



AmInvestment Bank

Company report

MAXIS

(MAXIS MK EQUITY, MSXC.KL)

14 Jan 2021

Enterprise solutions for Petronas stations

HOLD

(Maintained)

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03-2036 2280

Rationale for report: Company update

Price	RM5.05
Fair Value	RM5.50
52-week High/Low	RM5.70/RM4.59

Key Changes

Fair value	↔
EPS	↔

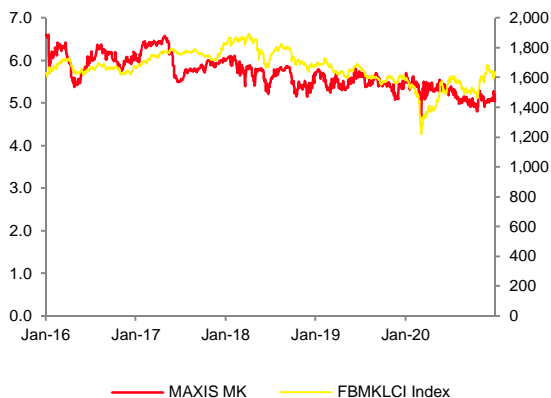
YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	9,313.0	9,610.0	9,865.0	10,084.8
Core net profit (RM mil)	1,500.0	1,472.9	1,561.3	1,619.4
FD Core EPS (sen)	19.2	18.8	20.0	20.7
FD Core EPS growth (%)	(15.1)	(1.8)	6.0	3.7
Consensus Net Profit (RM mil)	-	1,449.5	1,555.8	1,664.7
DPS (sen)	20.0	19.0	20.0	20.0
PE (x)	26.3	26.8	25.3	24.4
EV/EBITDA (x)	13.0	12.9	12.1	11.4
Div yield (%)	3.6	3.5	3.6	3.6
ROE (%)	21.4	20.9	22.1	22.9
Net Gearing (%)	122.6	131.7	129.6	123.0

Stock and Financial Data

Shares Outstanding (million)	7,816.6
Market Cap (RM mil)	39,473.8
Book Value (RM/share)	0.90
P/BV (x)	5.6
ROE (%)	21.4
Net Gearing (%)	122.6

Major Shareholders	Binariang GSM (62.4%) Skim ASB (8.1%) EPF (11.2%)
Free Float	35.0
Avg Daily Value (RM mil)	7.5

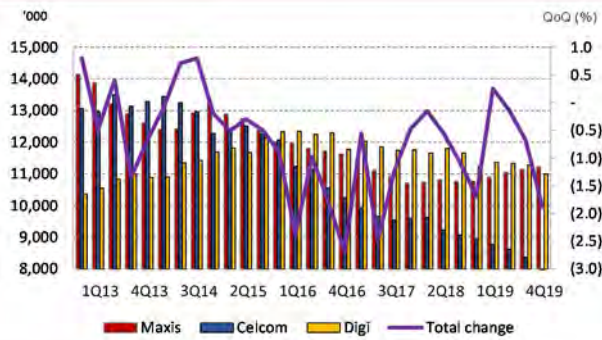
Price performance	3mth	6mth	12mth
Absolute (%)	(1.4)	(5.6)	(7.7)
Relative (%)	(8.1)	(7.4)	(10.6)



Investment Highlights

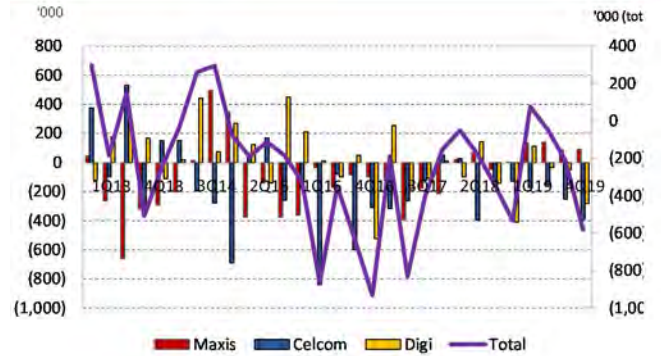
- We maintain Maxis' HOLD rating with an unchanged DCF-derived fair value of RM5.50/share. This is based on a WACC discount rate of 6.3% and terminal growth rate assumption of 2%, implying an FY20F EV/EBITDA of 13x and is on par with its 3-year average.
- Maxis has entered into a strategic partnership to offer converged solutions to Petronas Dagangan's customers focusing on safety, security and sustainability for businesses to create unique retail experiences at Petronas stations as part of its retail transformation strategy.
- The partnership would focus on leveraging big data and advanced analytics to co-create hyper personalisation for an enhanced and differentiated retail experience for over 1,000 Petronas stations through big data and advanced analytics with Maxis as the technology enabler.
- The companies will also go to market with converged end-to-end business solutions that will offer greater convenience and cost optimisation while ensuring the safety and security of Petronas' assets, fleet and drivers.
- This will enable the customers of Petronas Dagangan and Maxis Business to benefit from a suite of solutions ranging from asset management to logistic services.
- This is part of Maxis' enterprise business, which contributed 7% of the group's 9MFY20 service revenue. While this partnership is positive over the longer term for Maxis, we do not expect a substantive enhancement to the group's earnings in the near term. Hence, we maintain our FY20F-FY22 earnings for now.
- Besides this new development, the group has also partnered with Amazon Web Services' Solution Provider Program and supported AmBank's digital solutions for small-medium enterprises while helping the Penang state government to launch IoT pilot projects. These include offering cloud and bandwidth-on-demand services.
- Meanwhile, given the uncertain impact from the Covid-19 pandemic, management is still not confident in providing a fresh guidance following the withdrawn expectation of a "flat to low single-digit increase" for both FY20F service revenue and normalised EBITDA.
- Against the backdrop of intensifying competition in the cellular and fibre market, the stock's FY21F EV/EBITDA of 12x is slightly below with its 3-year average of 13x, while providing a fair dividend yield of 4%.

EXHIBIT 1: MOBILE SUBSCRIBERS



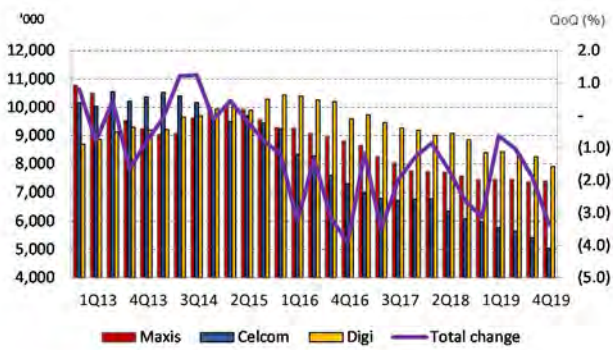
Source: Companies' investor presentation slides

EXHIBIT 2: MOBILE SUBSCRIBER CHANGES



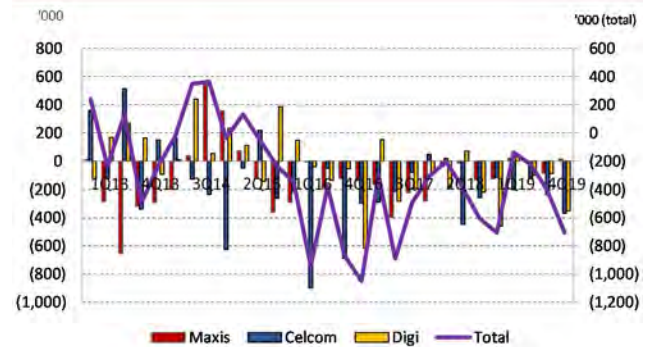
Source: Companies' investor presentation slides

EXHIBIT 3: PREPAID SUBSCRIBERS



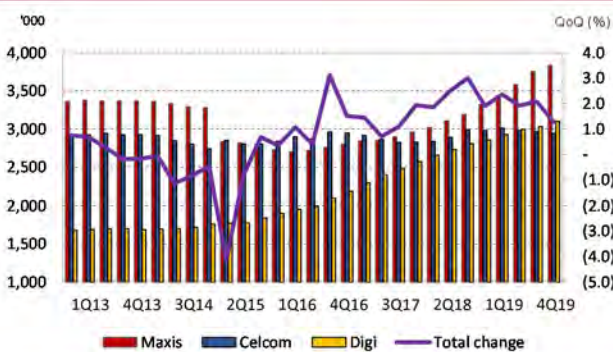
Source: Companies' investor presentation slides

EXHIBIT 4: PREPAID SUBSCRIBER CHANGES



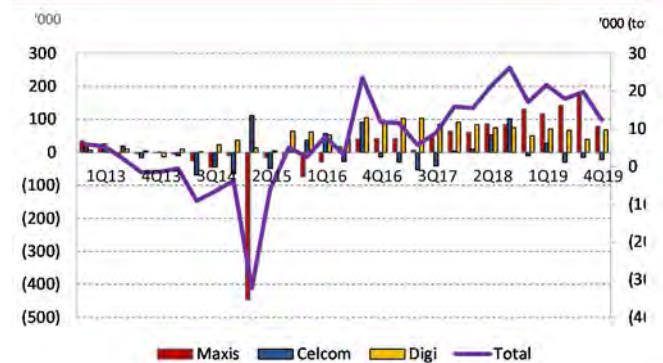
Source: Companies' investor presentation slides

EXHIBIT 5: POSTPAID SUBSCRIBERS



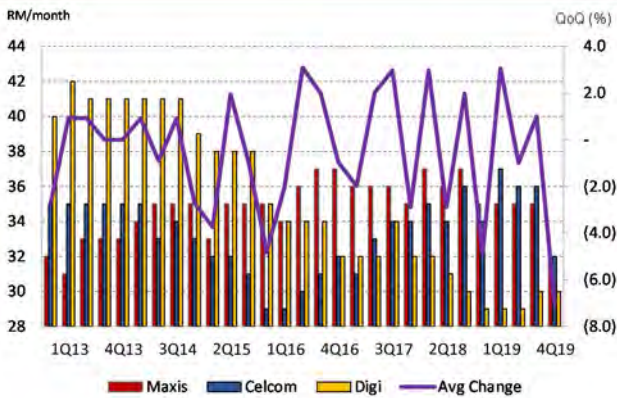
Source: Companies' investor presentation slides

EXHIBIT 6: POSTPAID SUBSCRIBER CHANGES



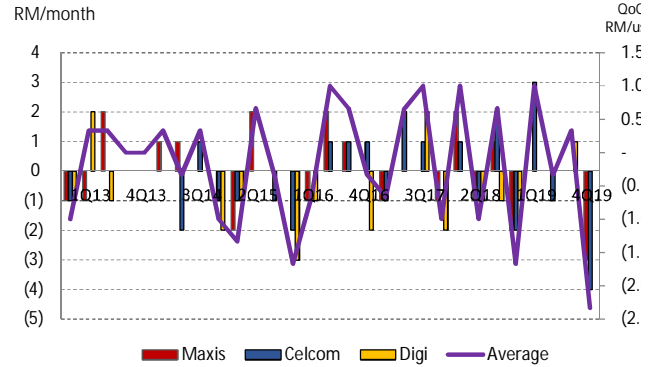
Source: Companies' investor presentation slides

EXHIBIT 7: PREPAID ARPU



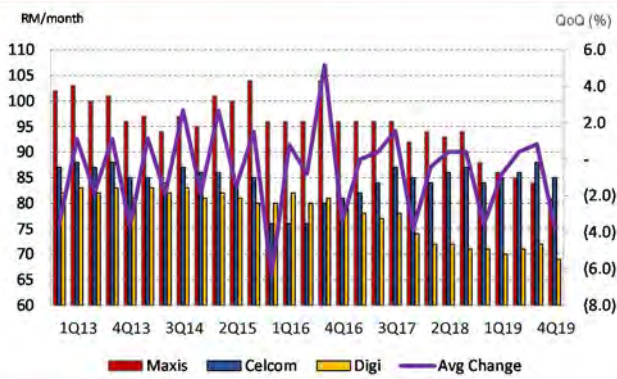
Source: Companies' investor presentation slides

EXHIBIT 8: PREPAID ARPU CHANGES



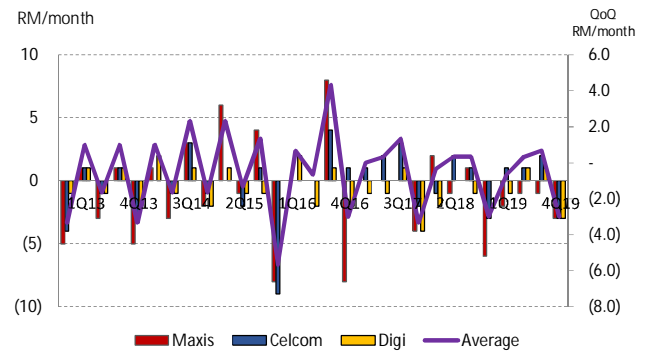
Source: Companies' investor presentation slides

EXHIBIT 9: POSTPAID ARPU



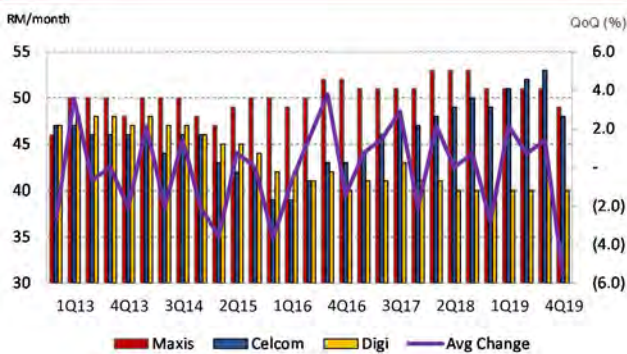
Source: Companies' investor presentation slides

EXHIBIT 10: POSTPAID ARPU CHANGES



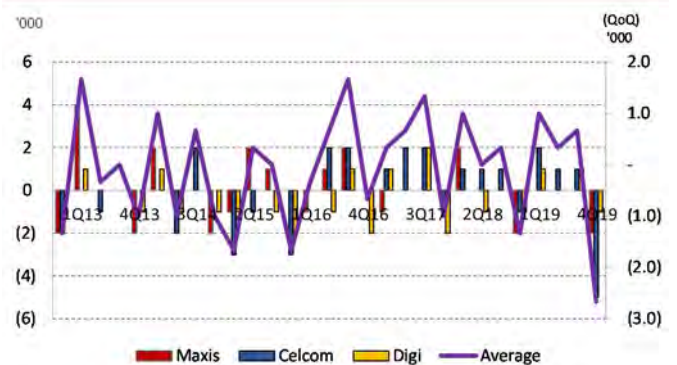
Source: Companies' investor presentation slides

EXHIBIT 11: BLENDED ARPU



Source: Companies' investor presentation slides

EXHIBIT 12: BLENDED ARPU CHANGES



Source: Companies' investor presentation slides

EXHIBIT 13: PB BAND CHART

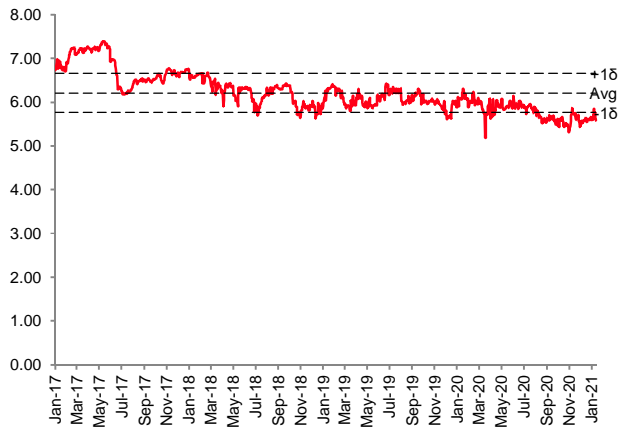


EXHIBIT 14: PE BAND CHART

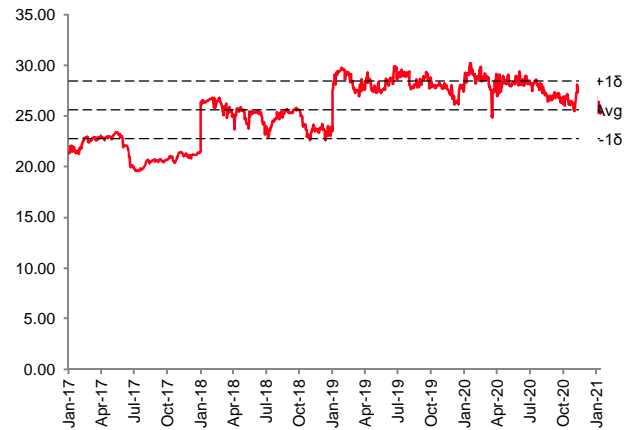


EXHIBIT 15: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	9,192.0	9,313.0	9,610.0	9,865.0	10,084.8
EBITDA	3,781.0	3,700.0	3,772.2	4,022.7	4,236.3
Depreciation/Amortisation	(1,068.0)	(1,265.0)	(1,417.8)	(1,549.2)	(1,679.3)
Operating income (EBIT)	2,713.0	2,435.0	2,354.4	2,473.5	2,557.0
Other income & associates	-	-	-	-	-
Net interest	(344.0)	(399.0)	(380.2)	(380.8)	(386.4)
Exceptional items	-	-	-	-	-
Pretax profit	2,369.0	2,036.0	1,974.2	2,092.7	2,170.6
Taxation	(589.0)	(517.0)	(501.3)	(531.4)	(551.2)
Minorities/pref dividends	-	-	-	-	-
Net profit	1,780.0	1,519.0	1,472.9	1,561.3	1,619.4
Core net profit	1,767.0	1,500.0	1,472.9	1,561.3	1,619.4
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	5,190.0	4,922.0	5,470.5	5,501.0	5,333.5
Intangible assets	10,926.0	11,310.0	11,310.0	11,310.0	11,310.0
Other long-term assets	1,023.0	2,219.0	2,135.9	2,058.6	1,986.8
Total non-current assets	17,139.0	18,451.0	18,916.4	18,869.7	18,630.3
Cash & equivalent	560.0	582.0	731.4	727.9	964.0
Stock	16.0	3.0	20.5	20.5	20.5
Trade debtors	2,056.0	2,390.0	1,658.2	1,659.5	1,661.3
Other current assets	34.0	11.0	1.0	1.0	1.0
Total current assets	2,666.0	2,986.0	2,411.1	2,408.9	2,646.8
Trade creditors	4,020.0	4,323.0	3,438.9	3,530.2	3,608.8
Short-term borrowings	206.0	1,079.0	1,053.0	1,053.0	1,053.0
Other current liabilities	315.0	255.0	253.8	263.7	271.2
Total current liabilities	4,541.0	5,657.0	4,745.7	4,846.9	4,933.1
Long-term borrowings	7,607.0	8,172.0	8,975.3	8,816.2	8,661.4
Other long-term liabilities	508.0	538.0	548.8	559.7	570.9
Total long-term liabilities	8,115.0	8,710.0	9,524.1	9,376.0	9,232.3
Shareholders' funds	7,149.0	7,070.0	7,057.7	7,055.7	7,111.8
Minority interests	-	-	-	-	-
BV/share (RM)	0.91	0.90	0.90	0.90	0.91
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	2,369.0	2,036.0	1,974.2	2,092.7	2,170.6
Depreciation/Amortisation	1,068.0	1,265.0	1,417.8	1,549.2	1,679.3
Net change in working capital	(238.0)	(298.0)	724.3	(1.3)	(1.8)
Others	296.0	42.0	(1,098.1)	(105.0)	(128.5)
Cash flow from operations	3,495.0	3,045.0	3,018.2	3,535.6	3,719.6
Capital expenditure	(1,286.9)	(1,397.0)	(1,441.5)	(1,479.7)	(1,411.9)
Net investments & sale of fixed assets	-	-	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(1,286.9)	(1,397.0)	(1,441.5)	(1,479.7)	(1,411.9)
Debt raised/(repaid)	(1.0)	455.0	789.4	(173.7)	(170.2)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(1,563.3)	(1,563.3)	(1,485.2)	(1,563.3)	(1,563.3)
Others	(685.8)	(517.7)	(731.5)	(322.4)	(338.1)
Cash flow from financing	(2,250.1)	(1,626.1)	(1,427.3)	(2,059.4)	(2,071.6)
Net cash flow	(42.0)	22.0	149.4	(3.5)	236.1
Net cash/(debt) b/f	2,080.2	2,038.2	2,060.2	2,209.6	2,206.1
Net cash/(debt) c/f	2,038.2	2,060.2	2,209.6	2,206.1	2,442.2
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	5.7	1.3	3.2	2.7	2.2
EBITDA growth (%)	(12.3)	(2.1)	2.0	6.6	5.3
Pretax margin (%)	25.8	21.9	20.5	21.2	21.5
Net profit margin (%)	19.4	16.3	15.3	15.8	16.1
Interest cover (x)	7.9	6.1	6.2	6.5	6.6
Effective tax rate (%)	24.9	25.4	25.4	25.4	25.4
Dividend payout (%)	87.8	102.9	100.8	100.1	96.5
Debtors turnover (days)	77	87	77	61	60
Stock turnover (days)	-	-	-	1	1
Creditors turnover (days)	146	163	147	129	129

Source: Company, AmlInvestment Bank Bhd estimates

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