Maxis Berhad

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

***Maintain* NEUTRAL**

Guided Slow Growth in Service Revenue

***Revised* Target Price: RM3.60**

(Previously: RM3.78)

KEY INVESTMENT HIGHLIGHTS

- **FY22 financial performance came in below with our and consensus expectations**
- **Subscriber growth in postpaid, prepaid and home connectivity remains steady**
- **Maintain NEUTRAL with lower TP of RM3.60**

Below expectations. Maxis' 4QFY22 normalised earnings slipped -24.1%qoq and -17.3%yoy to RM239m mainly due to one-off increase in corporate tax rate to 33% as a result of the prosperity tax. Meanwhile, the 4QFY22 topline came in at RM2.6b, representing an increase of +6.2%qoq and +4.0%yoy. Overall, Maxis normalized earnings came in slightly below ours and consensus expectations, accounting for 92% and 93% of full year FY22 earnings estimates respectively. The negative deviation was primarily due to lower than expected growth in service revenue.

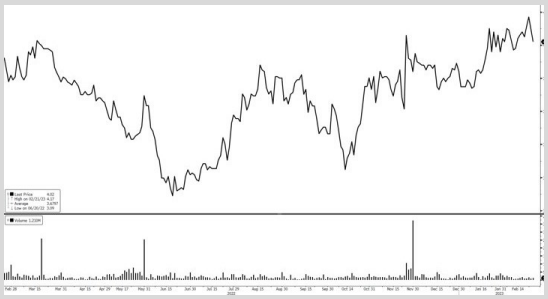
Quarterly basis. The better performance in 4QFY22's revenue by +6.2%qoq was ascribed to growth in service revenue. Improvement in service revenue by +0.3%qoq and +4.9%yoy to RM2.1b was on the back of healthy contribution from consumer business that rose +1.7%qoq and +8.2%yoy. Consumer business grow was mostly influenced by more subscribers across postpaid, prepaid and home connectivity alongside with growth in prepaid ARPU. Meanwhile enterprise business sales declined by -5.9%qoq and -8.8%yoy as a result of the shift to review fixed and solutions product offering that focus on higher margin products.

Cumulative basis. Maxis recorded RM9.8b revenue in FY22 (+5.9%yoy) owing to higher service revenue which rose by 4.0% on the back of steady performance from both consumer sales and enterprise revenue. Consumer sales increased by 4.8%yoy to RM6.8b due to steady growth in postpaid and fibre. Meanwhile, enterprise revenue climbed +0.5%yoy to RM1.5b. However, bottom-line fell by -9.7%yoy to RM1.2b because of the higher one-off prosperity tax for the year (33% on chargeable income exceeding RM100m).

Capex expenditure (CAPEX). Maxis reported capex of RM430m in 4QFY22, an increase of +58.1%qoq and -28.0%yoy. The bulk of the capex was allocated towards the implementation of the fiber build strategy. Nonetheless, no capex guidance was provided from the management as they are still waiting for a more definitive plan on the rollout of 5G.

RETURN STATISTICS	
Price @ 23th February 2023 (RM)	4.02
Expected share price return (%)	-10.4
Expected dividend yield (%)	+5.0
Expected total return (%)	**-5.4**

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	1,457.65
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

MIDF Research
research@midf.com.my

Dividend. Maxis announced a fourth interim dividend of 5.0sen per ordinary share. This brings the total YTD dividends to 20.0sen per share (vs FY21: 17.0sen), in line with our expectation. We maintain our dividend forecast of 20.0sen per share for FY23 and introduce new dividend forecast of 20.0sen per share for FY24.

Maintain NEUTRAL. Since earnings missed our expectation, we lower our estimates in FY23 by -8.0% and derived a lower target price of **RM3.60** (previously RM3.78). This is premised on revised FY23 EPS of 16.6sen against the historical average PER of 21.6x for two years. We also introduce our FY24F estimates. We opine that management guidance a flat to low single digit grow for service revenue in FY23 suggest softer performance in the upcoming quarters. Despite that, we believe once the 5G network implementation policy is being finalized, Maxis will join the other five mobile network operators (MNOs) to implement the 5G access agreement to stay committed in providing 5G services. All factors considered, we maintain our **NEUTRAL** rating on Maxis with a lower target price of RM3.60.

INVESTMENT STATISTICS

Financial year ending 31st December	2020A	2021A	2022A	2023F	2024F
Revenue	8,966.0	9,203.0	9,789.0	9,837.9	10,133.1
Normalised EBITDA	3,814.0	3,898.0	3,938.0	3,767.9	3,971.6
EBITDA	3,825.0	2,973.0	3,988.0	3,767.9	3,971.6
Operating Profit	2,257.0	1,229.0	2,218.0	2,172.2	2,343.9
PBT	1,852.0	1,762.0	1,811.0	1,752.2	1,959.6
Net Profit	1,382.0	1,308.0	1,181.0	1,300.1	1,434.4
Normalised net profit	1,378.0	1,308.0	1,181.0	1,300.1	1,434.4
Normalised EPS (sen)	17.6	17.0	15.1	16.6	18.3
EPS Growth (%)	-7.7	-2.0	-11.3	10.1	10.3
PER (x)	22.8	23.6	26.6	24.2	21.9
Net dividend (sen)	17.0	17.0	20.0	20.0	20.0
Net dividend yield (%)	4.2	4.2	5.0	5.0	5.0

Source: Company, MIDFR

MAXIS BHD: 4QFY22 RESULTS SUMMARY

(All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
FYE Dec	**4Q22**	**% YoY**	**% QoQ**	**FY22**	**FY21**	**YTD %**
Revenue	2,554.0	4.0	6.2	9,789.0	9,241.0	5.9
Normalised EBITDA	988.0	6.0	-1.8	3,938.0	3,876.0	1.6
EBITDA	998.0	4.5	-1.8	3,988.0	3,957.0	0.8
Depreciation and amortisation	-465.0	6.9	8.9	-1,721.0	-1,649.0	4.4
Others	-13.0	-60.6	0.0	-49.0	-95.0	-48.4
EBIT	520.0	6.8	-9.7	2,218.0	2,213.0	0.2
Finance costs	-120.0	8.1	5.3	-437.0	-473.0	-7.6
Finance income	9.0	12.5	12.5	30.0	22.0	36.4
PBT	409.0	6.5	-13.0	1,811.0	1,762.0	2.8
Taxation	-170.0	78.9	9.7	-630.0	-454.0	38.8
PAT	239.0	-17.3	-24.1	1,181.0	1,308.0	-9.7
Normalised PAT	239.0	-17.3	-24.1	1,181.0	1,308.0	-9.7
Normalised EPS (sen)	3.1	-17.3	-24.1	15.1	16.7	-9.7
Normalised EBITDA margin (%)	38.7	1.9	-7.5	40.2	41.9	-4.1
Normalised PATAMI margin (%)	9.4	-20.5	-28.6	12.1	14.2	-14.8
Effective tax rate (%)	41.6	68.0	26.0	34.8	25.8	35.0

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 companies 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 loess, 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 companies 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 *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