

Company Report

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MAXIS

(MAXIS MK EQUITY, MSXC.KL)

TELECOMMUNICATION

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Steady eddy

BUY

(Maintained)

Rationale for report: Company Update

Price RM3.76
Fair Value RM4.20
52-week High/Low RM4.00/RM3.11

Key Changes

Fair value ⇄
EPS ⇄

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	10,536.0	10,829.8	11,075.1	11,316.5
Core net profit (RM mil)	1,396.0	1,529.7	1,652.3	1,764.7
FD Core EPS (sen)	17.8	19.5	21.1	22.5
FD Core EPS growth (%)	3.1	9.6	8.0	6.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	17.0	16.0	16.0	16.0
PE (x)	21.2	19.4	17.9	16.8
EV/EBITDA (x)	9.3	8.7	8.4	8.0
Div yield (%)	4.5	4.3	4.3	4.3
ROE (%)	24.0	25.3	25.9	25.8
Net Gearing (%)	nm	nm	nm	nm

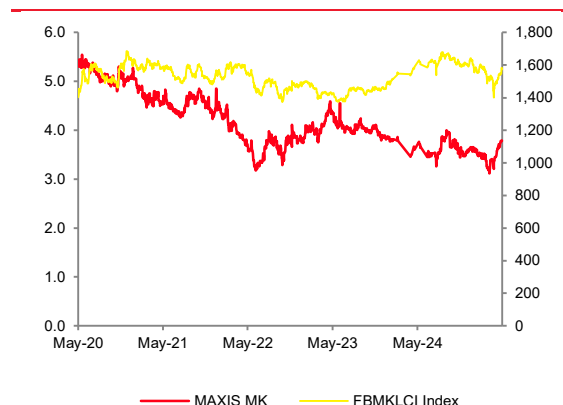
Stock and Financial Data

Shares Outstanding (million) 7,832.1
Market Cap (RMmil) 29,605.3
Book Value (RM/Share) 0.75
P/BV (x) 5.0
ROE (%) 24.0
Net Gearing (%) -

Major Shareholders Binariang GSM (62.2%)
EPF (12.0%)
Amanah Saham Nasional Bhd (10.4%)

Free Float 23.7
Avg Daily Value (RMmil) 8.7

Price performance	3mth	6mth	12mth
Absolute (%)	8.3	9.9	5.0
Relative (%)	9.6	11.2	7.0



Investment Highlights

In light of ongoing market volatility, Maxis' appeal lies in its inelastic domestic demand and investor's low exposure to the Telecoms sector. We retain BUY at an unchanged TP of RM4.20/share. 1Q25 core profit rose 5% YoY to RM371mil, with management guiding for an unchanged 2025 service revenue growth of low single digit. Implied dividend yield is decent at 4% and further upside can translate from potential merger opportunities.

- **Top BUY pick for Malaysia Telco.** We value Maxis at an unchanged TP of RM4.20/share, which is based on an EV/Ebitda multiple of 9.5x and CY26 Ebitda. We like the group for its inelastic domestic driven demand. Dividend yield is decent at 4%. Meanwhile, we see limited downside, with mutual fund positioning for the sector still light at 4% of AUM (vs. the sector's 8% weightage in FBM100).
- **Stable service revenues from inelastic domestic demand.** Due to well controlled costs, 1Q25 core earnings increased 5% YoY. This was within expectations, forming 24% and 25% of ours and consensus earnings. Service revenues were relatively flat, as growth in consumer home (+4% YoY) and enterprise (+3% YoY) was offset by softer consumer mobile revenues (-3% YoY). Guidance is unchanged, with management expecting 2025 revenue to grow by low single digit and Ebitda to be flat to low single digit growth.
- **Decent dividend yield of 4%.** A first interim dividend of 4sen/share was declared, on track to meet our full year forecast of 16sen/share. We believe there is upside to dividends, with a projected FY25F free cash flow yield of 6.7%. No large changes are expected for 5G wholesale fees this year, with the current run rate at less than RM50mil per quarter. Last year, the group declared a special dividend of 1sen/share in the fourth quarter, to celebrate its performance.
- **Potential merger opportunities.** Albeit not the base case, we continue to believe there are benefits from market consolidation, in the form of cost synergies and reduced competition. It has been previously reported that Maxis is exploring a buyout of U Mobile ([see here](#)). Potential hurdles to a deal are pricing and regulatory risks.

EXHIBIT 1: 1Q25 EARNINGS SUMMARY

RMmil	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)
Revenue	2,608	2,603	0.2	2,771	-5.9
EBITDA	1,055	1,044	1.1	984	7.2
Margin (%)	40.5	40.1	0.9	35.5	13.9
Depreciation and amortisation	-441	-448	1.6	-450	2.0
EBIT	614	596	3.0	534	15.0
Interest income	11	9	22.2	10	10.0
Interest expense	-122	-125	2.4	-119	-2.5
Others	-3	-1	-200.0	3	nm
PBT	500	479	4.4	428	16.8
Tax	-129	-126	-2.4	-107	-20.6
Effective tax rate (%)	25.8	26.3	-1.9	25.0	3.2
MI	0	0	nm	0	nm
Net profit	371	353	5.1	321	15.6
Core net profit	371	353	5.1	321	15.6
Capex	86	106	-18.9	312	-72.4
EPS (sen)	4.7	4.5	4.4	4.1	14.6
Core EPS (sen)	4.7	4.5	5.1	4.1	15.6
DPS (sen)	4.0	4.0	0.0	5.0	-20.0

Source: Maxis, AmInvestment Bank

EXHIBIT 2: 1Q25 REVENUE AND COST BREAKDOWN

RMmil	1Q25	1Q24	YoY (%)	4Q24	QoQ
Revenue	2,608	2,603	0.2	2,771	
Service	2,171	2,191	-0.9	2,248	
Consumer converged revenue	1,773	1,804	-1.7	1,822	
Postpaid	924	911	1.4	948	
Prepaid	595	649	-8.3	627	
Fibre	230	216	6.5	222	
WBB	24	28	-14.3	25	
Enterprise converged revenue	398	387	2.8	426	
Mobile	213	200	6.5	216	
Fixed and solutions	185	187	-1.1	210	-
Non service revenue	437	412	6.1	523	-
Device	437	412	6.1	523	-
Total expenses	1,553	1,559	-0.4	1,787	-
Traffic, commissions and other direct costs + Device cost	1,012	1,037	-2.4	1,181	-
Spectrum license fees	62	62	0.0	62	-
Network	146	138	5.8	164	-
Staff and resource	199	202	-1.5	225	-
Marketing	42	39	7.7	48	-
Operation and maintenance	102	102	0.0	123	-
Allowance for doubtful debts, net	34	40	-15.0	29	-
Government grants and other income, net	-44	-61	27.9	-45	-

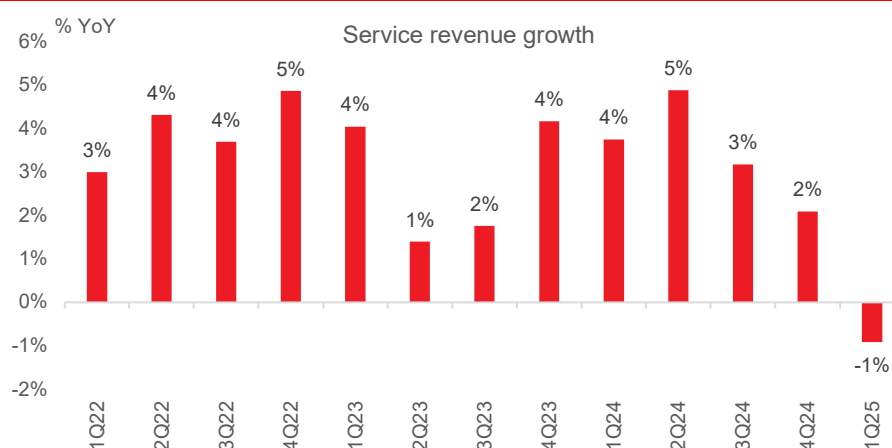
Source: Maxis, AmInvestment Bank

EXHIBIT 3: 1Q25 SUBSCRIBER AND ARPU BREAKDOWN

RMmil	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)
Operational metrics					
Mobile subscriptions ('000)	13,236	12,558	5.4	12,947	2.2
Postpaid (excl. WBB)	5,428	5,033	7.8	5,388	0.7
Prepaid	7,566	7,397	2.3	7,438	1.7
Wireless broadband	121	128	-5.5	121	0.0
Home connections ('000)	727	692	5.1	723	0.6
ARPU (RM/month)	42	45	-5.1	45	-4.7
Postpaid	65	68	-5.4	68	-4.4
Prepaid	26	29	-8.4	28	-6.4
Data usage (GB/month)	33.2	29.5	12.5	31.3	6.1
Postpaid	35.0	32.0	9.4	33.8	3.6
Prepaid	31.9	27.9	14.3	29.5	8.1

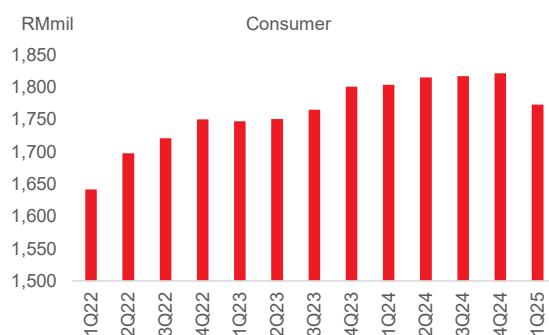
Source: Maxis, AmlInvestment Bank

EXHIBIT 4: SERVICE REVENUE GROWTH



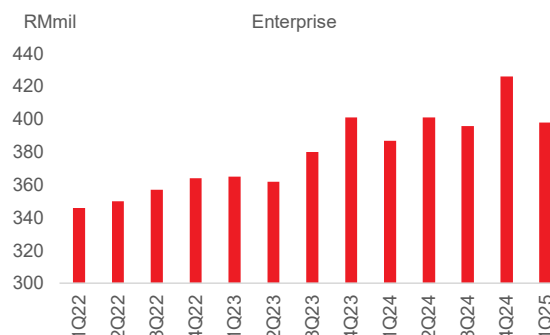
Source: Maxis, AmlInvestment Bank

EXHIBIT 5: CONSUMER REVENUES

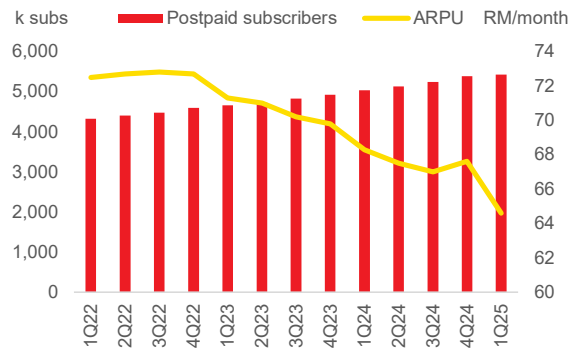


Source: Maxis, AmlInvestment Bank

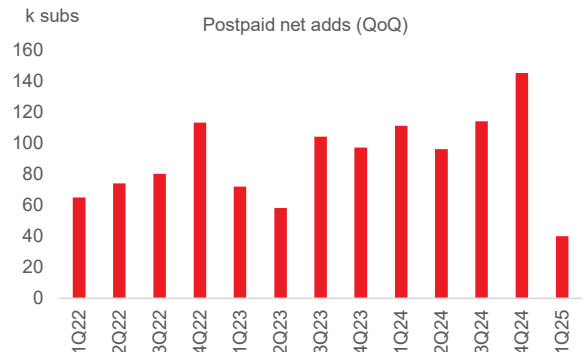
EXHIBIT 6: ENTERPRISE REVENUES



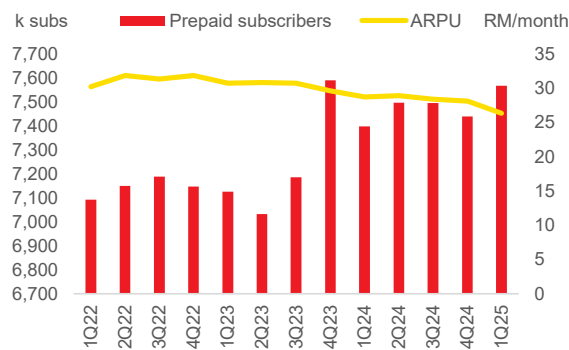
Source: Maxis, AmlInvestment Bank

EXHIBIT 7: POSTPAID SUBSCRIBER AND ARPU

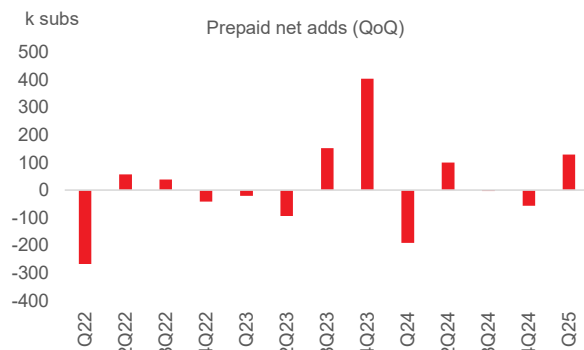
Source: Maxis, AmlInvestment Bank

EXHIBIT 8: POSTPAID NET ADDS

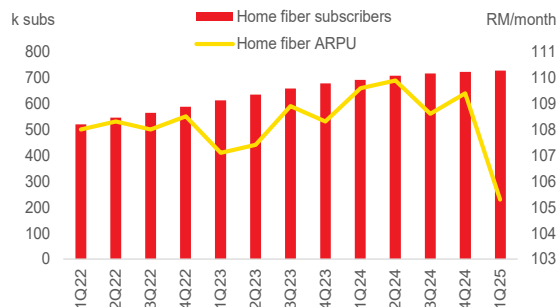
Source: Maxis, AmlInvestment Bank

EXHIBIT 9: PREPAID SUBSCRIBERS AND ARPU

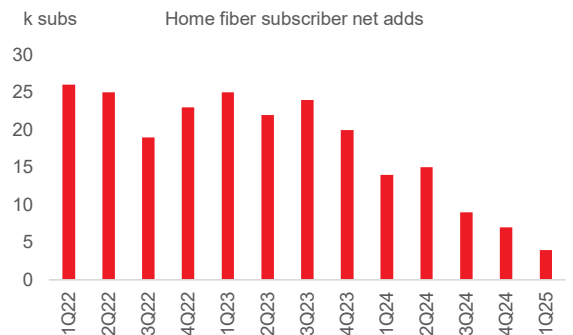
Source: Maxis, AmlInvestment Bank

EXHIBIT 10: PREPAID NET ADDS

Source: Maxis, AmlInvestment Bank

EXHIBIT 11: HOME FIBRE SUBSCRIBERS AND ARPU

Source: Maxis, AmlInvestment Bank

EXHIBIT 12: HOME FIBRE NET ADDS

Source: Maxis, AmlInvestment Bank

Company profile

Maxis is Malaysia's second largest mobile operator. Starting off in mobile, it expanded into the fixed broadband market in 2013. The group serves 13 million customers, which includes postpaid, prepaid and broadband subscribers. In terms of market positioning, it positions itself as a premium brand, historically known for its reliable network. 4G population coverage stands at 95%, supported by more than 11k network sites and 22,000km fibre footprint.

Investment thesis and catalysts

Potential merger with U Mobile. It has been previously reported that Maxis is exploring a buyout of U Mobile. If it fructifies, we see positives from potential merger synergies, market consolidation and enhanced spectrum, with U Mobile being selected to implement Malaysia's second 5G network. Potential hurdles to a deal are pricing and regulatory risks, given it will represent a decrease in competition.

Service revenues have stabilised. Service revenues returned to a growth trajectory in FY21 and have sustained since. This has been driven by pre-to-post migration trends and fixed-mobile convergence. The group has also been gaining service revenue market share.

Valuation methodology

Our target price is derived from an EV/Ebitda multiple of 9.5x and CY26 Ebitda. Our multiple is the two-year average for the Malaysia mobile sector. We believe this is more relevant than the five-year average, as it better reflects the sector de-rating post 5G developments in Malaysia.

With the transition to a wholesale network model for 5G, Malaysia mobile players have undergone a sector derating, on expectations of reduced pricing power in the future and threats of increased competition.

Risk factors

Competition remains the biggest risk, due to the already mature mobile market (high penetration rates) and lower barriers to entry, following a transition to the dual 5G network model. We estimate every 1% decrease in ARPU, lowers earnings by 4%.

EXHIBIT 13: VALUATIONS

Target EV/Ebitda (x) – 1sd to sector 5-year average	9.5x
CY26 Ebitda (RMmil)	RM4,401mil
Enterprise value (RMmil)	RM41,806mil
Less: Borrowings (RMmil)	(RM9,289mil)
Add: Cash (RMmil)	RM464mil
Equity value (RMmil)	RM32,981mil
Shares outstanding (mil shares)	7,832mil
ESG premium	-
12-month target price	RM4.20

Source: AmlInvestment Bank

EXHIBIT 14: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	10,180.0	10,536.0	10,829.8	11,075.1	11,316.5
EBITDA	3,960.0	4,122.0	4,296.3	4,400.6	4,501.8
Depreciation/Amortisation	(1,903.0)	(1,780.0)	(1,838.5)	(1,818.7)	(1,807.4)
Operating income (EBIT)	2,057.0	2,342.0	2,457.8	2,581.9	2,694.4
Other income & associates	(167.0)	(18.0)	-	-	-
Net interest	(446.0)	(447.0)	(418.2)	(378.9)	(341.5)
Exceptional items	-	-	-	-	-
Pretax profit	1,444.0	1,877.0	2,039.6	2,203.0	2,352.9
Taxation	(452.0)	(481.0)	(509.9)	(550.8)	(588.2)
Minorities/pref dividends	1.0	-	-	-	-
Net profit	993.0	1,396.0	1,529.7	1,652.3	1,764.7
Core net profit	1,354.0	1,396.0	1,529.7	1,652.3	1,764.7
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	7,210.0	6,885.0	6,787.2	6,734.5	6,717.9
Intangible assets	11,193.0	11,042.0	10,817.4	10,602.0	10,395.4
Other long-term assets	1,337.0	1,492.0	1,492.0	1,492.0	1,492.0
Total non-current assets	19,740.0	19,419.0	19,096.6	18,828.5	18,605.3
Cash & equivalent	569.0	464.0	738.4	928.1	1,233.3
Stock	22.0	17.0	15.8	16.1	16.4
Trade debtors	2,450.0	2,419.0	2,435.4	2,490.5	2,544.7
Other current assets	-	4.0	4.0	4.0	4.0
Total current assets	3,041.0	2,904.0	3,193.6	3,438.7	3,798.4
Trade creditors	4,126.0	4,111.0	4,342.0	4,435.7	4,528.9
Short-term borrowings	857.0	1,193.0	910.9	858.5	811.1
Other current liabilities	439.0	297.0	297.0	297.0	297.0
Total current liabilities	5,422.0	5,601.0	5,549.9	5,591.3	5,637.0
Long-term borrowings	8,915.0	8,096.0	7,799.3	7,325.4	6,894.3
Other long-term liabilities	2,700.0	2,720.0	2,758.4	2,768.9	2,779.2
Total long-term liabilities	11,615.0	10,816.0	10,557.8	10,094.2	9,673.6
Shareholders' funds	5,743.0	5,905.0	6,181.5	6,580.7	7,092.2
Minority interests	1.0	1.0	1.0	1.0	1.0
BV/share (RM)	0.73	0.75	0.79	0.84	0.91
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	1,444.0	1,877.0	2,039.6	2,203.0	2,352.9
Depreciation/Amortisation	1,903.0	1,780.0	1,838.5	1,818.7	1,807.4
Net change in working capital	(857.0)	(651.0)	254.4	48.7	49.0
Others	326.0	51.0	(64.6)	(134.2)	(198.0)
Cash flow from operations	2,816.0	3,057.0	4,067.9	3,936.2	4,011.4
Capital expenditure	(1,141.0)	(1,011.0)	(1,191.3)	(1,218.3)	(1,244.8)
Net investments & sale of fixed assets	1.0	1.0	-	-	-
Others	376.0	317.0	-	-	-
Cash flow from investing	(764.0)	(693.0)	(1,191.3)	(1,218.3)	(1,244.8)
Debt raised/(repaid)	(362.0)	(737.0)	(903.7)	(858.6)	(818.0)
Equity raised/(repaid)	3.0	-	-	-	-
Dividends paid	(1,331.0)	(1,253.0)	(1,253.1)	(1,253.1)	(1,253.1)
Others	(421.0)	(479.0)	(445.3)	(416.5)	(390.3)
Cash flow from financing	(2,111.0)	(2,469.0)	(2,602.2)	(2,528.2)	(2,461.4)
Net cash flow	(59.0)	(105.0)	274.4	189.7	305.2
Net cash/(debt) b/f	628.0	569.0	464.0	738.4	928.1
Net cash/(debt) c/f	569.0	464.0	738.4	928.1	1,233.3
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	4.0	3.5	2.8	2.3	2.2
EBITDA growth (%)	1.0	4.1	4.2	2.4	2.3
Pretax margin (%)	14.2	17.8	18.8	19.9	20.8
Net profit margin (%)	9.8	13.2	14.1	14.9	15.6
Interest cover (x)	4.6	5.2	5.9	6.8	7.9
Effective tax rate (%)	31.3	25.6	25.0	25.0	25.0
Dividend payout (%)	134.0	89.8	81.9	75.8	71.0
Debtors turnover (days)	82	84	82	81	81
Stock turnover (days)	1	1	1	1	1
Creditors turnover (days)	149	143	142	145	145

Source: Company, AmlInvestment Bank Bhd estimates

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