

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 14 Hold 2 Sell 0

Current price:	S\$2.57
Target price:	S\$3.30
Previous target:	S\$2.90
Up/downside:	28.4%
CGS-CIMB / Consensus:	4.5%
Reuters:	STEL.SI
Bloomberg:	ST SP
Market cap:	US\$31,535m
	S\$42,430m
Average daily turnover:	US\$49.80m
	S\$67.55m
Current shares o/s:	15,934m
Free float:	49.7%

\*Source: Bloomberg

### Key changes in this note

► FY22-24F core EPS cut by 5.2-5.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.9	-0.4	7.1
Relative (%)	0.7	-6	-9.6

### Major shareholders

Temasek Hldgs 50.3%

### Analyst(s)



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# SingTel

## Small bump on the road; still set for recovery

- 3QFY22 core NP (-1% yoy, -11% qoq) missed due to associate earnings.
- Weaker Group Enterprise earnings offset by Consumer and associates yoy.
- Reiterate Add with 14% higher TP of S\$3.30. Singtel is our top SG telco pick.

### 9MFY3/22 results missed on lower-than-expected associate profits

3QFY22 core net profit (NP) eased 0.8% yoy to S\$473m due to lower Group Enterprise earnings, higher Amobee loss and corporate costs. Qoq, it fell 11.1% on lower associate profits and higher corporate costs. 9MFY22 core net profit was a slight miss at 70%/65% of our/Bloomberg consensus FY22 forecasts, due to lower-than-expected associates' earnings. 3Q reported NP included S\$538m net gain on Australia Tower Network sale.

### Stronger SG/AU Consumer earnings buffer Group Enterprise drop

Despite lower Job Support Scheme (JSS) credits, 3QFY22 Singapore (SG) Consumer EBIT rose 14.9% yoy (+7.6% qoq) due to a) 1.8% yoy mobile service revenue growth on higher 5G plan adoption, b) some roaming recovery, and c) cost savings, though device sales were hit by supply constraints. Group Enterprise EBIT (including Trustwave and NCS) was in line, down 7.4% yoy (+2.9% qoq) due to lower JSS credits, fewer ICT deals and NCS's staff recruitment drive. Meanwhile, Amobee's LBIT rose to S\$17m from 3QFY21's S\$4m LBIT (2QFY22: -\$S14m). Optus Consumer EBIT was better-than-expected, up 8.4% yoy (+94.0% qoq), as steadier competition, good take-up of its Choice plans and lower costs more than offset lower NBN migration fees and weak device sales.

### Bharti's turnaround supports overall associates' profit growth

3QFY22 associate profits (ex-SG) climbed 12.9% yoy, thanks to a turnaround in Bharti's contribution to S\$45m (3QFY21: -\$S28m) on higher subs, average revenue per user (ARPU; upward tariff revisions) and EBITDA margin, partly offset by weaker performance at AIS (-11.4%), Globe (-27.4%) and Telkomsel (-6.4%; possibly due to higher tower leases) earnings. The latter two also led to associate earnings waning 6.2% qoq, partly cushioned by Bharti (higher ARPU) and AIS.

### FY22-24F core EPS cut by 5-6%

Post-3QFY22, we cut FY22-24F core EPS by 5-6%, mainly after factoring in lower SG earnings (slower post-Covid-19 roaming recovery, lower device sales). We now see core EPS rebounding 13% yoy in FY22F, then rising 30%/17% yoy in FY23F/24F, driven by a) higher associate earnings (led by Bharti) due to easing competition, b) roaming revenue recovery, and c) higher Optus earnings (more rational competition, cost savings).

### Reiterate Add with 14% higher SOP-based TP of S\$3.30

Our SOP-based TP rises due to higher fair values for associates (+40 Scts), led by Bharti (+26 Scts; 20% discount to Bloomberg consensus TP). Re-rating catalysts: FY22-23F core EPS recovery, further asset monetisation, and expansion into higher growth business areas (e.g. regional data centres, digital banking). Its current share price implies FY22F EV/EBITDA of just 2.5x for Singtel SG and Optus. Key downside risk: price wars.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (S\$m)	16,542	15,644	15,260	15,206	15,484
Operating EBITDA (S\$m)	4,541	3,832	3,864	3,860	4,020
Operating EBITDA Margin	27.5%	24.5%	25.3%	25.4%	26.0%
Net Profit (S\$m)	1,075	554	1,955	2,540	2,979
Core EPS (S\$)	0.15	0.11	0.12	0.16	0.18
Core EPS Growth	(13.1%)	(29.7%)	12.8%	30.0%	17.3%
FD Core P/E (x)	17.09	24.30	21.54	16.57	14.13
DPS (S\$)	0.12	0.08	0.09	0.12	0.14
Dividend Yield	4.77%	2.92%	3.48%	4.53%	5.31%
EV/EBITDA (x)	9.13	10.74	10.50	10.34	10.05
P/FCFE (x)	12.60	38.21	11.88	26.44	47.06
Net Gearing	40.9%	37.3%	26.6%	27.0%	32.5%
ROE	8.7%	6.5%	7.3%	9.2%	10.4%
% Change In Core EPS Estimates			(5.91%)	(5.21%)	(5.55%)
CGS-CIMB/Consensus EPS (x)			0.87	0.95	0.94

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Small bump on the road; still set for recovery

Figure 1: Results comparison

FYE Mar (\$\$ m)	3QFY22	3QFY21	yoy % chg	2QFY22	qoq % chg	9MFY22	9MFY21	yoy % chg	Prev. FY22F	YTD as % full year
<b>Revenue</b>	<b>3,913</b>	<b>4,239</b>	<b>(7.7)</b>	<b>3,855</b>	<b>1.5</b>	<b>11,566</b>	<b>11,664</b>	<b>(0.8)</b>	<b>16,017</b>	<b>72.2</b>
- Singapore Consumer	482	509	(5.3)	453	6.4	1,349	1,388	(2.8)	1,844	73.2
- Australia Consumer	1,684	1,899	(11.3)	1,628	3.4	5,030	5,173	(2.8)	7,098	70.9
- Group Enterprise (incl. NCS)	1,497	1,517	(1.3)	1,520	(1.5)	4,449	4,378	1.6	6,094	73.0
- Amobee	251	313	(19.8)	254	(1.2)	741	723	2.5	965	76.8
<b>EBITDA</b>	<b>990</b>	<b>1,006</b>	<b>(1.6)</b>	<b>932</b>	<b>6.3</b>	<b>2,918</b>	<b>2,910</b>	<b>0.3</b>	<b>3,809</b>	<b>76.6</b>
- Singapore Consumer	156	148	5.4	149	4.7	454	462	(1.7)	552	82.2
- Australia Consumer	526	501	5.0	474	11.0	1,506	1,383	8.9	1,775	84.9
- Group Enterprise (incl. NCS)	347	377	(8.0)	341	1.8	1,054	1,124	(6.2)	1,501	70.2
- Amobee	-	17	(100.0)	2	(100.0)	7	12	(41.7)	6	114.1
- Others	(39)	(37)	5.4	(34)	14.0	(104)	(71)	46.9	(25)	408.9
<b>Group EBIT + reg. associates PAT</b>	<b>645</b>	<b>622</b>	<b>3.7</b>	<b>615</b>	<b>5.0</b>	<b>3,086</b>	<b>1,795</b>	<b>72.0</b>	<b>2,701</b>	<b>114.3</b>
- Singapore Consumer EBIT	85	74	14.9	79	7.6	238	253	(5.9)	292	81.5
- Australia Consumer EBIT	116	107	8.4	60	94.0	262	227	15.6	296	88.6
- Group Enterprise EBIT (incl. NCS)	176	190	(7.4)	171	2.9	540	574	(5.9)	761	70.9
- Amobee EBIT	(17)	(4)	>100	(14)	21.4	(42)	(53)	(20.8)	-88	47.6
- Regional associates PAT	332	294	12.9	354	(6.2)	1,053	870	21.0	1,622	64.9
- Others	(47)	(39)	20.5	(35)	33.1	1,035	(76)	nm	-182	(568.9)
Net profit	734	593	23.8	509	44.2	1,688	1,059	59.4	2,077	81.3
<b>Core net profit</b>	<b>473</b>	<b>477</b>	<b>(0.8)</b>	<b>532</b>	<b>(11.1)</b>	<b>1,456</b>	<b>1,314</b>	<b>10.8</b>	<b>2,077</b>	<b>70.1</b>
EPS (cts)	4.4	3.6	22.4	3.1	44.2	10.2	6.5	57.9	12.7	80.8
<b>Core EPS (cts)</b>	<b>2.9</b>	<b>2.9</b>	<b>(2.0)</b>	<b>3.2</b>	<b>(11.1)</b>	<b>8.8</b>	<b>8.1</b>	<b>9.8</b>	<b>12.7</b>	<b>69.7</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Earnings revisions**

FYE 31 Mar (S\$ m)	New				Old			% change		
	FY21	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
<b>Total revenue</b>	<b>15,644</b>	<b>15,260</b>	<b>15,206</b>	<b>15,484</b>	<b>16,017</b>	<b>16,286</b>	<b>16,476</b>	<b>(4.7)</b>	<b>(6.6)</b>	<b>(6.0)</b>
change yoy (%)	(5.4)	(2.5)	(0.4)	1.8	2.4	1.7	1.2			
- Singapore	7,479	7,445	7,611	7,824	7,641	7,920	8,065	(2.6)	(3.9)	(3.0)
change yoy (%)	(8.4)	(0.5)	2.2	2.8	2.2	3.6	1.8			
- Australia	8,164	7,815	7,595	7,660	8,373	8,364	8,408	(6.7)	(9.2)	(8.9)
change yoy (%)	(2.5)	(4.3)	(2.8)	0.8	2.6	(0.1)	0.5			
Opex	-11,812	-11,396	-11,347	-11,464	-12,208	-12,340	-12,441	(6.7)	(8.1)	(7.9)
<b>EBITDA</b>	<b>3,832</b>	<b>3,864</b>	<b>3,860</b>	<b>4,020</b>	<b>3,809</b>	<b>3,946</b>	<b>4,034</b>	<b>1.5</b>	<b>(2.2)</b>	<b>(0.4)</b>
change yoy (%)	(15.6)	0.8	(0.1)	4.2	(0.6)	3.6	2.2			
margin (%)	24.5	25.3	25.4	26.0	23.8	24.2	24.5			
- Singapore	1,870	1,770	1,820	1,948	1,812	1,959	2,005	(2.3)	(7.1)	(2.8)
change yoy (%)	(9.2)	(5.4)	2.8	7.1	(3.1)	8.1	2.3			
- Australia	1,998	2,116	2,125	2,158	1,995	1,984	2,027	6.1	7.1	6.4
change yoy (%)	(24.7)	5.9	0.4	1.5	(0.2)	(0.5)	2.2			
Associates' contribution	1,798	2,327	3,132	3,725	2,284	2,935	3,552	1.9	6.7	4.9
<b>Group EBITDA</b>	<b>5,630</b>	<b>6,192</b>	<b>6,992</b>	<b>7,745</b>	<b>6,093</b>	<b>6,881</b>	<b>7,586</b>	<b>1.6</b>	<b>1.6</b>	<b>2.1</b>
change yoy (%)	(10.4)	10.0	12.9	10.8	8.2	12.9	10.3			
Depreciation	-2,685	-2,702	-2,675	-2,688	-2,730	-2,731	-2,725	(1.0)	(2.0)	(1.4)
Net interest expense	-395	-346	-425	-482	-360	-358	-375	(4.0)	18.6	28.8
Others	-1,179	0	0	0	0	0	0	nm	nm	nm
<b>Pretax profit</b>	<b>1,371</b>	<b>3,144</b>	<b>3,892</b>	<b>4,575</b>	<b>3,003</b>	<b>3,792</b>	<b>4,487</b>	<b>4.7</b>	<b>2.6</b>	<b>2.0</b>
Taxation	-811	-1,178	-1,340	-1,583	-919	-1,106	-1,326	28.1	21.1	19.4
Minority interests	-6	-12	-12	-12	-6	-6	-6	93.5	93.5	93.5
Net profit	554	1,955	2,540	2,979	2,077	2,680	3,154	(5.9)	(5.2)	(5.5)
change yoy (%)	(48.5)	253.0	30.0	17.3	275.2	29.0	17.7			
<b>Core net profit</b>	<b>1,733</b>	<b>1,955</b>	<b>2,540</b>	<b>2,979</b>	<b>2,077</b>	<b>2,680</b>	<b>3,154</b>	<b>(5.9)</b>	<b>(5.2)</b>	<b>(5.5)</b>
change yoy (%)	(29.5)	12.8	30.0	17.3	19.9	29.0	17.7			
<b>Core EPS</b>	<b>10.6</b>	<b>11.9</b>	<b>15.5</b>	<b>18.2</b>	<b>12.7</b>	<b>16.4</b>	<b>19.3</b>	<b>(5.9)</b>	<b>(5.2)</b>	<b>(5.5)</b>
change yoy (%)	(29.7)	12.8	30.0	17.3	19.9	29.0	17.7			
Net debt/EBITDA (x)	2.2	1.6	1.4	1.5	1.9	1.6	1.6			
Capex	-2,214	-2,285	-2,240	-2,144	-2,300	-2,300	-2,200	(0.7)	(2.6)	(2.5)
as % of revenue	14.2	15.0	14.7	13.8	14.4	14.1	13.4			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Our revised SOP-based target price for Singtel is S\$3.30**

FYE 31 March (S\$ m)	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
EBIT (1-T)	820	821	933	978	1,021	1,084	1,152	1,224	1,300	1,379
Depreciation	2,257	2,214	2,209	2,196	2,185	2,177	2,170	2,165	2,161	2,157
Capex	-477	-2,816	-3,769	-2,144	-2,144	-2,144	-2,144	-2,144	-2,144	-2,144
<b>Annual FCFE</b>	<b>2,600</b>	<b>219</b>	<b>-627</b>	<b>1,030</b>	<b>1,062</b>	<b>1,117</b>	<b>1,178</b>	<b>1,245</b>	<b>1,317</b>	<b>1,392</b>
Terminal value									0	23,220
<b>Present value of cash flow</b>	<b>2,429</b>	<b>191</b>	<b>-511</b>	<b>784</b>	<b>756</b>	<b>742</b>	<b>731</b>	<b>722</b>	<b>713</b>	<b>12,446</b>
<b>Total NPV (Singapore &amp; Optus)</b>	<b>19,002</b>									
Net cash/(debt) at end-FY21	-12,365									
Regional investments	47,174									
<b>Value of Equity</b>	<b>53,811</b>									
No of shares (m)	16,382									
<b>Value of Equity per share (S\$)</b>	<b>3.30</b>									

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: We value its associates at S\$2.88 per Singtel share**

Associates	% of RNAV	Stake (%)	Value (\$ m)	Value/share (\$)	Valuation Methodology
Advanced Info (ADVANC TB)	12.9%	23.3	6,986	0.43	Based on CGS-CIMB TP
Intouch (INTUCH TB)	3.7%	21.1	2,016	0.12	Based on consensus TP
Globe Telecom (GLO PM)	9.3%	47.0	5,020	0.31	Based on consensus TP
Bharti (BHARTI IN)	40.2%	31.7	21,715	1.33	20% discount to consensus TP
Telkomsel	18.4%	35.0	9,926	0.61	Based on DCF
Singapore Post (SPOST SP)	0.8%	21.7	439	0.03	Based on CGS-CIMB TP
Netlink Trust (NETLINK SP)	2.0%	25.0	1,072	0.07	Based on consensus TP
<b>Total NAV</b>			<b>47,174</b>	<b>2.88</b>	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Singtel's EV/OpFCF trading band**



**Figure 6: Singtel's current share price implies an FY22F EV/EBITDA of just 2.5x for Singtel Singapore and Optus, based on our estimates**

Associates	Singtel's stake (%)	Value (\$ m)	Value/Singtel share (\$)
Advanced Info (ADVANC TB)	23.3	6,822	0.42
Intouch (INTUCH TB)	21.1	2,192	0.13
Globe Telecom (GLO PM)	47.0	4,480	0.27
Bharti (BHARTI IN)	31.7	22,132	1.35
Telkomsel	35.0	9,949	0.61
Singapore Post (SPOST SP)	21.7	315	0.02
Netlink Trust (NETLINK SP)	25.0	950	0.06
<b>Value of associates (based on market prices)*</b>		<b>46,839</b>	<b>2.86</b>
Singtel's market cap*		42,101	2.57
<b>Residual equity value (Singtel Singapore + Optus)</b>		<b>-4,738</b>	<b>-0.29</b>
Net Cash/(Debt) at end-FY21		-14,570	-0.89
<b>Implied EV (Singtel Singapore + Optus)</b>		<b>9,832</b>	<b>0.60</b>
FY22F Operating EBITDA		3,864	
<b>Implied FY22F EV/EBITDA (Singtel Singapore + Optus) (x)</b>			<b>2.5</b>


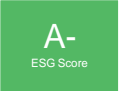

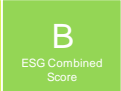



\*All associates' values are based on current market values, except for Telkomsel's value, which is based on our estimated DCF-based equity value; share prices as of 15 Feb 2022

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 7: ASEAN telco sector comparison

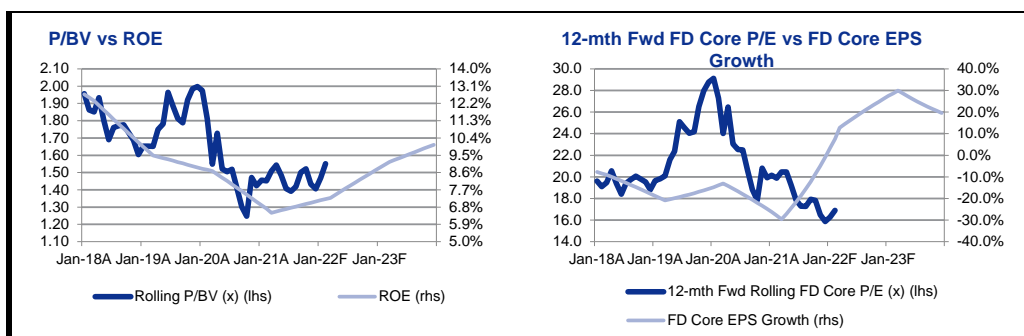
Company	Bloomberg Ticker	Recom.	Current share price (local curr.)	Target price (local curr.)	Market cap (US\$ m)	Core P/E (x)		EV/EBITDA (x)		EV/OpFCF (x)		3-year CAGR (%)		Dvd Yield (%)	
						2021F	2022F	2021F	2022F	2021F	2022F	EPS	EBITDA	2021F	2022F
Maxis	MAXIS MK	REDUCE	4.49	3.80	8,395	26.6	27.0	11.3	10.5	17.6	15.2	2.8	4.2	3.8	4.5
TM	T MK	ADD	5.35	7.50	4,823	17.4	17.0	5.8	5.4	10.2	9.5	17.6	5.1	3.4	3.5
<b>MY telcos average (ex-outliers)</b>						<b>27.4</b>	<b>24.8</b>	<b>8.8</b>	<b>8.3</b>	<b>14.7</b>	<b>13.2</b>	<b>10.2</b>	<b>3.8</b>	<b>3.3</b>	<b>3.7</b>
SingTel	ST SP	ADD	2.57	3.30	31,535	21.5	16.6	8.0	7.2	14.1	16.9	19.8	1.6	3.5	4.5
Starhub	STH SP	HOLD	1.29	1.40	1,660	15.2	28.1	6.0	8.0	12.0	21.1	(9.5)	0.2	5.0	3.9
<b>SG telcos average (ex-outliers)</b>						<b>18.3</b>	<b>22.3</b>	<b>7.0</b>	<b>7.6</b>	<b>13.0</b>	<b>19.0</b>	<b>5.2</b>	<b>0.9</b>	<b>4.2</b>	<b>4.2</b>
TLKM	TLKM IJ	ADD	4,410	4,250	30,550	18.9	17.2	8.4	8.0	15.6	13.6	8.2	4.8	4.0	4.4
XL Axiata	EXCL IJ	ADD	2,980	3,550	2,235	33.3	17.6	4.7	4.4	11.5	9.8	46.8	4.8	1.5	3.4
Indosat	ISAT IJ	ADD	5,500	7,800	3,101	65.3	41.2	4.4	4.3	33.6	32.1	nm	9.4	32.7	1.2
Link Net	LINK IJ	ADD	4,330	5,200	867	13.0	13.0	5.5	4.9	16.6	13.3	2.3	7.5	2.3	2.3
<b>Indo telcos average (ex-outliers)</b>						<b>21.7</b>	<b>15.9</b>	<b>5.7</b>	<b>5.4</b>	<b>14.5</b>	<b>12.3</b>	<b>19.1</b>	<b>6.6</b>	<b>10.1</b>	<b>2.8</b>
AIS	ADVANC TB	ADD	237.00	247.00	21,775	26.1	25.9	8.4	8.0	12.1	11.3	0.1	3.9	3.2	3.5
DTAC	DTAC TB	ADD	46.00	52.00	3,365	32.8	31.8	5.6	5.3	11.5	10.4	(18.9)	2.1	4.6	4.6
True	TRUE TB	HOLD	4.98	5.15	5,130	nm	nm	6.8	6.9	17.0	13.3	(18.1)	5.6	1.4	1.4
Jasmine	JASIF TB	HOLD	11.00	9.60	2,719	10.1	10.0	10.3	10.1	10.3	10.1	1.3	0.5	8.4	8.2
DIF	DIF TB	ADD	14.20	17.20	4,664	12.1	12.3	12.0	12.2	12.0	12.2	0.0	(0.2)	7.4	7.3
Intouch	INTUCH TB	HOLD	78.00	73.00	7,727	23.9	23.1	24.1	23.3	24.1	23.3	0.5	0.0	3.6	3.8
<b>Thai telcos average (ex-outliers)</b>						<b>21.0</b>	<b>20.6</b>	<b>11.2</b>	<b>11.0</b>	<b>14.5</b>	<b>13.4</b>	<b>(3.4)</b>	<b>2.0</b>	<b>4.8</b>	<b>4.8</b>
<b>ASEAN Telcos average (ex-outliers)</b>						<b>22.6</b>	<b>21.1</b>	<b>8.7</b>	<b>8.5</b>	<b>14.4</b>	<b>13.9</b>	<b>6.5</b>	<b>3.5</b>	<b>5.7</b>	<b>4.0</b>

Note: Share prices as of 15 Feb 2022. Operating FCF is calculated as EBITDA minus average 3-year forward capex  
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Refinitiv ESG Scores	
	
     	
<b>ESG in a nutshell</b>	
<p>Singtel is our top-ranked ASEAN telco for sustainability, thanks to its: i) robust cybersecurity system and prime position to capture the strong demand for cybersecurity services in Singapore &amp; Asia-Pacific, ii) superior network quality of service &amp; reliability, iii) industry-leading efforts in staff training/development and a positive workplace environment, iv) more ambitious and concrete targets/roadmap towards net zero carbon emissions by 2050, as well as v) leadership in driving financial inclusion and positioning itself for future opportunities in digital financial services.</p>	
<p><b>Keep your eye on</b></p> <p>In the past four years, Singtel has had several data breaches, including: i) Accellion's (a third-party vendor) file sharing system, FTA, where Personally Identifiable Information of c.129k customers, credit card details of 45 staff of a corporate customer and information from 23 enterprises were exfiltrated in Jan 2021, and ii) unauthorised disclosure of up to 330k mobile subs' billing information on the My Singtel app in 2017-18. While data protection is a major risk factor, it is also a major business opportunity. Singtel's cybersecurity revenue has grown from S\$86m in FY3/15 to S\$564m in FY3/21 (8% of its Singapore service revenue). Separately, we believe Grab-Singtel will likely start its Singapore digital bank operations in early-CY22F while a Grab-led consortium (which Singtel is a part of) is a front-runner for a digital banking licence in Malaysia, to be awarded by 1QCY22.</p>	<p><b>Implications</b></p> <p>We have not factored in the risk of further data breaches into our forecasts for Singtel at this juncture, as it is difficult to predict, with any degree of certainty, the timeline or potential magnitude of the impact. It has also implemented more stringent measures to manage data protection risks and has been reasonably successful in responding to breaches. In terms of business opportunities, we project Singtel's cybersecurity revenue to post a robust CAGR of 4% over FY3/21-24F, thus being one of the key growth drivers for its Enterprise and total revenue. Meanwhile, we have not included the value accretion from the digital bank business into our SOP valuation as investors may only start to recognise its value in CY24-25F, when operating indicators are possibly disclosed, in our view.</p>
<p><b>ESG highlights</b></p> <p>Despite its good ESG performance, we think there is room for Singtel to improve on the gender diversity of its board of directors, of which females made up only 25% as at end-FY21.</p>	<p><b>Implications</b></p> <p>Nonetheless, we believe Singtel's overall ESG achievements/initiatives are superior to its regional peers. On an absolute basis, we do not expect its good ESG performance to have a material positive impact on revenue or earnings, as the latter is more likely to be affected by issues such as competition, mergers &amp; acquisitions and regulatory developments, in our view. However, its already-good rankings and potential further improvements in ESG disclosures/performance in the medium-to-longer term could be upside risks and help it garner more interest from ESG-focused investors.</p>
<p><b>Trends</b></p> <p>Singtel's carbon emissions rose 3.0% yoy in FY21 and was 4.9% higher vs. FY15. While Singtel is not a major carbon emitter and energy cost constitutes less than 5% of its total opex, we believe the environmental pillar may gain importance in the future amid Singtel's growing data centre business and the Singapore government possibly raising the carbon tax (S\$5/tCO<sub>2e</sub> for 2019-23) higher than earlier indicated.</p>	<p><b>Implications</b></p> <p>A bigger and faster increase in the carbon tax (indirectly raising energy cost) or harsher penalties (fines)/regulations (e.g. ban on new data centres) could impact Singtel's earnings. However, we have not incorporated this risk into our forecasts/valuation as its carbon emissions are relatively low vs. other high-emitting companies/sectors and measures are being undertaken to reduce them. For instance, Singtel has embarked on initiatives (e.g. solar power systems for data centres) to limit increases in its emissions and taken green loans to align its operations with its sustainable growth goals.</p>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>16,542</b>	<b>15,644</b>	<b>15,260</b>	<b>15,206</b>	<b>15,484</b>
<b>Gross Profit</b>	<b>4,541</b>	<b>3,832</b>	<b>3,864</b>	<b>3,860</b>	<b>4,020</b>
<b>Operating EBITDA</b>	<b>4,541</b>	<b>3,832</b>	<b>3,864</b>	<b>3,860</b>	<b>4,020</b>
Depreciation And Amortisation	-2,580	-2,685	-2,702	-2,675	-2,688
<b>Operating EBIT</b>	<b>1,961</b>	<b>1,147</b>	<b>1,163</b>	<b>1,185</b>	<b>1,332</b>
Financial Income/(Expense)	-282	-395	-346	-425	-482
Pretax Income/(Loss) from Assoc.	1,743	1,798	2,327	3,132	3,725
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>3,422</b>	<b>2,550</b>	<b>3,144</b>	<b>3,892</b>	<b>4,575</b>
Exceptional Items	-1,382	-1,179	0	0	0
<b>Pre-tax Profit</b>	<b>2,040</b>	<b>1,371</b>	<b>3,144</b>	<b>3,892</b>	<b>4,575</b>
Taxation	-988	-811	-1,178	-1,340	-1,583
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,052</b>	<b>560</b>	<b>1,967</b>	<b>2,552</b>	<b>2,991</b>
Minority Interests	22	-6	-12	-12	-12
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,075</b>	<b>554</b>	<b>1,955</b>	<b>2,540</b>	<b>2,979</b>
Recurring Net Profit	2,457	1,733	1,955	2,540	2,979
<b>Fully Diluted Recurring Net Profit</b>	<b>2,457</b>	<b>1,733</b>	<b>1,955</b>	<b>2,540</b>	<b>2,979</b>

### Cash Flow

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>4,541</b>	<b>3,832</b>	<b>3,864</b>	<b>3,860</b>	<b>4,020</b>
Cash Flow from Inv. & Assoc.	1,439	1,434	1,892	1,282	1,365
Change In Working Capital	364	584	0	0	0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-0	0	0	0	0
Net Interest (Paid)/Received	-319	-222	-443	-467	-524
Tax Paid	-492	-164	-492	-366	-398
<b>Cashflow From Operations</b>	<b>5,533</b>	<b>5,463</b>	<b>4,821</b>	<b>4,308</b>	<b>4,463</b>
Capex	-2,037	-2,214	-2,285	-2,240	-2,144
Disposals Of FAs/subsidiaries	146	31	0	0	0
Acq. Of Subsidiaries/investments	-759	-262	1,873	-200	-204
Other Investing Cashflow	-278	-224	-65	-376	-1,421
<b>Cash Flow From Investing</b>	<b>-2,928</b>	<b>-2,668</b>	<b>-477</b>	<b>-2,816</b>	<b>-3,769</b>
Debt Raised/(repaid)	726	-1,693	-800	100	200
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	-2,857	-1,273	-1,229	-1,450	-2,069
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>-2,131</b>	<b>-2,966</b>	<b>-2,029</b>	<b>-1,350</b>	<b>-1,869</b>
Total Cash Generated	474	-171	2,316	143	-1,174
<b>Free Cashflow To Equity</b>	<b>3,331</b>	<b>1,102</b>	<b>3,544</b>	<b>1,592</b>	<b>895</b>
<b>Free Cashflow To Firm</b>	<b>2,931</b>	<b>3,019</b>	<b>4,791</b>	<b>1,963</b>	<b>1,224</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(S\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	1,000	755	2,628	2,312	661
Total Debtors	5,559	5,444	5,289	5,406	5,485
Inventories	280	272	261	269	266
Total Other Current Assets	337	62	62	62	62
<b>Total Current Assets</b>	<b>7,176</b>	<b>6,532</b>	<b>8,240</b>	<b>8,049</b>	<b>6,474</b>
Fixed Assets	10,364	11,534	11,117	10,683	10,138
Total Investments	14,227	13,735	11,612	12,688	14,066
Intangible Assets	13,736	13,129	13,914	14,609	15,340
Total Other Non-Current Assets	3,453	3,068	3,513	3,513	3,513
<b>Total Non-current Assets</b>	<b>41,779</b>	<b>41,466</b>	<b>40,155</b>	<b>41,493</b>	<b>43,057</b>
Short-term Debt	3,588	1,612	1,612	1,612	1,612
Current Portion of Long-Term Debt					
Total Creditors	6,374	6,785	5,927	6,727	6,056
Other Current Liabilities	617	740	740	740	740
<b>Total Current Liabilities</b>	<b>10,579</b>	<b>9,137</b>	<b>8,279</b>	<b>9,079</b>	<b>8,408</b>
Total Long-term Debt	8,384	9,042	8,242	8,342	8,542
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,653	2,809	4,163	3,319	2,869
<b>Total Non-current Liabilities</b>	<b>11,037</b>	<b>11,851</b>	<b>12,406</b>	<b>11,662</b>	<b>11,411</b>
Total Provisions	526	499	499	499	499
<b>Total Liabilities</b>	<b>22,141</b>	<b>21,487</b>	<b>21,184</b>	<b>21,240</b>	<b>20,318</b>
Shareholders' Equity	26,789	26,486	27,212	28,302	29,212
Minority Interests	25	26	0	0	0
<b>Total Equity</b>	<b>26,814</b>	<b>26,511</b>	<b>27,212</b>	<b>28,302</b>	<b>29,212</b>

### Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(4.77%)	(5.43%)	(2.45%)	(0.35%)	1.82%
Operating EBITDA Growth	(3.2%)	(15.6%)	0.8%	(0.1%)	4.2%
Operating EBITDA Margin	27.5%	24.5%	25.3%	25.4%	26.0%
Net Cash Per Share (S\$)	-0.67	-0.60	-0.44	-0.47	-0.58
BVPS (S\$)	1.64	1.62	1.66	1.73	1.78
Gross Interest Cover	4.25	2.88	2.79	2.69	2.67
Effective Tax Rate	48.4%	59.2%	37.5%	34.4%	34.6%
Net Dividend Payout Ratio	35.6%	22.7%	75.0%	75.0%	75.0%
Accounts Receivables Days	127.8	128.4	128.4	128.4	128.7
Inventory Days	10.63	8.52	8.53	8.53	8.55
Accounts Payables Days	198.3	203.3	203.6	203.5	204.1
ROIC (%)	(5.72%)	7.20%	1.78%	2.23%	2.62%
ROCE (%)	4.90%	2.99%	3.10%	3.12%	3.40%
Return On Average Assets	4.54%	4.96%	4.37%	5.66%	6.56%

### Key Drivers

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Singapore total mobile subs ('000)	4,282.0	4,128.0	4,140.0	4,222.0	4,308.0
Optus total mobile subs ('000)	10,448.0	9,973.8	8,852.8	9,042.8	9,232.8
Singapore blended mobile ARPU (S\$/mth/sub)	30.0	23.0	23.7	25.3	27.8
Optus blended mobile ARPU (A\$/mth/sub)	29.0	28.7	32.8	35.5	35.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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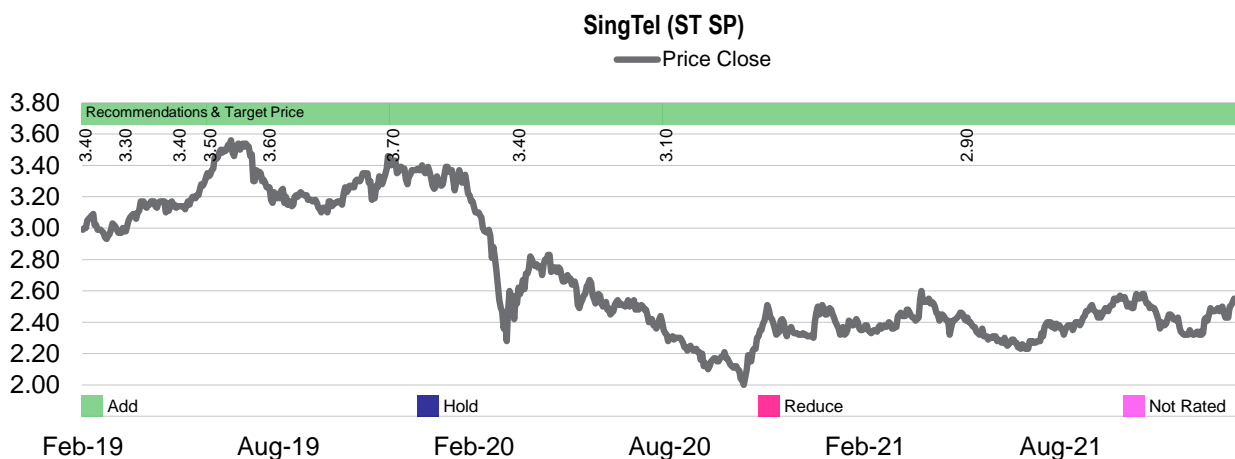
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
<b>Country Ratings</b>	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

