

Maxis Berhad

3QFY21 Within Estimates

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3QFY21 CNP and DPS came within our expectations. Maxis' Hotlink postpaid brand continued to bring new postpaid subs while its home broadband products remained popular despite the easing of lockdowns. Maxis continued to make strides in the enterprise segment with potentially more future acquisitions for talent and know-how. Post-Budget 2022, we lower our FY22E EPS by 10% to account for the one-off prosperity tax, and lower FY22E DPS from 18.0 sen to 16.0 sen accordingly. We maintain our MP call and RM4.55 TP, as we see the EPS impact as one-off, not a de-rating catalyst.

9MFY21 within. 3QFY21 core net profit of RM324m came within expectations, bringing 9MFY21 to 73% each of our and street's estimates. DPS of 4.0 sen brings 9MFY21 DPS to 12.0 sen, in line with our FY21E DPS of 16.0 sen.

YoY, revenue rose 1%, as service revenue rose 2%, outweighing the 7% decline in device revenue. Service revenue growth was driven by both postpaid and fixed broadband segments. Postpaid revenue grew 3%, on continued adoption of Hotlink's entry level postpaid plans. Home (fibre and FWA) subs rose 35%, driven by continued strong demand for home internet. As 9MFY21 saw lower opex vs. 9MFY20, adjusted EBITDA rose 3%. However, higher depreciation & amortization charges and effective tax rate weighed, dragging core net profit by 4.5%. D&A expense was higher because of the higher spectrum amortization costs, from management's decision to reduce spectrum life.

QoQ, revenue remained flat, as the lower device revenue (-14%) negated the 2% service revenue gain, which was driven by the postpaid (+3%) and home (+5%) segments. While doubtful debts are firmly under control (thus, no allowance for the quarter) and device costs fell on lower device sales, higher operating costs (from one-time sales commissions and higher marketing costs) weighed and EBITDA fell 3%. The higher D&A expense further weighed, bringing EBIT down by 9%. The higher effective tax rate dragged, and core net profit fell by 13%.

Looking ahead, Maxis is looking to be the first local operator to offer 5G roaming regionally (e.g. Singapore & Thailand), and is expecting a gradual recovery in roaming revenue on border reopening. Note that roaming revenue made up 5% of total revenue pre-Covid, and is significantly smaller today. Similar to its peers, Maxis is focused on growing its Malaysian subs base to rely less on foreign subs, to reduce churn. Since April 2020, Maxis has conducted four acquisitions in ramping up its **enterprise** offerings, namely in cloud and managed services (refer Exhibit 1). Given their strategy of organic and inorganic growth in their enterprise segment, we may see more similar acquisitions in FY22. However, note that enterprise revenues have been slow to recover as businesses are still cautious with spending.

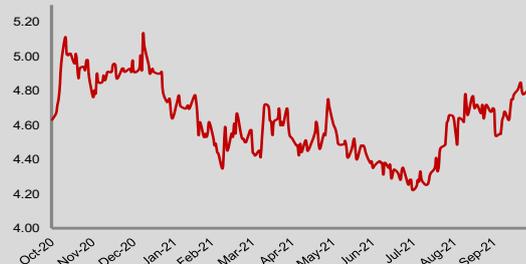
Post results and Budget 2022, we maintain our FY21E CNP but lower FY22E CNP by 10% to RM1,333m to account for the one-off 33% tax rate for PBT in excess of RM100m. We also reduce our FY22E DPS to 16.0 sen, as our previous estimate of 18.0 sen would've implied a payout ratio of >100% of its PAT, which we think is unlikely due to prudent cash management.

Maintain MARKET PERFORM with DCF-TP of RM4.55 (WACC: 7%; TG: 1.5%), as the results are within expectations. While the prosperity tax may weigh on FY22E earnings and near-term sentiment, the EPS reduction has an insignificant impact on our 10-year DCF valuation.

MARKET PERFORM ↔

Price : **RM4.67**
Target Price: **RM4.55** ↔

Share Price Performance



KLCI	1,562.31
YTD KLCI chg	-4.0%
YTD stock price chg	-7.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MAXIS MK Equity
Market Cap (RM m)	36,548.7
Shares Outstanding	7,826.3
52-week range (H)	5.29
52-week range (L)	4.23
3-mth avg daily vol:	1,683,789
Free Float	13%
Beta	0.8

Major Shareholders

Binariang GSM Sdn Bhd	62.3%
Employees Provident Fund	12.0%
Amanah Saham Nasional	10.4%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Revenue	8,966	9,211	9,537
EBITDA	3,732	3,961	4,101
EBIT	2,257	2,303	2,384
PBT	1,852	1,903	1,976
Net Profit	1,382	1,427	1,333
Core Net Profit	1,418	1,427	1,333
Consensus (NP)	N.M.	1,415	1,519
Earnings Revision	N.A.	0%	-10%
Core EPS (sen)	18.1	18.2	17.0
Core EPS growth (%)	-8	1	-7
NDPS (sen)	17.0	16.0	16.0
BVPS (RM)	0.90	0.92	0.93
PER (x)	25.8	25.6	27.4
PBV (x)	5.2	5.1	5.0
Net Gearing (x)	1.3	1.2	1.1
Net Div. Yield (%)	3.6	3.4	3.4

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Risks to our call include: (i) higher/lower-than-expected service revenue growth, (ii) lower/higher-than-expected OPEX, and (iii) less/more aggressive competition.

Result Highlight								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	2,263	2,264	0.0%	2,213	2%	6,755	6,705	1%
EBITDA	975	987	-1.2%	901	8%	2,910	2,689	8%
Adj. EBITDA	984	1,011	-2.7%	968	2%	2,959	2,880	3%
EBIT	540	594	-9.1%	577	-6%	1,696	1,688	0%
PBT	441	484	-8.9%	492	-10%	1,378	1,425	-3%
Taxation	-116	-124	-6.5%	-127	-9%	-359	-359	0%
Net Profit	325	360	-9.7%	365	-11%	1,019	1,066	-4%
Core Net Profit	324	371	-12.7%	378	-14%	1,035	1,084	-4.5%
Core EPS (sen)	4.1	4.7	-12.7%	4.8	-14%	13.2	13.9	-4.5%
DPS (sen)	4.0	4.0		4.0		12.0	12.0	
EBITDA margin	43.1%	43.6%		40.7%		43.1%	40.1%	
Adj. EBITDA margin	43.5%	44.7%		43.7%		43.8%	43.0%	
EBIT margin	23.9%	26.2%		26.1%		25.1%	25.2%	
PBT margin	19.5%	21.4%		22.2%		20.4%	21.3%	
Core NP margin	14.3%	16.4%		17.1%		15.3%	16.2%	
Effective Tax Rate	26.3%	25.6%		25.8%		26.1%	25.2%	

Source: Company, Kenanga Research

Segmental Breakdown								
	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Service Revenue	2,025	1,988	2%	1,968	3%	5,972	5,865	2%
Postpaid Revenue	1,030	1,002	3%	961	7%	3,006	2,928	3%
Prepaid Revenue	685	685	0%	717	-4%	2,060	2,117	-3%
Enterprise Revenue	137	135	1%	147	-7%	408	404	1%
Home Fibre Revenue	149	142	4.9%	120	24%	426	346	23%
Network Income	24	24	0%	23	4%	72	70	3%
Device Revenue	238	276	-14%	244	-2%	783	839	-7%

Source: Company, Kenanga Research

Key Operating Indicators								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
ARPU (RM / month)								
Postpaid	90	86	85	84	83	82	81	81
Prepaid	42	39	40	40	39	38	38	39
Blended	59	56	57	56	56	55	55	55
WBB	105	103	103	107	111	118	120	125
FTTH	107	108	105	102	107	108	109	108
Subscribers ('000)								
Postpaid	3,641	3,704	3,686	3,748	3,839	3,870	3,981	4,054
Prepaid	6,227	5,883	5,975	5,908	5,951	6,084	5,942	5,937
Mobile	9,868	9,587	9,661	9,656	9,790	9,954	9,923	9,991
WBB	99	94	98	110	126	138	167	197
FTTH	331	353	371	383	402	423	444	470

Source: Company, Kenanga Research

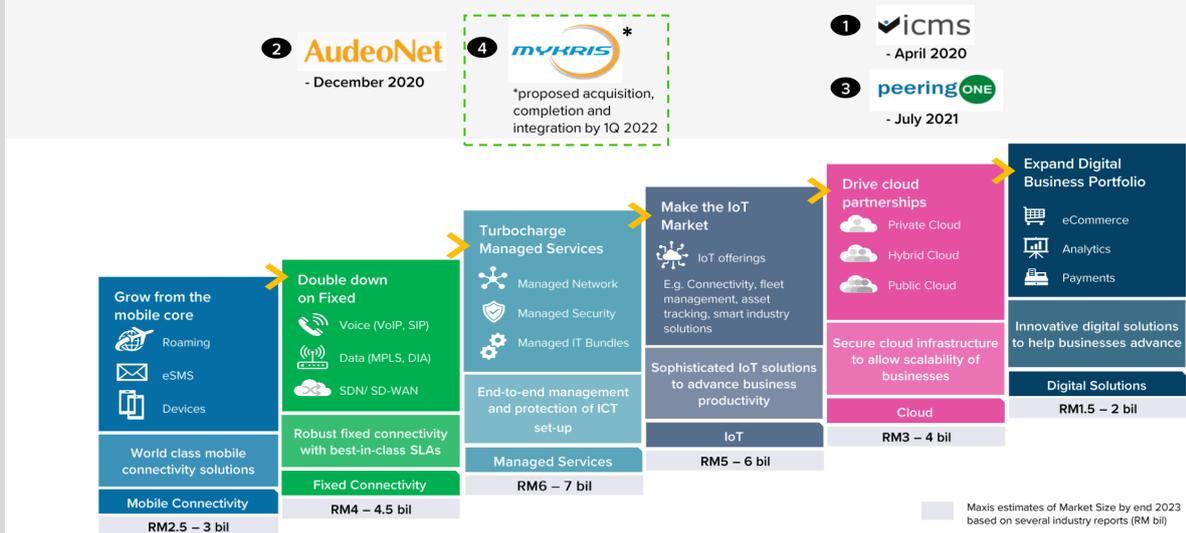
Exhibit 1: Maxis Enterprise acquisitions

3Q21



MyKRIS* - Reinforcing Maxis' as #1 Converged Solutions Provider

Accelerating Maxis' strategy and growth via M&A and strategic joint ventures



Source: Maxis Berhad

Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net DivYld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
Stocks Under Coverage																	
AXIATA GROUP BHD	3.95	36,232.2	Y	12/2021	3.9%	4.3%	15.0%	12.6%	41.9	36.4	32.3	1.5	1.5	5.7%	2.0%	4.45	OP
DIGI.COM BHD	4.23	32,888.3	Y	12/2021	2.5%	1.6%	-4.9%	-8.1%	26.7	28.1	30.6	54.3	53.3	191.4%	3.5%	4.25	MP
MAXIS BHD	4.67	36,548.7	Y	12/2021	2.7%	3.5%	0.6%	-6.6%	25.8	25.6	27.4	5.2	5.1	20.0%	3.4%	4.55	MP
OCK GROUP BHD	0.515	543.1	Y	12/2021	11.4%	8.3%	24.9%	11.7%	20.8	16.7	14.9	0.9	0.8	6.0%	0.0%	0.590	OP
TELEKOM MALAYSIA BHD	5.79	21,849.7	Y	12/2021	4.4%	5.4%	15.2%	-4.6%	22.0	19.1	20.0	3.1	3.0	16.1%	2.8%	7.00	OP
Simple Average					5.0%	4.6%	10.2%	1.0%	27.4	25.2	25.0	13.0	12.7	47.8%	2.4%		

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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