer sales increased by 4.4%yoy to RM1.7b due to steady growth in postpaid and home Connectivity. Enterprise revenue climbed +4.0%yoy to RM386m. However, bottom-line fell by -9.7%yoy because of the impact of higher depreciation and amortisation costs as well as the one-off prosperity tax.

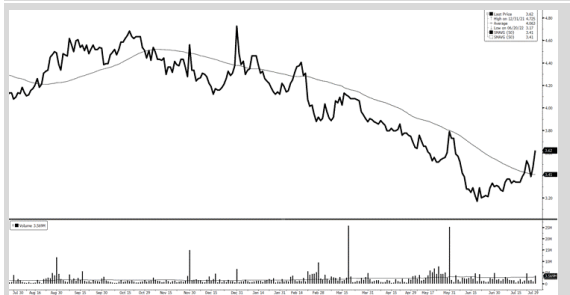
**Capex expenditure (CAPEX).** Maxis reported capital spending of RM241m in 2Q22, an increase of +33.9%yoy. The capex was focused on network performance, capacity balance, and supporting enterprise business.

**Dividend.** Maxis announced a second interim dividend of 5sen per ordinary share, to be paid on September 30, 2022. This brings the total YTD dividends to 10sen per share (2021: 8.0sen)

### RETURN STATISTICS

Price @ 28 <sup>th</sup> July 2022 (RM)	3.62
Expected share price return (%)	+4.4
Expected dividend yield (%)	+4.7
<b>Expected total return (%)</b>	<b>+9.1</b>


### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	10.0	7.3
3 months	9.7	1.8
12 months	-16.0	-14.6

### KEY STATISTICS

FBM KLCI	1,491.20
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	7826.00
Estimated free float (%)	11.91
Market Capitalisation (RM'm)	28,345.14
52-wk price range (RM)	3.16 - 4.83
Beta vs FBM KLCI (x)	1.04
Monthly velocity (%)	0.32
Monthly volatility (%)	16.92
3-mth average daily volume (m)	2.96
3-mth average daily value (RM'm)	10.48
Top Shareholders (%)	
Binarng GSM Sdn Bhd	62.26
Employees Provident Fund	11.85
Amanah Saham Nasional Bhd	10.35

**Maintain NEUTRAL.** On outlook, we gather that: 1) low to mid-single digit increase in service revenue 2) EBITDA to be flat to a low single digit increase. Meanwhile, we roll forward our valuation base year to FY23. Hence, our target price is revised to RM3.78 from RM4.05. The revised target price is premised on pegging FY23 EPS of 18sen against its two-year historical average PER of 21.0x. We think the lower PER is justified (previously: 24.7x) in respect to subtle decision in regards to 5G Single Wholesale Network (SWN) model under Digital Nasional Berhad (“DNB”) which could affect the Group execution approaches and future financial performance. We understand that one of the group’s main focus is to grow the enterprise business segment. Nonetheless, it is still delicate at this juncture. All factors considered, we are maintaining our **NEUTRAL** recommendation on Maxis with a revised target price of **RM3.78**. 

## INVESTMENT STATISTICS

Financial year ending 31 <sup>st</sup> December	FY19	FY20	FY21	FY22F	FY23F
Revenue	9,313	8,966	9,203	9,205	9,501
Normalised EBITDA	3,926	3,814	3,898	3,733	3,946
EBITDA	3,935	3,825	2,973	3,733	3,946
Operating Profit	2,479	2,257	1,229	2,168	2,350
PBT	2,027	1,852	1,762	1,709	1,930
Net Profit	1,512	1,382	1,308	1,285	1,432
Normalised net profit	1,493	1,378	1,308	1,285	1,432
Normalised EPS (sen)	19	18	17	16	18
EPS Growth (%)	-16	-8	-2	-3	11
PER (x)	24	26	23	23	21
Net dividend (sen)	20	17	17	17	18
Net dividend yield (%)	4	4	4	4	5

Source: Company, MIDFR

**MAXIS BHD: 2QFY22 RESULTS SUMMARY**

<i>(All in RM'm unless stated otherwise)</i> FYE Dec	Quarterly Results			Cumulative		
	2Q22	% YoY	% QoQ	1H22	1H21	YTD %
Revenue	2,424.0	6.6	0.7	4,830.0	4,514.0	7.0
Normalised EBITDA	1,014.0	0.8	9.0	1,944.0	1,967.0	-1.2
EBITDA	1,029.0	3.3	8.9	1,974.0	2,002.0	-1.4
Depreciation and amortisation	-412.0	4.8	-1.2	-829.0	-779.0	6.4
Others	-18.0	-50.0	260.0	-23.0	-45.0	-48.9
EBIT	599.0	0.8	14.5	1,122.0	1,178.0	-4.8
Finance costs	-104.0	-16.8	5.1	-203.0	-250.0	-18.8
Finance income	5.0	-66.7	-37.5	13.0	9.0	44.4
PBT	500.0	3.3	15.7	932.0	937.0	-0.5
Taxation	-171.0	37.9	27.6	-305.0	-243.0	25.5
PAT	329.0	-8.6	10.4	627.0	694.0	-9.7
Normalised PAT	329.0	-8.6	10.4	627.0	694.0	-9.7
Normalised EPS (sen)	4.2	-8.6	10.4	8.0	8.9	-9.7
Normalised EBITDA margin (%)	41.8	-5.4	8.2	40.2	43.6	-7.6
Normalised PATAMI margin (%)	13.6	-14.3	9.6	13.0	15.4	-15.6
Effective tax rate (%)	34.2	33.5	10.3	32.7	25.9	26.2

Source: Company, MIDFR

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#### 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