

Maxis Bhd (MAXIS MK)

Enterprise disclosure

Fairly routine performance

1Q22 results were in line with our/consensus forecasts. Service revenue was higher QoQ as consumer segment growth more than offsetting enterprise decline (maiden disclosure). Management again refrained from providing forward guidance. Maintain HOLD with an unchanged DCF-based TP of MYR4.20. We prefer TM (T MK, BUY, CP: MYR4.96, TP: MYR7.50) in the telco space.

Results in line

Maxis' 1Q22 core net profit of MYR298m (-11% YoY, +3% QoQ) represents 24%/23% of our/consensus full-year forecasts respectively. Maxis has begun disclosing enterprise revenue on a standalone basis (c.19% of 1Q22 total service revenue), which in our view, suggests management is now more confident about the segment's prospects. A 5sen DPS was declared, up from 4sen in 1Q21.

Sequential service revenue growth

With the briefing deck yet to be released (results call is only scheduled for this morning), various operating details were unavailable at the time of writing. In 1Q22, total service revenue grew 0.7% QoQ, with consumer revenue growing 1.5% QoQ and enterprise declining by 2.8% QoQ. The notable QoQ decline in prepaid revenue-generating subscribers was partly offset by higher ARPU. Meanwhile, 1Q22 normalised EBITDA was broadly stable QoQ, with margins expanding slightly due to lower handset sales.

Maintain HOLD

Management has again refrained from providing 2022 guidance, citing the ongoing uncertainties from the COVID-19 pandemic. Our earnings forecasts and MYR4.20 DCF-based TP (assuming 7.2% WACC and 2% LT growth) are unchanged. In our view, enterprise accretion could begin to manifest more meaningfully in FY22.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	8,966	9,203	9,528	9,822	10,136
EBITDA	3,787	3,884	3,954	3,978	4,004
Core net profit	1,378	1,308	1,217	1,420	1,478
Core EPS (sen)	17.6	16.7	15.6	18.1	18.9
Core EPS growth (%)	(8.2)	(5.1)	(6.9)	16.6	4.1
Net DPS (sen)	17.0	17.0	18.0	18.0	18.0
Core P/E (x)	28.7	29.0	24.5	21.0	20.2
P/BV (x)	5.6	5.6	4.6	4.6	4.5
Net dividend yield (%)	3.4	3.5	4.7	4.7	4.7
ROAE (%)	19.6	19.0	18.4	21.7	22.5
ROAA (%)	6.4	5.9	5.4	6.2	6.3
EV/EBITDA (x)	12.8	12.1	9.8	9.7	9.6
Net gearing (%) (incl perps)	128.1	132.3	139.1	136.9	131.9
Consensus net profit	-	-	1,316	1,454	1,518
MKE vs. Consensus (%)	-	-	(7.5)	(2.4)	(2.6)

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HOLD

Share Price	MYR 3.81
12m Price Target	MYR 4.20 (+15%)
Previous Price Target	MYR 4.20

Company Description

Maxis is a leading mobile telecommunication company in Malaysia.

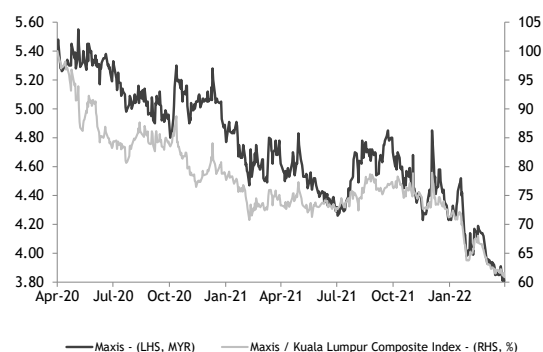
Statistics

52w high/low (MYR)	4.85/3.81
3m avg turnover (USDm)	2.3
Free float (%)	24.0
Issued shares (m)	7,826
Market capitalisation	MYR29.8B USD6.8B

Major shareholders:

Binariang GSM Sdn. Bhd.	62.3%
Employees Provident Fund	12.0%
Permodalan Nasional Bhd.	10.4%

Price Performance



— Maxis - (LHS, MYR) — Maxis / Kuala Lumpur Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	(5)	(10)	(18)
Relative to index (%)	(5)	(14)	(16)

Source: FactSet

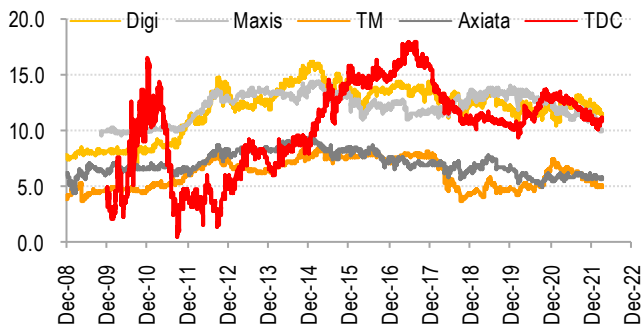
Summary Results Table - Maxis

FY Dec (MYR m)	Quarterly				
	1Q22	1Q21	%YoY	4Q21	%QoQ
Revenue	2,406.0	2,228.0	8.0	2,448.0	(1.7)
EBITDA	940.0	963.0	(2.4)	929.0	1.2
EBIT	523.0	562.0	(6.9)	479.0	9.2
Net interest	(91.0)	(109.0)	(16.5)	(95.0)	(4.2)
Pre-tax profit	432.0	453.0	(4.6)	384.0	12.5
Tax	(134.0)	(119.0)	12.6	(95.0)	41.1
Minority Interests	0.0	0.0	N/A	0.0	N/A
Net profit	298.0	334.0	(10.8)	289.0	3.1
Core net profit	298.0	334.0	(10.8)	289.0	3.1
Mobile service revenue	1,664.0	1,664.0	0.0	1,674.0	(0.6)
EBITDA margin	39.1	43.2	(4.2)	37.9	1.1
Normalised EBITDA	940.0	963.0	(2.4)	929.0	1.2
Normalised EBITDA margin	39.1	43.2	(4.2)	37.9	1.1
Pre-ex EPS (sen)	3.8	4.3	(10.8)	3.7	3.1
Net DPS (sen)	5.0	4.0	25.0	5.0	0.0
Net cash/(debt)	(9,399.0)	(9,127.0)	3.0	(8,899.0)	5.6
Gearing (%)	141.6	130.2		132.3	
Capex	299.0	154.0	94.2	821.0	(63.6)

Exceptional items comprise mainly of unrealised forex and write-backs

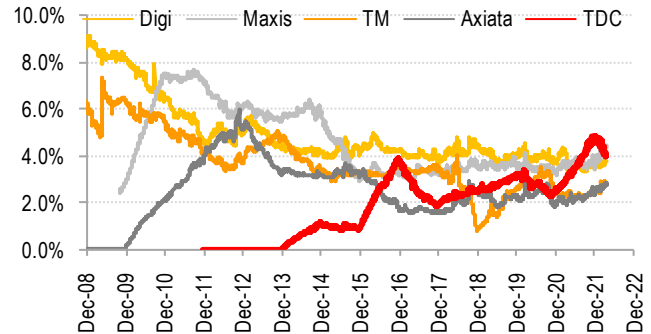
Source: Company, Maybank IBG Research

EV/EBITDA - Malaysia telcos



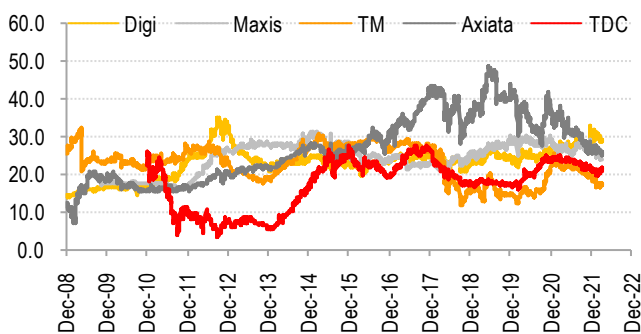
Source: Bloomberg, Maybank IBG Research

Net dividend yield - Malaysia telcos



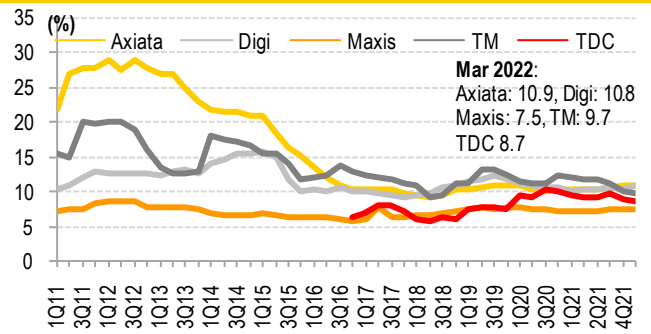
Source: Bloomberg, Maybank IBG Research

PER - Malaysia telcos



Source: Bloomberg, Maybank IBG Research

Foreign shareholding



Source: Companies

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for Maxis. Competitive developments, such as price wars would adversely affect monetisation and thus profitability. Regulatory developments pertaining to spectrum fees, taxation or product pricing also pose a risk to Maxis' earnings.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	29.6	27.6	24.5	21.0	20.2
Core P/E (x)	28.7	29.0	24.5	21.0	20.2
P/BV (x)	5.6	5.6	4.6	4.6	4.5
P/NTA (x)	(5.6)	(5.1)	(3.8)	(3.8)	(3.8)
Net dividend yield (%)	3.4	3.5	4.7	4.7	4.7
FCF yield (%)	6.0	7.1	7.4	8.2	8.3
EV/EBITDA (x)	12.8	12.1	9.8	9.7	9.6
EV/EBIT (x)	21.5	21.5	17.7	16.9	16.3
INCOME STATEMENT (MYR m)					
Revenue	8,966.0	9,203.0	9,528.3	9,822.1	10,136.4
EBITDA	3,787.0	3,884.0	3,954.2	3,977.9	4,003.9
Depreciation	(1,131.0)	(1,300.0)	(1,343.1)	(1,293.2)	(1,256.1)
Amortisation	(404.0)	(409.0)	(411.1)	(386.9)	(388.9)
EBIT	2,252.0	2,175.0	2,200.0	2,297.9	2,358.8
Net interest income / (exp)	(405.0)	(413.0)	(423.0)	(429.8)	(414.1)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	5.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	1,852.0	1,762.0	1,777.0	1,868.1	1,944.7
Income tax	(470.0)	(454.0)	(559.8)	(448.4)	(466.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,382.0	1,308.0	1,217.3	1,419.8	1,478.0
Core net profit	1,378.2	1,308.0	1,217.3	1,419.8	1,478.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	735.0	1,191.0	1,328.0	1,785.8	2,345.9
Accounts receivable	2,183.6	1,874.6	1,931.8	1,991.3	2,055.1
Inventory	3.0	5.0	2.9	3.0	3.1
Property, Plant & Equip (net)	4,931.0	5,193.0	4,999.9	4,856.7	4,750.6
Intangible assets	14,075.4	14,175.4	14,328.3	14,405.4	14,430.5
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4.0	4.0	4.0	4.0	4.0
Total assets	21,932.0	22,443.0	22,594.9	23,046.3	23,589.1
ST interest bearing debt	255.0	2,034.0	2,361.0	2,688.0	3,015.0
Accounts payable	4,202.0	4,220.0	4,236.3	4,349.6	4,496.1
LT interest bearing debt	9,508.0	8,056.0	8,056.0	8,056.0	8,056.0
Other liabilities	917.0	1,408.0	1,408.0	1,408.0	1,408.0
Total Liabilities	14,882.0	15,718.0	16,061.3	16,501.6	16,975.1
Shareholders Equity	7,050.0	6,725.0	6,533.6	6,544.7	6,614.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	7,050.0	6,725.0	6,533.6	6,544.7	6,614.0
Total liabilities and equity	21,932.0	22,443.0	22,594.9	23,046.3	23,589.1
CASH FLOW (MYR m)					
Pretax profit	1,852.0	1,762.0	1,777.0	1,868.1	1,944.7
Depreciation & amortisation	1,535.0	1,709.0	1,754.2	1,680.0	1,645.1
Adj net interest (income)/exp	473.0	435.0	423.0	429.8	414.1
Change in working capital	(207.0)	101.0	(38.7)	53.6	82.7
Cash taxes paid	(355.0)	(301.0)	(559.8)	(448.4)	(466.7)
Other operating cash flow	324.0	179.0	0.0	0.0	0.0
Cash flow from operations	3,622.0	3,885.0	3,355.7	3,583.2	3,619.8
Capex	(1,244.0)	(1,187.0)	(1,150.0)	(1,150.0)	(1,150.0)
Free cash flow	2,378.0	2,698.0	2,205.7	2,433.2	2,469.8
Dividends paid	(1,330.0)	(1,330.0)	(1,408.7)	(1,408.7)	(1,408.7)
Equity raised / (purchased)	(12.0)	(7.0)	0.0	0.0	0.0
Change in Debt	0.0	250.0	327.0	327.0	327.0
Other invest/financing cash flow	(883.0)	(1,152.0)	(987.0)	(893.8)	(828.1)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	153.0	459.0	137.0	457.7	560.1

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(3.7)	2.6	3.5	3.1	3.2
EBITDA growth	1.4	2.6	1.8	0.6	0.7
EBIT growth	(6.6)	(3.4)	1.2	4.4	2.6
Pretax growth	(9.0)	(4.9)	0.9	5.1	4.1
Reported net profit growth	(9.0)	(5.4)	(6.9)	16.6	4.1
Core net profit growth	(8.1)	(5.1)	(6.9)	16.6	4.1
Profitability ratios (%)					
EBITDA margin	42.2	42.2	41.5	40.5	39.5
EBIT margin	25.1	23.6	23.1	23.4	23.3
Pretax profit margin	20.7	19.1	18.7	19.0	19.2
Payout ratio	96.2	101.7	115.7	99.2	95.3
DuPont analysis					
Net profit margin (%)	15.4	14.2	12.8	14.5	14.6
Revenue/Assets (x)	0.4	0.4	0.4	0.4	0.4
Assets/Equity (x)	3.1	3.3	3.5	3.5	3.6
ROAE (%)	19.6	19.0	18.4	21.7	22.5
ROAA (%)	6.4	5.9	5.4	6.2	6.3
Liquidity & Efficiency					
Cash conversion cycle	(254.8)	(216.4)	(214.9)	(210.7)	(210.2)
Days receivable outstanding	98.8	79.4	71.9	71.9	71.9
Days inventory outstanding	0.2	0.3	0.3	0.2	0.2
Days payables outstanding	353.8	296.0	287.1	282.8	282.3
Dividend cover (x)	1.0	1.0	0.9	1.0	1.0
Current ratio (x)	0.6	0.5	0.5	0.5	0.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.4	1.4	1.4	1.4
Net gearing (%) (incl perps)	128.1	132.3	139.1	136.9	131.9
Net gearing (%) (excl. perps)	128.1	132.3	139.1	136.9	131.9
Net interest cover (x)	5.6	5.3	5.2	5.3	5.7
Debt/EBITDA (x)	2.6	2.6	2.6	2.7	2.8
Capex/revenue (%)	13.9	12.9	12.1	11.7	11.3
Net debt/ (net cash)	9,028.0	8,899.0	9,089.0	8,958.2	8,725.1

Source: Company; Maybank IBG Research

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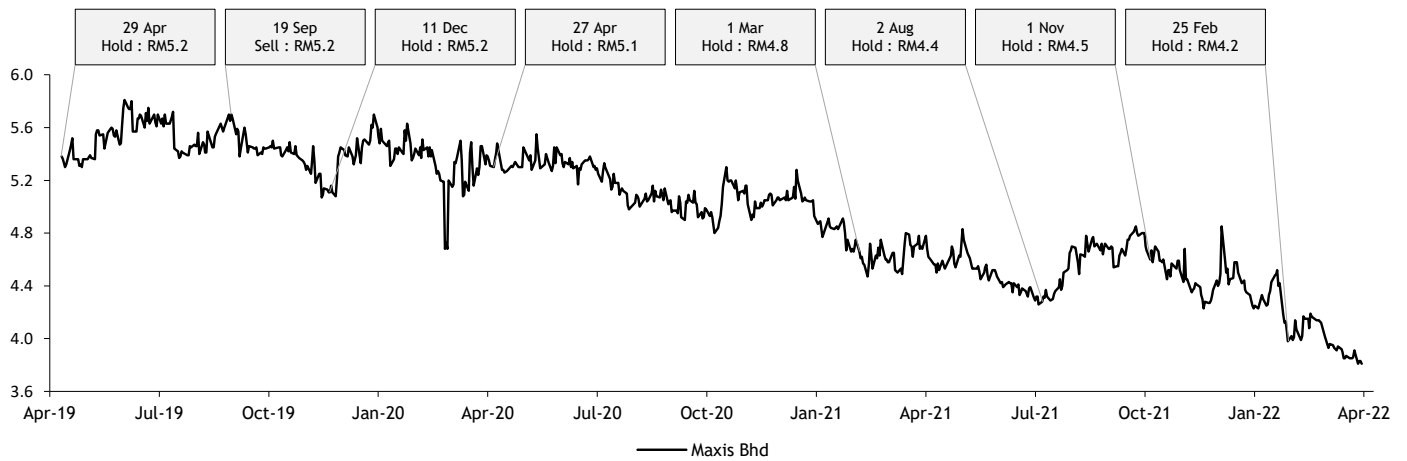
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