Maxis

Soft Revenue but Strong Efficiency

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MARKET PERFORM ↔

Price :	**RM3.83**
Target Price:	**RM3.63 ↑**

MAXIS's FY25 results met our expectations as lower costs boosted bottomline amid modest service revenue growth. QoQ subscriber growth and net adds for the mobile segment showed significant improvement. However, the home segment delivered mixed results, as ARPU erosion sustained. New FY26F growth guidance of low single-digit for both service revenue and EBIT allude to a cautious stance. We raised our FY26F earnings by 8%, tweaked our TP higher to RM3.63 (from RM3.56), but maintain our MARKET PERFORM call.

Results in-line, but slightly higher special divvy catches attention. MAXIS' FY25 core net profit of RM1.58bn (+12% YoY) came in broadly in line with both our estimates and consensus forecasts, accounting for 103% of full-year projections.

MAXIS declared 4QFY25 DPS of 4 sen (4QFY24: 4 sen), and a one-time DPS of 1.5 sen (4QFY24: 1 sen), bringing FY25 DPS to 17.5 sen (FY24: 17 sen), which was above our expectation.

Service revenue edges up despite high base effect. FY25 service revenue growth (0.5% YoY) fell short of MAXIS' full-year guidance of low single-digit growth (FY24: +3.5%). The underperformance was primarily due to drag from: (i) reduced regulated interconnect rates, and (ii) changes to the commercial structure of the Maxis Device Care program implemented in 1QFY25. Under the revised arrangement, revenue from smartphone protection plans is now recorded on a net commission basis (instead of gross).

Service revenue growth was primarily supported by: (i) postpaid subscriber base expansion - driven by new customer acquisitions and prepaid migration, and (ii) stronger wholesale contributions within the enterprise fixed and solutions segment.

Operational efficiencies propel bottomline. Despite modest service revenue growth, FY25 core net profit expanded 12% YoY from continuous cost management. This was underpinned by initiatives such as productivity enhancements, network optimization, and digitalization.

Looking ahead, MAXIS plans to leverage generative AI to enhance customer experience and drive efficiency. As an initial step, the group has deployed Google Gemini–powered conversational AI within its call centres. As a result, the group generated manpower cost savings and improved service productivity.

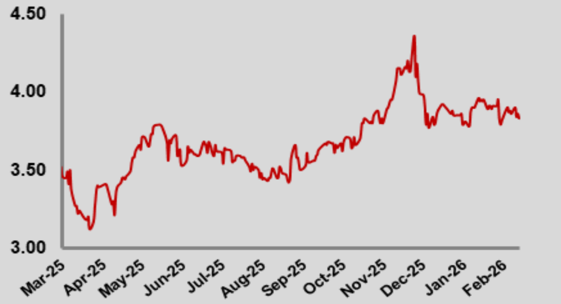
Robust mobile ARPU and net adds, though home segment trends diverge.

Prepaid net adds in 4QFY25 surged to +49k after recovering in 3QFY25 (+7k), while ARPU expanded to RM36 (3QFY25: RM35.8). The improvements were driven by cross-selling and up-selling initiatives.

Meanwhile, postpaid net adds were robust (+62k) in 4QFY25, extending MAXIS' uninterrupted growth streak since 2QFY21. ARPU ticked higher to RM71.7 (3QFY25: RM70.8), even as pre-to-postpaid migration continued.

For the Home segment, fiber net adds jumped (+11k) after a flat 3QFY25, largely driven by wireless broadband (WBB) connections. However, ARPU declined to RM108.5 (3QFY25: RM109.5) - likely reflecting a larger base of WBB subscribers on lower-value plans, and heightened price competition.

Share Price Performance



KLCI	1,750.85
YTD KLCI chg	4.2%
YTD stock price chg	1.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MAXIS MK EQUITY
Market Cap (RM m)	30,008.4
Shares Outstanding	7,835.1
52-week range (H)	4.36
52-week range (L)	3.11
3-mth avg. daily vol.	2,673,367
Free Float	24%
Beta	1.1

Major Shareholders

Binariang GSM Sdn Bhd	62.2%
Employees Provident Fund	13.4%
Amanah Saham Nasional	10.4%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Revenue	10,635	10,766	10,870
EBITDA	4,302	4,448	4,506
EBIT	2,521	2,641	2,686
PBT	2,067	2,153	2,228
Net Profit (NP)	1,561	1,604	1,666
Core Net Profit	**1,583**	**1,604**	**1,666**
Consensus NP	-	1,539	1,622
Earnings Revision	-	+7.8%	NEW
EBITDA Margin	40.5	41.3	41.5
Core EPS (sen)	20.2	20.5	21.3
Core EPS Growth	11.6	1.7	3.9
DPS (sen)	17.5	17.5	17.5
BVPS (RM)	0.8	0.8	0.9
Core PER (x)	19.0	18.7	18.0
PBV (x)	4.9	4.7	4.5
Net Gearing (x)	1.4	1.1	1.1
Div. Yield (%)	4.6	4.6	4.6

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

1. MAXIS guided for low single-digit growth in FY26 for both service revenue (FY25: +1.3% YoY) and EBITDA (FY25: +4% YoY). This marks a moderation from its FY25 guidance of mid-single-digit EBITDA growth, alluding to a more cautious stance.
2. For FY26, MAXIS guided capex intensity of 10%–12% of total revenue (FY25: 9%). While FY25 capex was primarily driven by investments to future-proof and enhance network capabilities, FY26 spending will be focused on fiberization projects. These investments will support both internal network requirements and customer-driven projects. This aligns with MAXIS' strategy to deepen its participation in data centre (DC) connectivity, following the completion of 47 major DC projects in FY25 for clients such as AIMS and NTT.
3. MAXIS' key DC connectivity offerings include: (i) international private leased circuits (PLC) linking Malaysia, Singapore and Thailand; (ii) domestic PLC; (iii) managed wavelength (managed "lambda"), and (iv) dark fibre. In addition to these wholesale bandwidth solutions, MAXIS also provides last-mile connectivity to enterprise tenants within DCs.

Forecast. We introduce FY27F earnings while raising FY26F profit by 8% to reflect higher net adds and ARPUs across the board.

Valuations. We raised our TP slightly to RM3.63 (from 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 solid FY25 EBITDA growth reflects disciplined cost management, which has led to bottom-line expansion. However, moving forward, we remain cautious on its earnings trajectory given its relatively smaller scale. As MAXIS's subscriber base is roughly 50% smaller than that of its key competitor, it faces heightened exposure under an evolving 5G cost structure.

In particular, we are concerned that earnings risk could emerge if MAXIS transitions from usage-based 5G access charges to fixed minimum fees payable to Digital Nasional Berhad (DNB). Recall that this pricing model was already adopted by major players in FY25 (i.e. TM and CDB) under their access agreements with DNB. Should this become the industry standard, MAXIS' smaller subscriber base (c. 50% smaller than that of its key competitor) and correspondingly lower 5G traffic volumes would limit its ability to absorb fixed costs efficiently. 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

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YTD
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	2,876.0	2,589.0	11.1%	2,771.0	3.8%	10,635.0	10,499.4	1.3%
EBITDA	**1,078.0**	**1,106.0**	-2.5%	**989.0**	9.0%	**4,302.0**	**4,144.0**	3.8%
Depreciation	(477.0)	(448.0)	6.5%	(450.0)	6.0%	(1,781.0)	(1,798.0)	-0.9%
Net Finance Costs	(104.0)	(107.0)	-2.8%	(109.0)	-4.6%	(432.0)	(447.0)	-3.4%
EI	(11.0)	(7.0)	57.1%	(2.0)	>100%	(22.0)	(22.0)	0.0%
PBT	486.0	544.0	-10.7%	428.0	13.6%	2,067.0	1,877.0	10.1%
Taxation	(106.0)	(132.0)	-19.7%	(107.0)	-0.9%	(506.0)	(481.0)	5.2%
Minority Interest	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Reported Net Profit	**380.0**	**412.0**	-7.8%	**321.0**	18.4%	**1,561.0**	**1,396.0**	11.8%
Core Net Profit	**391.0**	**419.0**	-6.7%	**323.0**	21.1%	**1,583.0**	**1,418.0**	11.6%
Core EPS (sen)	4.9	5.4	-8.4%	4.1	19.7%	20.2	18.1	11.6%
DPS (sen)	5.5	4.0	37.5%	5.0	10.0%	17.5	17.0	2.9%
EBITDA margin	37.5%	42.7%		35.7%		40.5%	39.5%	
PBT Margin	16.9%	21.0%		15.4%		19.4%	17.9%	
Core Net margin	13.6%	16.2%		11.7%		14.9%	13.5%	
Effective Tax Rate	-21.8%	-24.3%		-25.0%		-24.5%	-25.6%	

Segmental Highlights								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YTD
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Service Revenue	2,297.0	2,240.0	2.5%	2,248.0	2.2%	8,912.0	8,868.0	0.5%
- Consumer								
> Postpaid	976	952	2.5%	948	3.0%	3,785	3,700	2.3%
> Prepaid	624	616	1.3%	627	-0.5%	2,445	2,565	-4.7%
> Fiber	255	254	0.4%	247	3.2%	1,017	993	2.4%
- Enterprise								
> Mobile	214	207	3.4%	216	-0.9%	841	827	1.7%
> Fixed & Solutions	228	211	8.1%	210	8.6%	824	783	5.2%
- Device	580	348	66.7%	523	10.9%	1,723	1,668	3.3%
Total Revenue	**2,877**	**2,588**	11.2%	**2,771**	3.8%	**10,635**	**10,536**	0.9%

Source: Company, Kenanga Research

Key Operating Metrics					
	4Q	3Q	QoQ	4Q	YoY
Subscribers ('000)	FY25	FY25	Net Adds	FY24	Net Adds
- Postpaid	4,152	4,090	62	3,882	270
- Prepaid	5,826	5,777	49	5,822	4
- Consumer Fibre	799	788	11	784	15
- Consumer WBB	0	0	0	81	(81)
ARPU (RM)					
- Postpaid	71.7	70.8		74.5	
- Prepaid	36.0	35.8		36.5	
- Home Connectivity	108.5	109.5		109	

Source: Company, Kenanga Research

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	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	2.31	2.70	16.9%	21,220.2	Y	12/2025	5.8	5.9	-37.7%	2.8%	40.0	38.9	1.2	0.5%	11.0	4.8%
CELCOMDIGI BHD	OP	3.21	4.27	33.0%	37,658.1	Y	12/2026	13.6	13.6	6.2%	0.6%	23.7	23.5	2.4	10.1%	16.0	5.0%
MAXIS BHD	MP	3.83	3.56	-7.0%	30,008.4	Y	12/2026	19.7	19.1	8.8%	-3.0%	19.4	20.0	4.8	25.5%	16.0	4.2%
OCK GROUP BHD	OP	0.375	0.430	14.7%	394.9	Y	06/2026	2.5	2.8	-12.6%	10.8%	14.8	13.3	0.6	4.4%	1.0	2.7%
TELEKOM MALAYSIA BHD	OP	7.96	8.86	11.3%	30,548.4	Y	12/2025	52.3	52.8	-2.7%	1.1%	15.2	15.1	2.8	19.2%	37.0	4.6%
TIME DOTCOM BHD	OP	5.97	6.12	2.5%	11,037.4	Y	12/2025	25.8	28.2	9.2%	9.1%	23.1	21.2	2.9	11.1%	28.0	4.7%
SECTOR AGGREGATE					**130,867.5**					**-2.0%**	**0.7%**	**21.3**	**21.1**	**2.5**	**11.8%**		**4.3%**

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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