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### KEY HIGHLIGHTS

#### Update

**Singapore Airlines (SIA SP/SELL/\$\$6.80 /Target: \$\$6.44)** Page 2  
 Aug 23 operation data: Slightly behind our projections. Higher jet fuel prices adding pressure to near-term earnings performance.

**Singapore Telecommunications (ST SP/BUY/\$\$2.41/Target: \$\$3.15)** Page 5  
 Unlocking value with a strong partner for the regional data centre segment.

#### TRADERS' CORNER

**First Resources (FR SP): Trading BUY** Page 8

**SIA Engineering Co (SIE SP): Trading BUY**

### KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34691.0	0.2	0.1	0.6	4.7
S&P 500	4463.9	0.3	(0.5)	2.2	16.3
FTSE 100	7652.9	(0.8)	2.1	5.4	2.7
AS30	7428.1	(0.7)	0.5	0.8	2.9
CSI 300	3727.7	0.5	(1.1)	(1.5)	(3.7)
FSSTI	3263.4	(0.5)	1.4	2.8	0.4
HSCEI	6209.5	(1.6)	(1.4)	1.0	(7.4)
HSI	17930.6	(1.4)	(0.9)	(0.1)	(9.4)
JCI	6936.1	(0.7)	(0.4)	1.1	1.2
KLCI	1458.0	(0.1)	0.2	0.8	(2.5)
KOSPI	2574.7	(1.0)	0.7	2.8	15.1
Nikkei 225	33533.1	1.1	2.8	6.6	28.5
SET	1527.6	(0.9)	(0.9)	0.6	(8.5)
TWSE	16698.2	(1.3)	1.6	1.9	18.1
BDI	1439	4.2	19.0	16.3	(5.0)
CPO (RM/mt)	3728	0.7	(0.6)	(1.6)	(7.9)
Brent Crude (US\$/bbl)	95	0.8	4.5	11.7	10.2

Source: Bloomberg

### TOP VOLUME

Company	Price (\$S)	Chg (%)	Volume ('000s)
Seatrium	0.14	0.0	89,828
Thai Beverage	0.57	(2.6)	42,972
OUE Commercial REIT	0.21	(2.4)	19,498
Singapore Telecommunications	2.41	0.4	16,980
Frasers Logistics & Commercial	1.14	(0.9)	15,116

### TOP GAINERS

Company	Price (\$S)	Chg (%)	Volume ('000s)
Golden Agri-Resources	0.26	4.1	9,175
Sinarmas Land	0.20	3.7	26
Emperador Inc	0.52	2.0	2,720
Hotel Properties	3.78	1.6	6
Yangzijiang Shipbuilding	1.70	1.2	11,412

### TOP LOSERS

Company	Price (\$S)	Chg (%)	Volume ('000s)
Cromwell REIT EUR	1.34	(4.3)	404
Shangri-La Asia	5.49	(3.7)	5
Nio Inc	10.37	(3.1)	72
Sri Trang Agro-Industry	0.63	(3.1)	1
Thai Beverage	0.57	(2.6)	42,972

### KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	0.8	1.2
Euro Zone	3.5	0.1	1.0
Japan	1.0	1.0	1.5
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.4	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	4.9	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY UPDATE

Singapore Airlines (SIA SP)

Aug 23 Operation Data

SIA's Aug 23 operation data were slightly behind our projections, with flattish pax capacity growth mom and a slight dip in pax load factor. Overall, the operation data showed no improvement from July, a sign that recovery momentum is slowing down. We expect the recent sharp rise in jet fuel price to erode SIA's near-term earnings performance. Valuation is still on the high side, trading at 1.35x FY24F P/B (1.5SD above its historical mean). Maintain SELL. New target price: S\$6.44.

WHAT'S NEW

- Singapore Airlines (SIA) released its Aug 23 operation data on 15 Sep 23.
- Jet fuel prices have risen by over 40% since end-Jun 23, putting pressure on SIA's near-term earnings.

SIA'S AUG 23 OPERATION DATA

	Aug-23	Jul-23	Monthly comparison chg mom	Aug-22	chg yoy
<b>Passenger operation</b>					
Pax capacity (m seat-km)	13,587	13,624	-0.3%	10,761	+26.3%
as % of pre-covid (Jan 2020)	85.8%	86.1%	-0.2 ppts	68.0%	+17.9 ppts
Pax load (m pax-km)	11,981	12,238	-2.1%	9,189	+30.4%
as % of pre-covid (Jan 2020)	89.6%	91.5%	-1.9 ppts	68.7%	+20.9 ppts
Pax load factor	88.2%	89.8%	-1.6 ppts	85.4%	+2.8 ppts
<b>Cargo operation</b>					
Cargo capacity (m tonne-km)	834	837	-0.4%	785	+6.2%
as % of pre-covid	88.9%	88.9%	+0 ppts	83.7%	+5.2 ppts
Cargo load (m tonne-km)	427	439	-2.7%	426	+0.2%
as % of pre-covid	79.3%	81.6%	-2.2 ppts	79.6%	-0.2 ppts
Cargo load factor	51.2%	52.4%	-1.2 ppts	54.2%	-3 ppts

Source: SIA, UOB Kay Hian

ESSENTIALS

- Key highlights for Aug 23 operation data:
  - **Pax operation data: No improvement from July, slightly behind our projection.** Aug 23 pax capacity was largely flat at 85.8% of pre-pandemic levels (Jul 23: 86.1%) and slightly behind our projected 87%. Although still materially above pre-pandemic levels, Aug 23 pax load factor dipped 1.6ppt mom to 88.2% from 89.8% in Jul 23. As a result of the flat pax capacity and lower pax load factors, pax load declined 2.1% mom in Aug 23.
  - **Cargo operation: Still lacklustre.** Cargo capacity was largely flat mom at 88.9% of pre-pandemic levels. Cargo load factor was 51.2% in Aug 23, down 1.2ppt mom or 3.0ppt yoy. Cargo load declined 2.7% mom (but up 0.2% yoy). Global manufacturing PMI and new export order sub-index stayed in the contractionary territory in Aug 23 at 49.0 and 47.0 respectively, implying a subdued global trade outlook in the near term.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	7,615	17,775	19,362	21,609	21,801
EBITDA	1,390	4,773	4,419	4,085	3,701
Operating profit	(610)	2,692	2,241	1,774	1,384
Reported net profit	(962)	2,157	3,170	1,426	1,043
EPS (\$ cent)	(32.4)	72.6	69.3	48.0	35.1
PE (x)	n.m.	9.4	9.8	14.2	19.4
P/B (x)	1.6	1.5	1.4	1.3	1.3
EV/EBITDA (x)	22.4	5.2	5.4	6.3	7.9
Dividend yield (%)	0.0	5.6	5.6	4.9	3.5
Net margin (%)	(12.6)	12.1	16.4	6.6	4.8
Net debt/(cash) to equity (%)	63.1	7.9	7.8	21.0	42.8
ROE (%)	n.a.	10.2	18.2	9.5	6.8

Source: SIA, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	S\$6.80
Target Price	S\$6.44
Upside	-5.2%
(Previous TP)	S\$6.82)

COMPANY DESCRIPTION

Singapore's flag carrier, flying to more than 130 destinations in over 30 countries before the pandemic. Frequently ranked as Best Airline by magazines and ranking agencies.

STOCK DATA

GICS sector	Industrials			
Bloomberg ticker:	SIA SP			
Shares issued (m):	2,974.4			
Market cap (S\$m):	20,225.6			
Market cap (US\$m):	14,823.8			
3-mth avg daily t'over (US\$m):	52.2			
<b>Price Performance (%)</b>				
52-week high/low	S\$7.91/S\$5.00			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(1.2)	(12.5)	18.7	28.3	23.0
<b>Major Shareholders</b>				
Temasek Hldgs	55.4			
-	-			
-	-			
FY24 NAV/Share (S\$)	5.02			
FY24 Net Debt/Share (S\$)	0.40			

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Roy Chen, CFA**  
 +65 6590 6627  
 roychen@uobkayhian.com

STOCK IMPACT

- **Network recovery: Added two more pax flight destinations in August.** During the month, SIA resumed services to Busan, South Korea. Scoot resumed services to Nanchang, China. As at end-Aug 23, SIA's passenger network covered 119 destinations (+2 mom), compared with 137 destinations before the pandemic.
- **Jet fuel price have risen by over 40% since end-Jun 23...** According to S&P Global, the global jet fuel price index has seen a sharp rise of over 40% since end-Jun 23, primarily driven by rising air travel demand against more constrained fuel supply.
- **...eroding airlines' near-term earnings potential.** Due to the advanced booking nature of air ticket sales, airlines' near-term profitability is likely to take a hit, since the airfare levels of sold tickets would have been fixed but operating cost still affected by the upswing of jet fuel cost (usually forming 25-40% of airlines' total operating cost), as long as the airlines have not fully hedged their jet fuel consumption; SIA has hedged about 40% of its projected fuel consumption for the rest of FY24. For the medium-to-long term, the impact of jet fuel price is more difficult to quantify, as it depends on if and by how much the airlines are able to pass down the incremental fuel costs to end-customers. This, in turn, would be a function of the prevailing market conditions, including the capacity supply and demand dynamics and competition levels.
- **Forecasting SIA's 2QFY24 net profit at S\$420m-550m.** With SIA's Jul-Aug 23 operating data and also factoring in the recent jet fuel price movements and SIA's hedging position, we estimate SIA's 2QFY24 earnings (excluding forex gains/losses) to range between S\$420m-550m, lower than 1QFY24's reported net profit of S\$734m and 2QFY23's reported net profit of S\$557m.

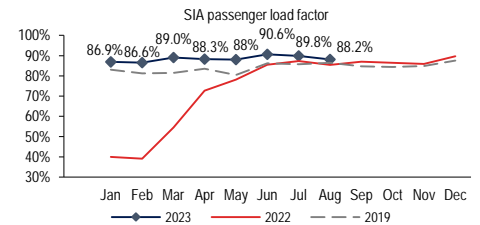
EARNINGS REVISION/RISK

- **Cut FY24 net profit forecast by 4% to S\$3.17b (previously S\$3.29b)** as we have: a) fine-tuned our pax capacity and load recovery projections, reflecting the slight miss of Aug 23 operation data, and b) factored in the negative impact of the recent jump of jet fuel prices on SIA's near-term earnings. Our FY24 net profit forecast includes a one-off accounting gain of S\$1.11b from the planned Air India-Vistara merger, excluding which SIA's FY24 earnings forecast would have been S\$2.06b.
- **We have kept FY25-26 earnings forecasts for now,** assuming the fluctuation of jet fuel prices can be largely passed through.
- **Key risks:** a) Weaker-than-expected macroeconomic environment dampening air travel and air cargo demand, and b) competition catching up faster than expected.

VALUATION/RECOMMENDATION

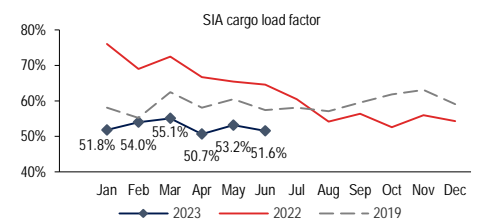
- **Maintain SELL with new target price of S\$6.44.** While we appreciate SIA's excellent operating track record and favour its strong balance sheet (which stands out from regional peers), we reckon that SIA's profitability is likely to have peaked and its earnings performance ahead is due for normalisation, driven by moderation of pax yields as competition catches up. We have rolled over our target price for SIA to base on 1.26x FY25F P/B, or 1SD above long-term historical mean P/B of 1.08x.
- **Decent yield of 5.6% for FY24, but likely not sustainable in the long run.** Given our upbeat FY24 earnings forecast, we expect SIA to sustain the 38 S cents dividend payout in FY24 (the same as FY23), leading to a yield of 5.6%. We reckon that this dividend level is likely not sustainable in the long run as SIA's profitability moderates/normalises beyond FY24.

PAX LOAD FACTOR DIPPED 1.6PPT MOM IN AUG 23 BUT STILL ABOVE PRE-PANDEMIC LEVELS



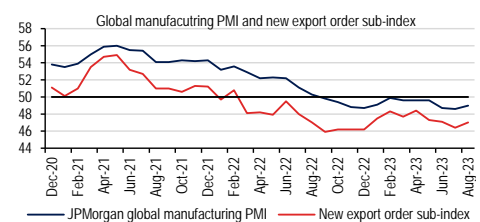
Source: SIA

CARGO LOAD FACTOR DIPPED 1.2PPT MOM TO 51.2% IN AUG 23



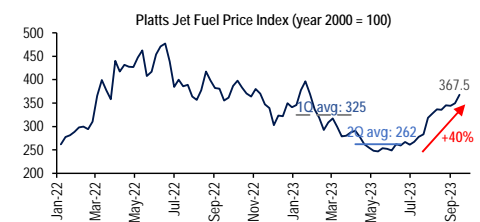
Source: SIA

GLOBAL MANUFACTURING PMI AND NEW EXPORT ORDER SUB-INDEX STAYED IN THE CONTRACTIONARY TERRITORY IN AUG 23



Source: JP Morgan, S&P Global

JET FUEL PRICE ROSE SHARPLY BY OVER 40% SINCE END-JUN 23



Source: S&P Global

TARGET PRICE REFERENCE TABLE

		FY23	FY24F	FY25F
BVPS, adj		S\$4.45	S\$5.02	S\$5.12
P/B peg		Target price		
+2.0SD	1.44x	S\$6.40	S\$7.22	S\$7.36
+1.5SD	1.35x	S\$6.00	S\$6.77	S\$6.90
+1.0SD	1.26x	S\$5.60	S\$6.32	S\$6.44
+0.5SD	1.17x	S\$5.20	S\$5.87	S\$5.99
Mean	1.08x	S\$4.80	S\$5.42	S\$5.53

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	17,774.8	19,361.5	21,609.4	21,801.1
EBITDA	4,772.6	4,419.1	4,085.2	3,701.1
Deprec. & amort.	2,080.5	2,178.0	2,310.9	2,316.7
EBIT	2,692.1	2,241.1	1,774.2	1,384.4
Total other non-operating income	(16.8)	4.0	4.0	4.0
Associate contributions	(31.2)	119.0	110.0	110.0
Net interest income/(expense)	(7.3)	114.8	(145.6)	(210.6)
<b>Pre-tax profit</b>	<b>2,636.8</b>	<b>3,590.9</b>	<b>1,742.7</b>	<b>1,287.9</b>
Tax	(473.5)	(400.5)	(276.9)	(199.6)
Minorities	(6.5)	(20.0)	(40.0)	(45.0)
<b>Net profit</b>	<b>2,156.8</b>	<b>3,170.4</b>	<b>1,425.8</b>	<b>1,043.3</b>

### CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>9,130.1</b>	<b>3,928.8</b>	<b>3,202.0</b>	<b>2,648.4</b>
Pre-tax profit	2,636.8	3,590.9	1,742.7	1,287.9
Tax	(5.2)	(400.5)	(276.9)	(199.6)
Deprec. & amort.	2,080.5	2,178.0	2,310.9	2,316.7
Associates	(94.8)	31.0	10.0	10.0
Working capital changes	4,036.6	(89.8)	(606.3)	(853.1)
Non-cash items	326.1	0.0	0.0	0.0
Other operating cashflows	150.1	(1,380.8)	21.6	86.6
<b>Investing</b>	<b>(134.0)</b>	<b>(1,866.0)</b>	<b>(3,241.0)</b>	<b>(4,206.0)</b>
Capex (growth)	31.5	(595.0)	(1,548.8)	(2,442.4)
Capex (maintenance)	(1,715.5)	(1,783.0)	(1,929.2)	(1,935.6)
Investments	(35.1)	0.0	0.0	0.0
Proceeds from sale of assets	1,219.8	0.0	0.0	0.0
Others	365.3	512.0	237.0	172.0
<b>Financing</b>	<b>(6,213.4)</b>	<b>(11,395.8)</b>	<b>(2,051.0)</b>	<b>(2.4)</b>
Dividend payments	(297.1)	(1,128.8)	(1,128.8)	(980.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(981.8)	(2,561.4)	0.0	1,900.0
Others/interest paid	(4,934.5)	(7,705.6)	(922.2)	(922.2)
<b>Net cash inflow (outflow)</b>	<b>2,782.7</b>	<b>(9,333.0)</b>	<b>(2,090.0)</b>	<b>(1,560.0)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>13,762.7</b>	<b>16,327.6</b>	<b>6,994.6</b>	<b>4,904.6</b>
Changes due to forex impact	(217.8)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>16,327.6</b>	<b>6,994.6</b>	<b>4,904.6</b>	<b>3,344.6</b>

### BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	27,687.0	28,429.0	30,138.1	32,741.4
Other LT assets	2,114.9	3,345.9	3,455.9	3,565.9
Cash/ST investment	16,731.5	7,398.5	5,308.5	3,748.5
Other current assets	2,567.8	2,578.0	2,851.9	2,926.3
<b>Total assets</b>	<b>49,101.2</b>	<b>41,751.3</b>	<b>41,754.3</b>	<b>42,982.1</b>
ST debt	2,547.7	2,547.7	2,547.7	2,547.7
Other current liabilities	11,123.2	11,307.3	10,974.9	10,196.3
LT debt	8,613.7	6,052.3	6,052.3	7,952.3
Other LT liabilities	6,566.8	6,522.0	6,522.0	6,522.0
Shareholders' equity	19,858.3	14,912.2	15,209.1	15,272.2
Minority interest	391.5	409.9	448.3	491.7
<b>Total liabilities &amp; equity</b>	<b>49,101.2</b>	<b>41,751.3</b>	<b>41,754.3</b>	<b>42,982.1</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	26.9	22.8	18.9	17.0
Pre-tax margin	14.8	18.5	8.1	5.9
Net margin	12.1	16.4	6.6	4.8
ROA	4.4	7.0	3.4	2.5
ROE	10.2	18.2	9.5	6.8
<b>Growth</b>				
Turnover	133.4	8.9	11.6	0.9
EBITDA	243.4	(7.4)	(7.6)	(9.4)
Pre-tax profit	n.a.	36.2	(51.5)	(26.1)
Net profit	n.a.	47.0	(55.0)	(26.8)
EPS	n.a.	47.0	(55.0)	(26.8)
<b>Leverage</b>				
Debt to total capital	36.0	35.5	40.0	42.6
Debt to equity	130.8	56.1	54.9	66.6
Net debt/(cash) to equity	7.9	7.8	21.0	42.8

COMPANY UPDATE

Singapore Telecommunications (ST SP)

Gradually Unlocking Shareholder Value

Singtel entered into a strategic partnership with KKR to divest up to 20% of its RDC business for S\$1.1b. This values the business at an enterprise value of S\$5.5b and lofty 31x FY24F EV/EBITDA multiple. There is minimal near-term earnings impact. With this transaction, Singtel has unlocked S\$2b out of S\$6b of latent value within the group. The cash proceeds would be used for future expansion and may lead to special/higher dividends. Maintain BUY with the same DCF-based target price of S\$3.15.

WHAT'S NEW

- New strategic partner.** Singapore Telecommunications (Singtel) announced that the group has reached a definitive agreement with global investment firm, Kohlberg Kravis Roberts & Co. (KKR), for a 20% stake sale in ST Dynamo Investment Holdings, Singtel's holding company for the groups regional data centre (RDC) business. KKR is set to commit up to S\$1.1b over three years, valuing the RDC business at around S\$5.5b, and will have the option to increase its stake to 25% by 2027 at the pre-agreed valuation. Pending regulatory approval, the transaction is expected to be completed by 4Q23 (3QFY24) and is not expected to have a material impact on Singtel's FY24 financials.
- Synergistic deal.** Given KKR's strong track record in global data centres investments (CyrusOne and Global Technical Realty) and RDC infrastructure capabilities, we reckon that this deal is positive for Singtel as the group strives to expand regionally while potentially opening up global opportunities for the group. Backed by KKR's reputation and credibility, this is in line with Singtel's earlier commitment to seek out strategic partnerships to ramp up its RDC business. Singtel noted that the proceeds generated would give the group flexibility to expand the RDC business in ASEAN while unlocking shareholder value. Management is still open to an IPO but not in the short-medium term horizon.
- Valuation in line with global peers.** Based on Singtel's 1QFY24 EBITDA of S\$44m, this implies an annualised FY24F 31x EV/EBITDA multiple, a decent valuation given that global transaction ranges at 23x-37x (latest transaction in Malaysia is valued at 37x for TIME's recent 70% disposal of AIMS data centre to Digital Bridge). Also, in our view, KKR's recent acquisition of CyrusOne in 2021, a much larger and stable global data centre operator, at a comparable near 25x EV/EBITDA multiple underscores the quality of Singtel's RDC portfolio and growth potential.

KEY FINANCIALS

Year to 31 Mar (S\$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 (S\$ cent)	11.7	12.4	14.3	16.5	18.7
PE (x)	20.6	19.4	16.8	14.6	12.9
P/B (x)	1.4	1.5	1.5	1.5	1.4
EV/EBITDA (x)	13.0	13.3	12.7	11.9	11.0
Dividend yield (%)	3.9	6.2	4.1	5.0	5.8
Net margin (%)	12.7	15.2	15.7	17.5	18.9
Net debt/(cash) to equity (%)	34.6	35.5	34.7	33.6	32.6
Interest cover (x)	12.0	10.3	11.1	11.3	11.8
ROE (%)	7.1	8.2	9.0	10.2	11.3
Consensus net profit	-	-	2,391	2,724	3,219
UOBKH/Consensus (x)	-	-	0.99	1.00	0.96

Source: Singapore Telecommunications, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.41
Target Price	S\$3.15
Upside	+30.7%

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):	16,510.8
Market cap (S\$m):	39,791.1
Market cap (US\$m):	29,163.8
3-mth avg daily t'over (US\$m):	34.1

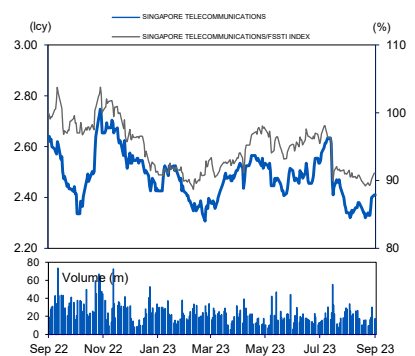
Price Performance (%)

52-week high/low	S\$2.75/S\$2.31								
1mth	3.0	3mth	(4.2)	6mth	0.6	1yr	(9.0)	YTD	(5.3)

Major Shareholders

Temasek Hldgs	52.0
FY24 NAV/Share (S\$)	1.60
FY24 Net Debt/Share (S\$)	0.55

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Chong Lee Len**  
 +603-2147 1992  
 leelen@uobkayhian.com

**Llleythan Tan Yi Rong**  
 +65 6590 6624  
 yirong@uobkayhian.com



STOCK IMPACT

- Minimal earnings impact.** With the stake sale expected to be completed by 3QFY24 and dilution occurring over three years, the 20% stake sale (based on annualised FY24 EBITDA of S\$176m) to KKR will have minimal impact on our FY24 net profit estimates and would only decrease our FY25-26 PATMI estimates by 0-0.5%. More importantly, the cash element of S\$1.1b over the next three years would more than offset the earnings dilution.
- Doubling down on revenue drivers.** Singtel maintains its strategic aim to grow overall group ROIC from 8% in FY23 to low double digits by FY26, driven by its growth engines (RDC and NCS). Despite the stake sale, both RDC and NCS are still expected to contribute more than 20% of EBITDA by FY28, almost double FY23's 12%, which would offset telecom services' declining EBITDA. Cash proceeds from the sale would likely be utilised for further expansion for both RDC and NCS, coupled with returns to shareholders.
- Unlocking shareholder value.** Management noted that the group has about S\$4b of capital recycling after the stake sale of its RDC business which we reckon would likely come from paring down its stakes in its regional associates (valued at around S\$49b as of end-1QFY24). Furthermore, with additional proceeds of the RDC stake sale, Singtel currently has S\$2b-3b of excess cash (up from around S\$1b at end-1QFY24) after accounting for current growth initiatives and 5G capex. Assuming no new large growth initiatives, we opine that the excess cash may lead to a special dividend and/or larger dividends towards the higher end of the group's 60-80% of underlying PATMI dividend policy in 1HFY24.
- Pipeline still on track.** There were no changes to Singtel's RDC portfolio from the announcement. As a recap, Singtel plans to double its data centre capacity in Singapore in the next three years to about 120MW, up from 62MW currently. Through partnerships with AIS/Gulf and Telkom, Singtel also plans to add another 40MW in Thailand and 51MW in Indonesia respectively, taking the combined total to 211MW within the next three years. The group is still looking at regional opportunities in Vietnam and Malaysia through strategic partnerships such as the one with KKR. With an additional 150MW of capacity to Singtel's RDC portfolio over the next 3-5 years, this will create a DC asset close to S\$7b-8b.

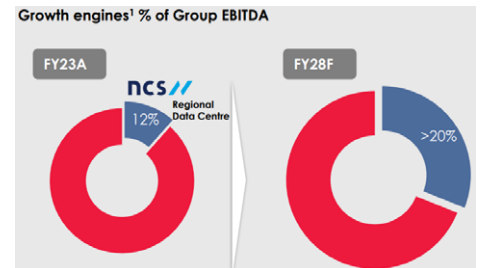
EARNINGS REVISION/RISK

- No change to our estimates at this juncture.**

VALUATION/RECOMMENDATION

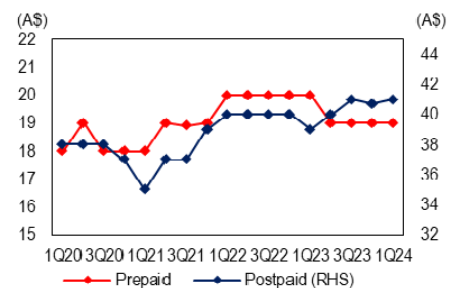
- Maintain BUY with the same DCF-based target price of S\$3.15** (discount rate: 7%, growth rate: 2.0%). At our target price, the stock will trade at 15x FY24 EV/EBITDA. In our view, Singtel remains an attractive play against elevated market volatility, underpinned by improving business fundamentals.
- 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.

SINGTEL'S GROWTH ENGINES



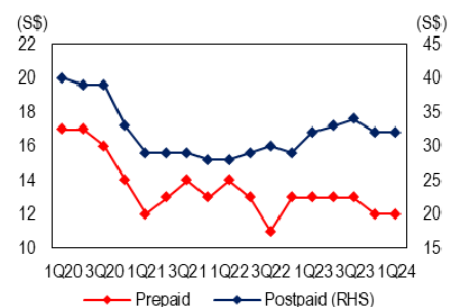
Source: Singtel, UOB Kay Hian

AUSTRALIA CONSUMER ARPU TREND (A\$)



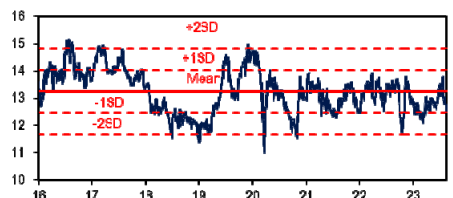
Source: Singtel, UOB Kay Hian

SINGAPORE CONSUMER ARPU TREND (S\$)



Source: Singtel, UOB Kay Hian

FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

KEY DRIVERS OF ROIC

ROIC > WACC	Regional Associates	<ul style="list-style-type: none"> <li>Capture fixed opportunity</li> <li>Focus on market repair &amp; cost management</li> </ul>
	Singtel Singapore	<ul style="list-style-type: none"> <li>Accelerate 5G monetisation</li> <li>Capitalise on enterprise digital transformation</li> <li>Integration of consumer &amp; enterprise to drive growth &amp; cost synergies</li> </ul>
	NCS	<ul style="list-style-type: none"> <li>Grow international &amp; enterprise business</li> <li>Cost-to-serve optimisation</li> <li>End-to-end digital proposition</li> </ul>
ROIC < WACC	Optus	<ul style="list-style-type: none"> <li>Build on rational market competition &amp; customer gains</li> <li>Scale integrated consumer &amp; enterprise business to drive growth</li> <li>Focus on cost management to mitigate inflation pressures</li> </ul>
Negative ROIC	Trustwave	<ul style="list-style-type: none"> <li>Complete strategic review</li> <li>Continued focus on cost efficiencies</li> </ul>

Source: Singtel, 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)	(1,832.5)	(2,158.4)	(2,517.0)
Dividend payments	(1,964.3)	(1,903.8)	(2,201.7)	(2,532.8)
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)	459.7	509.7	493.3
Beginning cash & cash equivalent	2,130.0	1,667.9	2,127.6	2,637.3
Changes due to forex impact	5.0	0.0	(0.1)	(0.1)
Ending cash & cash equivalent	1,667.9	2,127.6	2,637.2	3,130.5

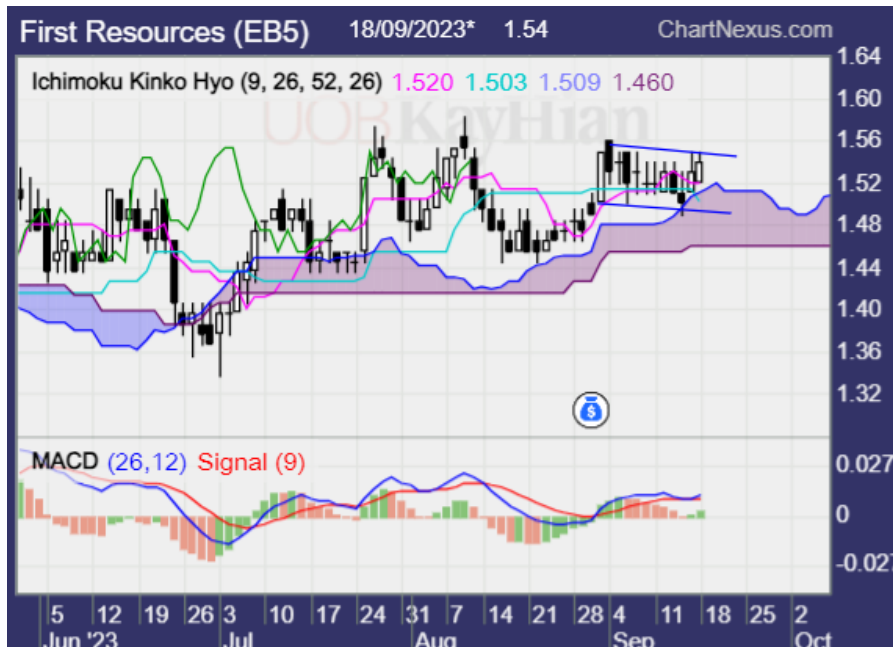
### BALANCE SHEET

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	2,127.6	2,637.3	3,130.6
Other current assets	5,428.4	5,581.0	5,791.4	6,035.3
<b>Total assets</b>	<b>46,530.0</b>	<b>47,508.2</b>	<b>48,598.6</b>	<b>49,710.9</b>
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	26,471.2	27,002.1	27,557.2
Minority interest	9.4	9.4	9.4	9.4
<b>Total liabilities &amp; equity</b>	<b>46,530.0</b>	<b>47,508.2</b>	<b>48,598.6</b>	<b>49,710.9</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
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	6.3
ROE	8.2	9.0	10.2	11.3
<b>Growth</b>				
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
<b>Leverage</b>				
Debt to total capital	29.5	29.9	30.3	30.5
Debt to equity	41.9	42.7	43.4	44.0
Net debt/(cash) to equity	35.5	34.7	33.6	32.6
Interest cover (x)	10.3	11.1	11.3	11.8

TRADERS' CORNER



**First Resources (FR SP)**

Trading buy range: S\$1.53-1.54  
 Last price: S\$1.54  
 Target price: S\$1.68  
 Protective stop: S\$1.47

**Price is trading above the cloud, keeping the uptrend intact. It could be consolidating within a flag continuation pattern. The MACD is bullish and is rising. These could increase chances of the stock price breaking out of the flag to move higher.**

We see increasing odds of stock price testing S\$1.68. Stops could be placed at S\$1.47.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S\$1.65.



**SIA Engineering Co (SIE SP)**

Trading buy range: S\$2.39-2.40  
 Last price: S\$2.40  
 Target price: S\$2.58  
 Protective stop: S\$2.30

**Price is currently testing its recent price high resistance, and once this resistance is penetrated, this stock will be turning bullish. There is a bullish conversion and base line crossover. The MACD is bullish and is rising. These could increase chances of the stock price moving higher.**

We see increasing odds of stock price testing S\$2.58. Stops could be placed at S\$2.30.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$2.67.

ANALYST(S)

Wong Shueh Ting, CFTe  
 +65 6590 6616  
 shuehting@uobkayhian.com



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