August 28, 2026

Maybank

Singapore Telecommunications (ST SP)

FY30 roadmap; More upside to unlock

BUY

Share Price	SGD 4.51
12m Price Target	SGD 5.21 (+20%)
Previous Price Target	*SGD 5.21*

FY30 roadmap looks credible, with upside optionality

Investor Day materially improved visibility on Singtel's next earnings leg. Management outlined a roadmap for OpCo EBIT to reach SGD2.1-2.5b by FY30, from approximately SGD1.5b currently, driven by an Optus recovery, NCS, and Digital InfraCo. Importantly, the bridge does not appear demanding: Singapore contributes virtually no incremental EBIT, while Digital InfraCo largely reflects secured pipelines rather than its ultimate potential. We see room to outperform these aspirations. The only near-term disappointment was the unchanged FY27 guidance, although a potential upgrade could be revisited with the 1HFY27 results in November.

Digital InfraCo could become the key upside lever

RE:AI has 6MW contracted, another 6MW under advanced negotiation & a further ~6MW of capacity reserved, providing visibility towards a potential 18MW footprint. Management sees Singapore sovereign-AI demand reaching ~50–75MW over three years, with RE:AI positioned for a large share. Importantly, deployments are customer-underwritten with 25-35% upfront payments, limiting inventory risk, while Nxera DC capacity is increasingly being preserved for AI workloads. Regional expansion into Japan, Malaysia & Indonesia adds further upside beyond FY30 assumptions.

Optus and NCS provide tangible earnings recovery

The core businesses are increasingly contributing rather than merely restructuring. At Optus, a move towards an ~33% EBITDA margin by FY30—closer to that of Australian peers—could support roughly SGD500m of incremental EBIT. Our sensitivity suggests this requires only ~2% revenue and ~4% EBITDA CAGR, with broadly stable D&A. NCS is already showing operating leverage, with 1QFY27 EBIT rising 29% YoY, while AI creates both productivity & new revenue opportunities. Singapore consumer remains challenging; however, tougher industry economics, early pricing discipline and eventual consolidation provide upside to management's flat-EBIT assumption in its FY30 EBIT roadmap.

Growth and capital returns remain differentiator

Associates provide another independent growth engine, with Bharti, AIS, and the Philippines associate extending beyond mobile into broadband, enterprise, data centres, AI/cloud, and financial services. Telkomsel and FX remain the principal offsets. Management sees substantial additional monetisation opportunities. The emerging strategy goes beyond asset sales towards capital rotation and permanent-capital structures, potentially recycling mature infrastructure while continuing to fund growth. We believe that the combination of earnings compounding, improving ROIC, asset monetisation, and sustained shareholder returns can support further re-rating.

FYE Mar (SGD m)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	14,146	14,261	15,540	16,361	17,244
EBITDA	3,792	3,848	4,249	4,594	4,980
Core net profit	2,470	2,769	3,093	3,579	4,149
Core EPS (cts)	15.0	16.8	18.8	21.7	25.2
Core EPS growth (%)	9.3	12.3	11.8	15.7	15.9
Net DPS (cts)	17.0	18.5	19.7	21.0	22.8
Core P/E (x)	22.9	29.4	24.0	20.7	17.9
P/BV (x)	2.2	2.8	2.6	2.6	2.5
Net dividend yield (%)	5.0	3.7	4.4	4.6	5.1
ROAE (%)	16.5	21.4	11.2	13.0	14.8
ROAA (%)	5.3	5.7	6.1	6.9	7.9
EV/EBITDA (x)	17.4	23.3	19.6	18.4	17.1
Net gearing (%) (incl perps)	20.7	14.4	18.1	22.0	25.0
Consensus net profit	-	-	3,093	3,516	4,149
MIBG vs. Consensus (%)	-	-	0.0	1.8	0.0

Hussaini Saifee
hussaini.saifee@maybank.com
(65) 6231 5837

Company Description

Singtel is Singapore's largest & Australia's 2nd largest telco operator. It also has telecom exposure in India, Indonesia, Thailand and Philippines.

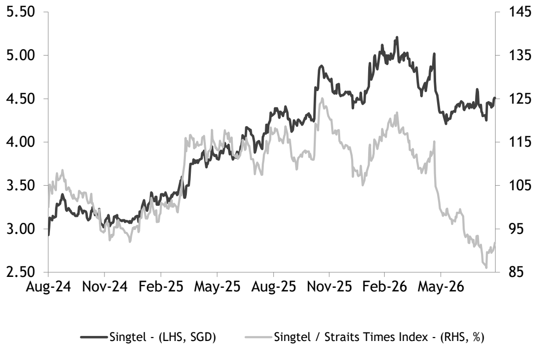
Statistics

52w high/low (SGD)	5.21/4.12
3m avg turnover (USDm)	111.4
Free float (%)	42.1
Issued shares (m)	16,515
Market capitalisation	SGD74.5B
	USD58.6B

Major shareholders:

Temasek Holdings Pte Ltd. (Investment Co	50.3%
Central Provident Fund	4.6%
Capital Research & Management Co. (Globa	1.6%

Price Performance



	-1M	-3M	-12M
Absolute (%)	2	1	5
Relative to index (%)	(0)	(12)	(22)

Source: FactSet

Abbreviations

AI - Artificial Intelligence
DC - Data centre
CFA - Call for application for new data centre capacity build
OpCo - Operating company

Companies mentioned

STT - not listed
Bharti Airtel (BHARTI IN, CP: INR1,910, not rated)
Optus (not listed, 100%-owned by Singtel)
Gulf Development (GULF TB, CP: THB61.25, TP: THB68.0, Buy)

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Tear Sheet Insert

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Singtel Singapore: consolidation the re-rating option

Competitive pressure remains, but consolidation is increasingly a question of timing

Singtel Singapore remains the group's weak spot: 1QFY27 revenue fell 3.1%, mobile-service revenue declined 4.0% on lower ARPU, EBITDA fell 4.6%, and EBIT declined 2.2%. However, we increasingly view the current four-player market structure as transitional rather than permanent. Management explicitly identifies "potential upside from market consolidation" in its FY30 framework, while conservatively assuming no incremental EBIT contribution from Singtel Singapore despite potential Enterprise and AI growth.

The telco economics are becoming more demanding

Beyond spectrum and network investment, operators face rising requirements related to network resilience, cybersecurity, and critical infrastructure. This is particularly relevant for Simba, which still faces investment requirements for 5G SA and to operate as critical infrastructure. We therefore think consolidation is ultimately a matter of when rather than if, although the transaction structure and timing remain uncertain. Importantly, Singtel does not need consolidation to deliver its FY30 group plan; any rationalisation would therefore represent upside.

Early signs of price repair

There are tentative signs of price repair at the value end. GOMO's 5G+ Value headline price has increased c.9% from S$18.33/month in February to S$19.99 currently, even as data and roaming allowances remain generous. While one price move does not signal an industry-wide turn, we view Singtel's willingness to move GOMO pricing higher as encouraging. With network, resiliency and regulatory investment requirements also rising, we see scope for competitors to gradually prioritise monetisation over continued price-led share gains.

Enterprise provides the more structural offset

Singtel is increasingly combining connectivity with cybersecurity, IoT, private networks, and AI-enabled platforms. The discussion around PSA and international enterprise contracts demonstrates why these revenues should also be stickier: solutions are typically multi-year, combine connectivity with platform/IP revenues, and create opportunities to cross-sell additional capabilities. Singtel's global SD-WAN deployment for Nestlé now connects more than 1,300 sites, illustrating that the Enterprise opportunity extends beyond Singapore. Against this, management's FY30 illustration effectively assumes little incremental EBIT from Singapore, making any consolidation or Enterprise upside incremental to the group earnings bridge.

Optus: SGD500m EBIT uplift looks achievable

The underlying recovery is already visible. We prefer looking through the translation benefit from the stronger AUD: in constant currency, 1QFY27 Optus revenue declined 2.2% (mainly owing to lower handset sales), but EBITDA increased 5.1% and EBIT increased by 13.8%. More importantly, mobile-service revenue grew 3.3%, driven primarily by higher ARPU following price increases, while Wholesale and Enterprise & Business Fixed also grew. EBITDA margin reached 31.1%, versus 28.2% for FY26. We think this provides better evidence of the underlying trajectory than reported SGD growth.

The FY30 mathematics are not particularly demanding. Management's group bridge implies roughly SGD500m of incremental Optus EBIT versus FY26. Our work suggests Optus needs to approach an EBITDA margin of roughly 31%, bringing it closer to Australian peer levels. Assuming only ~2% revenue CAGR, ~4% EBITDA CAGR, and broadly flat D&A, we estimate Optus can generate around SGD500m of incremental EBIT by FY30. This implies an EBIT CAGR of ~15% and is around 10% above our existing estimates, but importantly, does not require aggressive top-line assumptions.

Fig 1: Optus growth and margins improvement requirement to hit the incremental SGD500m EBIT by FY30 (Table numbers are in AUD m)

AUD m	2026	2027E	2028E	2029E	2030E	CAGR
Operating revenue	8,345	8,526	8,693	8,873	9,080	1.7%
Growth		2.2%	2.0%	2.1%	2.3%	
EBITDA	**2,356**	**2,484**	**2,576**	**2,691**	**2,850**	3.9%
EBITDA Margin (%)	**28%**	**29.1%**	**29.6%**	**30.3%**	**31.4%**	
Depreciation & amortisation	(1,806)	(1,838)	(1,829)	(1,808)	(1,776)	
EBIT	**550**	**646**	**747**	**883**	**1,074**	14.3%

Source: Maybank IBG Research, Company

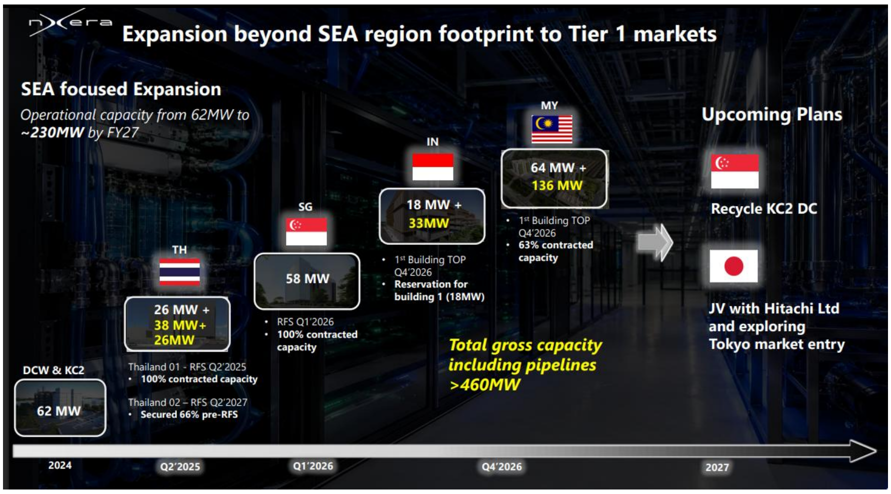
Execution, rather than demand, remains the key debate. Optus is still investing heavily to strengthen the business, with around AUD1.5bn of FY27 investment spanning networks, IT, delivery, and transformation. Its priorities include network resilience, cybersecurity, legacy IT, and compliance. Product simplification, vendor rationalisation, digital distribution, and B2B growth provide additional efficiency levers. Given Optus' history of operational setbacks, we would not fully capitalise the FY30 opportunity today, but the required earnings trajectory increasingly looks achievable.

Importantly, the path should be progressive rather than back-end loaded. Our discussions suggest the journey towards peer-like margins can broadly follow a relatively steady trajectory through FY30. That matters because it means investors should see evidence well before the target year. We see mobile ARPU/service revenue, EBITDA margin, and D&A as the three cleanest indicators. Continued 3-5% EBITDA growth, combined with relatively stable depreciation, can generate materially faster EBIT growth through operating leverage.

Digital InfraCo — AI infrastructure is becoming a much larger earnings lever

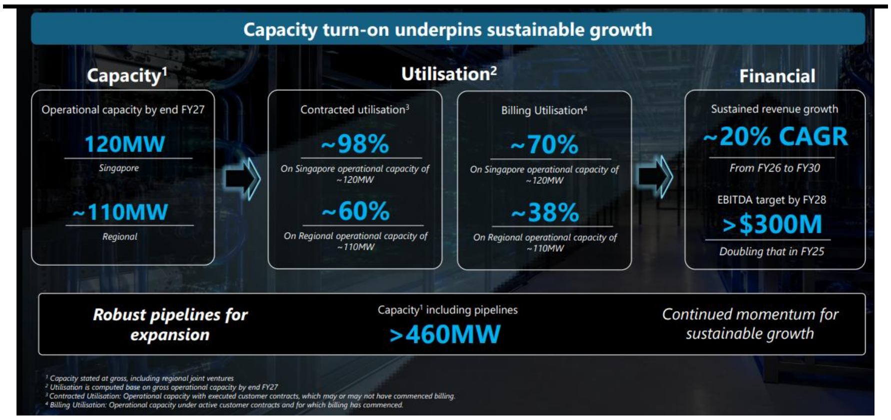
Nxera capacity is increasingly being preserved for higher-value AI workloads. The most important message from Bill Chang, Digital InfraCo CEO, was that Digital InfraCo is no longer treating data-centre capacity and RE:AI as independent businesses. Singapore Nxera capacity is already 98% contracted/reserved, and rather than simply renewing conventional colocation contracts, management is increasingly reserving available capacity for AI workloads. Bill said Digital InfraCo has effectively stopped selling incremental Singapore DC capacity where it can instead support sovereign-AI demand. This should improve utilisation of legacy assets, extend the economic life of older facilities, and, importantly, allow Singtel to capture more of the value stack through compute, tokens, connectivity, and orchestration rather than just colocation.

Fig 2: Nxera capacity is set to expand meaningfully



Source: Maybank IBG Research, Company

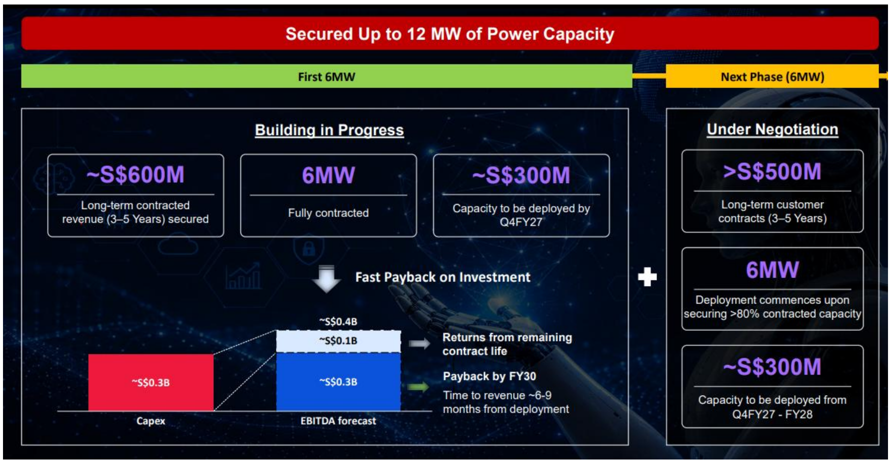
Fig 3: Nxera details



Source: Maybank IBG Research, Company

The RE:AI pipeline is now visibly larger than the 6MW already contracted. Management clarified the progression particularly well. The first 6MW is contracted, underpinning approximately SGD600m of contracted revenue. A further approximately 6MW is under negotiation, associated with more than SGD500m of potential contracts, while another 6MW of DC capacity has been reserved for RE:AI as discussions with customers progress. This effectively gives Singtel visibility over a potential 18MW footprint, although only the first 6MW should currently be regarded as firmly contracted. Importantly, the reserved capacity is not being transferred cheaply from Nxera: management stressed that RE:AI must contract the capacity from Nxera at market rates, given the separate shareholder structures.

Fig 4: Secured Up to 12 MW of Power Capacity for RE:AI with another 6MW reserved for the same



Source: Maybank IBG Research, Company

Singapore alone could support a much bigger RE:AI business. Bill estimates Singapore's sovereign-AI requirement could reach approximately 50–75MW over the next three years, with RE:AI expecting to capture a "large part" of this opportunity. This is potentially significant against RE:AI's current 6MW contracted base and the prospective 12MW discussed above. Demand is coming predominantly from Singapore government agencies, research institutions, regulated industries, and enterprises, where data sovereignty and security matter. Moreover, not all workloads necessarily need to remain physically in Singapore: management is discussing how less-sensitive workloads could eventually be hosted in Malaysia or Indonesia while retaining Singtel-controlled physical and logical infrastructure. This potentially expands the addressable capacity without being constrained entirely by Singapore's power availability.

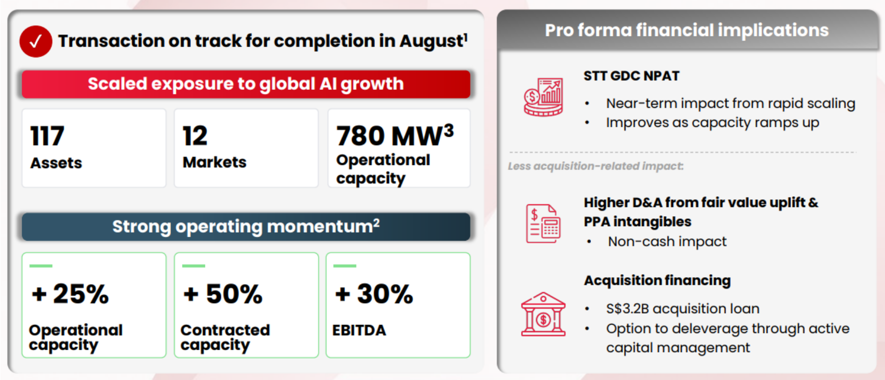
Crucially, RE:AI is scaling without taking speculative GPU inventory risk. This was perhaps the strongest comfort from the session, given investor concerns around GPU obsolescence. Management said every deployment is underwritten by customer contracts, typically lasting 3–5 years, with customers generally making a meaningful 25–35% upfront payment. GPUs are procured only after the customer, workload, and required capacity have been identified. Singtel therefore does not buy GPUs and wait for utilisation. Existing H100 customers are also extending contracts beyond the original depreciation period, potentially creating a highly profitable tail once the hardware has been depreciated. Older GPUs can subsequently be redeployed to lower-cost regional locations as Singapore migrates toward newer architectures.

The economics explain why Singtel wants to preserve DC capacity for RE:AI. Management illustrated that roughly SGD300m of capex can support approximately SGD600m of revenue and approximately SGD400m of EBITDA over the relevant contract cycle, with hardware typically depreciated over around three years. While we would be cautious about extrapolating these economics mechanically, the model offers materially faster capital recycling than conventional data centres. Nxera typically has 7–10-year paybacks and much longer asset lives, whereas RE:AI operates on a compressed 3–5-year GPU-refresh cycle. Combining both businesses therefore potentially raises the return generated from the same underlying power and data-centre infrastructure.

Regional expansion provides the next leg beyond Singapore. Management explicitly intends to replicate RE:AI across Malaysia, Indonesia, and Japan, leveraging Nxera's regional DC footprint, Singtel's networks, and Paragon orchestration. Japan is particularly interesting given the Hitachi partnership: rather than building a large local services organisation, RE:AI can provide the capital-intensive AI infrastructure while Hitachi brings systems-integration capabilities and customer relationships. Malaysia and Indonesia could similarly provide lower-cost compute capacity connected back into Singtel's regional "AI grid". This means the 50–75MW Singapore opportunity should not be viewed as the ceiling for RE:AI.

STT GDC (not part of Digital Infroco) materially expands the infrastructure platform. Following completion of Singtel's acquisition of a 25% stake, STT GDC becomes another sizeable associate alongside Nxera. Management highlighted its rapidly expanding operational and contracted capacity and sees opportunities to improve capital efficiency through disciplined build-outs and eventual capital-market solutions. India is already being evaluated for an IPO, while Europe/the UK and Asia could ultimately have different monetisation routes. Together with Nxera and RE:AI, this gives Singtel exposure across conventional colocation, hyperscale DCs, sovereign GPU infrastructure, and higher-layer AI services.

Fig 5: STT GDC to provide a massive data center scale but would lead to near term marginal earnings dilution



Source: Maybank IBG Research, Company

We think the key change is that Digital InfraCo's FY30 earnings aspiration increasingly looks like a floor rather than an aggressive terminal assumption. The previously indicated approximately SGD200m+ incremental EBIT contribution appears substantially supported by capacity already built, contracted, or secured. Yet RE:AI has only 6MW firmly contracted today, versus 18MW contracted/under negotiation or reserved and a potential 50-75MW Singapore sovereign-AI market over the next three years. Regional RE:AI expansion is also largely absent from that framework. Hence, execution remains important, but Digital InfraCo offers one of the clearest sources of upside to Singtel's FY30 earnings trajectory, rather than merely being necessary to achieve it.

NCS: AI should be an opportunity, not just a deflation risk

The turnaround is already showing through the P&L. 1QFY27 revenue rose 10% to SGD804m, and EBIT increased 29% to SGD102m. New bookings reached SGD860m, representing a 1.1x book-to-bill ratio, while better delivery margins drove the disproportionate earnings growth. That gives NCS a much better starting point for its FY30 ambition than it had 12 months ago.

AI potentially improves NCS's labour economics rather than simply cannibalising revenue. Management acknowledges that AI can lead to smaller teams and shorter project durations, but NCS operates very differently from offshore-heavy global IT-services players: much of its work is onsite, engineering-heavy, and involves sensitive government and critical systems. With labour structurally constrained in Singapore, productivity gains allow engineers to be redeployed across more projects. This is an important distinction when investors extrapolate AI-driven revenue deflation at global IT-services companies directly to NCS.

Internal adoption is already meaningful. NCS has built more than 150 AI agents across software development and operations. Its proprietary Sunshine Coder is available to its developer base and is hosted on its own GPU infrastructure, helping contain token costs. The platform has already scaled to around 5,000 active users, prompting additional GPU capacity. Separately, its small AI-native team demonstrated that applications normally requiring 2–3 months could be developed as minimum viable products in around two weeks. These productivity gains should progressively flow through to delivery margins.

NCS also has a differentiated East-West proposition. Its China engineering base provides expertise in increasingly capable Eastern and open-source AI models, while Singapore customers often require sovereign, secure deployments. Combined with NCS's government relationships and RE:AI infrastructure, this creates a differentiated stack spanning data, models, agents, infrastructure, and cybersecurity. Management's FY30 plan assumes only around SGD100m of incremental NCS EBIT, leaving room for upside if AI-led demand and margin expansion develop faster than assumed.

Singapore strength offsets overseas challenges. While NCS' Singapore business continues to perform strongly, management acknowledged challenges across Australia and Greater China, where progress has been less consistent. Singapore strength should help offset overseas weakness, while better execution has already lifted overall NCS profitability, with 1QFY27 EBIT up 29% YoY and margin reaching double digits.

Associates: underlying growth remains much stronger than SGD translation

Associates remain a major earnings engine. In 1QFY27, regional-associate PAT increased 16% on a reported basis and 26% in constant currency to SGD543m. Airtel India's PAT contribution increased 12% reported and 26% in constant currency; Airtel Africa & South Asia increased 47% and 65%, respectively; and AIS grew 33% on both measures. Telkomsel was much softer, at +2% reported and +10% in constant currency, while Philippines associate declined 9% reported but was broadly stable in constant currency.

Airtel arguably has the broadest runway. India mobile does not require an immediate industry-wide tariff increase to continue growing. Management sees four organic ARPU levers: 2G-to-4G/5G smartphone migration, customers moving to higher-data plans, roaming and top-ups, and postpaid upgrades, alongside continued tariff-architecture optimisation. Beyond mobile, Airtel sees India adding roughly 30–40m home-broadband connections over the next 4–5 years and aims to capture nearly half of the incremental share. It also has growth opportunities in enterprise, cloud, financial services, and Nxtra data centres. Airtel Africa adds another structurally underpenetrated growth opportunity across data and mobile money.

AIS and Philippines associate are similarly building beyond mobile. Associates increasingly have meaningful exposure to fixed broadband, enterprise, data centres/cloud, and financial services; these activities already represent material proportions of their respective revenue pools. AIS combines strong mobile execution with fixed broadband, enterprise/cloud, and new financial-services opportunities, while the Philippines associate has exposure to fibre, enterprise, financial services, and data centres. This broadening of earnings sources should make associate cash generation progressively less dependent on traditional mobile pricing alone.

Telkomsel remains the principal operational watchpoint. Indonesia has seen some mobile-market repair, but competition remains challenging and fixed-broadband competition is intense. Its 1Q contribution grew just 10% in constant currency, versus substantially faster growth at Airtel and AIS. We would therefore avoid extrapolating the current group-associate growth rate indefinitely.

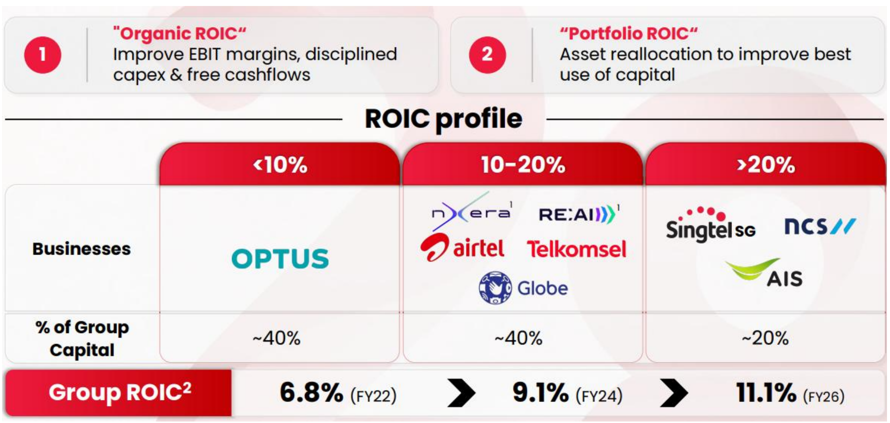
FX is the other meaningful headwind. The strong SGD reduced 1Q associate PAT by SGD46m: the INR, IDR, and PHP weakened materially against the SGD, with the SGD buying 12.6% more INR, 8.2% more IDR, and 9.9% more PHP year on year. Management indicated that the full-year currency drag could exceed SGD100m if current conditions persist. In our view, this masks rather than undermines the underlying earnings momentum: 1Q associate PAT growth of 26% in constant currency versus 16% reported makes that distinction particularly clear.

Capital mgt: funding growth without sacrificing returns

Singtel's capital story is evolving beyond simple asset sales. The key Investor Day message was that SGD9b should not be viewed as the ceiling: Singtel retains additional monetisation levers across associates, real estate, and other non-core holdings.

Capital recycling is increasingly about ROIC rather than deleveraging. Management's framework now has five components: improving operating businesses, maintaining balance-sheet strength, using capital partners, recycling assets, and developing permanent capital pools. This allows Singtel to rotate capital out of mature or lower-return assets and into higher-growth businesses without continuously expanding the balance sheet.

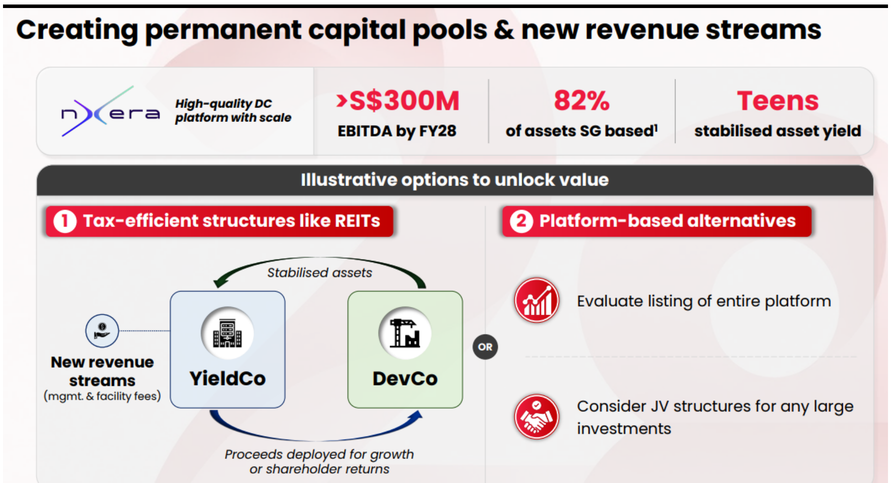
Fig 6: Singtel's ROIC improvement framework



Source: Maybank IBG Research, Company

Data centres are the clearest example. Nxera is targeting more than SGD300m of EBITDA by FY28, but mature data centres could ultimately be separated from development assets. Management is exploring a YieldCo/DevCo-type structure, tax-efficient vehicles such as REITs, platform alternatives, or potentially a listing of the entire platform. Stabilised assets could generate management and facility fees, while released capital could be redeployed into development or shareholder returns. This materially improves the economics of scaling Digital InfraCo, versus funding every incremental MW permanently from Singtel's balance sheet.

Fig 7: Growth investments without constraining balance sheet



Source: Maybank IBG Research, Company

BUY: FY30 looks achievable; upside not fully captured

The key conclusion from Investor Day is not simply that Singtel can grow OpCo EBIT to SGD2.1-2.5bn by FY30, from SGD1.5bn in FY26. Rather, the mechanics appear relatively undemanding: roughly SGD500m of incremental EBIT from Optus, approximately SGD300m from Digital InfraCo, and approximately SGD100m from NCS, while Singapore is assumed to contribute little incremental earnings.

We see upside to several of these assumptions. Optus' required EBITDA margin of around 31-32% is increasingly within sight; Digital InfraCo's contribution is anchored by contracted capacity, while RE:AI and regional expansion provide further scaling potential; and Singapore assumes limited benefit from an eventual consolidation. Associates, meanwhile, continue to compound strongly despite a material FX headwind.

The one near-term disappointment is that Singtel did not raise FY27 guidance, despite 1Q OpCo EBIT growing 8% in constant currency versus low-to-mid-single-digit FY27 guidance. We see this as a modest setback rather than a thesis changer. Management is retaining conservatism amid Singapore competition, FX, and macro uncertainty; continued execution could leave scope for an upgrade around the 1HFY27 results in November.

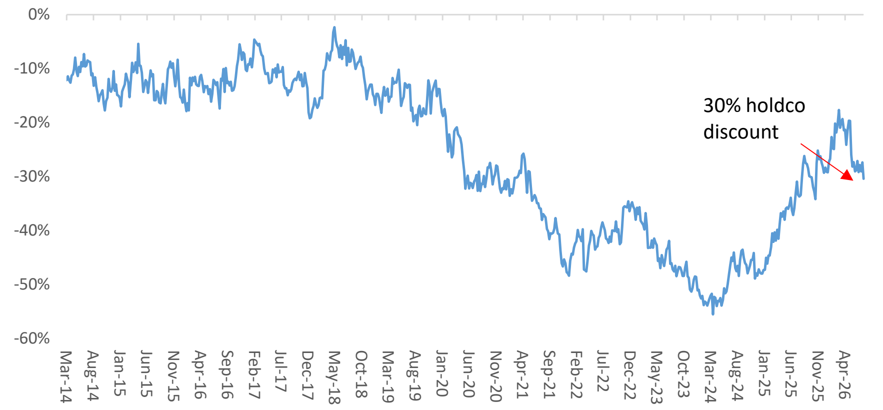
For us, the thesis therefore remains attractive: the original restructuring and capital-return story is increasingly being replaced by a visible earnings-growth story, without sacrificing capital returns. That combination—higher EBIT, expanding ROIC, asset recycling, progressive dividends, and buybacks—underpins our BUY view.

Fig 8: Singtel SOTP

Valuation	Stake (%)	Valuation method	Valuation (SGD m)	Per share (SGD)
SingTel Singapore Business	100.0	Singtel DCF (7.6% WACC, 1.0% TG, 0.95 beta)	16,880	1.03
Optus	100.0	Optus DCF (8.1% WACC, 1.25% TG, 0.95 beta)	15,389	0.93
Data center	80.0	Nxera/RE:AI DCF (7.6% WACC, 4.5% TG, 0.90 beta)	19,904	1.21
Associates				
Telkomsel (Indonesia)	30.1	65% of listed Telkom at MIBG TP	5,504	0.33
Bharti Airtel (India)	27.5	Market Cap less BTL debt	36,442	2.21
AIS (Thailand)	24.8	Based on MIBG TP	10,541	0.64
Globe (Philippines)	46.9	Based on MIBG TP	2,807	0.17
Gulf Development (Thailand)	7.7	Based on MIBG TP	3,076	0.19
NetLink NBN Trust (Singapore)	24.8	DDM (COE 6%, 0% LTG, 0.5 beta)	1,015	0.06
SingPost (Singapore)	21.7	Based on MIBG TP	210	0.01
Associates Sub Total			**59,595**	**3.62**
Holdco discount		20% discount		**-1.32**
(Less) Consol Net Debt			-4,149	-0.25
Total Equity Value				**5.21**

Source: Maybank IBG Research, Bloomberg

Fig 9: Holdco discount

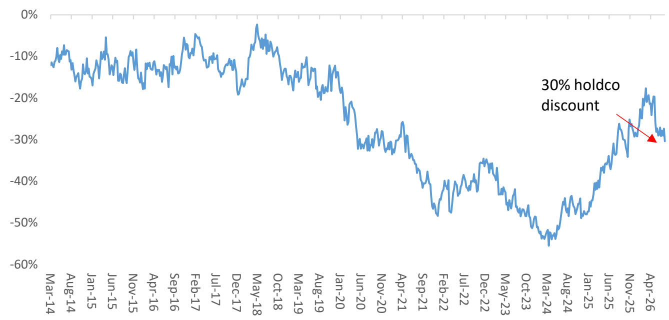


Source: Maybank IBG Research, Bloomberg

Value Proposition

- Telco conglomerate with exposure to quality telco operators in ASEAN, India and Australia.
- Potential for cost and capex optimization with peaking 5G rollout.
- Attractive dividend yield backed by healthy balance sheet and favourable capital management/asset optimization initiatives.
- Holdco discount of 30% unfair amid positive tailwinds.

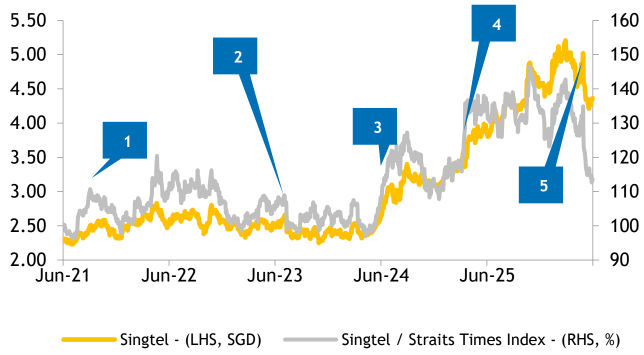
Holdco discount at 30%



Source: Company, Bloomberg, Maybank IBG Research

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. Optus cyberattack.
2. Optus network outage.
3. Announcement of Singtel's long term capital management
4. Partial Bharti stake divestment and potential STT GDC data centre acquisition
5. Singtel FY26 results – softer EBIT growth guidance and higher capex.

Financial Metrics

- We forecast FY26-29E earnings to increase at a 14% CAGR, mainly helped by associates.
- We expect consolidated EBITDA to post an 8% CAGR over FY26-29E, helped by AI growth, moderate telco top-line growth and cost cuts.
- We expect net debt to EBITDA, including associates, to remain healthy at <2x in FY27-29E; providing support to its DPS commitment.

Singtel SoTP

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Associates				
Telkomsel (Indonesia)	30.1	65% of listed Telkom at MIBG TP	5,504	0.33
Bharti Airtel (India)	27.5	Market Cap less BTL debt	36,442	2.21
AIS (Thailand)	24.8	Based on MIBG TP	10,541	0.64
Globe (Philippines)	46.9	Based on MIBG TP	2,807	0.17
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Holdco discount		20% discount		**-1.32**
(Less) Consol Net Debt			-4,149	-0.25
Total Equity Value				**5.21**

Source: Company, Bloomberg, Maybank IBG Research

Swing Factors

Upside

- Potential rejig in Optus leading to RoIC and FCF improvement.
- Stronger-than-expected ARPU growth due to easing in price competition in markets where Singtel is present.
- Better-than-expected execution in meeting targeted cost savings.

Downside

- Delays in Optus rejig and potential fines levied on Optus due to network outage.
- Intensifying price competition in Singtel exposed markets.
- FX headwinds impacting Optus and associates.

hussaini.saifee@maybank.com

ESG@MAYBANK IBG

hussaini.saifee@maybank.com

Risk Rating & Score[1]	18.5
Score Momentum[2]	-0.0
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 major data breaches at Optus 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 services 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

- In FY23, completed a comprehensive review of SBTi target for revalidation with the support of all business units and brought forward net-zero goal to 2045 from 2050.
- In FY23, reduced scope 1 and 2 absolute emissions by 11.31%. Achieved improvement of GHG emissions intensity of 0.030tCO2 e/TB from 0.035tCO2 e/TB.
- Completed four solar energy generation projects amounting to 1.38MWp and expected to generate 1,700MWh annually.
- Completed a comprehensive review of the SBTi target for revalidation with the support of all business units and brought forward net-zero goal to 2045.

Material S issues

- In Sep 2022, Optus suffered a cyber-attack that resulted in the exposure of some customers' personal information.
- In Nov 2023, Optus suffered a network outage leading to a government-ordered investigation.
- 31% of female employees in middle and top management.
- Recognised by the 2023 Bloomberg Gender Equality Index for the fifth consecutive year.
- Total training investment of SGD57.9m over FY21-23 and pledged SGD32.1m over FY24-25 to boost the digital skills of its workforce through company-wide initiatives over three years.
- Zero fatality rate across Singtel and Optus in FY23.

Key G metrics and issues

- The Board consists of 14 directors, of which chairman (non-executive) and CEO are non-independent, the remaining are non-executive & independent directors. 43% are female directors.
- The nomination, audit, investment and remuneration committees are chaired by independent directors. 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).

ESG@MAYBANK IBG

	Quantitative Parameters (Score: 88)					
	Particulars	**Unit**	**2020**	**2021**	**2022**	**Starhub (STH SP, FY22)**
E	Scope 1 GHG emissions	m tCO2e	5.73	5.77	5.67	1.96
	Scope 2 GHG emissions	m tCO2e	1.29	1.33	1.33	0.47
	Total	m tCO2e	7.02	7.10	7.00	2.43
	Scope 3 GHG emissions	m tCO2e	N/A	3.06	3.27	N/A
	Total	m tCO2e	7.02	10.16	10.27	N/A
	GHG intensity (Scope 1 and 2)	tCO2e/t	0.68	0.66	0.67	0.63
	Energy intensity	GJ/ton	15.37	15.73	15.76	11.43
	Share of renewable energy use in operations	%	N/A	N/A	N/A	N/A
	Wastewater discharge (chemical O_2 demand)	tonnes	153.7	177.8	171.4	22.7
	Hazardous waste 3R rate	%	70%	85%	75%	98%
	Air emissions intensity	ton/kT	2.83	2.21	2.42	N/A
	NPE (New Plastic Economy) investments	MYR m	8	3	3	N/A
S	% of women in workforce	%	35.4%	54.8%	54.4%	42%
	% of women in management roles	%	20%	28%	32%	20%
	Lost time injury frequency rate	number	0.4	0.4	0.3	3
G	Group CEO salary as % of net profit	%	0.43%	0.43%	0.18%	0.18%
	Top 10 employees salary as % of profit	%	1.11%	2.97%	0.71%	1.2%
	Independent director on board	%	70%	83%	85%	54%
	Women directors on board	%	40%	25%	31%	23%

Qualitative Parameters (Score: 83)

a) Is there an ESG policy in place and is there a standalone ESG Committee or is it part of the Risk committee?

Yes, the group has established a Board Sustainability Committee chaired by the CEO. This is supported by the Group Sustainability Council comprising of pillar heads. There are KPIs, business objectives, governance enablers and risks for each of the segments.

b) Is the senior management salary linked to fulfilling ESG targets?

No

c) Does the company follow the TCFD framework for ESG reporting?

Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

Yes, Singtel has developed full Scope 3 indirect GHG emissions inventory and baseline for operations in Singapore and Australia.

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

Singtel has various carbon-mitigation initiatives, such as replacing chillers, replacing UPS and converting to energy efficient mobile base stations in Singapore.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

Yes

Target (Score: 80)		
Particulars	**Target**	**Achieved**
Singtel Group Scope 1 and 2 to reduce by 25% by 2025	25%	3.3%
Scope 3 target to reduce 30% by 2030	30%	Not disc.
Obtained a CDP rating of A-	A-	A-
Zero fatality and well-being score above 80%	80%	82%
One million digitally enabled persons and SMEs by 2025	1,000,000	740,000

Impact

NA

Overall Score: 85

As per our ESG matrix SingTel (ST SP) has an overall score of 85

ESG score	Weights	Scores	Final Score
Quantitative	50%	88	44
Qualitative	25%	83	21
Target	25%	80	20
Total			**85**

As per our ESG assessment, Singtel displays a very high degree of transparency in its ESG disclosures. It is the only one amongst its peers that has a high level of ESG quantitative targets. While we note some work is being carried out to reduce Scope 3 financed emissions, we believe further actions are required to meet the 2030 target. Its overall ESG score is 85, which makes its ESG rating above average in our view (average ESG rating = 50).

FYE 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Key Metrics					
P/E (reported) (x)	12.3	12.7	24.0	20.7	17.9
Core P/E (x)	22.9	29.4	24.0	20.7	17.9
P/BV (x)	2.2	2.8	2.6	2.6	2.5
P/NTA (x)	3.5	4.2	3.8	3.6	3.4
Net dividend yield (%)	5.0	3.7	4.4	4.6	5.1
FCF yield (%)	7.7	7.2	4.7	6.5	8.0
EV/EBITDA (x)	17.4	23.3	19.6	18.4	17.1
EV/EBIT (x)	47.7	59.5	49.6	44.6	39.7
INCOME STATEMENT (SGD m)					
Revenue	14,146.0	14,261.0	15,540.2	16,361.1	17,244.2
EBITDA	3,792.0	3,847.8	4,248.5	4,594.2	4,980.2
Depreciation	(2,114.3)	(2,021.0)	(1,985.5)	(2,114.7)	(2,243.0)
Amortisation	(296.3)	(323.0)	(585.3)	(585.3)	(585.3)
EBIT	1,381.5	1,503.8	1,677.8	1,894.2	2,152.0
Net interest income /(exp)	(342.0)	(361.5)	(253.4)	(293.9)	(336.2)
Associates & JV	2,498.5	2,886.5	3,208.4	3,685.0	4,357.3
Exceptionals	1,547.0	2,837.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	5,085.0	6,865.8	4,632.7	5,285.3	6,173.1
Income tax	(1,057.0)	(1,249.0)	(1,527.2)	(1,691.7)	(2,006.9)
Minorities	(11.0)	(11.0)	(12.6)	(14.4)	(16.9)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	4,017.0	5,605.8	3,092.9	3,579.1	4,149.3
Core net profit	2,470.0	2,768.8	3,092.9	3,579.1	4,149.3
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	2,773.2	3,470.4	2,940.6	1,754.4	1,255.1
Accounts receivable	5,059.0	4,866.0	5,147.1	5,419.0	5,711.5
Inventory	293.7	323.7	352.7	371.4	391.4
Property, Plant & Equip (net)	10,280.3	11,255.8	12,504.2	13,132.2	13,492.6
Intangible assets	9,562.4	9,397.8	8,812.5	8,227.3	7,642.0
Investment in Associates & JVs	13,939.6	13,086.6	13,478.3	14,804.6	16,513.1
Other assets	4,875.1	8,296.6	8,250.1	8,214.9	8,197.8
Total assets	**46,783.3**	**50,696.9**	**51,485.5**	**51,923.8**	**53,203.4**
ST interest bearing debt	996.1	694.9	694.9	694.9	694.9
Accounts payable	5,181.8	5,274.1	5,719.0	5,959.7	6,211.5
LT interest bearing debt	7,144.1	6,924.2	7,424.2	7,424.2	7,924.2
Other liabilities	7,505.0	9,087.0	9,017.0	8,966.0	8,933.0
Total Liabilities	**20,826.9**	**21,980.2**	**22,854.9**	**23,045.2**	**23,763.5**
Shareholders Equity	25,891.4	28,559.4	28,460.7	28,694.3	29,238.7
Minority Interest	65.0	157.3	169.9	184.4	201.2
Total shareholder equity	**25,956.4**	**28,716.7**	**28,630.6**	**28,878.6**	**29,439.9**
Total liabilities and equity	**46,783.3**	**50,696.9**	**51,485.5**	**51,923.8**	**53,203.4**
CASH FLOW (SGD m)					
Pretax profit	5,085.0	6,865.8	4,632.7	5,285.3	6,173.1
Depreciation & amortisation	2,410.5	2,344.0	2,570.7	2,700.0	2,828.2
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	7,495.5	9,209.8	7,203.5	7,985.3	9,001.3
Capex	(2,133.0)	(2,481.6)	(2,853.5)	(2,372.2)	(2,239.8)
Free cash flow	4,341.5	5,899.3	3,524.8	4,791.5	5,940.0
Dividends paid	(2,774.0)	(2,966.8)	(3,191.6)	(3,345.6)	(3,604.9)
Equity raised / (purchased)	(48.0)	(5.9)	0.0	0.0	0.0
Change in Debt	(16.0)	500.0	500.0	0.0	500.0
Other invest/financing cash flow	(1,464.0)	717.3	(633.8)	(664.5)	(699.7)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,060.5	4,972.8	1,024.6	1,603.1	2,956.9

FYE 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Key Ratios					
Growth ratios (%)					
Revenue growth	0.1	0.8	9.0	5.3	5.4
EBITDA growth	5.4	1.5	10.4	8.1	8.4
EBIT growth	19.8	8.8	11.6	12.9	13.6
Pretax growth	195.3	35.0	(32.5)	14.1	16.8
Reported net profit growth	405.6	39.6	(44.8)	15.7	15.9
Core net profit growth	9.3	12.1	11.7	15.7	15.9
Profitability ratios (%)					
EBITDA margin	26.8	27.0	27.3	28.1	28.9
EBIT margin	9.8	10.5	10.8	11.6	12.5
Pretax profit margin	35.9	48.1	29.8	32.3	35.8
Payout ratio	69.9	54.4	104.7	96.5	90.6
DuPont analysis					
Net profit margin (%)	28.4	39.3	19.9	21.9	24.1
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 (%)	16.5	21.4	11.2	13.0	14.8
ROAA (%)	5.3	5.7	6.1	6.9	7.9
Liquidity & Efficiency					
Cash conversion cycle	(45.7)	(44.8)	(48.5)	(51.3)	(51.3)
Days receivable outstanding	128.1	125.3	116.0	116.2	116.2
Days inventory outstanding	10.3	10.7	10.8	11.1	11.2
Days payables outstanding	184.1	180.7	175.2	178.7	178.6
Dividend cover (x)	1.4	1.8	1.0	1.0	1.1
Current ratio (x)	1.0	1.0	1.0	0.8	0.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.3	2.3	2.3	2.2
Net gearing (%) (incl perps)	20.7	14.4	18.1	22.0	25.0
Net gearing (%) (excl. perps)	20.7	14.4	18.1	22.0	25.0
Net interest cover (x)	4.0	4.2	6.6	6.4	6.4
Debt/EBITDA (x)	2.1	2.0	1.9	1.8	1.7
Capex/revenue (%)	15.1	17.4	18.4	14.5	13.0
Net debt/ (net cash)	5,367.0	4,148.7	5,178.5	6,364.7	7,364.0

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

Erica TAY
China | Thailand
(65) 6231 5844
erica.tay@maybank.com

Brian LEE Shun Rong
Indonesia | Singapore | Vietnam
(65) 6231 5846
brian.lee1@maybank.com

Azril ROSLI
Malaysia | Philippines | Global
(603) 2082 6818
azril.rosli@maybank-ib.com

Luong Thu Huong
(65) 6231 8467
hana.thuhuong@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

Fiona LIM
(65) 6320 1374
fionalim@maybank.com

Alan LAU, CFA
(65) 6320 1378
alanlau@maybank.com

Shaun LIM
(65) 6320 1371
shaunlim@maybank.com

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
Head of Fixed Income
(65) 6231 5831
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2630 2541
munyi.st@maybank-ib.com

Erine YU
(603) 2074 7606
erine.yu@maybank.com

PORTFOLIO STRATEGY

ONG Seng Yeow
(65) 6231 5839
ongsengyeow@maybank.com

Sean LIM
(603) 2297 8888
lim.tzekhang@maybank.com

Benjamin HO
(852) 2268 0641
benjaminhoyin.ho@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

LIM Sue Lin, *Head of Research*
(603) 2297 8612
suelin.lim@maybank-ib.com
• Equity Strategy

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance • Insurance

ONG Chee Ting, CA
(603) 2297 8678
ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916
samuel.y@maybank-ib.com
• Gaming – Regional • Construction
• Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690
chiwei.t@maybank-ib.com
• Utilities • Telcos

WONG Wei Sum, CFA
(603) 2297 8679
weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687
jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• REITs

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Automotive

Jeremie YAP
(603) 2297 8688
jeremie.yap@maybank-ib.com
• Oil & Gas • Petrochemicals

Nur Natasha ARIZA
(603) 2297 8691
natashaariza.aizarizal@maybank-ib.com
• Healthcare • Media

Lucas SIM
(603) 2082 6824
lucas.sim@maybank-ib.com
• Technology (EMS)

THONG Kei Jun
(603) 2297 8677
keijun.thong@maybank-ib.com
• Renewable Energy

Justin YEOH
(603) 2082 8676
justin.yeoh@maybank-ib.com
• Technology (Software)

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858
szechiah.t@maybank-ib.com
• Retail Research

Amirah AZMI
(603) 2082 8769
amirah.azmi@maybank-ib.com
• Retail Research

Aseela ZAHARI
(603) 2082 8767
aseela.za@maybank-ib.com
• Retail Research

Amirul RUSYDY, CMT
(603) 2297 8694
rusydy.azizi@maybank.com
• Chartist

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840
thilanw@maybank.com
• Strategy • Consumer
• Banking & Finance - Regional

Eric ONG
(65) 6231 5849
ericong@maybank.com
• Healthcare • Transport • SMIDs

Jarick SEET
(65) 6231 5848
jarick.seet@maybank.com
• Technology • SMIDs

Krishna GUHA
(65) 6231 5842
krishna.guha@maybank.com
• REITs • Industrials

Hussaini SAIFEE
(65) 6231 5837
hussaini.saifee@maybank.com
• Telcos • Internet • Consumer

TOH Xuan Hao
(65) 6231 5820
xuanhao.toh@maybank.com
• Financials • SMIDs

LIU Miaomiao
(65) 6231 5845
miaomiao.liu@maybank.com
• REITs

PHILIPPINES

Kervin Laurence SISAYAN *Head of Research*
(63) 2 5322 5005
kervin.sisayan@maybank.com
• Strategy • Banking & Finance • Telcos

Daphne SZE
(63) 2 5322 5008
daphne.sze@maybank.com
• Consumer

Raffy MENDOZA
(63) 2 5322 5010
joserafael.mendoza@maybank.com
• Property • REITs • Gaming

Germaine GUINTO
(63) 2 5322 5006
germaine.guinto@maybank.com
• Utilities

Ronalyn Joyce LALIMO
(63) 2 5322 5009
rona.lalimo@maybank.com
• Industrials • Tourism

VIETNAM

Quan Trong Thanh *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8182
loi.nguyen@maybank.com
• Property

Nguyen Thanh Hai
(84 28) 44 555 888 ext 8081
thanhhai.nguyen@maybank.com
• Industrials

Vu Viet Linh
(84 28) 44 555 888 ext 8201
vietlinh.vu@maybank.com
• Strategy

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Retail Research

INDONESIA

Jeffrosenberg CHENLIM *Head of Research*
(62) 21 8066 8680
jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance • Property

Willy GOUTAMA
(62) 21 8066 8688
willy.goutama@maybank.com
• Consumer

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos • Internet • Construction

Paulina MARGARETA
(62) 21 8066 8690
paulina.tjoa@maybank.com
• Autos • Healthcare

Hasan BARAKWAN
(62) 21 8066 2694
hasan.barakwan@maybank.com
• Metals & Mining • Oil & Gas

Faiq ASAD
(62) 21 8066 8692
faiq.asad1@maybank.com
• Banking & Finance

Kevin HALIM
(62) 21 8066 2687
kevin.halim@maybank.com
• Property • Cement

Jennifer HENRY
(62) 21 8066 8689
jennifer.henry@maybank.com
• Consumer

Satriawan HARYONO, CEWA, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

THAILAND

Chak REUNGSINPINYA *Head of Research*
(66) 2658 5000 ext 1399
chak.reungsinpinya@maybank.com
• Strategy • Energy

Jesada TECHAHUSDIN, CFA
(66) 2658 5000 ext 1395
jesada.t@maybank.com
• Banking & Finance

Wasu MATTANAPOTCHANART
(66) 2658 5000 ext 1392
wasu.m@maybank.com
• Telcos • Technology (Software) • REITs
• Property • Consumer Discretionary

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Consumer Staples & Discretionary

Natchaphon RODJANAROWAN
(66) 2658 5000 ext 1393
natchaphon.rodjanarowan@maybank.com
• Utilities • Property

Boonyakorn AMORNSANK
(66) 2658 5000 ext 1394
boonyakorn.amornsank@maybank.com
• Services (Hotels, Transport)

Nontapat SAHAKITPINYO
(66) 2658 5000 ext 2352
nontapat.sahakitpinyo@maybank.com
• Healthcare • Construction • Insurance
• Industrial Estate

Yugi TAKESHIMA
(66) 2658 5000 ext 1530
yugi.takeshima@maybank.com
• Technology (EMS & Semicon) • Automotive
• Industrials

Tanida JIRAPORNKASEMSUK
(66) 2658 5000 ext 1396
tanida.jirapornkasemsuk@maybank.com
• Food & Beverage

Aomsub NGOWSIRI
(66) 2658 5000 ext 2518
aomsub.ngowsiri@maybank.com
• Industrials

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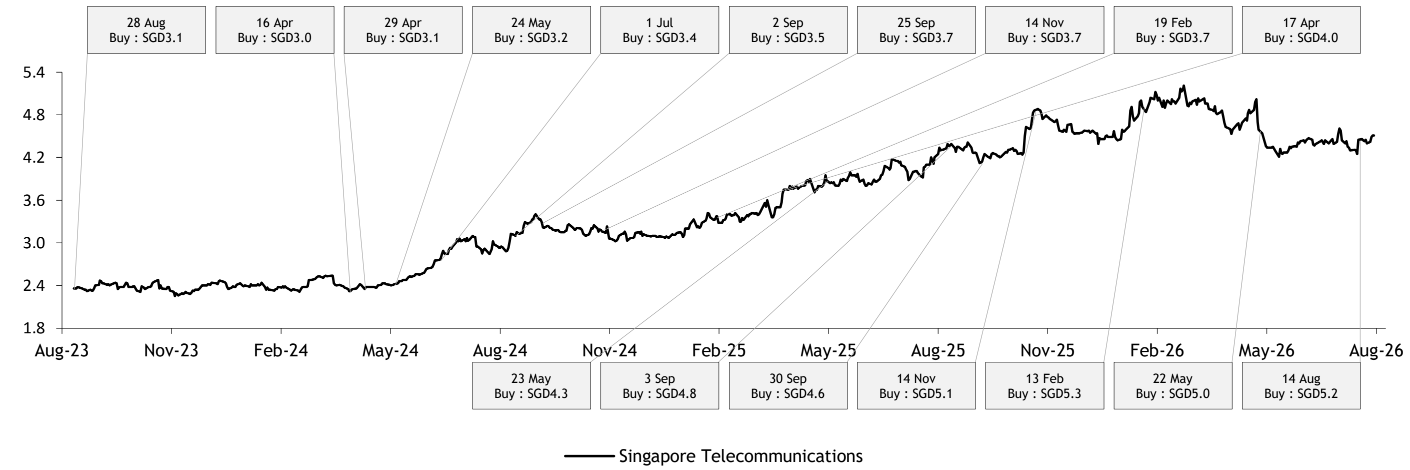

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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

London

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

Hong Kong

MIB Securities (Hong Kong) Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Indonesia

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

India

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Philippines

Maybank Securities Inc
17/F, Tower One & Exchange
Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

Thailand

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Securities Limited
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
Fax : (84) 28 38 271 030

Sales Trading

Indonesia
Helen Widjaja
helen.widjaja@maybank.com
Tel: (62) 21 2557 1188

London
Greg Smith
gsmith@maybank.com
Tel: (44) 207 332 0221

Philippines
Keith Roy
keith_roy@maybank.com
Tel: (63) 2 5322 3184

India
Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91) 22 6623 2629

www.maybank.com/investment-banking
mibgresearch.maybank.com