

22 February 2013 | 4QFY12 Results Preview

Maxis Bhd

Dividend attracts

Maintain NEUTRAL

Unchanged Target Price (TP): RM6.80

INVESTMENT HIGHLIGHTS

- **Expect 4Q12 earnings to decline circa -43%yoy attributable to accelerated depreciation and inflated net profit in 4Q11.**
- **Revenue growth will be modest. 4Q12 revenue growth of circa +3.7%yoy and circa +2.4% for FY12**
- **Expectation of a final dividend and special dividend of 8 sen each, lifting total dividend in FY12 to 40 sen, 6.3% yield.**
- **Maintain NEUTRAL.**

Earnings decline expected in 4Q12. Maxis is expected to release its 4Q12 result on 26 February 2013. We expect 4Q12 earnings to decline circa -43%yoy attributable to an accelerated depreciation and inflated net profit in 4Q11. There was tax credit of RM141m in 4Q11 which resulted in earnings of RM901m. In view of this, we anticipate FY12 net profit to fall circa -21%. The earnings decline will also be contributed by asset write-off and accelerated depreciation in 2Q12 and 3Q12.


Expectation of modest revenue growth. We expect Maxis to register 4Q12 revenue growth of +3.7%yoy to RM2.35b. This will result in growth of +2.4% for FY12. Main contributor to growth will be the continued non-voice revenue expansion. We are expecting non-voice revenue to expand by a high single digit. This will bring higher the contribution of non-voice to mobile revenue to circa 46-48%. The dominant contributor to non-voice revenue will be internet and non-SMS data services.

Stable EBITDA margins. For FY12 EBITDA, we expect decline of circa 1-2% due to higher operating expenses, stemmed from increase in device and hubbing expenses in previous quarters. However, EBITDA margin should remain at around 48-49% level.

Possible subscriber addition. It is possible that Maxis may carry forward its 3Q12 net adds growth into 4Q12. Recall, Maxis arrested its decline in total subscribers as it added 78k to 12.8m in 3Q12 where the main improvement came from the prepaid segment. We believe that ARPU and MOU will be stable in 4Q12.

First to LTE to be more competitive. We expect Maxis to continue to face challenges to maintain its market leadership as competition heightens. Maxis has seen its market share amongst the top three (Maxis, Celcom and Digi) declining in recent quarters (i.e. without taking into account the market share of others, such as MNVOs). However, we believe its move to become the first LTE provider reflects its intention to fight back. While we do not believe that LTE will be major factor in FY13, there will be advantages associated with first mover. We believe that Maxis Home, will continue to make in-roads especially with the tie-up with Astro to offer IPTV.

Main attraction is the dividend. We believe that the main appeal for Maxis is its steady dividend. As per previous trend, we expect Maxis to announce a final dividend of 8 sen and special dividend of 8 sen. In total we expect dividend of 40 sen for FY12 which gives a yield of 6.3%

Maintain NEUTRAL for now. We are maintaining our FY12 and FY13 forecasts and NEUTRAL recommendation for now pending the release of its result. We believe investors should accumulate on any price weakness given that Maxis is a generous and consistent dividend giver. Our target price of RM6.80 is based on Dividend Discount Model, discounted at a WACC of 7.44%. 

RETURN STATS	
Price (21 Feb. 2013)	RM6.30
Target Price	RM6.80
Expected Share Price Return	+7.9%
Expected Dividend Yield	+6.3%
Expected Total Return	+14.2%

STOCK INFO	
KLCI	1, 614.05
Bursa / Bloomberg	6012 / MAXIS MK
Board / Sector	Main/ Services
Syariah Compliant	Yes
Issued shares (mil)	7500.0
Par Value (RM)	0.10
Market cap. (RM'm)	47,253.9
Price over NA	6.5 x
52-wk price Range	RM5.83 – RM7.10
Beta (against KLCI)	0.60
3-mth Avg Daily Vol	9.08m
3-mth Avg Daily Value	RM58.88m
Major Shareholders	
Maxis Communication	64.99%
EPF	6.71%
ASB	6.08%

INVESTMENT STATISTICS

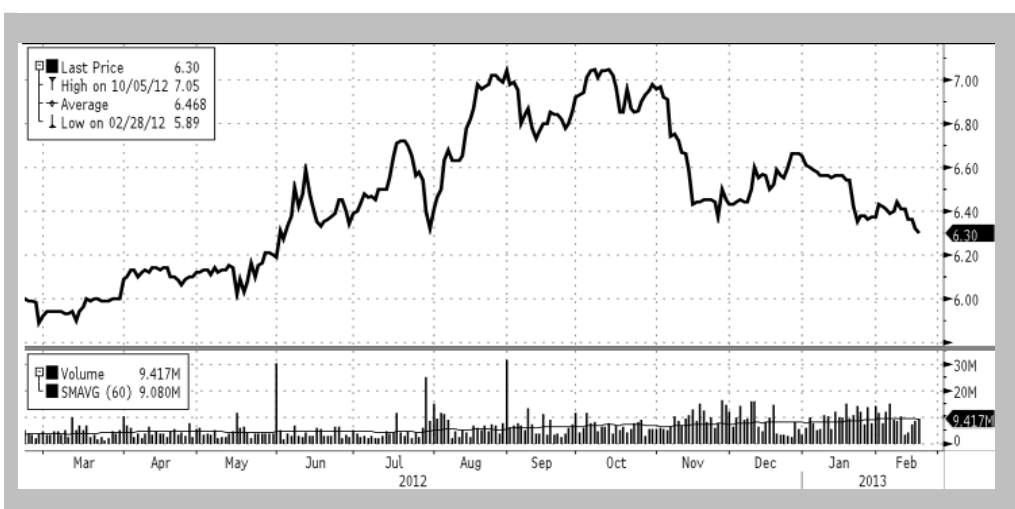
FYE Dec	FY10	FY11	FY12F	FY13F
Revenue (RM'm)	8,869.0	8,800.0	9,009.5	9,189.7
EBIT (RM'm)	3,343.0	3,232.0	3,064.0	3,270.8
Pretax Profit (RM'm)	3,132.0	3,004.0	2,689.9	2,943.0
Net Profit (RM'm)	2,295.0	2,531.0	1,990.5	2,325.0
EPS (sen)	30.6	33.7	26.5	31.0
EPS growth (%)	2.7	10.1	-21.2	16.8
PER(x)	20.6	18.7	23.7	20.4
Net Dividend (sen)	40	40	40	40
Net Dividend Yield (%)	6.3	6.3	6.3	6.3

Source: Company, Forecasts by MIDFR

DIVIDEND DISCOUNT MODEL ASSUMPTIONS

NPV of dividend up to FY15	RM0.72
Terminal value	RM6.08
Dividend in FY15	RM0.40
Growth assumption	0.9%
WACC	7.4%
Risk free rate	3.6%
Expected market return	11.2%
Beta	0.5

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.