Maxis (MAXIS MK)

3Q26: Above Expectations; ARPU Uplift To Cushion Prepaid Subscriber Rationalisation

Highlights

- Maxis recorded strong 3Q26 results, with net profit reported at RM447m (+9% yoy; +3% qoq) on the back of cost discipline and higher service and enterprise revenue base. This brings 9M26 net profit to RM1,300m, which came in above expectations.
- Maxis declared a higher third interim DPS of 4.5 sen/share. We raise 2026 earnings forecasts by 2% to reflect lower-than-expected earnings drag from DNB.
- Maintain BUY with a DCF-based target price of RM4.20. The stock offers a 5.3% dividend yield.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Revenues	**2,684**	**1.1**	**3.7**	**8,071**	**4.0**
Reported EBITDA	1,142	1.6	3.6	3,365	3.5
EBITDA Margin (%)	42.5	0.2 ppt	(0.0) ppt	41.7	(0.2) ppt
Pre-tax profits	603	3.1	10.8	1,748	10.6
Net profit	**447**	**2.5**	**8.5**	**1,300**	**10.1**
EPS (sen)	5.7	1.8	7.5	16.6	9.9
DPS (sen)	4.5	12.5	12.5	12.5	4.2
Subscribers ('000)	10,403	(3.6)	(2.4)		
Cost Structure (% of revenue)	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**
Traffic, commissions & other direct costs	42.3%	54.7%	47.7%	45.7%	46.4%
Network & Spectrum	9.5%	9.3%	9.8%	8.8%	9.6%
Resource	8.6%	7.4%	8.3%	7.9%	8.0%
O&M	5.3%	5.1%	5.2%	4.9%	4.3%
Marketing	2.0%	2.1%	1.9%	2.0%	1.9%

Source: Maxis, UOB Kay Hian

Analysis

- **Strong 3Q26 results.** Maxis' 3Q26 net profit grew to RM447m (+9% yoy; +3% qoq), underpinned by robust cost discipline through operational digitalisation and network optimisation stronger service, coupled with healthy revenue growth driven by robust enterprise connectivity demand and resilient ARPUs. During the quarter, operations and maintenance saw a one-off true-up adjustment leading to a 17% yoy and 12% qoq reduction, respectively. 9M26 net profit came in at RM1,300m (+10% yoy) accounting for 79% and 81% of our and consensus full-year estimates respectively, which we deem to be above expectations.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	10,536.0	10,635.0	10,957.9	11,363.1	11,715.6
EBITDA	4,122.0	4,329.0	4,438.2	4,446.6	4,485.6
Operating profit	2,324.0	2,499.0	2,632.2	2,737.2	2,864.2
Net profit (rep./act.)	1,396.0	1,561.0	1,645.5	1,672.4	1,823.7
Net profit (adj.)	1,396.0	1,561.0	1,645.5	1,672.4	1,823.7
EPS	17.8	19.9	21.0	21.3	23.3
PE (x)	19.6	17.6	16.7	16.4	15.0
P/B (x)	4.6	4.5	4.3	4.2	4.1
EV/EBITDA (x)	8.8	8.3	7.9	7.8	7.6
Dividend yield (%)	4.9	5.0	5.3	5.4	5.9
Net margin (%)	13.2	14.7	15.1	15.6	16.0
Net debt/(cash) to equity (%)	149.4	138.6	122.9	108.0	97.3
Interest cover (x)	4.5	4.9	5.3	5.6	5.8
ROE (%)	23.6	25.4	25.9	25.6	27.0
Consensus net profit	n.a.	n.a.	1,639.0	1,670.0	1,756.0
UOBKH/Consensus (x)	n.a.	n.a.	1.0	1.0	1.0

Source: Maxis, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM3.50
Target Price	RM4.20
Upside	20.0%

Stock Data

Sector	Communication Services
Bloomberg ticker	MAXIS MK
Shares issued (m)	7,841.9
Market cap (RMm)	27,446.7
Market cap (US$m)	6,761.9
3-mth avg daily t'over (US$m)	1.6

Price Performance (%)

52-week high/low				RM4.36/RM3.22
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(0.3)	(4.6)	(4.4)	(10.9)	(7.7)

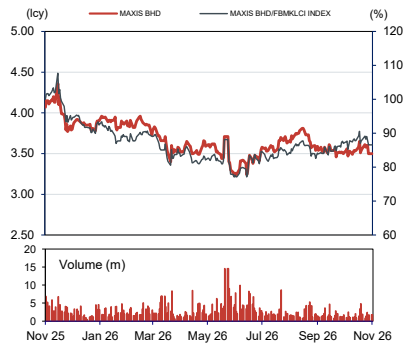
Major Shareholders (%)

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

Balance Sheet Metrics

FY26F NAV/Share (RM)	0.8
FY26F Net Debt/Share (RM)	1.0

Price Chart



Source: Bloomberg

Company Description

Mobile operator in Malaysia, providing GSM, 4G and 5G services.

- **A slightly higher interim DPS of 4.5 sen/share.** Maxis declared a slightly higher third interim DPS of 4.5 sen/share (79% earnings payout), within our expectations. The group aims to consistently grow its annual dividend payout, reflecting its robust cash flow management. This is in line with our full-year net DPS projection of 18.5 sen/share, translating to a net dividend yield of 5.3%.
- **Postpaid revenue continues its uptrend to RM979m** (+3% yoy; +1% qoq) underpinned by strategic segment pricing and healthy subscriber growth (3Q26: 31,000 net adds), on the back of targeted plan offerings. This helped cushion the marginal softness in postpaid average revenue per user (ARPU), which moderated to RM70.10/month (2Q26: RM70.50/month).
- **Prepaid revenue remained stable at RM611m** (-1% yoy; flat qoq), despite reporting a massive subscriber reduction of 425,000 during the quarter. This was cushioned by encouraging ARPU improvement to RM36.30/month (2Q26: RM35.60/month; 3Q25: RM35.80/month). The significant drop in subscribers reflected the recently enforced new prepaid registration guidelines (effective end-Aug 26), which essentially enforces a five prepaid SIM card limit per individual and requires official identification documents for registration. Maxis remains positive on the enforcement, projecting a more rational market and reduction in rotational SIM practices, on top of forecasted cost savings from reduced dealer incentives.
- **Robust demand for its Network Solutions offering from DCs and AI workloads.** Enterprise revenue marginally rose 1% yoy and flat qoq to RM419m, primarily driven by network solutions offerings to enterprises and DCs. Management remains upbeat on the enterprise connectivity demand, underpinned by: a) growing inter-DC and cross-border connectivity, and b) redundancy requirements by DCs. Maxis is well positioned to capture this demand growth supported thanks to: a) existing connectivity infrastructure to 55 DCs nationwide; and b) a healthy RM1.3b orderbook, comprising long-term contracts involving DCs, telco operators and satellite providers (contract period ranging from 3-15 years).

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of RM4.20** (discount rate: 7%; growth: 2%). At our target price, the stock trades at 9.0x 2027F EV/EBITDA (mean valuation of 9.4x). The stock offers a decent dividend yield of 5.3%.

Earnings Revision/Risk

- We raise 2026 earnings forecasts by 2% to reflect lower-than-expected earnings drag from the equity accounting of DNB as an associate, which is expected to materialise by end-26.

Share Price Catalyst

- **2026 guidance.** The group revised its capex intensity guidance to around 10% (from a 10-12% range) as Maxis focuses on fibre footprint expansion (for both consumer and enterprise/data centre connectivity) and mobile network infrastructure capacity and modernisation upgrades.

Environment, Social, Governance (ESG) Updates

Environmental

- Reduced Scope 1 GHG emissions by 8% yoy and emission intensity by 6.7% yoy in 2025, through off-grid solar installations, infrastructure decommissioning and server consolidations.

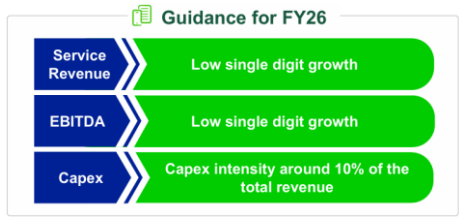
Social

- Community outreach involving 3,865 hours of employee volunteering and providing humanitarian relief during natural disasters amounting to RM0.1m in 2025.

Governance

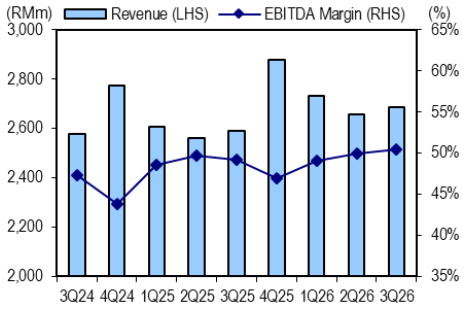
- The board comprises nine members consisting of four Independent Directors and five Non-executive Directors. Meanwhile, women comprise 22% (two directors) of the board.

Performance Guidance For 2026



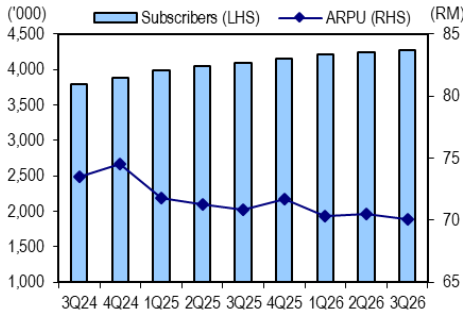
Source: Maxis

Revenue And EBITDA Margin



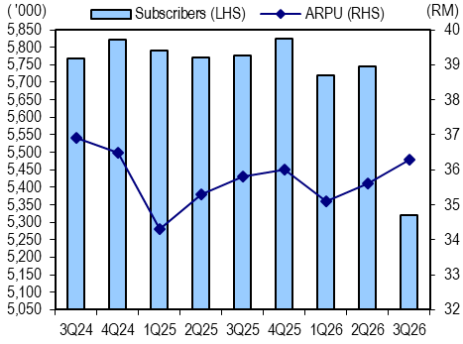
Source: Maxis, UOB Kay Hian

Postpaid Trend



Source: Maxis, UOB Kay Hian

Prepaid Trend



Source: Maxis, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**10,635**	**10,958**	**11,363**	**11,716**
EBITDA	4,329	4,438	4,447	4,486
Deprec. & amort.	(1,830)	(1,806)	(1,709)	(1,621)
EBIT	2,499	2,632	2,737	2,864
Net interest income/(expense)	(432)	(426)	(407)	(383)
Pre-tax profit	**2,067**	**2,206**	**2,330**	**2,482**
Tax	(506)	(548)	(557)	(608)
Minorities	-	-	-	-
Net profit	**1,561**	**1,645**	**1,672**	**1,824**
Net profit (adj.)	1,561	1,645	1,672	1,824

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	5,022	4,531	4,185	3,970
Other LT assets	14,319	14,319	14,319	14,319
Cash/ST investment	458	960	1,479	1,777
Other current assets	2,723	2,836	2,941	3,032
Total assets	**22,522**	**22,647**	**22,925**	**23,098**
ST debt	1,886	1,886	1,886	1,886
Other current liabilities	4,694	4,844	5,129	5,276
LT debt	7,094	6,871	6,664	6,471
Other LT liabilities	2,701	2,701	2,701	2,701
Shareholders' equity	6,147	6,344	6,545	6,764
Minority interest	-	-	-	-
Total liabilities & equity	**22,522**	**22,647**	**22,925**	**23,098**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**3,583**	**3,914**	**3,969**	**3,884**
Pre-tax profit	2,067	2,194	2,230	2,432
Tax	(506)	(548)	(557)	(608)
Deprec. & amort.	1,830	1,806	1,709	1,621
Associates	-	-	-	-
Working capital changes	(75)	37	180	56
Other operating cashflows	267	426	407	383
Investing	**(1,156)**	**(1,279)**	**(1,321)**	**(1,349)**
Capex (maintenance)	(1,316)	(1,315)	(1,364)	(1,406)
Proceeds from sale of assets	-	-	-	-
Others	160	35	43	57
Financing	**(2,432)**	**(2,132)**	**(2,129)**	**(2,237)**
Dividend payments	(1,371)	(1,448)	(1,472)	(1,605)
Issue of shares	-	-	-	1
Proceeds from borrowings	(305)	(223)	(207)	(193)
Others/interest paid	(756)	(461)	(450)	(441)
Net cash inflow (outflow)	**(5)**	**502**	**519**	**298**
Beginning cash & cash equivalent	**453**	**448**	**950**	**1,469**
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	**448**	**950**	**1,469**	**1,767**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	40.7	40.5	39.1	38.3
Pre-tax margin	19.4	20.1	20.5	21.2
Net margin	14.7	15.1	15.6	16.0
ROA	6.9	7.3	7.3	7.9
ROE	25.4	25.9	25.6	27.0
Growth				
Turnover	0.9	3.0	3.7	3.1
EBITDA	5.0	2.5	0.2	0.9
Pre-tax profit	10.1	6.7	5.6	6.5
Net profit	11.8	5.4	1.6	9.0
Net profit (adj.)	11.8	5.4	1.6	9.0
EPS	11.8	5.4	1.6	9.0
Leverage				
Debt to total capital	0.6	0.6	0.5	0.5
Debt to equity	1.5	1.4	1.3	1.2
Net debt/(cash) to equity	1.4	1.2	1.1	1.0
Interest cover	4.9	5.3	5.6	5.8

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