

Singapore Telecommunications (ST SP)

Stable and stronger

BUY

Share Price	SGD 2.62
12m Price Target	SGD 3.15 (+20%)
Previous Price Target	SGD 3.02

Overall good results; Retain BUY

Q1FY23 PATMI of SGD628m (+41% YoY) is in line with MIBG/consensus expectations, accounting for 25% of full year estimates. Headline growth was lifted by improved operational performance and exceptional gains from Airtel (+144% YoY) and dilution of the group's effective shareholding in Australia Tower Network. Our FY23-25F forecasts for Singtel's core business are unchanged, but we raise our SOTP-based TP by 4% to SGD3.15 due to higher valuations for associate businesses. We reiterate BUY on Singtel, which is our top sector pick.

Earnings stayed resilient

Singtel's operating revenue and EBITDA in 1QFY23 fell 5.6% and 2.0% YoY, respectively, due to the absence of NBN migration revenue and contributions from Amobee which was classified as a 'subsidiary held for sale' in March 2022, coupled with a 4% weakening of the Australian dollar. Conversely, EBIT (before associates' contributions) rose 5.2% YoY as (i) deconsolidation of Amobee and depreciation charges fell after the sale of ATN towers, (ii) roaming rebound from the broader relaxation of COVID-19 restrictions in Singapore, and (iii) improved mobile performance and satellite equipment sales in Australia.

A confluence of catalysts in FY23

We forecast Singtel would deliver 3-year earnings CAGR (FY23-FY25F) of 15%. This reflects monetization of 5G in Singapore and Australia, potential divestment of Trustwave, double-digit NCS growth and regional associates benefitting from economic reopening. A regional data centre is also shaping up as Singtel aims to add another 100MW of capacity within 3-5 years to build a DC portfolio with SGD8b valuation. Notably, Optus recently announced legacy price plan hikes of AUD4/month to adjust for inflationary pressure. This effectively lifts ARPU by 7-10% for Singtel's Australian consumer mobile business. We expect improve mobile service EBIT (+5.6% YoY) and EBITDA margin growth (+2.8pp YoY) in FY23.

Prospects remain bright

Amid rising interest cost and intense competition, SingTel has begun its growth journey while shareholders. Core business segments in Singapore and Australia are gradually recovering following the resumption of foreign travel. Rising contribution from associates will further support earnings growth, making SingTel an exciting stock that offers a better mixture of growth (+15% YoY) and dividend yields above 4% in FY23-FY25E.

FYE Mar (SGD m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	15,428	14,915	16,036	16,383	16,557
EBITDA	3,617	3,343	4,042	4,270	4,366
Core net profit	1,518	1,558	2,520	2,878	3,206
Core FDEPS (cts)	9.3	9.5	15.4	17.6	19.6
Core FDEPS growth(%)	41.3	2.6	61.8	14.2	11.4
Net DPS (cts)	7.5	9.3	10.9	12.4	13.8
Core FD P/E (x)	26.3	27.7	17.0	14.9	13.4
P/BV (x)	1.5	1.6	1.5	1.5	1.4
Net dividend yield (%)	3.1	3.5	4.1	4.7	5.3
ROAE (%)	5.7	5.8	9.1	10.0	10.8
ROAA (%)	3.1	3.2	5.0	5.6	6.0
EV/EBITDA (x)	14.4	15.8	12.7	11.7	11.0
Net gearing (%) (incl perps)	45.7	35.5	29.8	24.1	17.7
Consensus net profit	-	-	2,534	2,916	3,242
MKE vs. Consensus (%)	-	-	(0.5)	(1.3)	(1.1)

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Company Description

Singtel is the largest integrated telecommunications service provider in Singapore and has significant share in Australia, India and ASEAN

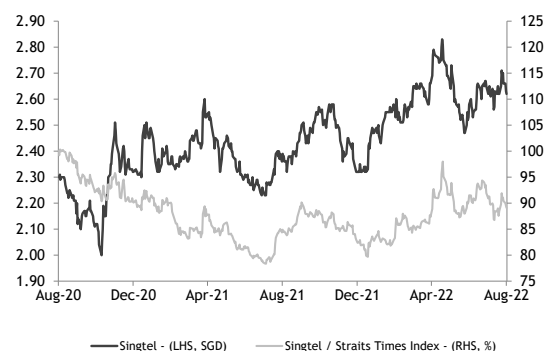
Statistics

52w high/low (SGD)	2.83/2.32
3m avg turnover (USDm)	47.3
Free float (%)	41.8
Issued shares (m)	16,515
Market capitalisation	SGD43.3B USD31.1B

Major shareholders:

Temasek Holdings	52.2%
Central Provident Fund	4.9%
Capital Research	1.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	(1)	10
Relative to index (%)	(3)	(3)	5

Source: FactSet

ESG@MAYBANK IBG
Tear Sheet Insert

Value Proposition

- Telco conglomerate whose companies have significant, if not leading, shares in their markets.
- High-growth phase for wireless segment has passed. Competition is generally on the rise in this segment in most markets.
- Enterprise and 5G to provide next legs of growth, while cash is harvested from wireless leadership to support investments and capex.
- Healthy balance sheet backs DPS payout ratio of 60-80%. Proceeds from sale of non-core assets are partly committed to exceptional payouts.

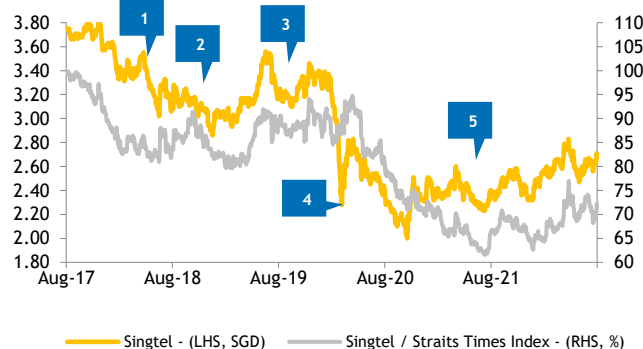
Singtel SOTP valuation

Valuation	Stake (%)	Valuation method	Valuation (LC)	Exch rate (SGD/LC)	Valuation (SGD m)	Per share (SGD)	% of total
SingTel Core Business	100.0	Singtel DCF (6.9% WACC, 1% TG, 0.90 beta) Optus DCF (6.0% WACC, 1% TG, 0.71 beta)	19,717	1.00	19,717	1.21	
(Less) Consol Net Debt					-8,403	-0.51	
Sub Total					11,314	0.69	22%
Associates							
Valuation	Stake (%)	Valuation method	Valuation (LC)	Exch rate (SGD/LC)	Valuation (SGD m)	Per share (SGD)	% of total
Telkomcel (Indonesia)	35.0	70% of Market Cap listed Telkom	#####	10,645	10,693	0.66	16%
Bharti Airtel (India)	31.7	DCF (9.4% WACC, 3% TG, 1.0 beta), mcap of africa and tower businesses	1,538,551	55.83	27,558	1.69	40%
AIS (Thailand)	23.3	DCF (7.0% WACC, 2% LTG, 1.0 beta)	159,323	24.05	6,625	0.41	10%
Globe (Philippines)	47.0	DCF (5.7% WACC, 1% LTG, 0.7 beta)	185,155	38.13	4,856	0.30	7%
Intouch (Thailand)	21.1	SOTP (AIS TP and mkt cap of THCOM TB)	46,473	24.05	1,932	0.12	3%
NetLink NBN Trust (Singapore)	24.8	DDM (CDE 6%, 0% LTG, 0.5 beta)	966	1.00	966	0.06	1%
SingPost (Singapore)	21.7	Market Cap	305	1.00	305	0.02	0%
Sub Total					52,631	3.24	
Conglomerate Discount		25% discount				(0.8)	
Associates' value						2.46	77%
Total Equity Value						3.15	100%

Source: Maybank IBG

Price Drivers

Historical share price trend



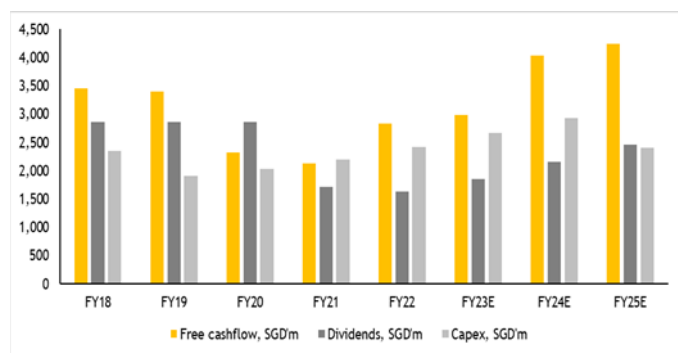
Source: FactSet, Maybank IBG Research

1. Proposal for fourth mobile licence. Bharti's profits started to taper off.
2. Proposal to increase effective stake in Bharti to 39.5%. Share price continued to be pressured by competitive environment.
3. Australia wireless pricing went through industry-wide reflation.
4. Earnings marred by weakness in ARPU on the back of lower usage of roaming and data given travel restriction and work-from-home arrangements.
5. Ongoing global economic disruption brought about by
6. COVID-19 and structural challenges brought about by intense market competition.

Financial Metrics

- We forecast EBITDA to register a 5.9% CAGR over FY23-25E due to earnings recovery following Covid-19.
- Pretax associate income could contribute to bottom line by growing 27% in the same period, led by Bharti's swing to net profit from net loss.
- We expect net debt to EBITDA, including associate dividends, to remain healthy at 1.6x-2.2x in FY23-25E; providing support to its fixed DPS commitment.

Free cashflow, dividends and capex



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Strong growth in enterprise and Digital Life to positive operating leverage.
- Stronger-than-expected ARPU due to easing in price competition in countries it operates in.
- Faster-than-expected monetisation of 5G development.

Downside

- Further wireless margin compression triggered by competition in Singapore and / or Australia.
 - Worse-than-expected cannibalisation of wireless voice, SMS and roaming by data.
- Failure to monetise 5G development.

Risk Rating & Score ¹	18.5
Score Momentum ²	No change
Last Updated	16 Dec 2021
Controversy Score ³ (Updated: 16 Dec 2021)	0-No reports

Business Model & Industry Issues

- Singtel is most exposed to cybersecurity and personal data leakage risks given its nature of business. There have been minor lapses due to IT, process and human errors over the years, and Singtel was penalised for an immaterial sum.
- Going forward, Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.
- As Singtel is in the business of connectivity, it is supporting digital inclusion through connecting communities and supporting the disadvantaged.
- Notably in FY20, the telco supported migrant workers with free remittance service and their WiFi and mobile data needs. It also provided refurbished laptops and data SIMs to disadvantaged students for their home-based learning. In Australia, Optus scaled up “Donate Your Data” to support disadvantaged students by offering them free mobile data access for online learning.
- Singtel displays no exceptional risks for a telco operator for ESG and is in line with peers in tackling ESG issues.

Material E issues

- Achieved carbon emissions intensity reduction of 70% in 2020, well exceeding our 2030 target of 50%.
- Over 84% of waste generated disposed via reuse, recycling or incineration with energy recovered.
- Only Southeast Asian company among a pioneer group of 28 global companies in July 2019 that committed to keeping global temperature increase within 1.5°C and net zero emissions by 2050.

Material S issues

- 28% of female employees in middle and top management.
- Singtel was included in the 2020 Bloomberg Gender-Equality Index and the Refinitiv Global Diversity & Inclusion Index 2019 and named as one of the top 10 employers for Gender Diversity at The Leonie Awards 2019.
- Total training investment of SGD21.9m and pledged SGD45m to boost the digital skills of its workforce through company-wide initiatives over three years.
- Zero fatality rate across Singtel and Optus in FY20.
- To promote digital inclusion, Optus has launched “Donate Your Data” in Australia to help disadvantaged young people bridge the digital divide.
- Singtel also supported 1,000 vulnerable seniors under CareLine 24-hour telephone befriending service with free mobile phone services to promote digital inclusion and well-being.

Key G metrics and issues

- Board consists of 10 directors, of which one is executive officer (MD/CEO), the remaining are non-executive & independent directors (including Chairman). 30% are female directors.
- The nomination, audit, investment and remuneration committees are chaired by independent directors.
- Key management/directors’ compensation accounted for 9.4%/1.3% of total employee compensation in 2019.
- There have been no corruption cases reported for the past three years.
- Cyber security and data leakage risks. Conducts its businesses in strict adherence to data protection laws - the Personal Data Protection Act in Singapore and the Privacy Act and Telecommunications Act in Australia.
- There have been minor lapses due to IT, process and human errors. Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

1. 1QFY23 PATMI in line with our estimate

Singtel's headline 1Q23 net income of SGD628m (+41% YoY and +141% QoQ) is in line with MIBG and consensus estimates at 25% of FY23E. The increase was lifted by improved operational performance and exceptional gains from Airtel and dilution of the group's effective shareholding in Australia Tower Network.

Fig 1: Quarterly P&L

SGD'm	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	%MKE YTD	% cons YTD
Operating revenue									
Singapore consumer	414	453	482	414	428	3%	3%		
Optus	2024	1938	1981	1872	1944	4%	-4%		
Group Enterprise	612	633	650	628	613	-2%	0%		
NCS	528	579	559	695	598	-14%	13%		
Amobee	236	254	251	181	-	nm	nm		
Trustwave	98	101	87	82	44	-46%	-55%		
Group revenue	3798	3855	3913	3774	3584	-5%	-6%	22%	22%
EBITDA									
Singapore consumer	149	149	156	128	166	30%	11%		
Optus	542	507	558	454	531	17%	-2%		
Group Enterprise	271	271	284	265	274	3%	1%		
NCS	84	63	71	83	70	-16%	-17%		
Amobee	5	2	1	(11)	-	nm	nm		
Trustwave	(24)	(26)	(35)	(30)	(29)	-3%	21%		
Corporate	(28)	(34)	(40)	(38)	(34)	-11%	21%		
Group EBITDA	997	932	990	849	977	15%	-2%	24%	24%
EBIT (excluding associates' contributions)									
Singapore consumer	74	79	85	43	91	112%	23%		
Optus	67	43	97	5	85	1600%	27%		
Group Enterprise	183	182	191	170	183	8%	0%		
NCS	63	42	50	59	48	-19%	-24%		
Amobee	(11)	(14)	(17)	(28)	-	nm	nm		
Trustwave	(33)	(34)	(42)	(36)	(33)	-8%	0%		
Corporate	(1)	(37)	(51)	(53)	(46)	-13%	4500%		
Group EBIT	312	261	313	159	328	106%	5%	25%	27%
Pre-tax contributions from regional associates									
Telkomsel	241	124	216	126	228	81%	-5%		
AIS	85	46	80	45	73	62%	-14%		
Intouch	26	14	23	13	25	92%	-4%		
Globe	99	37	48	49	95	94%	-4%		
Bharti Telecom/ Airtel	64	-15	102	46	156	239%	144%		
Regional associates	514	495	469	279	577	107%	12%		
Underlying PATMI	451	532	473	468	499	7%	11%	20%	20%
PATMI	445	509	734	261	628	141%	41%	25%	25%

Source: Maybank IBG Research

Other 1Q23 group earnings highlights:

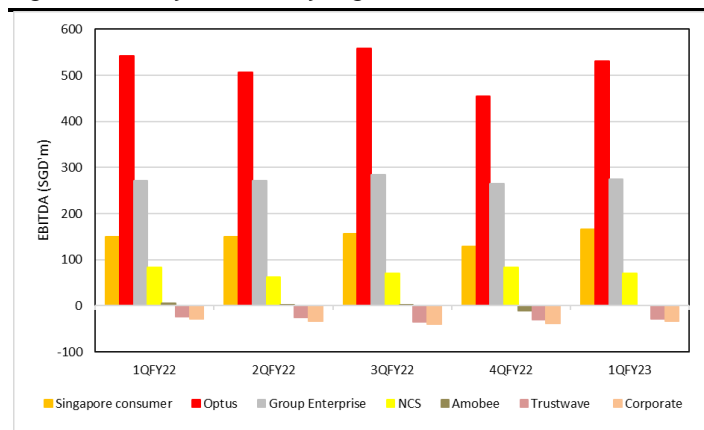
- Consumer business in Singapore returned to growth with the easing of border controls. Operating revenue for Singapore consumer grew 3.4% YoY from higher mobile service (+11% YoY) and fixed broadband (1.6%

YoY) partially offset by lower TV revenue (-14% YoY). In particular, mobile service revenue grew a strong 9.4% YoY on increased roaming and lower amortisation of equipment subsidies, offsetting the declines in prepaid mobile (-3.7% YoY) and voice amid intense price competition in the market. EBITDA increased 11.7% YoY reflecting the higher operating revenue and lower TV content cost.

- Optus operating revenue (+4% QoQ, -4% YoY) and EBITDA (+17% QoQ, -2% YoY) increased despite challenging market conditions arising from competitive market conditions. Notably, Mobile service revenue grew 2.4% YoY, driven by higher roaming and prepaid mobile revenues from the continued recovery in international travel, offsetting the decline in insurance revenue which Optus has exited.
- Singtel’s growth engine NCS’ operating revenue was up 13% YoY. This was driven by broad-based growth across almost all lines of business. EBITDA, however, declined 17% YoY due to increased investment in capabilities and higher staff wages to support business growth amid a highly competitive labour market. NCS’ order book amounted to S\$600 million for the quarter with projects in various sectors.
- Group Enterprise operating revenue (-2% QoQ) and EBITDA (+3% QoQ) remained resilient. Data and Internet revenue were impacted by competitive pricing pressure and lower volume as a result of businesses consolidating their networks, and project delays caused by continued supply disruptions.
- Associates pre-tax contribution rose (+107% QoQ, 12% YoY) to SGD577m. This increase is mainly due to an exceptional performance from Bharti Airtel (+239% YoY, +144% QoQ) on higher mobile ARPU from tariff hikes and robust 4G customer additions during the quarter. Globe Telecom (GLO) growth was fuelled by higher revenue from improving Covid-19 restrictions as well as strong profit contribution from its fintech JV, Mynt. GCash was also able to record GTV of PHP535b, resulting in net profit of PHP922m in 1Q22 (PHP327m in equity gains for GLO).

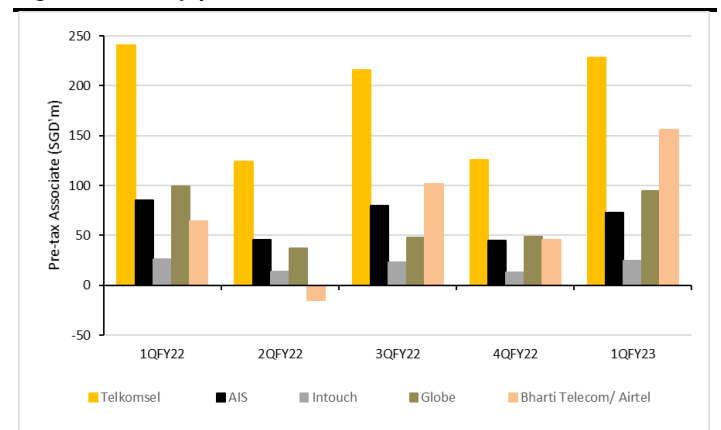
2. Quarterly trends and updates

Fig 2: Quarterly revenue by segment



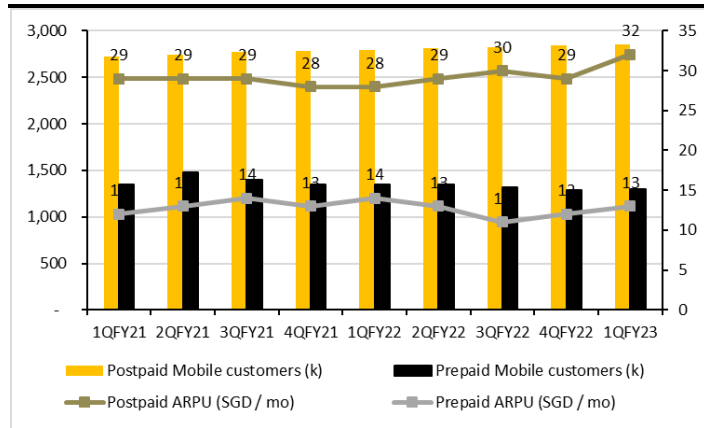
Source: Company

Fig 3: Quarterly pre-tax associate contribution



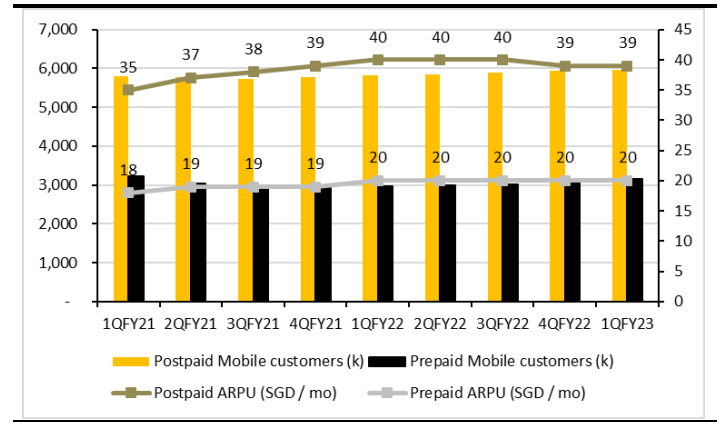
Source: Company

Fig 4: Singapore operating metrics



Source: Company

Fig 5: Australia (Optus) operating metrics



Source: Company

Fig 6: Quarterly operating metrics

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	YoY	QoQ
Singapore											
Total Mobile (SGD 'm)	404	475	539	441	404	448	507	413	430	6%	4%
Mobile service revenue (SGD'm)	284	287	281	271	279	287	286	283	309	11%	9%
Postpaid											
Postpaid ARPU (SGD / mo)	29	29	29	28	28	29	30	29	32	14%	10%
Postpaid Mobile customers (k)	2,727	2,745	2,769	2,782	2,791	2,811	2,827	2,845	2,856	2%	0%
Prepaid											
Prepaid ARPU (SGD / mo)	12	13	14	13	14	13	11	12	13	-7%	8%
Prepaid Mobile customers (k)	1,351	1,480	1,393	1,346	1,351	1,349	1,319	1,284	1,301	-4%	1%
Pay TV											
Service revenue (SGD m)	52	51	51	51	51	50	49	46	44	-14%	-4%
Total subs (k)	380	377	375	375	371	368	362	356	343	-8%	-4%
Australia											
Total Mobile (AUD 'm)	1,211	1,225	1,511	1,312	1,266	1,245	1,320	1,245	1,248	-1%	0%
Mobile service revenue (AUD 'm)	822	859	912	895	913	931	922	921	935	2%	2%
Postpaid											
Postpaid ARPU (SGD / mo)	35	37	38	39	40	40	40	39	39	-3%	0%
Postpaid Mobile customers (k)	5,802	5,771	5,729	5,766	5,814	5,848	5,884	5,931	5,969	3%	1%
Prepaid											
Prepaid ARPU (SGD / mo)	18	19	19	19	20	20	20	20	20	0%	0%
Prepaid Mobile customers (k)	3,234	3,038	2,997	2,967	2,973	2,983	3,014	3,076	3,160	6.3%	2.7%

Source: Company

Fig 7: Singtel's associates business update

Country	Company	Market position (market share)	Stake (%)	Key Outlook/Driver	MKE rating
India	Bharti Airtel	#2 in India (29%)	31.9	<p>- Reliance Jio was the top bidder in next generation of 5G services through an auction exercise, Bharti Airtel is facing strong competition from Jio on the 5G coverage quantity and may help Jio gain more customers and revenue market share in the coming months. The spectrum will be used to create a private network to support its businesses from airports to power as well as data centres.</p> <p>- We believe Bharti Airtel will continue its growth momentum with the tariff hike. Strong turnaround in Airtel is expected to lift associates' contributions, led by robust operating improvements in India and Africa.</p>	BUY
Thailand	Advanced Info Service	#1 in Thailand (43.65%)	23.3	<p>- AIS 2Q22 mobile revenue grew by 1.3% QoQ as recovery of revenue from tourists (international tourist arrivals rose by 217% QoQ) outweighed the negative impact of high inflation and fierce price competition in Thailand. We expect QoQ mobile revenue growth to accelerate in 3Q-4Q22E as Thailand's inflation rate may be close to its peak (July CPI dropped by 0.16% MoM), and MoM trend of rising tourist arrivals should continue into 2H22E. Thailand had 1.3m tourist arrivals in Jul 2022, up 63% MoM. Our house view of 9m international tourist arrivals in FY22E implies 4.8m tourists in 2H22E, up 132.7% HoH.</p>	BUY
Indonesia	Telkomsel	#1 in Indonesia (58.9%)	35	<p>- We believe that there is continual price competition in Indonesian telcos. Telkomsel recently adjusted its data package prices by an average of 10% in stages across products. Following the same trend, competitor XL Axiata (EXCL) also increased prices by 3% and applied fair usage policy (FUP) in the unlimited package, while Indosat Ooredoo Hutchinson (IOH) increased their data package price by -9%.</p> <p>- Telkomsel's strategy is to offer lower denomination data packages and bundle services to retain lower income customers. We think the high inflation might hit the lower purchasing power group to switch to other telcos which are more affordable and Telkomsel would be able to benefit from this.</p>	NR
Philippines	Globe	#1 in Philippines (47.0%)	46.9	<p>- The key driver for Globe remains to be their market leadership in GCash. As of Mar 2021, GCash had >60m registered users (+57.9% YoY), 5m merchant and social sellers (+2.7x YoY), 420 GLife merchant partners (+16x YoY) and around 232k cash-in, cash-out agents (+5.5x YoY). GCash was also able to record GTV of PHP535b, resulting in net profit of PHP922m in 1Q22 (PHP327m in equity gains for GLO).</p> <p>- We expect profitability will be sustained as GCash expands its fee income earnings segments and its lending business through GCredit and GLoan. GCash has also began offering clients an easy way to trade cryptocurrency across popular exchanges.</p>	BUY

Source: Maybank IBG Research

3. Valuation and recommendation

3.1 Underlying earnings will continue to accelerate

We believe FY23 earnings will benefit from the following areas:

1. Reallocate capital by divestment of assets

We expect FY23 earnings to benefit from the absence of Amobee losses (FY22 operating loss of S\$70m). Amobee was classified as a "subsidiary held for sale" and the transaction is expected to be completed within next year. Net book value of Amobee is estimated at SGD220m. Furthermore, we are anticipating Trustwave to be divested in 2HFY23F. Trustwave incurred an estimated SGD140m EBIT loss in FY22. Overall, sale of Amobee and Trustwave could result in avoiding an estimated SGD200-220m annual operating loss (-9% of FY23F underlying profit) although the savings will be slightly lower in FY23F due to the timing of Trustwave classification.
2. Developing regional data centre with valuation of USD8b.

The group aims to add another 100MW of capacity to create a DC asset of close to SGD8b within 5 years. Singtel formed a JV with Gulf Energy/AIS and started to identify suitable sites to develop its data centres in Thailand (ECD 2023). Gulf Energy will provide the energy while Singtel will step in with operational expertise. AIS will complete the offer with connectivity services. In Indonesia, Singtel signed an MOU

with Telkomsel to develop DCs catering to the regional market. The JV can either acquire existing DCs or develop greenfield projects for DC facilities. If the project is located in Indonesia, Telkomsel will own a higher stake, and if the project is in Singapore, Singtel will be the majority shareholder.

3. Expansive 5G coverage should spur adoption.

We note there is more than 95% 5G population coverage in Singapore (3 years ahead of the regulator's mandated timeline) fuelling stronger commercial 5G adoption and more effective monetisation of enterprise use cases. More recently, Singtel clinched key wins for 5G MEC platform with: i) Hyundai Motor Group (HMG) for the deployment of 5G infrastructure solutions at the latter's Innovation Center in Singapore which includes an electric vehicle (EV) production facility and ii) Micron Technology for the deployment of mmwave solutions for high precision control and manufacturing operations

3.2 Singtel remains our top pick in Telco sector

We reiterate BUY on ST SP, which is our top sector pick. Potential re-rating catalysts are: i) divestment of Trustwave, ii) monetisation of the upcoming data centre/NCS and iii) resumption of regional roaming revenue

Fig 8: SOTP Valuation

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Intouch (Thailand)	21.1	SOTP (AIS TP and mkt cap of THCOM TB)	46,473	24.05	1,932	0.12	3%
NetLink NBN Trust (Singapore)	24.8	DDM (COE 6%, 0% LTG, 0.5 beta)	966	1.00	966	0.06	1%
SingPost (Singapore)	21.7	Market Cap	305	1.00	305	0.02	0%
Sub Total					52,631	3.24	
Conglomerate Discount		25% discount				(0.8)	
Associates' value						2.46	77%
Total Equity Value						3.15	100%

Source: FactSet, Maybank IBG Research

Fig 9: Singtel DCF

YE Mar (SGDm)	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
EBIT	372	787	880	909	830	767	724	677	628
Depreciation and amortisation	1,421	1,533	1,649	1,633	1,556	1,516	1,489	1,459	1,429
EBITDA	1,794	2,320	2,529	2,542	2,387	2,283	2,212	2,136	2,057
Change in WC	(93)	(99)	(102)	(103)	(105)	(105)	(105)	(105)	(105)
Tax paid	(200)	(259)	(282)	(284)	(266)	(255)	(247)	(238)	(229)
Capex	(867)	(922)	(948)	(959)	(976)	(973)	(974)	(975)	(976)
Unlevered FCF	634	1,040	797	787	783	781	886	866	866
PV of FCF	634	973	698	645	600	560	594	544	509
Total PV of FCF	6,231								
Terminal Value	12,590								
PV of Terminal Value	6,918								
Enterprise Value	13,150								
Less: net debt									
Equity Value	13,150								
Equity Value Per Share	0.81								

Source: Maybank IBG Research, Company

Fig 10: Optus DCF

YE Mar (SGDm)	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
EBIT	373	248	524	587	606	554	512	482	451
Depreciation and amortisation	1,711	1,302	1,198	1,154	1,218	1,167	1,207	1,234	1,264
EBITDA	2,084	1,550	1,722	1,740	1,824	1,720	1,719	1,717	1,715
Change in WC	968	(12)	605	132	118	86	102	29	36
Tax paid	(322)	(239)	(266)	(269)	(281)	(265)	(265)	(265)	(265)
Capex	(3,441)	3,084	(1,740)	(1,980)	(1,441)	(1,324)	(1,227)	(1,226)	(1,275)
Unlevered FCF	(711)	4,383	321	(375)	221	217	328	255	212
PV of FCF	(711)	4,135	286	(315)	175	162	232	170	133
Total PV of FCF	4,425								
Terminal Value	3,899								
PV of Terminal Value	2,143								
Enterprise Value	6,567								
Less: net debt									
Equity Value	6,567								
Equity Value Per Share	0.40								

Source: Maybank IBG Research, Company

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	25.9	25.5	17.0	14.9	13.3
Core P/E (x)	26.2	27.7	17.0	14.9	13.3
Core FD P/E (x)	26.3	27.7	17.0	14.9	13.4
P/BV (x)	1.5	1.6	1.5	1.5	1.4
P/NTA (x)	3.0	2.8	2.6	2.5	2.3
Net dividend yield (%)	3.1	3.5	4.1	4.7	5.3
FCF yield (%)	nm	11.7	7.5	6.4	8.7
EV/EBITDA (x)	14.4	15.8	12.7	11.7	11.0
EV/EBIT (x)	55.8	85.1	39.0	33.9	31.7

INCOME STATEMENT (SGD m)

Revenue	15,427.8	14,915.3	16,035.6	16,383.2	16,557.0
EBITDA	3,616.8	3,343.3	4,041.9	4,269.7	4,366.5
Depreciation	(2,685.0)	(2,723.0)	(2,731.0)	(2,803.0)	(2,851.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	931.8	620.3	1,310.9	1,466.7	1,515.5
Net interest income / (exp)	(395.0)	(361.3)	(400.0)	(399.9)	(399.9)
Associates & JV	1,798.0	2,137.0	2,595.6	2,935.5	3,342.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	2,334.8	2,396.0	3,506.5	4,002.4	4,458.1
Income tax	(811.0)	(832.2)	(980.0)	(1,118.6)	(1,245.9)
Minorities	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,517.6	1,557.6	2,520.3	2,877.6	3,205.9
Core net profit	1,517.6	1,557.6	2,520.3	2,877.6	3,205.9

BALANCE SHEET (SGD m)

Cash & Short Term Investments	754.7	2,130.0	3,456.1	4,820.5	6,516.9
Accounts receivable	5,443.7	5,245.0	5,638.9	5,761.2	5,822.3
Inventory	271.6	270.0	320.7	327.7	331.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	11,534.1	10,892.0	10,823.0	10,948.0	10,497.0
Intangible assets	13,129.1	11,977.0	11,977.0	11,977.0	11,977.0
Investment in Associates & JVs	15,790.3	17,206.0	17,206.0	17,206.0	17,206.0
Other assets	1,074.9	1,412.0	1,412.0	1,412.0	1,412.0
Total assets	47,998.4	49,132.0	50,833.7	52,452.4	53,762.3
ST interest bearing debt	2,033.9	1,614.0	1,614.0	1,614.0	1,614.0
Accounts payable	6,784.8	6,402.0	7,352.0	7,511.4	7,591.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	10,825.6	10,254.0	10,245.4	10,245.6	10,245.6
Other liabilities	1,843.0	3,444.0	3,444.0	3,914.0	4,042.0
Total Liabilities	21,487.0	21,714.0	22,655.2	23,284.8	23,492.8
Shareholders Equity	26,485.8	27,433.0	28,189.6	29,174.3	30,274.1
Minority Interest	25.6	(15.0)	(15.0)	(15.0)	(15.0)
Total shareholder equity	26,511.4	27,418.0	28,174.6	29,159.3	30,259.1
Total liabilities and equity	47,998.4	49,132.0	50,833.7	52,452.4	53,762.3

CASH FLOW (SGD m)

Pretax profit	2,334.8	2,396.0	3,506.5	4,002.4	4,458.1
Depreciation & amortisation	2,685.0	2,723.0	2,731.0	2,803.0	2,851.0
Adj net interest (income)/exp	(1,695.0)	(1,681.7)	(917.5)	(1,302.2)	(1,279.2)
Change in working capital	878.1	(104.9)	505.4	30.2	15.1
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.4	0.4	0.5	0.0
Cash flow from operations	4,031.2	3,332.4	5,825.4	5,533.3	6,045.0
Capex	(2,200.0)	2,217.0	(2,662.0)	(2,928.0)	(2,400.0)
Free cash flow	2,328.2	4,133.7	3,163.4	2,605.3	3,645.0
Dividends paid	(1,722.2)	(1,090.3)	(1,764.2)	(2,014.3)	(2,244.2)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(353.9)	(921.4)	665.6	720.3	358.2
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(244.9)	1,375.3	1,326.1	1,364.4	1,696.4

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(6.7)	(3.3)	7.5	2.2	1.1
EBITDA growth	(10.6)	(7.6)	20.9	5.6	2.3
EBIT growth	(52.5)	(33.4)	111.3	11.9	3.3
Pretax growth	14.5	2.6	46.3	14.1	11.4
Reported net profit growth	41.3	2.6	61.8	14.2	11.4
Core net profit growth	41.3	2.6	61.8	14.2	11.4
Profitability ratios (%)					
EBITDA margin	23.4	22.4	25.2	26.1	26.4
EBIT margin	6.0	4.2	8.2	9.0	9.2
Pretax profit margin	15.1	16.1	21.9	24.4	26.9
Payout ratio	80.7	97.5	70.4	70.3	70.2
DuPont analysis					
Net profit margin (%)	9.8	10.4	15.7	17.6	19.4
Revenue/Assets (x)	0.3	0.3	0.3	0.3	0.3
Assets/Equity (x)	1.8	1.8	1.8	1.8	1.8
ROAE (%)	5.7	5.8	9.1	10.0	10.8
ROAA (%)	3.1	3.2	5.0	5.6	6.0
Liquidity & Efficiency					
Cash conversion cycle	na	na	na	na	na
Days receivable outstanding	128.4	129.0	122.2	125.3	125.9
Days inventory outstanding	na	na	na	na	na
Days payables outstanding	na	na	na	na	na
Dividend cover (x)	1.2	1.0	1.4	1.4	1.4
Current ratio (x)	0.7	0.9	1.0	1.1	1.3
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.3	2.2	2.3	2.3
Net gearing (%) (incl perps)	45.7	35.5	29.8	24.1	17.7
Net gearing (%) (excl. perps)	45.7	35.5	29.8	24.1	17.7
Net interest cover (x)	2.4	1.7	3.3	3.7	3.8
Debt/EBITDA (x)	3.6	3.5	2.9	2.8	2.7
Capex/revenue (%)	14.3	nm	16.6	17.9	14.5
Net debt/ (net cash)	12,104.8	9,738.0	8,403.3	7,039.1	5,342.7

Source: Company; Maybank IBG Research

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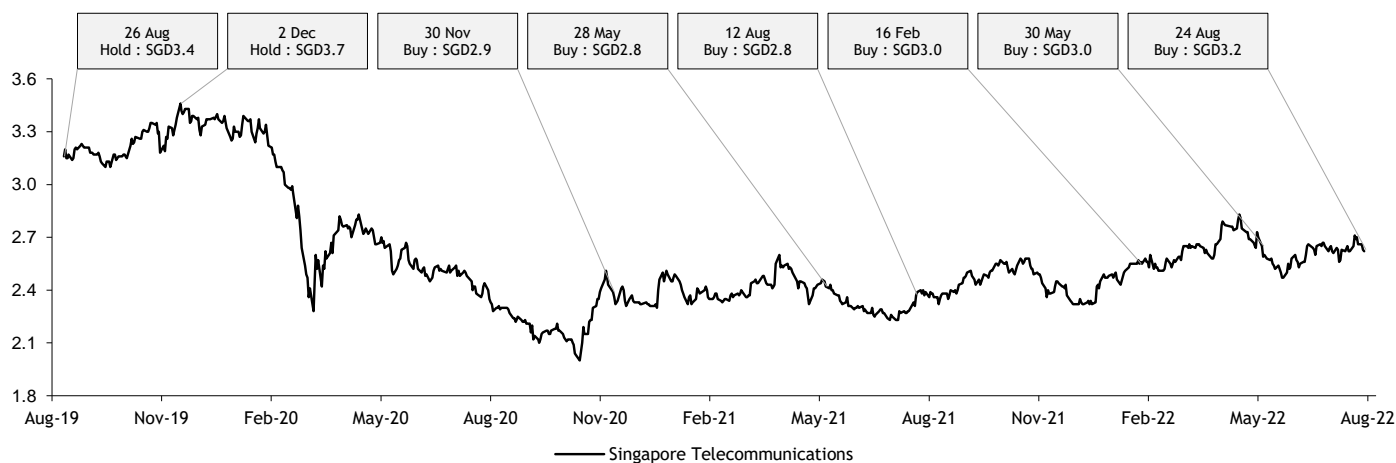
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