

22 August 2025

Maxis

Cost Efficiencies Cushion Revenue Dip

By Kylie Chan Sze Zan | kyliechan@kenanga.com.my

MAXIS' 1HFY25 results were within expectations as cost efficiencies balanced weaker service revenue. YTD service revenue (-0.7%) missed guidance of low single-digit growth but would have shown slight growth, excluding the SafeDevice accounting adjustment. QoQ subscriber trends were robust in postpaid and home fibre, while prepaid performance was mixed (as churn lingered but long-term ARPU decline finally reversed). We tweak our FY25F/26F earnings by 7%/2%, lower our TP to RM3.56 (from RM3.80) but maintain our MARKET PERFORM call.

Tracked expectations. MAXIS's 1HFY25 core net profit of RM773m met expectations, accounting for 54% of our full-year forecast, and 53% of consensus estimates. MAXIS declared 2QFY25 DPS of 4 sen (1QFY24: 4 sen), bringing 1HFY25 DPS to 8 sen (1HFY24: 8 sen), which was within our full-year projection.

If not for SafeDevice accounting treatment, service revenue would have grown. 1HFY25 service revenue (-0.7% YoY) landed below MAXIS' full-year guidance of low single-digit growth (FY24: 3.5%). The decline was mainly attributed to: (i) reduced regulated interconnect rates, and (ii) a new commercial arrangement for MAXIS' SafeDevice programme. To recap, this scheme offers smartphone insurance-like coverage, but from 1QFY25 onwards, MAXIS has been recognizing only net commissions (instead of gross amount). On a brighter note, service revenue decline was partially cushioned by growth at the enterprise mobile segment (+4.5% YTD) on the back of increased subscriptions.

Encouragingly, 2QFY25 service revenue inched up 1.5% QoQ – indicating that underlying growth remains intact once the SafeDevice impact is stripped out. In addition, MAXIS also reassured that 2QFY25 service revenue (-0.5% YoY) would have recorded a “slight” YoY expansion” on an adjusted basis.

Commendable bottom line expansion from effective cost management. Despite top-line weakness, 1HFY25 core net profit expanded by 7% YoY, mainly driven by cost efficiencies, particularly lower device subsidies from improved terms with device manufacturers.

Overall subscriber trends broadly resilient but prepaid performance was mixed. Sequential subscriber net adds remained resilient in 2QFY25 for: (i) postpaid – eased to +58K (1QFY25: +100K) but growth streak has continued since 2QFY21 though ARPU retraced slightly to RM71.3 (1QFY25: RM71.8), and (ii) home – slowed further to +1K (1QFY25: +3K) while ARPU held steady in spite of intense price competition.

While prepaid subscribers contracted by 21K in 2QFY25 for the 3rd straight quarter, ARPU finally reversed its long-term downtrend (since 4QFY22) to RM35.3 (1QFY25: RM34.3). This was attributed to targeted product offerings, most recently for travellers and budget-savvy consumers.

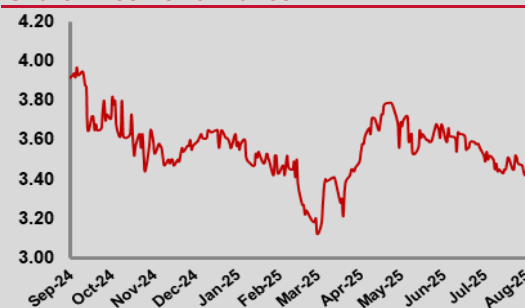
Key takeaways from MAXIS' results' briefing are as follows:

1. MAXIS reaffirmed its FY25 growth guidance on service revenue (low single-digit) and EBITDA (flat to low single-digit). However, the group revised its capex guidance to the region of RM1b (previous: less than RM1b) – reflecting slightly higher investments in fibre network infrastructure and the enterprise segment.

MARKET PERFORM ↔

Price : RM3.44
Target Price: RM3.56 ↓

Share Price Performance



KLCI 1,592.87
YTD KLCI chg -3.0%
YTD stock price chg -5.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MAXIS MK EQUITY
Market Cap (RM m)	26,952.7
Shares Outstanding	7,833.0
52-week range (H)	4.00
52-week range (L)	3.11
3-mth avg. daily vol.	2,385,984
Free Float	24%
Beta	1.0

Major Shareholders

Binariang GSM Sdn Bhd	62.2%
Employees Provident Fund	12.0%
Amanah Saham Nasional	10.4%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Revenue	10,499	10,484	10,388
EBITDA	4,144	4,338	4,190
EBIT	2,346	2,545	2,406
PBT	1,877	2,070	2,022
Net Profit (NP)	1,396	1,542	1,497
Core Net Profit	1,418	1,542	1,497
Consensus NP	-	1,474	1,562
Earnings Revision	-	7.1	2.4
EBITDA Margin	39.5	41.4	40.3
Core EPS (sen)	18.1	19.7	19.1
Core EPS Growth	15.2	9.1	-3.0
DPS (sen)	17.0	16.0	16.0
BVPS (RM)	0.8	0.8	0.8
Core PER (x)	19.0	17.4	18.0
PBV (x)	4.6	4.3	4.2
Net Gearing (x)	1.5	1.1	1.0
Div. Yield (%)	4.9	4.7	4.7

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2. MAXIS sees potential to leverage its relationship with China Mobile International (CMI) to tap into CMI's enterprise clientele, particularly China-based companies operating in Malaysia. To recap, MAXIS recently partnered with CMI to launch CMLink, its mobile virtual network operator (MVNO) business in Malaysia, which will be hosted on MAXIS's mobile network.

Forecast. We lower our traffic cost assumptions in FY25F–26F to align with actual 1HFY25 run rates, resulting in a 7%/2% rise in our FY25F/26F earnings.

Valuations. We cut our TP for MAXIS to RM3.56 (from RM3.80) after lowering our valuation multiple to 8.0x FY25F EV/EBITDA (from 8.5x), or 1SD below its 5-year historical average. This reflects our concern over potential future earnings headwinds as we cannot fully discount the possibility that MAXIS and other mobile network operators may transition from usage-based billing for 5G access to fixed minimum fees. This change was already implemented by TM in 1QFY25 and stipulated in the access agreement with Digital Nasional Berhad (DNB). Should this occur, MAXIS could lag CDB in profitability, given its lower 5G traffic volumes stemming from a subscriber base that is c. 50% smaller.

There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. In FY24, MAXIS delivered robust service revenue growth and demonstrated efficient cost management partly driven by an expanded postpaid and home fibre subscriber base. However, sustaining this momentum in FY25 may be challenging due to: (i) heated competition for convergence customers as TM and CDB's pivot into this space may derail MAXIS' subscriber growth, and (ii) absence of a one-off YoY earnings boost from a new wholesale contract in FY24 to provide 4G and 2G services for TM. Maintain **MARKET PERFORM**.

Risks to our call include: (i) competition between mobile players turns irrational, (ii) market share and margin erosion in the fixed segment amid intensifying competition for convergence customers, and (iii) slower-than-expected 5G adoption among its enterprise customers (likely dominated by SMEs) due to the need for substantial technology investments and hesitance to overhaul legacy processes and retrench staff.

Results Highlights								
	2Q	1Q	QoQ	2Q	YoY	6M	6M	YTD
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	2,562.0	2,608.0	-1.8%	2,586.0	-0.9%	5,170.0	5,189.0	-0.4%
EBITDA	1,097.0	1,052.0	4.3%	1,043.0	5.2%	2,149.0	2,088.0	2.9%
Depreciation	(446.0)	(441.0)	1.1%	(439.0)	1.6%	(887.0)	(887.0)	0.0%
Net Finance Costs	(110.0)	(111.0)	-0.9%	(112.0)	-1.8%	(221.0)	(228.0)	-3.1%
EI	(4.0)	0.0	nm	(9.0)	-55.6%	(4.0)	(11.0)	-63.6%
PBT	537.0	500.0	7.4%	483.0	11.2%	1,037.0	962.0	7.8%
Taxation	(139.0)	(129.0)	7.8%	(127.0)	9.4%	(268.0)	(253.0)	5.9%
Minority Interest	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Reported Net Profit	398.0	371.0	7.3%	356.0	11.8%	769.0	709.0	8.5%
Core Net Profit	402.0	371.0	8.4%	365.0	10.1%	773.0	720.0	7.4%
Core EPS (sen)	5.2	4.7	9.6%	4.7	9.2%	9.9	9.2	6.6%
DPS (sen)	4.0	4.0	0.0%	4.0	0.0%	8.0	8.0	0.0%
EBITDA margin	42.8%	40.3%		40.3%		41.6%	40.2%	
PBT Margin	21.0%	19.2%		18.7%		20.1%	18.5%	
Core Net margin	15.7%	14.2%		14.1%		15.0%	13.9%	
Effective Tax Rate	-25.9%	-25.8%		-26.3%		-25.8%	-26.3%	

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Segmental Highlights								
FYE Dec (RM m)	2Q FY25	1Q FY25	QoQ Chg	2Q FY24	YoY Chg	6M FY25	6M FY24	YTD Chg
Service Revenue	2,204.0	2,171.0	1.5%	2,216.0	-0.5%	4,375.0	4,407.0	-0.7%
- Consumer								
> Postpaid	933	924	1.0%	916	1.9%	1,857	1,827	1.6%
> Prepaid	610	595	2.5%	648	-5.9%	1,205	1,297	-7.1%
> Fiber	254	254	0.0%	251	1.2%	508	495	2.6%
- Enterprise								
> Mobile	207	213	-2.8%	202	2.5%	420	402	4.5%
> Fixed & Solutions	200	185	8.1%	199	0.5%	385	386	-0.3%
- Device	358	437	-18.1%	370	-3.2%	795	782	1.7%
Total Revenue	2,562	2,608	-1.8%	2,586	-0.9%	5,170	5,189	-0.4%

Source: Company, Kenanga Research

Key Operating Metrics					
	2Q FY25	1Q FY25	QoQ Net Adds	2Q FY24	YoY Net Adds
Subscribers ('000)					
- Postpaid	4,040	3,982	58	3,724	316
- Prepaid	5,770	5,791	(21)	5,816	(46)
- Consumer Fibre	788	787	1	777	11
- Consumer WBB	0	81	(81)	87	(87)
ARPU (RM)					
- Postpaid	71.3	71.8		74.4	
- Prepaid	35.3	34.3		37.1	
- Home Connectivity	110.2	110.1		110	

Source: Company, Kenanga Research

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.			1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	MP	2.55	2.15	-15.7%	23,423.0	Y	12/2025	5.2	5.5	-44.0%	5.6%	49.0	46.4	1.3	2.3%	11.0	4.3%
CELCOMDIGI BHD	OP	3.63	4.19	15.4%	42,585.4	Y	12/2025	14.4	16.1	-5.8%	11.6%	25.2	22.6	2.6	10.4%	12.0	3.3%
MAXIS BHD	MP	3.44	3.56	3.5%	26,952.7	Y	12/2025	19.7	19.1	8.8%	-3.0%	17.4	18.0	4.3	25.5%	16.0	4.7%
OCC GROUP BHD	MP	0.400	0.380	-5.0%	420.4	Y	06/2025	3.9	2.7	30.1%	-31.9%	10.2	15.0	0.6	6.4%	2.0	5.0%
TELEKOM MALAYSIA BHD	OP	7.10	8.15	14.8%	27,247.9	Y	12/2025	47.4	47.6	-11.8%	0.4%	15.0	14.9	2.5	17.3%	33.0	4.6%
TIME DOTCOM BHD	OP	5.21	5.91	13.4%	9,632.4	Y	12/2025	26.3	28.9	11.1%	10.0%	19.8	18.0	2.5	12.6%	32.0	6.1%
SECTOR AGGREGATE					130,261.8					-8.2%	3.6%	21.6	20.9	2.3	12.4%		4.7%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Cybersecurity & Data Privacy	★	★	★		
	Network Quality & Coverage	★	★	★		
	Digitalisation & Innovation	★	★	★		
	Supply Chain Management	★	★	★		
	Talent Management	★	★	★		
	Customer Satisfaction	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my