

KUALA LUMPUR (May 20): Maxis Bhd's (KL:MAXIS) intention to build a second fifth-generation (5G) network could potentially put the group's financial position and future earnings under pressure, according to analysts.

Analysts have broadly remained cautious about Maxis, even though the group registered a 10% year-on-year (y-o-y) increase in net profit for the first quarter ended March 31, 2024 (1QFY2024).

According to *Bloomberg*, 10 out of 18 analysts have issued a 'hold' call on the counter, while five have 'buy', and three have assigned a 'sell' rating. The 12-month consensus target price (TP) stood at RM3.94.

In a research note on Monday, MIDF Research opined that Maxis is "getting ready its war chest", citing that the group's cash level doubled to RM1.17 billion in 1QFY2024, compared with a cash level of RM569 million as at end-4QFY2023.

"This could be in preparation to support the group's intention to build a second 5G network, which we view could potentially put quite a burden on the group's financial position," said MIDF.

The house lowered its TP for the counter to RM3.87 from RM4.04, on the premise that the potential development of the

Maxis' financial position could face pressure from second 5G network, say analysts

BY HEE EN QI
theedgemaalaysia.com

5G network could put Maxis' future earnings growth under pressure.

Meanwhile, Hong Leong Investment Bank (HLIB) also flagged the group's decision on its 5G strategy.

"Maxis is still the largest telco in terms of revenue market share, with quality of service as differentiation to drive leadership in data adoption, but its decision on its 5G strategy, which may impact dividends, poses near-term uncertainty," HLIB said while maintaining its 'hold' call on the counter, with a lower TP of RM3.93.

While Kenanga Investment Bank maintained its TP at RM5.30, 34.5% higher

than the consensus, it noted that the forecast was made assuming the 5G dual network does not take effect.

The house flagged several downside risks to its 'buy' call, including the implementation of the dual network, which could lead to financially unfavourable outcomes, and slow adoption of the 5G network among enterprise customers due to additional investments and reluctance to transform existing processes.

Nevertheless, Kenanga continued to like Maxis for its sustained net addition to its subscribers in the postpaid segment, and the company's collaboration with Huawei to drive 5.5G commercialisation, which the research house sees as having "the potential of developing the most advanced and superior network at this juncture".

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