Maxis

Cost Discipline Fuels Profit Growth

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MARKET PERFORM ↔

Price : RM3.95

Target Price: RM3.56 ↔

MAXIS's 9MFY25 results met our expectations as cost efficiencies cushioned soft service revenue. YTD service revenue (-0.1%) fell short of low single-digit growth guidance, though underlying growth would have been stronger if not for SafeDevice accounting adjustments. On a brighter note, the enterprise segment gained strong traction in 3QFY25, led by network (including data center connectivity), cloud, and wholesale services.

QoQ mobile net adds were resilient for postpaid, and turned positive for prepaid (supported by targeted marketing approach). Prepaid ARPU inched up QoQ (from targeted offerings) but postpaid ARPU declined (likely diluted by high uptake of entry level plans). We maintain our earnings forecasts, TP of RM3.56 and MARKET PERFORM call.

Within our projections, but above market expectations. MAXIS's 9MFY25 core net profit of RM1.19b (+9% YoY) tracked our expectations, but outperformed consensus, representing 77% of our full-year forecast, and 81% of street estimate.

MAXIS declared 3QFY25 DPS of 4 sen (1QFY24: 4 sen), bringing 9MFY25 DPS to 12 sen (9MFY24: 12 sen), which was within our full-year projection.

Service revenue resumes growth following 1QFY25 accounting change. 9MFY25 service revenue slipped marginally by 0.1% YoY, falling short of MAXIS' full-year guidance of low single-digit growth (FY24: +3.5%). The minor decline was largely driven by: (i) lower regulated interconnect rates, and (ii) a revised commercial arrangement for the SafeDevice programme introduced in 1QFY25. For the latter, smartphone protection plans are now recognized on net commission basis (rather than gross amount). Excluding this impact, service revenue would have shown stronger underlying performance, as evidenced by its growth in 3QFY25 (QoQ: +1.7%, YoY: +1.3%).

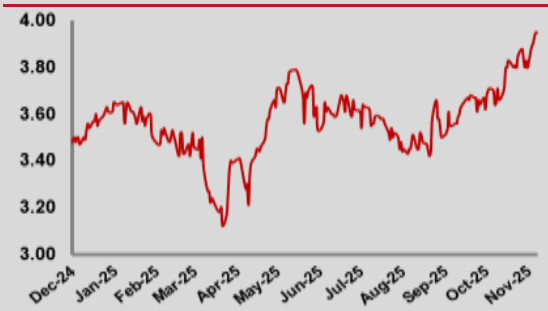
Traction at enterprise segment partly uplifted by data center connectivity. On a positive note, service revenues received an uplift from higher segmental growth at: (i) postpaid and fiber: supported by enlarged subscriber bases, and (ii) enterprise: driven by higher mobile subscriptions and increased wholesale services.

In particular, the growth in enterprise in 3QFY25 was driven by non-mobile revenues (QoQ: +6%, YoY: +13%) such as network solutions (including data center connectivity), cloud solutions, and wholesale services. The expansion was supported by the combination of: (i) recurring revenue growth, and (ii) lumpy one-off contributions from the delivery of major enterprise projects.

Cost excellence drives profits. Despite muted service revenue, 9MFY25 core net profit rose 9% YoY, supported by commendable EBITDA margin expansion of 1.6 ppts to 42% (9MFY24: 40.4%) from sustained cost efficiency. The improvement was driven by key cost initiatives such as productivity enhancements, network optimization, and digitalization efforts.

Subscriber net adds: Resilient for postpaid and finally turned positive for prepaid. Sequential subscriber net adds in 3QFY25 remained resilient for postpaid (+50k) and finally turned around for prepaid (+7k) after 3 consecutive quarters of decline. The subscriber base expansion underscores MAXIS's success in executing a targeted approach in acquiring and retaining customers.

Share Price Performance



KLCI	1,619.13
YTD KLCI chg	-1.4%
YTD stock price chg	8.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MAXIS MK EQUITY
Market Cap (RM m)	30,948.6
Shares Outstanding	7,835.1
52-week range (H)	3.97
52-week range (L)	3.11
3-mth avg. daily vol.	3,388,280
Free Float	24%
Beta	1.1

Major Shareholders

Binariang GSM SdnBhd	62.2%
Employees Provident Fund	12.7%
Amanah Saham Nasional	10.4%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Revenue	10,499	10,524	10,450
EBITDA	4,144	4,344	4,195
EBIT	2,346	2,542	2,395
PBT	1,877	2,067	2,011
Net Profit (NP)	1,396	1,540	1,488
Core Net Profit	**1,418**	**1,540**	**1,488**
Consensus NP	-	1,498	1,573
Earnings Revision	-	-	-
EBITDA Margin	39.5	41.3	40.1
Core EPS (sen)	18.1	19.7	19.0
Core EPS Growth	15.2	9.0	-3.4
DPS (sen)	17.0	16.0	16.0
BVPS (RM)	0.8	0.8	0.8
Core PER (x)	21.8	20.0	20.7
PBV (x)	5.2	5.0	4.8
Net Gearing (x)	1.5	1.1	1.0
Div. Yield (%)	4.3	4.1	4.1

ARPU: Prepaid stronger due to targeted approach, but postpaid faltered likely due to dilution from entry level plans. The effectiveness of these targeted offerings also supported a modest improvement in prepaid ARPU, which inched up to RM35.8 (2QFY25: RM35.3). However, postpaid ARPU continued to decline for the 3rd consecutive quarter, easing to RM70.8 (2QFY25: RM71.3). This likely reflected ARPU dilution from strong net adds from entry-level Hotlink postpaid plans.

Lackluster home fiber trends. On a more subdued note, home fibre subscriber growth came to a halt in 3QFY25 after steadily tapering off since 1QFY24, resulting in a stable subscriber base. This occurred alongside a slight ARPU contraction to RM109.5 (2QFY25: RM110.2), likely reflecting competitive pressures that prompted discounts or rebates.

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

1. MAXIS maintained its FY25 growth guidance on service revenue (low single-digit) but upgraded its EBITDA guidance to mid-single digit (previous: flat to low single-digit). The revision aligns with its solid YTD EBITDA growth of 3.8% YoY (FY24: +2.9% YoY).
2. YTD, MAXIS has delivered connectivity services to 39 major data centers (DC) via up to 3 fiber routes for network resiliency. In response to strong demand for DC connectivity, the group plans to invest c. RM400m to build two new high-capacity fiber routes supporting cross-border traffic between Malaysia, Thailand and Singapore. Capex for this North South Fiber Trunk Expansion project will be largely deployed over FY26–27, and form part of MAXIS's annual capex guidance. The consumer fibre segment is also expected to benefit, by leveraging these main trunk routes to extend its network reach.
3. For these upcoming fiber links, MAXIS has secured partial capacity offtake from certain clients. The group anticipates signing additional offtakers as construction progresses toward completion over the next two years.

Forecast. Maintained

Valuations. We maintain our TP of RM3.56 based on unchanged valuation of 8.0x FY25F EV/EBITDA. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. MAXIS's YTD EBITDA growth underscores effective cost management, translating into robust bottom-line growth. However, looking ahead, we remain cautious that MAXIS' smaller scale places it at a structural disadvantage relative to its key competitor, which commands a subscriber base that is larger by c. 50%. This could exert earnings pressure if mobile network operators, including MAXIS, shift from usage-based billing for 5G access to fixed minimum fees payable to Digital Nasional Berhad (DNB). Recall that this change was adopted by TM earlier in 1QFY25, under its access agreement with DNB. Should a similar transition be implemented industry-wide, MAXIS may trail its largest peer in profitability, given lower 5G traffic volumes arising from a smaller subscriber base. 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

FYE Dec (RM m)	3Q FY25	2Q FY25	QoQ Chg	3Q FY24	YoY Chg	9M FY25	9M FY24	YTD Chg
Revenue	2,589.0	2,562.0	1.1%	2,576.0	0.5%	7,759.0	7,765.0	-0.1%
EBITDA	**1,106.0**	**1,097.0**	0.8%	**1,049.0**	5.4%	**3,255.0**	**3,137.0**	3.8%
Depreciation	(448.0)	(446.0)	0.4%	(443.0)	1.1%	(1,335.0)	(1,330.0)	0.4%
Net Finance Costs	(107.0)	(110.0)	-2.7%	(110.0)	-2.7%	(328.0)	(338.0)	-3.0%
EI	(7.0)	(4.0)	75.0%	(9.0)	-22.2%	(11.0)	(20.0)	-45.0%
PBT	544.0	537.0	1.3%	487.0	11.7%	1,581.0	1,449.0	9.1%
Taxation	(132.0)	(139.0)	-5.0%	(121.0)	9.1%	(400.0)	(374.0)	7.0%
Minority Interest	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Reported Net Profit	**412.0**	**398.0**	3.5%	**366.0**	12.6%	**1,181.0**	**1,075.0**	9.9%
Core Net Profit	**419.0**	**402.0**	4.2%	**375.0**	11.7%	**1,192.0**	**1,095.0**	8.9%
Core EPS (sen)	5.4	5.2	4.6%	4.7	14.4%	15.2	14.0	9.2%
DPS (sen)	4.0	4.0	0.0%	4.0	0.0%	12.0	12.0	0.0%
EBITDA margin	42.7%	42.8%		40.7%		42.0%	40.4%	
PBT Margin	21.0%	21.0%		18.9%		20.4%	18.7%	
Core Net margin	16.2%	15.7%		14.6%		15.4%	14.1%	
Effective Tax Rate	-24.3%	-25.9%		-24.8%		-25.3%	-25.8%	

Segmental Highlights

FYE Dec (RM m)	3Q FY25	2Q FY25	QoQ Chg	3Q FY24	YoY Chg	9M FY25	9M FY24	YTD Chg
Service Revenue	2,241.0	2,204.0	1.7%	2,213.0	1.3%	6,616.0	6,620.0	-0.1%
- Consumer								
> Postpaid	952	933	2.0%	925	2.9%	2,809	2,752	2.1%
> Prepaid	616	610	1.0%	641	-3.9%	1,821	1,938	-6.0%
> Fiber	255	254	0.4%	251	1.6%	763	746	2.3%
- Enterprise								
> Mobile	207	207	0.0%	209	-1.0%	627	611	2.6%
> Fixed & Solutions	211	200	5.5%	187	12.8%	596	573	4.0%
- Device	348	358	-2.8%	363	-4.1%	1,143	1,145	-0.2%
Total Revenue	**2,589**	**2,562**	1.1%	**2,576**	0.5%	**7,759**	**7,765**	-0.1%

Source: Company, Kenanga Research

Key Operating Metrics					
	3Q	2Q	QoQ	3Q	YoY
Subscribers ('000)	FY25	FY25	Net Adds	FY24	Net Adds
- Postpaid	4,090	4,040	50	3,797	293
- Prepaid	5,777	5,770	7	5,861	(84)
- Consumer Fibre	788	788	0	782	6
- Consumer WBB	0	0	0	84	(84)
ARPU (RM)					
- Postpaid	70.8	71.3		73.5	
- Prepaid	35.8	35.3		36.9	
- Home Connectivity	109.5	110.2		109	

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)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	MP	2.60	2.70	3.8%	23,884.3	Y	12/2025	5.2	5.5	-44.2%	5.7%	50.2	47.5	1.3	1.2%	11.0	4.2%
CELCOMDIGI BHD	OP	3.70	4.19	13.2%	43,406.6	Y	12/2025	14.4	16.1	-5.8%	11.6%	25.7	23.0	2.7	10.4%	12.0	3.2%
MAXIS BHD	MP	3.95	3.56	-9.9%	30,948.6	Y	12/2025	19.7	19.1	8.8%	-3.0%	20.0	20.6	5.0	25.5%	16.0	4.1%
OCK GROUP BHD	OP	0.455	0.530	16.5%	481.4	Y	06/2025	3.3	3.7	12.4%	11.8%	13.9	12.4	0.8	5.6%	1.0	2.2%
TELEKOM MALAYSIA BHD	OP	7.22	8.15	12.9%	27,708.5	Y	12/2025	47.3	47.4	-12.0%	0.3%	15.3	15.2	2.6	16.9%	32.5	4.5%
TIME DOTCOM BHD	OP	4.87	5.91	21.4%	9,003.7	Y	12/2025	26.1	28.7	10.6%	9.9%	18.6	16.9	2.4	12.2%	30.5	6.3%
SECTOR AGGREGATE					**135,433.0**					**-8.4%**	**3.9%**	**22.5**	**21.7**	**2.4**	**12.0%**		**4.1%**

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

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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