

# Singapore Telecommunications Ltd

Lift from mobile ARPU continues



StocksBnB.com

SINGAPORE | TELECOMMUNICATIONS | 3Q22 UPDATE

17 February 2022

- 9M22 revenue/EBITDA met expectations at 76%/72% of our FY22e estimates. Underlying PAT of S\$473mn was flat YoY.
- Mobile earnings expanded in Singapore, Australia and India. The Philippines was the key drag. Rising ARPU and cost controls were the key drivers of earnings growth.
- Enterprise earning was sluggish from legacy services and lower project wins.
- We kept our FY22e forecast largely unchanged before incorporating S\$261mn net gain from disposal of Australia Tower Network. As roaming revenue returns, economic conditions improve and competition is more benign, we expect mobile to enjoy earnings growth in FY22e and FY23e. We maintain our ACCUMULATE recommendation and SOTP TP of S\$2.86.

## ACCUMULATE (Maintained)

CLOSING PRICE	SGD 2.550
FORECAST DIV	SGD 0.090
TARGET PRICE	SGD 2.860
TOTAL RETURN	15.7%

### COMPANY DATA

BLOOMBERG CODE:	ST SP
O/S SHARES (MN):	16,510
MARKET CAP (USD mn / SGD mn):	31324 / 42100
52 - WK HI/LO (SGD):	2.63 / 2.21
3M Average Daily T/O (mn):	28.56

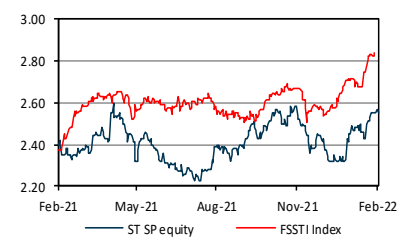
### MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	52.2%
--------------------------	-------

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	4.9	1.5	10.8
STI RETURN	4.4	6.0	9.7

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Mar, SGDmn	FY20	FY21	FY22e	FY23e
Revenue	16,542	15,644	15,171	15,261
EBITDA	4,541	3,832	4,061	4,213
Net Profit	2,457	1,733	2,003	2,291
DPS (SGD cents)	12.3	7.5	9.0	11.0
EPS-adj. (SGD cents)	15.0	10.6	12.2	14.0
Dividend Yield	4.8%	2.9%	3.5%	4.3%
ROE	8.7%	6.5%	7.4%	8.2%
ROA	5.0%	3.6%	4.1%	4.6%

Source: Company, PSR

### VALUATION METHOD

Sum Of Parts - 6x EV/EBITDA; 20% disc. on associates

Paul Chew (+65 6212 1851)  
Head Of Research  
paulchewkl@phillip.com.sg

## Results at a glance

SGDmn	3Q22	3Q21	YoY	Comments
Revenue	3,914	4,238	-8%	
- Singapore consumer	482	509	-5%	Mobile Subs. -0.4%, ARPU +4.3%
- Australia consumer	1,684	1,899	-11%	Mobile Subs. -1.4%, ARPU +4.8%
- Group enterprise	1,593	1,647	-3%	
EBITDA	989	1,007	-2%	
- Group consumer	682	649	5%	
a) Singapore	156	148	5%	Excl. JSS, EBITDA would rise 7.6% YoY.
b) Australia	526	501	5%	Excl. NBN, EBITDA rose 20% YoY.
- Group enterprise	352	362	-3%	
Regional Associates PAT	332	294	13%	Globe PAT down S\$14mn or 27% YoY.
- Telkomsel	167	178	-6%	Weaker economic conditions and competition.
- AIS	65	74	-12%	
- Bharti	45	-28	n.m.	Tariff hike and subscriber growth.
PAT	734	593	24%	Disposal of 70% stake in Australia Tower Network.
Underlying PAT	473	477	-1%	

Source: Company, PSR. No analysts' briefing and limited financials were provided in 3Q22 update.

## The Positive

**+ Improving mobile ARPU and earnings.** Blended ARPU for mobile is recovering in Singapore (+4.3% YoY), Australia (+4.8%) and India (+12%). ARPUs are rising on the back of more benign competition, improving roaming revenue, higher priced data plans and the 5G roll-out. Mobile earnings rose from operating leverage and better cost controls.

## The Negative

**- Lacklustre enterprise.** Despite the growth engines of cloud and cybersecurity, enterprise revenue is bogged down by legacy telco services and higher headcount expenses. The lack of new projects was another source of weakness.

## Outlook

A general recovery in emerging market economies is a tailwind for Singtel's associate earnings. Demand for mobile services in these countries is more a discretionary spend with a higher propensity to rise as income levels improve. Australia and Singapore will ride on the rebound in roaming and incremental uplift in ARPU from 5G.

## Maintain ACCUMULATE with an unchanged TP of S\$2.86

Our SOTP valuation is based on 6x EV/EBITDA for Singtel's core Singapore and Australia businesses and associates marked to market with a 20% discount to reflect volatility in their share prices.

## Financials

### Income Statement

Y/E Mar, SGD 'Mn	FY19	FY20	FY21	FY22e	FY23e
<b>Revenue</b>	<b>17,372</b>	<b>16,542</b>	<b>15,644</b>	<b>15,171</b>	<b>15,261</b>
Operating Profit	4,467	4,363	3,690	3,911	4,063
<b>EBITDA</b>	<b>4,692</b>	<b>4,541</b>	<b>3,832</b>	<b>4,061</b>	<b>4,213</b>
Depreciation & Amortisation	(2,222)	(2,580)	(2,685)	(2,857)	(2,982)
<b>EBIT</b>	<b>2,470</b>	<b>1,961</b>	<b>1,147</b>	<b>1,204</b>	<b>1,231</b>
Net Finance Inc/(Exp)	(393)	(462)	(398)	(481)	(500)
Associates	1,563	1,743	607	2,075	2,260
Profit before tax	3,746	2,040	754	3,045	3,037
Taxation	(675)	(988)	(194)	(853)	(759)
Non-controlling interest	23	22	(6)	12	13
<b>Net profit, reported</b>	<b>3,095</b>	<b>1,075</b>	<b>554</b>	<b>2,205</b>	<b>2,291</b>
Exceptional	270	(1,382)	(1,179)	202	-
<b>Net profit, adjusted</b>	<b>2,825</b>	<b>2,457</b>	<b>1,733</b>	<b>2,003</b>	<b>2,291</b>

### Per share data (SGD Cents)

Y/E Mar	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	19.0	6.6	3.4	13.5	14.0
EPS, adjusted	17.3	15.0	10.6	12.2	14.0
DPS	17.5	12.3	7.5	9.0	11.0
BVPS	182.7	163.9	161.6	168.2	172.7

### Cash Flow

Y/E Mar, SGD 'Mn	FY19	FY20	FY21	FY22e	FY23e
<b>CFO</b>					
<b>Profit before tax</b>	<b>3,746</b>	<b>2,040</b>	<b>754</b>	<b>3,045</b>	<b>3,037</b>
Adjustments	879	2,941	3,002	1,218	1,176
WC changes	(126)	364	584	(231)	(488)
Cash generated from ops	4,498	4,871	4,340	4,032	3,725
Tax paid	(680)	(492)	(164)	(853)	(759)
<b>Cashflow from ops</b>	<b>5,368</b>	<b>5,817</b>	<b>5,609</b>	<b>4,384</b>	<b>4,286</b>
<b>CFI</b>					
CAPEX & IA, net	(1,718)	(2,037)	(2,214)	(2,400)	(2,500)
Others	(394)	(534)	(238)	(92)	(92)
<b>Cashflow from investments</b>	<b>(2,329)</b>	<b>(2,921)</b>	<b>(2,666)</b>	<b>(2,492)</b>	<b>(2,592)</b>
<b>CFE</b>					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	174	17	(1,067)	511	511
Dividends	(2,857)	(2,857)	(1,273)	(1,131)	(1,557)
Others	(373)	383	(850)	(481)	(500)
<b>Cashflow from financing</b>	<b>(3,056)</b>	<b>(2,457)</b>	<b>(3,190)</b>	<b>(1,101)</b>	<b>(1,545)</b>
Net change in cash	(16)	440	(247)	791	148
<b>CCE, end</b>	<b>513</b>	<b>990</b>	<b>741</b>	<b>1,531</b>	<b>1,679</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Mar, SGD 'Mn	FY19	FY20	FY21	FY22e	FY23e
<b>ASSETS</b>					
Accounts receivables	5,993	5,559	5,444	5,158	5,036
Cash	513	1,000	755	1,545	1,693
Inventories	418	280	272	273	305
Others	155	337	62	62	62
<b>Total current assets</b>	<b>7,078</b>	<b>7,176</b>	<b>6,532</b>	<b>7,039</b>	<b>7,097</b>
PPE & IA	25,067	24,100	24,663	24,206	23,724
Others	16,770	17,679	16,803	17,811	18,889
<b>Total non-current assets</b>	<b>41,837</b>	<b>41,779</b>	<b>41,466</b>	<b>42,017</b>	<b>42,613</b>
<b>Total Assets</b>	<b>48,915</b>	<b>48,955</b>	<b>47,998</b>	<b>49,056</b>	<b>49,710</b>
<b>LIABILITIES</b>					
Accounts payables	5,817	5,641	5,977	5,462	4,884
Short term loans	2,101	3,788	1,880	1,880	1,880
Tax payable	255	199	268	268	268
<b>Total current liabilities</b>	<b>8,794</b>	<b>10,579</b>	<b>9,137</b>	<b>8,622</b>	<b>8,044</b>
Long term loans	8,784	10,202	10,826	11,337	11,848
Deferred tax liabilities	515	526	499	499	499
Others	1,012	835	1,026	1,026	1,026
<b>Total non-current liabilities</b>	<b>10,311</b>	<b>11,562</b>	<b>12,350</b>	<b>12,861</b>	<b>13,372</b>
<b>Total Liabilities</b>	<b>19,105</b>	<b>22,141</b>	<b>21,487</b>	<b>21,483</b>	<b>21,416</b>
<b>EQUITY</b>					
Non-controlling interests	(28)	25	26	13	0
<b>Shareholder Equity</b>	<b>29,838</b>	<b>26,789</b>	<b>26,486</b>	<b>27,560</b>	<b>28,294</b>

### Valuation Ratios

Y/E Mar	FY19	FY20	FY21	FY22e	FY23e
P/E (X)-adj.	13.5	38.8	75.5	19.0	18.2
P/B (X)	1.4	1.6	1.6	1.5	1.5
EV/EBITDA (X)	11.1	12.0	14.0	13.1	12.7

### Growth & Margins

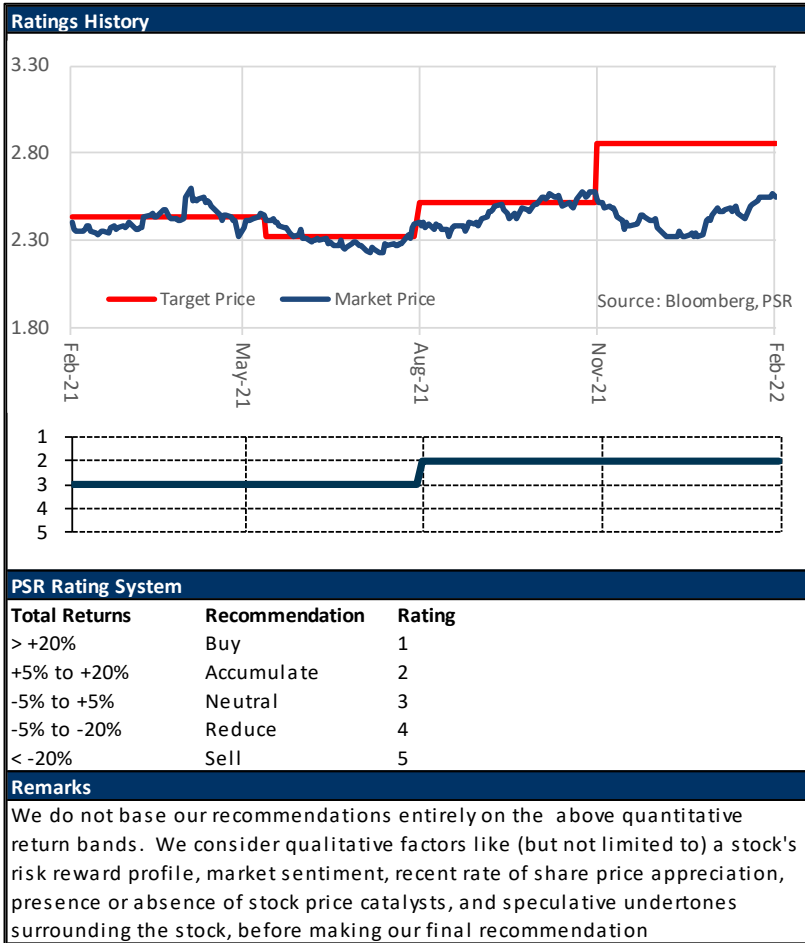
<b>Growth</b>					
Revenue	0.6%	-4.8%	-5.4%	-3.0%	0.6%
EBITDA	-7.1%	-3.2%	-15.6%	6.0%	3.7%
EBIT	-11.8%	-20.6%	-41.5%	5.0%	2.2%
Net profit, adj.	-21.4%	-13.0%	-29.5%	15.6%	14.4%

### Margins

Gross margin	25.7%	26.4%	23.6%	25.8%	26.6%
EBITDA margin	27.0%	27.5%	24.5%	26.8%	27.6%
EBIT margin	14.2%	11.9%	7.3%	7.9%	8.1%
<b>Net profit margin</b>	<b>16.3%</b>	<b>14.9%</b>	<b>11.1%</b>	<b>13.2%</b>	<b>15.0%</b>

### Key Ratios

ROE	9.5%	8.7%	6.5%	7.4%	8.2%
ROA	5.8%	5.0%	3.6%	4.1%	4.6%
Dividend Payout	92.3%	186.4%	70.9%	73.6%	78.7%
Dividend Yield	6.9%	4.8%	2.9%	3.5%	4.3%



## Contact Information (Research Team)

## Head of Research

Paul Chew – [paulchewkl@phillip.com.sg](mailto:paulchewkl@phillip.com.sg)

## Research Admin

Qystina Azli - [qystina@phillip.com.sg](mailto:qystina@phillip.com.sg)

## Consumer | Industrial | Conglomerates

Terence Chua – [terencechuatl@phillip.com.sg](mailto:terencechuatl@phillip.com.sg)

## Property | REITs

Natalie Ong – [natalieongpf@phillip.com.sg](mailto:natalieongpf@phillip.com.sg)

## Banking &amp; Finance

Glenn Thum – [glennthumjc@phillip.com.sg](mailto:glennthumjc@phillip.com.sg)

## Small-Mid Cap

Vivian Ye – [yeqw@phillip.com.sg](mailto:yeqw@phillip.com.sg)

## US Technology Analyst (Hardware)

Timothy Ang – [timothyang@phillip.com.sg](mailto:timothyang@phillip.com.sg)

## US Technology Analyst (Internet)

Jonathan Woo – [jonathanwookj@phillip.com.sg](mailto:jonathanwookj@phillip.com.sg)

## Credit Analyst

Shawn Sng - [shawnsngkh@phillip.com.sg](mailto:shawnsngkh@phillip.com.sg)

## US Technology Analyst (Software/Services)

Ambrish Shah – [amshah@phillipcapiital.in](mailto:amshah@phillipcapiital.in)

## Contact Information (Regional Member Companies)

## SINGAPORE

## Phillip Securities Pte Ltd

Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

## JAPAN

## Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

## THAILAND

## Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website: [www.phillip.co.th](http://www.phillip.co.th)

## UNITED STATES

## Phillip Capital Inc

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 3569000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

## INDIA

## PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapiital.in](http://www.phillipcapiital.in)

## MALAYSIA

## Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

## INDONESIA

## PT Phillip Securities Indonesia

ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

## FRANCE

## King &amp; Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

## AUSTRALIA

## Phillip Capital Limited

Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapiital.com.au](http://www.phillipcapiital.com.au)

## TURKEY

## PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapiital.com.tr](http://www.phillipcapiital.com.tr)

## HONG KONG

## Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

## CHINA

## Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

## UNITED KINGDOM

## King &amp; Shaxson Capital Limited

6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

## CAMBODIA

## Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,  
Norodom Blvd Corner Street 306, Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

## DUBAI

## Phillip Futures DMCC

Member of the Dubai Gold and  
Commodities Exchange (DGCE)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: +971-4-3328895

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.

