

Investors unlikely to ignore Maxis share offer

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The company is valued at RM39 billion based on its indicative share price of RM5.20 each, and could potentially be the fifth largest component of the FTSE Bursa Malaysia KLCI. Coupled with its strong liquidity, Maxis is expected to be a favourite among the Malaysian-centric funds and those that are benchmarked against the local index. "It's a stock that fund managers can't afford not to have," OSK Investment Bank's head of equity capital markets Gan Kim Khoon remarked.

"Contrary to widely held perception, there's still growth and this will come from the penetration into the untapped east coast and Sabah and Sarawak," Gan said. Mobile broadband, which is still at nascent stage in Malaysia, will be another source of growth.

The strong cashflow is another reason investors should buy Maxis shares, Gan said.

The research arm of OSK has advised investors to subscribe to the IPO, based on the company's solid fundamental execution, superior margin and robust dividend. OSK puts the stock's fair value at between RM5.30 and RM5.80, derived from a projected 2010 price earnings multiple of 14.8 to 16.2 times. Still, fund managers like Choong Khuat Hock at Kumpulan Sentiasa Cemerlang are not so convinced. He believes the indicative IPO price of RM5.20 makes Maxis expensive, leaving the stock with limited upside.

"Many have painted a very rosy growth picture for Maxis, but I believe a lot will depend on whether it is investing enough to boost its 3G and data services," said Choong, a director of research at the asset manager. "Maxis has not been focusing on its 3G rollout in the past. With the surge of interest in broadband, it may lose out to Celcom," he added.

Choong said his fund will buy some of Maxis shares as a core holding, but will not invest in a big way.

And there are those whose confidence lies in the management's track record.

"Really what you are buying is the growth. It is not a cheap stock, yes, but it is also not an insignificant telco player," K&N Kenanga head of equities broking James Lau said. Although consumers have complained about Maxis' poor 3G and data service connection, Lau is convinced that the situation will improve.

"Moving forward, it is not going to be status quo. If you look at parentage, the philosophy behind the Ananda Krishnan group, I think the strategic plans and vision of this company is unquestionable," Lau said.