# Maxis Berhad

*Maintain* NEUTRAL

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

**Healthy Growth in Consumer and Enterprise Businesses**

*Unchanged* Target Price: RM3.78

## KEY INVESTMENT HIGHLIGHTS

- **9MFY22 financial performance came in line with our expectations**
- **Encouraging subscriber growth in postpaid, prepaid and home connectivity**
- **Maintain NEUTRAL with unchanged TP of RM3.78**

**Within expectations.** Maxis' 3QFY22 normalised earnings slipped -4.3%qoq and -3.1%yoy to RM315m mainly due to one-off increase in corporate tax rate to 33% as a result of 'Cukai Makmur'. Meanwhile, the 3QFY22 topline was recorded at RM2.4b, representing a marginal dropped of -0.8%qoq and yearly improvement of +6.3%yoy. Overall, Maxis normalized earnings came in line with both ours and consensus expectations, accounting for 73.3% and 73% of full year FY22 earnings estimates respectively.

**Quarter-on-quarter.** The marginal dropped in revenue by -0.8%qoq was ascribed to growth in service revenue, which was offset by a decline in device revenue. Improvement in service revenue by +1.2%qoq to RM2.1b was on the back of healthy contribution from consumer and enterprise business. Consumer business grow was mostly influenced by more subscribers across postpaid, prepaid and home connectivity fibre alongside with higher ARPU in postpaid segments. Meanwhile enterprise business sales increased marginally by +0.3%qoq supported by growing Fixed & Solutions stack as part of Enterprise convergence strategy.

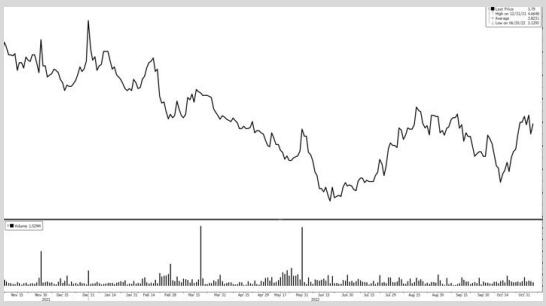
**Year-on-year.** Maxis recorded RM7.2b revenue in 9MFY22 (+7.1%yoy) owing to higher consumer sales and enterprise revenue. Consumer sales increased by 3.7%yoy to RM5.1b due to steady growth in postpaid and home Connectivity. Meanwhile, enterprise revenue climbed +3.8%yoy to RM1.2b. However, bottom-line fell by -7.6%yoy because of the one-off prosperity tax i.e. 'Cukai Makmur' for the year (33% on chargeable income exceeding RM100m).

**Capex expenditure (CAPEX).** Maxis reported capital spending of RM272m in 3Q22, an increase of +12.9%qoq and -0.7%yoy. The capex was focused on fibre build strategy as well as the core network capacity to better network performance and customer experience.

**Dividend.** Maxis announced a third interim dividend of 5sen per ordinary share, to be paid on December 22, 2022. This brings the total YTD dividends to 15sen per share (vs 9MFY21: 12.0sen). We forecast 5sen dividend in 4QFY22 and adjust our dividend forecast to 20sen per share for FY22 and FY23.

| RETURN STATISTICS | |
|---|---|
| Price @ 4th Nov 2022 (RM) | 3.79 |
| Expected share price return (%) | -0.3 |
| Expected dividend yield (%) | +5.3 |
| **Expected total return (%)** | **+5.0** |

**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 3.6 | 1.2 |
| 3 months | 8.0 | 4.7 |
| 12 months | -19.2 | -13.9 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,438.28 |
| 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) | 29,676.26 |
| 52-wk price range (RM) | 3.16 - 4.83 |
| Beta vs FBM KLCI (x) | 1.09 |
| Monthly velocity (%) | 0.32 |
| Monthly volatility (%) | 20.92 |
| 3-mth average daily volume (m) | 1.83 |
| 3-mth average daily value (RM'm) | 6.77 |
| Top Shareholders (%) | |
| Binaring GSM Sdn Bhd | 62.26 |
| Employees Provident Fund | 11.85 |
| Amanah Saham Nasional Bhd | 10.35 |

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**Maintain NEUTRAL.** The management maintain its guidance for FY22 with service revenue of low to mid-single digit increase and EBITDA to be flat to a low single digit increase. Even though Maxis is still underway to evaluate the 5G Access Agreements (AA) requirement, we believe that Maxis will eventually join the other five MNOs to execute the AA as we believe Maxis will stay committed to provide 5G services. As result were in line with our expectations, we made no adjustment to our earnings estimate and maintain our **target price of RM3.78**. The target price is premised on pegging FY23 EPS of 18sen against its two-year historical average PER of 21.0x. All in all, we maintain our **NEUTRAL** call on Maxis with an upside of +5.04%.

## INVESTMENT STATISTICS

| Financial year ending 31st December | FY19A | FY20A | FY21A | 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 | 1308 | 1,285 | 1,432 |
| Normalised net profit | 1,493 | 1,378 | 1308 | 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 | 20 | 20 |
| Net dividend yield (%) | 4 | 4 | 4 | 5 | 5 |

*Source: Company, MIDFR*

## MAXIS BHD: 3QFY22 RESULTS SUMMARY

| *(All in RM'm unless stated otherwise)* | Quarterly Results | | | Cumulative | | |
|---|---|---|---|---|---|---|
| **FYE Dec** | **3Q22** | **% YoY** | **% QoQ** | **9M22** | **9M21** | **YTD %** |
| Revenue | 2,405.0 | 6.3 | -0.8 | 7,235.0 | 6,755.0 | 7.1 |
| | | | | | | |
| Normalised EBITDA | 1,006.0 | 2.2 | -0.8 | 2,950.0 | 2,959.0 | -0.3 |
| EBITDA | 1,016.0 | 2.4 | -1.3 | 2,990.0 | 2,972.0 | 0.6 |
| Depreciation and amortisation | -427.0 | -1.8 | 3.6 | -1,256.0 | -1,214.0 | 3.5 |
| Others | -13.0 | -23.5 | -27.8 | -36.0 | -62.0 | -41.9 |
| EBIT | 576.0 | 6.7 | -3.8 | 1,698.0 | 1,696.0 | 0.1 |
| Finance costs | -114.0 | 1.8 | 9.6 | -317.0 | -362.0 | -12.4 |
| Finance income | 8.0 | -38.5 | 60.0 | 21.0 | 44.0 | -52.3 |
| PBT | 470.0 | 6.6 | -6.0 | 1,402.0 | 1,378.0 | 1.7 |
| Taxation | -155.0 | 33.6 | -9.4 | -460.0 | -359.0 | 28.1 |
| PAT | 315.0 | -3.1 | -4.3 | 942.0 | 1,019.0 | -7.6 |
| Normalised PAT | 315.0 | -3.1 | -4.3 | 942.0 | 1,019.0 | -7.6 |
| | | | | | | |
| Normalised EPS (sen) | 4.0 | -3.2 | -4.4 | 12.0 | 13.0 | -7.6 |
| | | | | | | |
| Normalised EBITDA margin (%) | 41.8 | -3.8 | 0.0 | 40.8 | 43.8 | -6.9 |
| Normalised PATAMI margin (%) | 13.1 | -8.8 | -3.5 | 13.0 | 15.1 | -13.7 |
| Effective tax rate (%) | 33.0 | 25.4 | -3.6 | 32.8 | 26.1 | 25.9 |

*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 *rise* 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 *fall* 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