

COMPANY RESULTS

Singapore Telecommunications (ST SP)

1QFY24: Underlying Earnings In Line; Dragged By Weaker Overseas Contributions

For 1QFY24, Singtel reported a 14.5% yoy higher core net profit of S\$571m, in line with our expectations. The robust net profit growth was driven by higher contributions from the group's regional associates. Optus was dragged by a weakened Australian dollar along with inflationary pressures. Singtel Singapore was largely stable yoy while the group's revenue growth drivers, NCS and the Digital InfraCo segment, posted robust revenue growth. Maintain BUY with the same DCF-based target price of S\$3.15.

1QFY24 RESULTS

Year to 31 Mar (\$m)	1QFY24	1QFY23	yoy % chg	yoy % chg in cc**
Group Operating Revenue:*	3,488	3,584	(2.7)	2.5
Optus	1,785	1,944	(8.2)	1.1
Singtel Singapore	937	954	(1.8)	(1.8)
NCS	681	598	13.9	14.9
Digital InfraCo	103	88	17.0	17.0
Trustwave	38	44	(14.0)	(11.5)
Group EBITDA:*	902	977	(7.7)	(3.1)
Optus	456	531	(14.1)	(5.5)
Singtel Singapore	382	384	(0.6)	(0.6)
NCS	75	70	6.6	6.0
Digital InfraCo	62	56	10.7	10.7
Trustwave	(25)	(29)	(11.2)	(8.7)
Corporate	(35)	(29)	20.1	20.1
EBITDA margin (%)	25.9ppt	27.3ppt	(1.4ppt)	(1.5ppt)
Regional Mobile Associates	583	577	1.1%	7.9%
Underlying Net Profit	571	499	14.5%	19.9%

*Includes intercompany eliminations **Constant currency
Source: Singtel, UOB Kay Hian

RESULTS

• **1QFY24: In line with expectations.** For 1QFY24, Singapore Telecommunications (Singtel) reported lower overall revenue (-2.7% yoy) and EBITDA (-7.7% yoy) but higher underlying net profit (+14.5% yoy), all forming 23-24% of our full-year forecasts and in line with our expectations. 1QFY24 headline net profit dropped 23.1% yoy due to a one-off S\$88m net exceptional loss from Airtel, compared to a S\$129m exceptional gain in 1QFY23. Overall revenue was dragged by lower overseas contributions due to a strong Singapore dollar, offset by robust revenue growth from the NCS and Digital InfraCo segments. On a constant currency (cc) basis, underlying operating revenue (+2.5% yoy), underlying EBITDA (-3.1% yoy) and underlying net profit (+19.9% yoy) would have increased. EBITDA margins narrowed by 1.4ppt yoy from inflationary pressures.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	15,339	14,624	15,053	15,637	16,317
EBITDA	3,767	3,686	3,872	4,108	4,441
Operating profit	1,045	1,112	1,395	1,654	2,019
Net profit (rep./act.)	1,948	2,226	2,370	2,733	3,088
Net profit (adj.)	1,923	2,054	2,370	2,733	3,088
EPS (\$ cent)	11.7	12.4	14.3	16.5	18.7
PE (x)	20.0	18.9	16.3	14.2	12.5
P/B (x)	1.4	1.5	1.5	1.4	1.4
EV/EBITDA (x)	12.7	13.0	12.4	11.7	10.8
Dividend yield (%)	4.0	6.4	4.3	5.1	6.0
Net margin (%)	12.7	15.2	15.7	17.5	18.9
Net debt/(cash) to equity (%)	34.6	35.5	34.3	32.2	29.4
Interest cover (x)	12.0	10.3	11.1	11.3	11.8
ROE (%)	7.1	8.2	9.0	10.1	11.1
Consensus net profit	-	-	2,415	2,762	3,198
UOBKH/Consensus (x)	-	-	0.98	0.99	0.97

Source: Singapore Telecommunications, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.34
Target Price	S\$3.15
Upside	+34.5%

COMPANY DESCRIPTION

Singtel is a telecommunications company offering a diverse range of services, including fixed-line, mobile, data, internet, TV, and digital solutions. It also has operations in Australia, India, Indonesia, Thailand and the Philippines.

STOCK DATA

GICS sector Communication Services
Bloomberg ticker: ST SP

Shares issued (m): 16,510.7

Market cap (\$m): 38,635.0

Market cap (US\$m): 28,458.3

3-mth avg daily t'over (US\$m): 35.4

Price Performance (%)

52-week high/low S\$2.75/S\$2.31

1mth	3mth	6mth	1yr	YTD
(9.1)	(7.7)	(2.8)	(10.4)	(8.1)

Major Shareholders %

Temasek Hlds 52.0

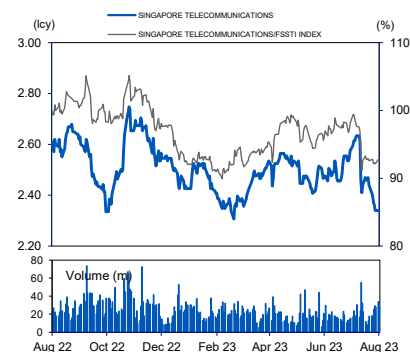
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FY24 NAV/Share (\$\$) 1.60

FY24 Net Debt/Share (\$\$) 0.55

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Optus.** Due to a weakened Australian dollar and softer consumer sentiment, Optus was the clear underperformer with revenue (-8.1% yoy) and EBITDA (-14.1% yoy) dropping. The larger yoy drop in EBITDA was due to increased operating costs and the absence of insurance revenue from last year. 1QFY24 EBITDA margins fell 1.8ppt yoy to 25.5%. However, despite stiff competition, 1QFY24 mobile service revenue rose 2.7% yoy from higher penetration of ARPU-accretive Optus Choice plans as postpaid subscribers (+83,000 yoy, +31,000 qoq) grew, along with higher roaming revenue. Prepaid ARPU was stable qoq but 6.9% lower yoy at A\$19/month which we reckon was from increased promotion activities due to growing competition. On a cc basis, Optus' 1QFY24 revenue increased 1.1% yoy but its EBITDA fell 5.5% yoy.
- Singtel Singapore.** 1QFY24 revenue (-1.8% yoy) and EBITDA (-0.6% yoy) softened slightly yoy, dragged by a continued decline in legacy carriage services and intense price competition in the lower-end mobile market, offset by higher mobile service revenue (+2.7% yoy) from roaming recovery. Postpaid ARPU was stable on a qoq and yoy basis at S\$32/month while postpaid subscribers increased by 28,000 qoq and 75,000 yoy respectively. Dragged by intense price competition, prepaid ARPU was stable qoq but dropped by 9.2% yoy to S\$12/month. Prepaid subscribers grew 15,000 qoq and 120,000 yoy respectively, on the back of increased foreigner customer base. 1QFY24 EBITDA margins expanded by 0.5ppt yoy on better cost management.
- NCS.** Driven by a full quarter of contributions from new acquisitions, 1QFY24 revenue (+13.9% yoy) and EBITDA (+6.6% yoy) surged. EBITDA margins softened slightly by 0.7ppt yoy and 1.2ppt qoq which we reckon is due to continued opex investments and increased staff costs post-acquisitions. Bookings for 1QFY24 amounted to S\$691m.
- Data InfraCo.** 1QFY24 revenue (+17.0% yoy) and EBITDA (+10.7% yoy) surged, driven by the data centre business which benefitted from price uplifts and pass-through of utilities to customers. The lower EBITDA growth as compared to revenue growth was offset by higher operating costs, with EBITDA margins falling slightly by 3.4ppt yoy.

1QFY24 REGIONAL ASSOCIATES PRE-TAX CONTRIBUTION

Associates (\$m)	1QFY24	qoq % chg	yoy % chg	Comments
Telkomsel (Indonesia)	219	11.7%	(4.0%)	- Grew 1.4% yoy on a cc basis, backed by improved operating revenue, offset by higher operating and interest expenses.
AIS (Thailand)	81	5.2%	11.2%	- Surged 14.5% yoy on a cc basis from higher service revenue and lower costs.
Intouch (Thailand)	32	10.3%	27.2%	- Driven by greater average equity stake.
Globe (Philippines)	70	(10.3%)	(26.2%)	- Despite higher revenue, elevated operating costs and interest expense led to -19.8% yoy lower contributions on a cc basis.
Bharti Airtel (India)	182	4.6%	16.3%	- Grew 27.4% yoy on a cc basis, backed by higher operating revenue from both mobile and Home & Enterprises segments. - Higher ARPU from tariff hikes and robust 4G customer additions at record high.
Total	583	5.4%	1.1%	+7.9% yoy on a cc basis.

Source: Singtel, UOB Kay Hian

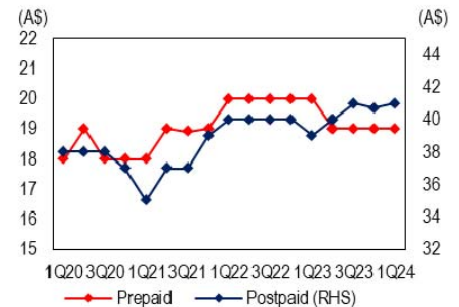
EARNINGS REVISION/RISK

- We decrease our FY24 earnings slightly by 2%, on the back of the exceptional loss.

VALUATION/RECOMMENDATION

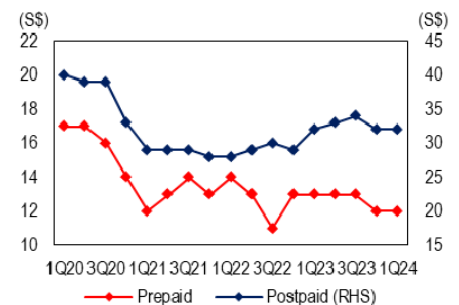
- Maintain BUY with the same DCF-based target price of S\$3.15** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 14x FY23 EV/EBITDA (+1.0SD of its five-year mean EV/EBITDA). In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals.
- Key re-rating catalysts include:** a) successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore and resumption of regional roaming revenue.

AUSTRALIA CONSUMER ARPU TREND (A\$)



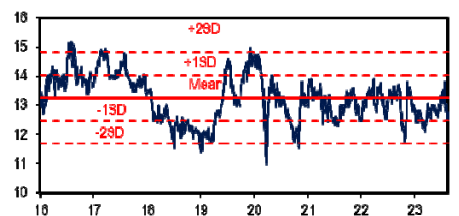
Source: Singtel, UOB Kay Hian

SINGAPORE CONSUMER ARPU TREND (S\$)



Source: Singtel, UOB Kay Hian

FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	14,624.4	15,052.5	15,637.0	16,317.2
EBITDA	3,685.9	3,871.9	4,108.1	4,441.2
Deprec. & amort.	2,574.1	2,476.6	2,453.8	2,422.0
EBIT	1,111.8	1,395.2	1,654.3	2,019.2
Associate contributions	2,287.0	2,450.6	2,637.9	2,796.5
Net interest income/(expense)	(358.9)	(350.2)	(363.2)	(375.8)
Pre-tax profit	3,211.9	3,407.7	3,929.0	4,439.8
Tax	(978.0)	(1,037.6)	(1,196.4)	(1,351.9)
Minorities	(8.4)	0.0	0.0	0.0
Net profit	2,225.5	2,370.0	2,732.6	3,087.9
Net profit (adj.)	2,053.5	2,370.0	2,732.6	3,087.9

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	4,775.8	5,134.7	5,492.3	5,807.4
Pre-tax profit	3,211.9	3,407.7	3,929.0	4,439.8
Tax	(978.0)	(1,037.6)	(1,196.4)	(1,351.9)
Deprec. & amort.	2,574.1	2,476.6	2,453.8	2,422.0
Associates	(172.0)	0.0	0.0	0.0
Working capital changes	(130.1)	(62.2)	(57.4)	(78.4)
Non-cash items	358.9	350.2	363.2	375.8
Other operating cashflows	(89.0)	0.0	0.0	0.0
Investing	(2,301.7)	(2,842.5)	(2,824.2)	(2,797.0)
Capex (maintenance)	(2,162.4)	(2,107.4)	(2,032.8)	(1,958.1)
Proceeds from sale of assets	(679.2)	(735.2)	(791.4)	(838.9)
Others	539.9	0.0	0.0	0.0
Financing	(2,941.2)	(1,749.7)	(1,943.2)	(2,136.3)
Dividend payments	(1,964.3)	(1,821.0)	(1,986.5)	(2,152.1)
Issue of shares	0.1	0.0	0.0	0.0
Proceeds from borrowings	(974.7)	421.5	406.6	391.6
Others/interest paid	(2.3)	(350.2)	(363.2)	(375.8)
Net cash inflow (outflow)	(467.1)	542.5	724.9	874.1
Beginning cash & cash equivalent	2,130.0	1,667.9	2,210.4	2,935.3
Changes due to forex impact	5.0	0.0	(0.1)	(0.1)
Ending cash & cash equivalent	1,667.9	2,210.4	2,935.2	3,809.3

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	10,384.6	10,327.4	10,218.5	10,066.7
Other LT assets	27,562.6	27,985.7	28,464.9	28,991.8
Cash/ST investment	1,667.9	2,210.4	2,935.3	3,809.4
Other current assets	5,428.4	5,581.0	5,791.4	6,035.3
Total assets	46,530.0	47,591.0	48,896.6	50,389.6
ST debt	982.7	982.7	982.7	982.7
Other current liabilities	7,316.4	7,406.9	7,559.8	7,725.3
LT debt	9,910.6	10,332.1	10,738.6	11,130.2
Other LT liabilities	2,306.0	2,306.0	2,306.0	2,306.0
Shareholders' equity	26,004.9	26,554.0	27,300.1	28,235.9
Minority interest	9.4	9.4	9.4	9.4
Total liabilities & equity	46,530.0	47,591.0	48,896.6	50,389.6

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	25.2	25.7	26.3	27.2
Pre-tax margin	22.0	22.6	25.1	27.2
Net margin	15.2	15.7	17.5	18.9
ROA	4.7	5.0	5.7	6.2
ROE	8.2	9.0	10.1	11.1
Growth				
Turnover	(4.7)	2.9	3.9	4.3
EBITDA	(2.1)	5.0	6.1	8.1
Pre-tax profit	11.0	6.1	15.3	13.0
Net profit	14.3	6.5	15.3	13.0
Net profit (adj.)	6.8	15.4	15.3	13.0
EPS	6.1	15.4	15.3	13.0
Leverage				
Debt to total capital	29.5	29.9	30.0	30.0
Debt to equity	41.9	42.6	42.9	42.9
Net debt/(cash) to equity	35.5	34.3	32.2	29.4
Interest cover (x)	10.3	11.1	11.3	11.8

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