

COMPANY RESULTS

Singapore Telecommunications (ST SP)

FY24: Results In Line, New Dividend Policy And Strategic Plan To Unlock Value

Despite currency headwinds, Singtel reported higher FY24 underlying net profit (+10% yoy), driven by increased contributions from regional associates and ongoing cost optimisation efforts. Optus continued to perform after the outage incident from price uplifts while Singtel Singapore suffered from weak sentiment. NCS booked higher order wins while the digital infraco segment was weighed down by investment costs. Backed by a lush FY25 dividend yield of 6.8%, we maintain BUY with a target price of S\$2.99.

FY24 RESULTS

Year to 31 Mar (\$m)	4QFY24	qoq % chg	yoy % chg	FY24	yoy % chg
Group Operating Revenue:*	3,504	(2.5)	(4.0)	14,128	(3.4)
Optus	1,757	(2.5)	(3.5)	7,131	(5.8)
Singtel Singapore	972	(5.2)	(1.1)	3,891	(2.4)
NCS	737	5.1	(4.2)	2,835	3.9
Digital InfraCo	101	(7.3)	(6.5)	413	8.0
Group EBITDA:*	876	(6.3)	(2.3)	3,597	(2.5)
Optus	479	3.0	4.6	1,861	(5.3)
Singapore Consumer	338	(9.1)	(1.2)	1,451	(2.6)
NCS	54	(28.0)	(41.9)	266	4.5
Digital InfraCo	52	(5.5)	(17.5)	219	(4.1)
EBITDA margin (%)	25.0	(1.0ppt)	0.4ppt	25.5	0.3ppt
Regional Mobile Associates	636	24.7	14.8	2,334	3.0
Underlying Net Profit	581	3.9	18.8	2,261	10.1

*Including intercompany eliminations, Trustwave, corporate overheads and currency movements. Source: Singtel, UOB Kay Hian

RESULTS

- Stable results.** In line with expectations, Singapore Telecommunications (Singtel) reported lower overall revenue (-3.4% yoy) and EBITDA (-2.5% yoy) but posted higher underlying net profit (+10.1% yoy), forming 97%/99%/102% of our full-year forecasts respectively. The softer revenue and EBITDA were due to the deconsolidation of Trustwave and an appreciating Singapore dollar against regional currencies. Excluding Trustwave and on a constant currency basis, FY24 revenue would have grown 0.4% yoy while EBITDA would have softened by only 1.1% yoy. FY24 EBITDA margins expanded slightly by 0.3ppt from ongoing costs efficiencies. In line with FY24, 4QFY24 revenue (-4.0% yoy) and EBITDA (-2.3% yoy) were lower while underlying net profit surged 18.8% yoy.
- Revised dividend policy.** Singtel announced a final 2HFY24 dividend of 6.0 S cents (2HFY23: 5.3 S cents), implying a total FY24 core ordinary dividend of 11.2 S cents (FY23: 9.9 S cents) and dividend payout ratio of around 82%. Also, Singtel announced a new embedded value realisation dividend (VRD) policy starting FY24, paying out 3.0-6.0 S cents annually. A FY24 VRD of 3.8 S cents was declared, taking FY24 total dividends to 15.0 S cents (FY23: 14.9 S cents, 5.0 S cents special dividend) and a yield of around 6.3%. We understand that the VRD policy is expected to last 4-5 years.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	14,624	14,128	14,527	14,920	15,154
EBITDA	3,686	3,597	3,713	3,961	4,200
Operating profit	1,112	1,153	1,352	1,613	1,870
Net profit (rep./act.)	2,226	795	2,488	2,768	3,060
Net profit (adj.)	2,054	2,261	2,488	2,768	3,060
EPS (S\$ cent)	12.4	13.7	15.0	16.7	18.5
PE (x)	19.4	17.7	16.0	14.4	13.0
P/B (x)	1.5	1.6	1.6	1.6	1.6
EV/EBITDA (x)	12.8	13.1	12.7	11.9	11.2
Dividend yield (%)	6.2	6.2	6.8	7.3	7.8
Net margin (%)	15.2	5.6	17.1	18.6	20.2
Net debt/(cash) to equity (%)	35.5	29.3	32.5	36.0	39.4
Interest cover (x)	10.3	11.9	12.3	12.6	12.9
ROE (%)	8.2	3.1	10.0	11.2	12.5
Consensus net profit	-	-	2,641	3,007	3,305
UOBKH/Consensus (x)	-	-	0.94	0.92	0.93

Source: Singapore Telecommunications, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.41
Target Price	S\$2.99
Upside	+23.9%

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):	16,503.4
Market cap (\$m):	39,773.1
Market cap (US\$m):	29,476.8
3-mth avg daily t'over (US\$m):	56.4

Price Performance (%)

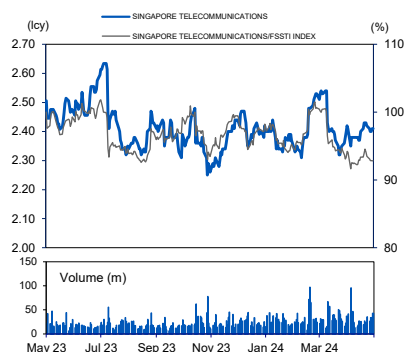
52-week high/low S\$2.63/S\$2.25

1mth	3mth	6mth	1yr	YTD
1.3	1.7	5.7	(4.2)	(2.4)

Major Shareholders

	%
Temasek Hldgs	52.0
-	-
FY25 NAV/Share (\$)	1.49
FY25 Net Debt/Share (\$)	0.48

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Optus: Improved outlook.** On a constant currency basis, FY24 operating revenue was largely flat (+0.1% yoy) on the back of increased mobile service revenue (+3.8% yoy) from higher postpaid ARPU and strong prepaid customer growth, offset by weakness in the enterprise segment (-16.0% yoy). FY24 EBITDA also grew by 0.7% yoy supported by ongoing cost optimisation efforts. 4QFY24 was a strong quarter whereby EBITDA jumped 3.0% yoy, driven by price uplifts and sustained customer growth since the post-outage incident in 3QFY24. Postpaid ARPU was stable qoq at A\$42/month while subscribers increased 3,000 qoq, reversing a 28,000 fall in 3QFY24. Despite prepaid ARPU being stable qoq, subscribers fell by 23,000 qoq which we reckon was due to stiff domestic competition and inflationary pressures. Moving into 1QFY25, management expects mobile service revenue to continue its growth from the price uplifts while also sustaining its subscriber growth.
- Singapore: Soft performance.** Despite FY24 mobile service revenue increasing 3.0% yoy from higher data roaming revenue, overall operating revenue (-2.4% yoy) and EBITDA (-2.6% yoy) fell, dragged by a decline in legacy carriage, equipment sales and enterprise revenue. Management noted that subscribers continue to trade down to lower-value SIM only plans. Like FY24, 4QFY24 also underperformed as both revenue (-1.1% yoy) and EBITDA fell (-1.2% yoy), dragged by higher digital investment costs and lower pay TV revenue. Despite postpaid subscribers increasing 7,000 qoq, postpaid ARPU fell qoq to S\$33/month (3QFY24: S\$34/month) as more consumers continued to trade down. Prepaid ARPU also dropped qoq to S\$10/month (3QFY24: S\$11/month) from intense domestic price competition as subscribers surged by 148,000 qoq. It was noted that the group increased its leading mobile customer market share at end-FY24 to 46.3% (FY23: 45.5%).
- NCS: Weak quarter.** NCS reported higher FY24 revenue and EBITDA growth of 3.9% yoy and 4.5% respectively, driven by realised operational cost efficiencies and the absence of post-acquisition losses. However, 4QFY24 reported lower revenue (-4.2% yoy) and EBITDA (-41.9% yoy) from a project loss and higher operating costs. 4QFY24 orderbook amounted to S\$3.0b (3QFY24: S\$2.1b) which would help support revenue growth moving forward.
- Digital InfraCo: Still in gestation.** FY24 segmental revenue grew 8.0% yoy, backed by price uplifts and utility pass-through from its regional data centres business (Nxera), coupled with higher fees from its Paragon and satellite businesses. With upcoming new additional capacity from DC Tuas, Batam and Thailand, operating costs were higher to support business expansion, leading to a 3.9% yoy drop in FY24 EBITDA. We expect a ramp-up in investments costs to weigh on margins till FY25-26.
- Unlocking shareholder value and outlook guidance.** As of end-4QFY24, the group had about S\$6b of capital recycling which we reckon would likely come from paring down its stakes in its regional associates and non-core fixed assets. We estimate that Singtel currently has S\$2b-3b of excess cash after accounting for current growth initiatives which may lead to larger VRDs towards the higher end of the group's 3.0-6.0 S cents VRD policy, in our view. The group also released its outlook for FY25 (see chart overleaf) which we reckon that it would likely beat, driven by its new strategic plan growth, Singtel28, which is aimed at unlocking and creating shareholder value by lifting the group's core business performance with smart capital management.

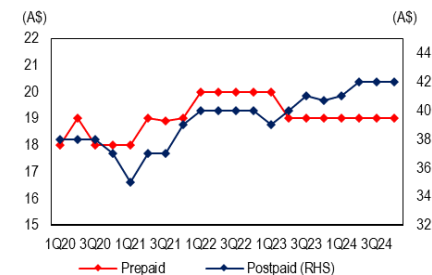
EARNINGS REVISION/RISK

- We make insignificant changes to our FY25-26 PATMI estimates, while adding our FY27 PATMI estimate.** We now estimate FY25/26/27 underlying PATMI at S\$2,488m, S\$2,769m and S\$3,060m respectively.

VALUATION/RECOMMENDATION

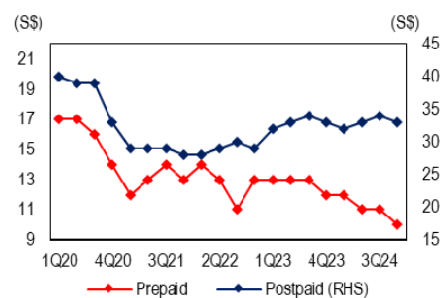
- Maintain BUY with the same DCF-based target price of S\$2.99** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY25 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals and a lush FY25 6.8% dividend yield. Key re-rating catalysts include: a) successful monetisation of 5G, b) monetisation of data centres and/or NCS, and c) market repair in Singapore.

AUSTRALIA CONSUMER ARPU TREND



Source: Singtel, UOB Kay Hian

SINGAPORE CONSUMER ARPU TREND



Source: Singtel, UOB Kay Hian

PRE-TAX CONTRIBUTION

Associates (S\$m)	4QFY24	qoq % chg	yoy % chg
Telkomsel (Indonesia)	196	9.5	0.0
AIS (Thailand)	91	18.2	18.2
Intouch (Thailand)	35	(20.5)	20.7
Globe (Philippines)	82	28.1	5.1
Bharti Airtel (India)	232	58.9	33.3
Total	636	24.7	14.8

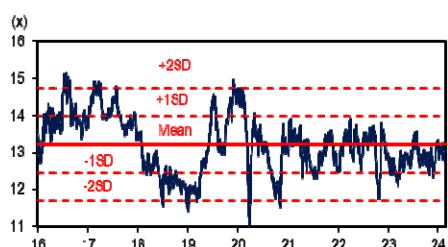
Source: Singtel, UOB Kay Hian

FY24 PERFORMANCE VS FY25 OUTLOOK

Outlook	FY24 Performance	FY25 Outlook
EBIT growth rate	+4% yoy	High single digit to low double digits.
Cost savings	S\$0.2b	S\$0.2b
Regional associates dividend	S\$1.3b*	S\$1.1b
Value realisation dividend	3.8 S Cents /share	3.0-6.0 S Cents /share

Source: Singtel, UOB Kay Hian

FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	14,127.5	14,527.2	14,919.8	15,154.4
EBITDA	3,596.9	3,712.7	3,960.9	4,199.8
Deprec. & amort.	2,444.0	2,360.8	2,347.7	2,329.9
EBIT	1,152.9	1,351.9	1,613.2	1,869.8
Associate contributions	2,338.0	2,303.7	2,441.9	2,589.6
Net interest income/(expense)	(302.9)	(302.9)	(313.9)	(324.9)
Pre-tax profit	1,722.5	3,352.7	3,741.2	4,134.5
Tax	(919.0)	(865.0)	(972.7)	(1,075.0)
Minorities	(8.5)	0.0	0.0	0.0
Net profit	795.0	2,487.7	2,768.5	3,059.6
Net profit (adj.)	2,260.5	2,487.7	2,768.5	3,059.6

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	10,046.5	10,115.8	10,197.2	10,255.7
Other LT assets	25,791.9	26,232.0	26,743.6	27,329.5
Cash/ST investment	4,605.2	4,313.8	3,930.0	3,570.4
Other current assets	5,336.3	5,485.9	5,629.0	5,712.1
Total assets	46,198.5	46,566.2	46,918.4	47,286.2
ST debt	569.7	569.7	569.7	569.7
Other current liabilities	7,079.7	7,222.5	7,295.1	7,293.0
LT debt	11,329.9	11,765.7	12,207.3	12,646.8
Other LT liabilities	2,254.5	2,254.5	2,254.5	2,254.5
Shareholders' equity	24,927.7	24,716.8	24,554.8	24,485.2
Minority interest	37.0	37.0	37.0	37.0
Total liabilities & equity	46,198.5	46,566.2	46,918.4	47,286.2

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	4,718.0	5,144.6	5,359.6	5,629.2
Pre-tax profit	1,722.5	3,352.7	3,741.2	4,134.5
Tax	(919.0)	(865.0)	(972.7)	(1,075.0)
Deprec. & amort.	2,444.0	2,360.8	2,347.7	2,329.9
Associates	1,465.5	0.0	0.0	0.0
Working capital changes	148.2	(6.8)	(70.5)	(85.1)
Non-cash items	302.9	302.9	313.9	324.9
Other operating cashflows	(446.1)	0.0	0.0	0.0
Investing	247.3	(2,870.2)	(2,940.7)	(2,974.3)
Capex (maintenance)	(2,149.5)	(2,179.1)	(2,208.1)	(2,197.4)
Proceeds from sale of assets	(265.9)	(691.1)	(732.6)	(776.9)
Others	2,662.7	0.0	0.0	0.0
Financing	(1,992.7)	(2,565.8)	(2,802.7)	(3,014.6)
Dividend payments	(2,146.1)	(2,698.7)	(2,930.4)	(3,129.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	1,006.3	435.8	441.6	439.5
Others/interest paid	(852.9)	(302.9)	(313.9)	(324.9)
Net cash inflow (outflow)	2,972.6	(291.4)	(383.9)	(359.6)
Beginning cash & cash equivalent	1,667.9	4,605.2	4,313.8	3,930.0
Changes due to forex impact	(35.3)	0.0	0.0	0.0
Ending cash & cash equivalent	4,605.2	4,313.8	3,930.0	3,570.4

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	25.5	25.6	26.5	27.7
Pre-tax margin	12.2	23.1	25.1	27.3
Net margin	5.6	17.1	18.6	20.2
ROA	1.7	5.4	5.9	6.5
ROE	3.1	10.0	11.2	12.5
Growth				
Turnover	(3.4)	2.8	2.7	1.6
EBITDA	(2.4)	3.2	6.7	6.0
Pre-tax profit	(46.4)	94.6	11.6	10.5
Net profit	(64.3)	212.9	11.3	10.5
Net profit (adj.)	10.1	10.1	11.3	10.5
EPS	10.1	10.0	11.3	10.5
Leverage				
Debt to total capital	32.3	33.3	34.2	35.0
Debt to equity	47.7	49.9	52.0	54.0
Net debt/(cash) to equity	29.3	32.5	36.0	39.4
Interest cover (x)	11.9	12.3	12.6	12.9

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