Maxis

Earnings Beat, Prepaid Reset

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

MAXIS' 9MFY26 core net profit came in ahead of expectations, driven by lower-than-expected O&M costs. Service revenue growth tracked low-single-digit guidance - supported by continued postpaid subscriber growth and stronger demand for enterprise fixed and solutions (particularly from data centers and AI workloads).

The mobile segment remained resilient, with refreshed plans sustaining postpaid subscriber growth for yet another quarter. Meanwhile, higher prepaid ARPU cushioned the impact of sharp prepaid net subscriber losses following the initial rollout of the new SIM registration guidelines.

Over the longer term, a cleaner prepaid subscriber base should drive better monetization and cost efficiencies through improved subscriber quality, lower dealer incentives and higher-quality customer data.

We raise our FY26F earnings by 4% but maintain our TP of RM3.70, and MARKET PERFORM call.

Earnings beat driven by lower O&M costs. MAXIS' 9MFY26 core net profit of RM1.33b (+11% YoY) came in ahead of expectations, accounting for 83% of our previous full-year forecast and 81% of consensus estimates. While we anticipate softer earnings in 4QFY26 (following the commencement of equity accounting for DNB), the outperformance against our forecast was mainly due to lower-than-expected O&M (operations & maintenance) costs. This was partly due to one-off true-ups (gap reconciliation between actual and estimated figures) reflecting YTD adjustments to cost accruals recognized earlier in the year.

The group declared a 3QFY26 DPS of 4.5 sen, bringing 9MFY26 DPS to 12.5 sen (9MFY25: 12 sen), broadly in line with our expectations. MAXIS guided that 4QFY26 DPS should at least be maintained at 4.5 sen, in line with 3QFY26's payout. For FY26, the group expects total DPS to at least match FY25's payout of 17.5 sen, with potential upside subject to cash flow availability. This supports our FY26F DPS forecast of 17.5 sen.

Postpaid subs expansion and DC demand drive topline growth. 9MFY26 service revenue growth (+2.2% YoY) was in line with MAXIS' low-single-digit growth guidance for FY26. The postpaid segment remained the key growth contributor - underpinned by subscriber base expansion following the revamp of MAXIS' plans to cater to a broader spectrum of customer needs.

Enterprise fixed and solutions also provided a modest topline boost, supported by: (i) stronger Network Solutions demand from data centers (DCs) and AI workloads within the Corporate and Wholesale business, and (ii) new IoT (Internet-of-Things) customer wins across smart metering and connected car applications.

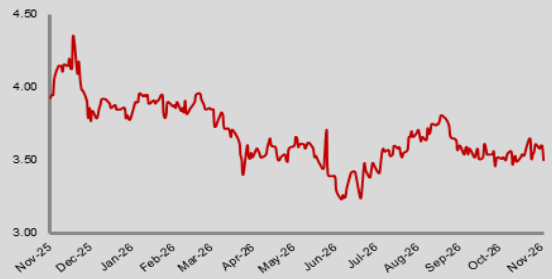
Cost discipline (particularly on staff expenses) amplifies revenue growth. Stronger 9MFY26 EBITDA (+4% YoY) was underpinned by resilient service revenue growth and continued cost discipline. This keeps MAXIS on track to meet its FY26 EBITDA growth guidance of low single digit. Cost reductions were driven in particular by lower staff and network expenses. MAXIS expects its 5G access payments to Digital Nasional Berhad (DNB) to run at slightly over RM50m per quarter from 4QFY26 onwards.

Lower depreciation and financing costs, coupled with favorable EBITDA flow-through, supported the expansion in 9MFY26 core net profit (11% YoY).

MARKET PERFORM ↔

Price : **RM3.50**
Target Price: **RM3.70** ↔

Share Price Performance



KLCI	1,616.57
YTD KLCI chg	-3.8%
YTD stock price chg	-7.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MAXIS MK Equity
Market Cap (RM m)	27,446.7
Shares Outstanding	7,841.9
52-week range (H)	4.36
52-week range (L)	3.23
3-mth avg. daily vol.	1,844,239
Free Float	25%
Beta	0.65

Major Shareholders

Binariang GSM Sdn Bhd	62.2%
Employees Provident Fund	13.7%
Amanah Saham Nasional	10.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Revenue	10,635	10,916	11,046
EBITDA	4,302	4,523	4,522
EBIT	2,521	2,753	2,738
PBT	2,067	2,241	2,146
Net Profit (NP)	1,561	1,669	1,588
Core Net Profit	**1,583**	**1,669**	**1,588**
Consensus NP	-	1,658	1,672
Earnings Revision	-	4.2	3.7
EBITDA Margin	40.5	41.4	40.9
Core EPS (sen)	20.2	21.4	20.3
Core EPS Growth (%)	11.6	5.8	-4.9
DPS (sen)	17.5	17.5	17.5
BVPS (RM)	0.8	0.8	0.9
Core PER (x)	17.3	16.4	17.2
PBV (x)	4.5	4.2	4.1
Net Gearing (x)	1.4	1.2	1.1
Div. Yield (%)	5.0	5.0	5.0

Postpaid net adds stay positive; prepaid sheds rotational SIMs. Sequential postpaid subscriber net adds (+31k) remained positive in 3QFY26, marking another consecutive quarter of growth since 2QFY21. On the other hand, prepaid net churn was significant at 425k (2QFY26: +23k), as new prepaid SIM registration guidelines took effect in late Aug 2026, reducing rotational SIM activity.

Cleaner prepaid base should support better monetization and cost efficiencies. MAXIS views the guidelines as positive over the longer term, provided they are strictly enforced. By discouraging disposable SIM usage, the guidelines should result in: (i) a higher-quality subscriber base, (ii) lower dealer incentive costs, and (iii) more reliable prepaid customer data. MAXIS plans to leverage this higher-quality data to gain deeper insights into prepaid consumer behavior and offer personalized offerings. This approach has proven successful in expanding and retaining its postpaid subscriber base.

Stronger prepaid ARPU cushions impact from subscriber erosion. Postpaid ARPU edged down QoQ to RM70.1 (2QFY26: RM70.5), while prepaid ARPU rose to RM36.3 (2QFY26: RM35.6). The latter was driven by encouraging uptake of personalized offers and monthly internet passes among existing subscribers. The higher prepaid ARPU helped cushion the impact of the sharp subscriber base contraction, keeping prepaid revenue largely stable QoQ (-0.2%).

Looking ahead, MAXIS expects prepaid ARPU to improve further as its subscriber base stabilizes. However, subscriber numbers may remain volatile in 4QFY26, given that the impact of the new regulations is still at an early stage, with 3QFY26 reflecting only c.1 month under the new guidelines.

Fiber expansion drives home fiber margin improvement. Home fiber continued to register subscriber growth in 3QFY26, with 3k net adds, while ARPU inched up QoQ to RM109.8 (2QFY26: RM109.1). MAXIS also achieved a 5% YTD margin improvement in this segment - supported by the expansion of its own-built fiber network, which currently serves approximately 10% of its home fiber subscriber base.

Own-built fiber network rides on AI wave to fuel Enterprise growth. MAXIS has built its own trunk fiber network spanning the Thai-Singapore borders, connecting 55 DCs to date. Designed to support multi-path AI workloads, the network provides each connected DC with geographically diverse fiber routes. Its three-path (1+1+1) configuration meets hyperscalers' stringent redundancy requirements, ensuring network resilience.7

The group's customers across its Trunk and DC Fabric businesses include (i) hyperscalers, (ii) over-the-top (OTT) players, (iii) global and domestic telecommunications and satellite providers, and (iv) enterprise and middle market users. The group has secured a RM1.3b order book from its customers, comprising long-term contracts with tenures ranging from 3 to 15 years (average tenure: c.10 years). Annual revenue recognition is expected to be uneven, depending on individual projects' delivery and implementation timelines.

The total wholesale addressable market is expected to expand from RM4.7b to RM6.1b in 2026-31 (CAGR: 5.4% p.a). Encouragingly, MAXIS indicated that it has delivered growth well above the market rate over the past two years.

DC traffic drives the bulk of Fixed & Solutions revenue. Fixed connectivity contracts contribute more than half of MAXIS' Fixed and Solutions revenue (9MFY26: RM628m), with cloud and IoT services accounting for the remainder. According to MAXIS, fixed connectivity revenue is almost entirely driven by DC traffic, positioning its proprietary fiber network as a direct beneficiary of growing DC and AI-related demand.

Non-exclusive fiber routes shield MAXIS from MSAP changes. To recap, under the latest Mandatory Standard on Access Pricing (MSAP) determination issued by the Malaysian Communications and Multimedia Commission (MCMC), dark fiber has been included in the regulated access list. According to MAXIS, this measure is intended to improve access to dark fiber routes where only one operator holds exclusive rights. As such, the new regulation is not expected to materially affect MAXIS' DC connectivity business, as its trunk fiber network largely runs along routes where other operators are also present. Furthermore, many of the DCs currently served by MAXIS already have connectivity from other network providers.

Trimmed FY26 capex guidance. MAXIS lowered its FY26 capex intensity guidance to c.10% of revenue (previously: 10–12%), bringing it closer to its YTD run rate of 6.8%. Planned strategic investments will focus on (i) expanding its fiber footprint, (ii) network modernization and capacity enhancement, and (iii) improving network quality and service reliability. All other earnings guidance parameters remain unchanged.

Forecast. We raise our FY26F earnings forecast by 4%, reflecting lower-than-expected O&M costs in 9MFY26.

Valuation. We maintain our TP of RM3.70 based on an unchanged multiple of 9.0x forward FY27F 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. Since 2022, MAXIS has delivered superior earnings performance, underpinned by above-industry service revenue growth and disciplined cost optimization. This momentum appears to have remained intact YTD, reflecting the group's consistent operational execution and competitive positioning.

Industry consolidation remains a key consideration, particularly following recent media reports of a revived merger plan between MAXIS and U Mobile (link). If these reports prove accurate, such a combination could have implications for the sustainability of MAXIS' earnings trajectory. Such consolidation could help ensure the long-term financial sustainability of Malaysia's mobile industry while promoting more rational competition and efficient utilization of scarce spectrum resources. To recap, CDB

completed its merger with Digi Telecommunications in late 2022, creating a larger entity with a leading subscriber base that is 39% larger than that of its nearest competitor, MAXIS.

Meanwhile, U Mobile, Malaysia's third-largest mobile operator, remained loss-making in FY25, reporting a substantial net loss of RM1.62b (FY24: RM722m), bringing its accumulated losses to c. RM6.3b. Against the backdrop of divergent financial health among Malaysia's mobile operators, we do not rule out further M&A among players smaller than CDB, potentially involving MAXIS. Such consolidation could create a second operator of comparable scale to CDB, paving the way for a more balanced two-player market with stronger financial profiles and more comparable subscriber bases. Should such a deal materialize, however, the near-term implications for MAXIS are less clear-cut and would hinge on the deal structure and achievable synergies. Additionally, consolidating U Mobile's losses could weigh on earnings, while a debt-funded transaction would raise MAXIS' gearing (3QFY26 net debt/EBITDA: 1.7x), with potential implications for its dividend capacity. Integrating two networks, spectrum holdings, IT systems and workforces is also typically complex and protracted.

Maintain **MARKET PERFORM**.

Risks to our call include: (i) competition between mobile players turning irrational, (ii) market share and margin erosion amid intensifying competition for convergence customers, (iii) slower-than-expected 5G adoption among MAXIS' enterprise customers (likely dominated by SMEs) due to the need for substantial technology investments and reluctance to overhaul legacy processes, and (iv) value-destructive M&A arising from industry consolidation.

Results Highlights

FYE Dec (RM m)	3Q FY26	2Q FY26	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YTD Chg
Revenue	2,684	2,656	1.1%	2,589	3.7%	8,071	7,759	4.0%
EBITDA	**1,141**	**1,129**	1.1%	**1,106**	3.2%	**3,374**	**3,255**	3.7%
Depreciation	(423)	(430)	-1.6%	(448)	-5.6%	(1,286)	(1,335)	-3.7%
Net Finance Costs	(106)	(106)	0.0%	(107)	-0.9%	(316)	(328)	-3.7%
EI	(10)	(8)	25.0%	(7)	42.9%	(26)	(11)	>100%
PBT	602	585	2.9%	544	10.7%	1,746	1,581	10.4%
Taxation	(155)	(149)	4.0%	(132)	17.4%	(446)	(400)	11.5%
Reported Net Profit	**447**	**436**	2.5%	**412**	8.5%	**1,300**	**1,181**	10.1%
Core Net Profit	**457**	**444**	2.9%	**419**	9.1%	**1,326**	**1,192**	11.2%
Core EPS (sen)	5.8	5.7	2.2%	5.4	8.1%	16.9	15.2	11.1%
DPS (sen)	4.5	4.0	12.5%	4.0	12.5%	12.5	12.0	4.2%
EBITDA margin	42.5%	42.5%		42.7%		41.8%	42.0%	
PBT Margin	22.4%	22.0%		21.0%		21.6%	20.4%	
Core Net margin	17.0%	16.7%		16.2%		16.4%	15.4%	
Effective Tax Rate	-25.7%	-25.5%		-24.3%		-25.5%	-25.3%	

Segmental Highlights								
FYE Dec (RM m)	3Q FY26	2Q FY26	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YTD Chg
Service Revenue	2,266.0	2,252.0	0.6%	2,240.0	1.2%	6,760.0	6,615.0	2.2%
- Consumer								
> Postpaid	979	972	0.7%	952	2.8%	2,914	2,809	3.7%
> Prepaid	611	612	-0.2%	616	-0.8%	1,832	1,821	0.6%
> Fiber	257	252	2.0%	254	1.2%	760	762	-0.3%
- Enterprise								
> Mobile	206	209	-1.4%	207	-0.5%	626	627	-0.2%
> Fixed & Solutions	213	207	2.9%	211	0.9%	628	596	5.4%
- Device	418	404	3.5%	348	20.1%	1,311	1,143	14.7%
Total Revenue	**2,684**	**2,656**	1.1%	**2,588**	3.7%	**8,071**	**7,758**	4.0%

Source: Company, Kenanga Research

Key Operating Metrics					
Subscribers ('000)	3Q FY26	2Q FY26	QoQ Net Adds	3Q FY25	YoY Net Adds
- Postpaid	4,268	4,237	31	4,090	178
- Prepaid	5,319	5,744	(425)	5,777	(458)
- Consumer Fiber	816	813	3	788	28
ARPU (RM)					
- Postpaid	70.1	70.5		70.8	
- Prepaid	36.3	35.6		35.8	
- Home Connectivity	109.8	109.1		110	

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	1.66	1.95	17.5%	15,260.8	Y	12/2026	13.1	13.4	85.8%	2.7%	12.7	12.4	0.8	3.9%	11.0	6.6%
CELCOMDIGI BHD	OP	2.51	3.28	30.7%	29,442.7	Y	12/2026	13.6	12.8	6.2%	-6.0%	18.5	19.7	1.9	9.9%	16.0	6.4%
MAXIS BHD	MP	3.50	3.70	5.7%	27,446.7	Y	12/2026	20.5	19.6	1.2%	-4.5%	17.1	17.9	4.3	25.6%	18.0	5.1%
OCK GROUP BHD	OP	0.405	0.550	35.8%	430.2	Y	06/2027	4.8	5.1	-1.4%	6.5%	8.5	8.0	0.7	8.1%	2.0	4.9%
TELEKOM MALAYSIA BHD	OP	7.89	9.11	15.5%	30,279.8	Y	12/2026	48.1	47.9	4.0%	-0.4%	16.4	16.5	2.7	16.8%	36.0	4.6%
TIME DOTCOM BHD	OP	5.51	7.26	31.8%	10,187.0	Y	12/2026	28.0	30.3	6.1%	8.1%	19.7	18.2	3.3	16.3%	33.6	6.1%
SECTOR AGGREGATE					**113,047.1**					**12.7%**	**-1.4%**	**16.7**	**16.9**	**2.3**	**13.5%**		**5.6%**

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	★	★	★		
	Digitalization & 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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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