

Singapore

May 23, 2024 - 6:50 PM

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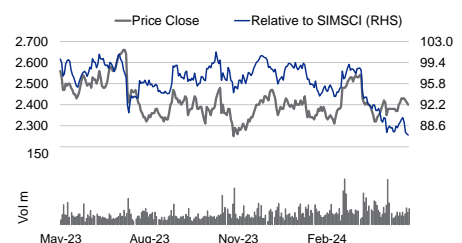
Consensus ratings*: Buy 17 Hold 1 Sell 0

Current price:	S\$2.40
Target price:	S\$2.84
Previous target:	S\$2.84
Up/downside:	18.3%
CGSI / Consensus:	-7.2%
Reuters:	STEL.SI
Bloomberg:	ST SP
Market cap:	US\$29,355m S\$39,608m
Average daily turnover:	US\$53.90m S\$72.69m
Current shares o/s	16,569m
Free float:	48.0%

*Source: Bloomberg

Key financial forecasts

	Mar-24F	Mar-25F	Mar-26F
Net Profit (S\$m)	697	2,432	2,746
Core EPS (S\$)	0.13	0.15	0.17
Core EPS Growth	8.4%	11.5%	12.6%
FD Core P/E (x)	17.80	15.96	14.17
Recurring ROE	8.9%	10.2%	11.3%
P/BV (x)	1.64	1.61	1.58
DPS (S\$)	0.12	0.13	0.14
Dividend Yield	4.79%	5.33%	6.00%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.1	1.3	-6.3
Relative (%)	-4.4	-7.3	-12.5

Major shareholders	% held
Temasek Holdings	52.0
Capital Group	3.4
Blackrock	1.8

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SingTel

Yield and growth

- Singtel's 2HFY3/24 core net profit of S\$1.1bn met our forecast. FY24 core net profit of S\$2.26bn formed 101.6% of our full-year estimate.
- Singtel said in FY24 briefing that core dividend payout of low-80% is sustainable and VRD of S\$0.03-S\$0.06/share is over a 5-year horizon.
- DPS could range S\$0.15-0.18 in FY25F, yielding 6.3%- 7.6%, higher than 4.7% for MSCI Singapore. Maintain Add and SOP-based TP of S\$2.84.
- Cost optimisation, revenue growth and absence of Trustwave losses likely to result in Singtel hitting double-digit EBIT growth in FY25F, in our view.

Capital management is key highlight

- Key highlight from Singtel's 2H24 results was its commitment to increase total ordinary dividends with the introduction of Variable Realisation Dividend (VRD) of S\$0.03-S\$0.06/share p.a. over the next 5 years from excess capital from asset recycling. Management emphasised that VRD is not 'one-off' but programmatic. Singtel also targets FY25F dividends from regional associates of S\$1.1bn (FY24: S\$1.3bn which included Telkomsel's special dividend of S\$0.2bn).
- In FY24, it declared a final DPS of S\$0.06 and VRD of S\$0.038, bringing total DPS to S\$0.15. Management also said that core dividend payout of low-80% ahead (FY24: 82%) is likely to be sustainable based on underlying business performance.
- Based on our forecasts, total DPS could range S\$0.15-0.18 in FY25F, yielding 6.3%-7.6%, vs. 4.7% for MSCI Singapore stocks under our coverage.

Comfortable EBIT guidance

- FY24 EBIT came in at S\$1.1bn (+3.7% yoy) and management is targeting high-single digit to low-double digit EBIT growth in FY25F, driven by revenue improvements and cost savings of S\$0.2bn in Singapore and Australia.
- The absence of Trustwave losses (FY24 EBIT loss: S\$56m) also contributed to growth.

Decline in core capex for Optus; growth capex funded

- Management expects total capex to grow to S\$2.8bn in FY25F (FY24: S\$2.1bn) with declines in core (Singapore and Optus) business capex. Notably, capex/turnover ratio for Optus will decline to mid-teens in FY25F, from the current 20%. The capex for Optus includes partial payments for the A\$1.5bn 900MHz spectrum.
- Singtel's S\$1bn growth capex guidance is mainly for its regional data centre platform, as well as seeding pilot GPUaaS (GPU-as-a-Service) business. Management noted that c.S\$700m of the growth capex is funded by KKR and a major customer.

Reiterate Add and SOP-based TP of S\$2.84

- We like Singtel's relatively attractive dividend yield and healthy earnings growth, backed by concerted cost cuts and associates' profit recovery.
- Re-rating catalysts: material asset monetisation and meaningful margin improvement from cost optimisation. Downside risks: prolonged mobile pricing pressure and forex headwinds from a strong Singapore dollar.

Figure 1: DPS could range S\$0.15-S\$0.18 in FY25F

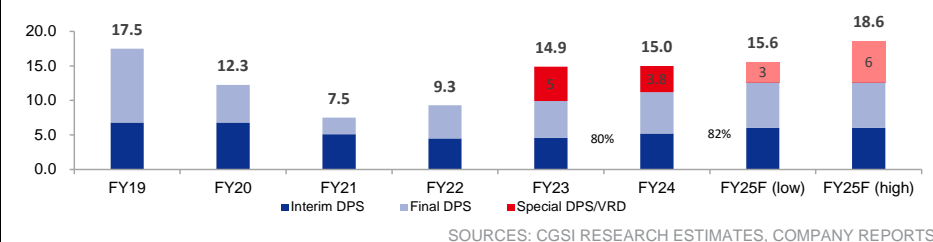


Figure 2: Results comparison

FYE Mar (S\$ m)	2HFY24	2HFY23	yoy % chg	1HFY24	hoh % chg	FY24	FY23	yoy % chg	Prev. FY24F	FY24 Comments
Revenue	7,099	7,366	(3.6)	7,028	1.0	14,128	14,624	(3.4)	14,211	
Singapore	3,540	3,640	(2.7)	3,456	2.4	6,997	7,055	(0.8)	7,058	In line. Broadbase hoh stronger Singtel Singapore (growth in roaming and IOT connectivity), NCS (infrastructure and engineering) and Digital InfraCo (data centre)
Australia	3,559	3,726	(4.5)	3,572	(0.4)	7,131	7,569	(5.8)	7,153	In line. Constant currency steady hoh mobile services , higher ARPU offset by weaker Enterprise Fixed
EBITDA	1,810	1,808	0.1	1,787	1.3	3,597	3,686	(2.4)	3,648	
Singapore	866	877	(1.2)	870	(0.5)	1,736	1,721	0.9	1,802	Slightly below. Higher investment in digital capabilities and higher utility and cyber-related expenses
Australia	944	932	1.3	917	2.9	1,861	1,965	(5.3)	1,846	In line, helped by cost management
EBIT	573	533	7.6	580	(1.1)	1,153	1,112	3.7	1,211	Broadly in line
Share of profits from assocos	1,143	1,130	1.2	1,195	(4.3)	2,338	2,287	2.2	2,233	Higher due to Bharti
Net finance costs	(175)	(163)	7.3	(128)	35.9	(303)	(359)	(15.6)	(297)	In line
Profit before tax	(939)	1,507	(162.3)	2,661	(135.3)	1,722	3,212	(46.4)	1,619	FY24 slightly above at 106% of our forecasts, due to associates profits
Tax expense	(398)	(448)	(11.3)	(521)	(23.7)	(919)	(978)	(6.1)	(913)	In line
Net profit	(1,341)	1,055	(227.1)	2,136	(162.8)	795	2,225	(64.3)	697	FY24 higher at 114% of our forecasts
Exceptional items	(2,481)	7	n.m.	1,015	(344.4)	(1,466)	172	(952.3)	(1,529)	
Core net profit	1,140	1,048	8.7	1,121	1.7	2,261	2,053	10.1	2,226	FY24 core net profit in line with our expectations at 102% of our forecast, but disappointed street's at 95% of Bloomberg consensus
Core EPS (Scts)	6.9	6.4	8.7	6.8	1.7	13.7	12.4	10.1	13.5	
DPS (Scts)	9.8	7.8	25.6	5.2	88.5	15.0	14.9	0.7	11.5	

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Quarterly segment results

FYE Mar (S\$ m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	qoq (%)	yoy (%)
Revenue:										
Optus	1,944	1,899	1,905	1,821	1,785	1,787	1,802	1,757	-2.5%	-3.5%
Singtel Singapore	954	1,004	1,047	982	937	957	1,025	972	-5.2%	-1.0%
NCS	598	685	676	769	681	716	701	737	5.1%	-4.2%
Digital InfraCo	88	92	95	108	103	100	109	101	-7.3%	-6.5%
Trustwave	44	41	40	38	38	38	0	1	nm	-97.4%
Intercompany eliminations	(43)	(46)	(49)	(67)	(56)	(56)	(44)	(63)	43.2%	-6.0%
Group revenue	3,584	3,675	3,713	3,652	3,488	3,541	3,593	3,505	-2.4%	-4.0%
EBITDA:										
Optus	531	502	474	458	456	461	465	479	3.0%	4.6%
Singtel Singapore	384	373	391	349	382	366	372	331	-11.0%	-5.2%
NCS	70	40	51	93	75	62	75	54	-28.0%	-41.9%
Digital InfraCo	56	52	57	64	62	51	55	51	-7.3%	-20.3%
Trustwave	(29)	(29)	(32)	(26)	(25)	(23)	0	(1)	nm	-96.2%
Corporate	(29)	(40)	(34)	103	(35)	(31)	(35)	101	-388.6%	-1.9%
Intercompany eliminations	(5)	2	4	(145)	(11)	(1)	2	(141)	-7150.0%	-2.8%
Group EBITDA	977	900	911	896	902	885	935	875	-6.4%	-2.3%
EBITDA margin:										
Optus	27.3%	26.4%	24.9%	25.2%	25.5%	25.8%	25.8%	27.3%	1.5% pts	2.1% pts
Singtel Singapore	40.3%	37.2%	37.3%	35.5%	40.8%	38.2%	36.3%	34.1%	-2.2% pts	-1.5% pts
NCS	11.7%	5.8%	7.5%	12.1%	11.0%	8.7%	10.7%	7.3%	-3.4% pts	-4.8% pts
Digital InfraCo	63.6%	56.5%	60.0%	59.3%	60.2%	51.0%	50.5%	50.5%	0.0% pts	-8.8% pts
Trustwave	-65.9%	-70.7%	-80.0%	-68.4%	-65.8%	-60.5%	n.m.	n.m.	n.m.	n.m.
Group EBITDA margin	27.3%	24.5%	24.5%	24.5%	25.9%	25.0%	26.0%	25.0%	-1.1% pts	0.4% pts

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Peers comparison

Company	Bloomberg		Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)
	Ticker	Recom.				CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	CY24F
Indonesia telcos:												
Indosat Tbk PT	ISAT IJ	Hold	10,075	11,900	5,055	16.0	13.5	15.9%	17.1%	4.7	4.5	2.8%
Telkom Indonesia Persero Tbk P	TLKM IJ	Hold	2,940	3,600	18,125	11.0	10.8	19.1%	18.1%	4.0	3.9	6.1%
XL Axiata Tbk PT	EXCL IJ	Hold	2,470	2,450	2,018	20.7	16.1	5.9%	7.2%	4.4	4.2	2.9%
Median						16.0	13.5	15.9%	17.1%	4.4	4.2	2.9%
Malaysia telcos:												
Axiata Group Bhd	AXIATA MK	Add	2.89	3.67	5,614	41.1	22.5	3.0%	5.3%	4.1	3.9	3.5%
CELCOMDIGI BHD	CDB MK	Add	4.06	4.78	10,113	28.8	19.2	10.3%	14.9%	10.0	9.3	3.3%
Maxis Bhd	MAXIS MK	Hold	3.80	3.84	6,252	22.4	22.2	23.0%	23.3%	9.3	9.4	4.4%
Telekom Malaysia Bhd	T MK	Add	6.49	7.30	5,337	15.4	13.1	17.3%	18.3%	5.2	5.2	3.8%
Median						25.6	20.7	13.8%	16.6%	7.3	7.2	3.6%
Philippines telcos:												
Globe Telecom Inc	GLO PM	NR	1,989	na	4,973	13.7	13.3	14.0%	13.3%	7.3	7.0	5.0%
PLDT Inc	TEL PM	Add	1,420	1,500	5,199	8.6	7.8	29.6%	28.4%	5.0	5.0	6.6%
Median						11.2	10.5	21.8%	20.8%	6.2	6.0	5.8%
Singapore telcos:												
Singapore Telecommunications I	ST SP	Add	2.41	2.84	29,477	16.4	14.6	9.9%	11.0%	8.9	8.4	5.2%
StarHub Ltd	STH SP	Add	1.26	1.30	1,604	13.7	12.0	27.7%	29.3%	6.3	5.8	6.0%
Median						15.0	13.3	18.8%	20.2%	7.6	7.1	5.6%
Thailand telcos:												
Advanced Info Service PCL	ADVANC TB	NR	206.00	na	16,933	19.6	17.7	33.9%	35.5%	7.9	7.6	4.4%
True Corp PCL	TRUE TB	NR	8.45	na	7,897	126.1	41.6	1.6%	8.4%	7.8	7.4	0.2%
Median						72.9	29.7	17.8%	21.9%	7.8	7.5	2.3%
Sector median						16.4	14.6	15.9%	17.1%	6.3	5.8	4.4%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Note: All forecasts for Not rated companies are based on Bloomberg consensus estimates
Data as of 22 May 2024

BY THE NUMBERS

Profit & Loss

(\$m)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	14,624	14,211	14,562	15,065
Gross Profit	3,686	3,648	3,826	4,004
Operating EBITDA	3,686	3,648	3,826	4,004
Depreciation And Amortisation	-2,574	-2,437	-2,509	-2,560
Operating EBIT	1,112	1,211	1,318	1,444
Financial Income/(Expense)	-359	-297	-288	-276
Pretax Income/(Loss) from Assoc.	2,287	2,233	2,453	2,719
Non-Operating Income/(Expense)	172	-1,529	-50	-50
Profit Before Tax (pre-EI)	3,212	1,619	3,432	3,837
Exceptional Items				
Pre-tax Profit	3,212	1,619	3,432	3,837
Taxation	-978	-913	-991	-1,082
Exceptional Income - post-tax				
Profit After Tax	2,234	706	2,441	2,755
Minority Interests	-8	-9	-9	-9
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	2,225	697	2,432	2,746
Recurring Net Profit	2,053	2,226	2,482	2,796
Fully Diluted Recurring Net Profit	2,053	2,226	2,482	2,796

Balance Sheet

(\$m)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	1,668	2,515	1,970	2,630
Total Debtors	5,013	5,023	5,107	5,262
Inventories	346	281	284	291
Total Other Current Assets	1,556	1,556	1,556	1,556
Total Current Assets	8,583	9,375	8,917	9,740
Fixed Assets	10,385	10,722	10,953	11,137
Total Investments	11,788	11,071	10,762	10,627
Intangible Assets	10,990	7,796	8,805	8,581
Total Other Non-Current Assets	4,785	4,785	4,785	4,785
Total Non-current Assets	37,947	34,373	35,305	35,130
Short-term Debt	471	471	471	471
Current Portion of Long-Term Debt				
Total Creditors	5,310	4,585	4,599	4,687
Other Current Liabilities	2,518	2,518	2,518	2,518
Total Current Liabilities	8,299	7,574	7,589	7,676
Total Long-term Debt	7,142	6,554	6,214	5,874
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	5,074	5,466	5,860	6,258
Total Non-current Liabilities	12,217	12,020	12,075	12,132
Total Provisions	0	0	0	0
Total Liabilities	20,516	19,593	19,663	19,808
Shareholders' Equity	25,998	24,137	24,539	25,040
Minority Interests	16	18	20	22
Total Equity	26,014	24,155	24,559	25,062

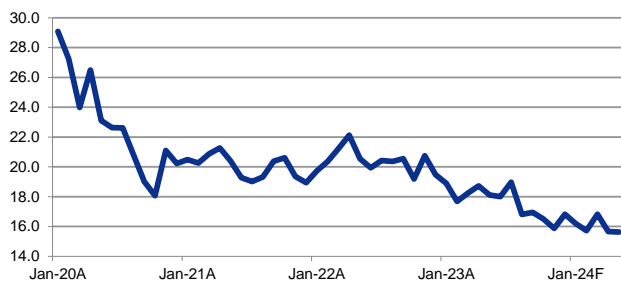
Cash Flow

(\$m)	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	3,686	3,648	3,826	4,004
Cash Flow from Invnt. & Assoc.	-1,653	-1,827	-1,620	-1,778
Change In Working Capital	270	-70	-670	-73
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	3,762	3,808	5,126	3,681
Net Interest (Paid)/Received	-416	-436	-423	-411
Tax Paid	-352	-347	-300	-317
Cashflow From Operations	5,298	4,776	5,940	5,107
Capex	-2,162	-2,086	-2,003	-1,985
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments	1,553	647	367	367
Other Investing Cashflow	-1,693	-63	-1,218	-4
Cash Flow From Investing	-2,302	-1,502	-2,853	-1,622
Debt Raised/(repaid)	-641	-589	-340	-341
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	-1,964	-2,558	-2,030	-2,245
Preferred Dividends				
Other Financing Cashflow	-336	-443	-430	-418
Cash Flow From Financing	-2,941	-3,590	-2,799	-3,003
Total Cash Generated	55	-317	287	483
Free Cashflow To Equity	2,355	2,685	2,747	3,145
Free Cashflow To Firm	3,412	3,709	3,509	3,896

Key Ratios

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	(4.66%)	(2.83%)	2.47%	3.45%
Operating EBITDA Growth	(2.16%)	(1.03%)	4.90%	4.65%
Operating EBITDA Margin	25.2%	25.7%	26.3%	26.6%
Net Cash Per Share (\$)	-0.36	-0.27	-0.29	-0.23
BVPS (\$)	1.58	1.46	1.49	1.52
Gross Interest Cover	2.67	2.78	3.12	3.52
Effective Tax Rate	30.5%	56.4%	28.9%	28.2%
Net Dividend Payout Ratio	88%	367%	83%	82%
Accounts Receivables Days	128.0	129.2	126.9	125.6
Inventory Days	10.28	10.87	9.61	9.50
Accounts Payables Days	182.0	171.4	156.1	153.2
ROIC (%)	2.90%	3.41%	4.09%	4.28%
ROCE (%)	3.34%	4.17%	4.65%	5.04%
Return On Average Assets	5.18%	2.03%	6.02%	6.63%

12-mth Fwd FD P/E (x) - SingTel



Key Drivers

	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Singapore total mobile subs (m)	4.3	4.5	4.7	4.9
Optus total mobile subs (m)	10.4	10.5	10.7	11.0
Singapore blended mobile ARPU (\$/mth/sub)	26.4	25.9	26.4	26.4
Optus blended mobile ARPU (A\$/mth/sub)	31.0	31.4	31.5	31.6

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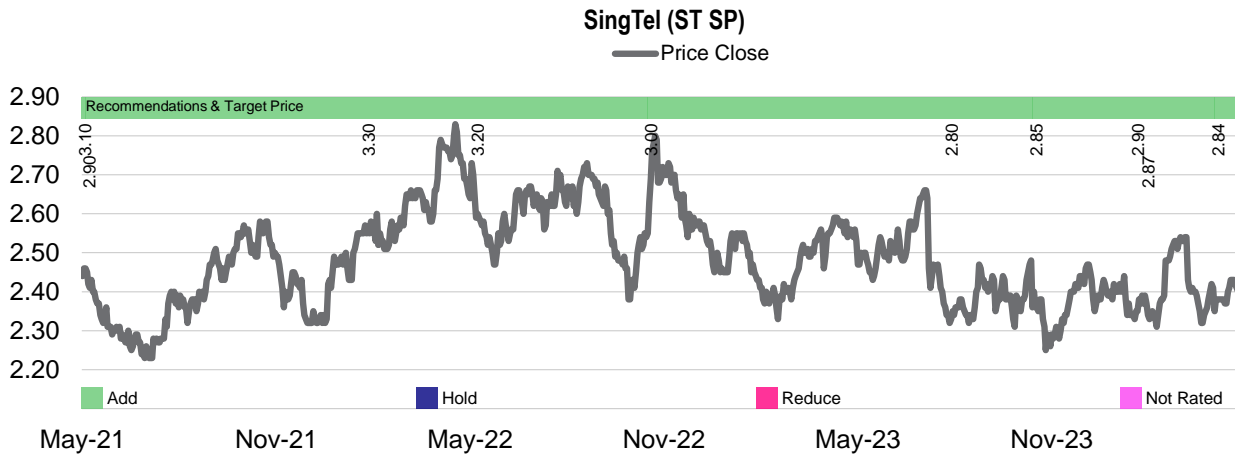
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634 companies under coverage for quarter ended on 31 March 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.5%	1.3%
Hold	24.1%	0.2%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework	
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Add	The stock's total return is expected to exceed 10% over the next 12 months.
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