

Singapore Telecommunications (ST SP)

Brighter prospects

FY22 core profit missed forecast; maintain BUY

FY22 headline profit of SGD1.95b (+252% YoY) missed the MIBG/consensus expectations, accounting for 83%/89% of full year estimates. Headline growth was helped by a SGD25m exceptional gain from the partial divestment of Australian Tower Network. Underlying net profit improved to SGD1.92b (+11% YoY) mainly boosted by Airtel's resilient turnaround. Our new SOTP-based TP of SGD3.02 is lifted 1.3% by revised estimates on regional associates and potential growth engines in Regional Data Centre and Digibank. Singtel remains our No.1 pick in the telco sector. Retain BUY.

Revenue fell short

FY22 consolidated revenue fell 2% YoY to SGD15.34b while EBITDA was also down 2% YoY to SGD3.77b, reflecting lower NBN migration revenue and the challenges in carriage business. Excluding NBN migration revenue and JSS, EBIT and EBITDA grew 8% and 33% YoY, respectively, on growth in Optus mobile service with mobile customer base growing 202k (+2.8% YoY) in the 2H FY22. We cut our FY22-25E Core profit forecast by 8-10 to account for these. Against the backdrop of global uncertainty and rising inflation, Singtel has recommended a final DPS of SGD0.048, bringing FY22E DPS to SGD0.093, or a 3.5% yield. For FY23E, Singtel has guided for regional associates' dividends to be at SGD1.1b, with capex of SGD2.6b focused on increasing 5G investment in Australia.

Bharti Airtel continues to shine

Regional associates' pre-tax contribution rose 19% to SGD2.14b despite headwinds from the pandemic and aggressive regional competition. The performance was fuelled by BHARTI's strong performance (SGD437m in FY22 vs SGD23.2m in FY21) due to an improved operating performance. This has cushioned the impact of declining contributions from Telkomsel (-0.6% YoY), Globe (-10.1% YoY) and AIS (-5.9% YoY).

Strategic growth drivers

Key re-rating catalyst includes: i) ability to capture sizeable growth opportunity through expansion of regional data centres, ii) build scale with the new Digital bank (GxS) and iii) resumption of regional roaming revenue. We remain sanguine about the overall opportunity although we expect the immediate contribution to be small. We also foresee potential partial stake sales in Bharti Airtel and other regional associates as part of capital reallocation efforts.

FYE Mar (SGD m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	15,428	14,915	16,036	16,383	16,557
EBITDA	3,617	3,343	4,042	4,270	4,366
Core net profit	1,518	1,558	2,534	2,892	3,213
Core FDEPS (cts)	9.3	9.5	15.5	17.7	19.7
Core FDEPS growth(%)	41.3	2.6	62.7	14.1	11.1
Net DPS (cts)	7.5	9.3	10.9	12.4	13.8
Core FD P/E (x)	26.3	27.7	17.4	15.3	13.7
P/BV (x)	1.5	1.6	1.6	1.5	1.5
Net dividend yield (%)	3.1	3.5	4.0	4.6	5.1
ROAE (%)	5.7	5.8	9.1	10.1	10.8
ROAA (%)	3.1	3.2	5.1	5.6	6.1
EV/EBITDA (x)	14.4	15.8	13.0	12.0	11.3
Net gearing (%) (incl perps)	45.7	35.5	29.8	24.1	17.7
Consensus net profit	-	-	2,654	3,029	na
MKE vs. Consensus (%)	-	-	(4.5)	(4.5)	na

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BUY

Share Price	SGD 2.70
12m Price Target	SGD 3.02 (+12%)
Previous Price Target	SGD 2.98

Company Description

Singtel is the largest integrated telecommunications service provider in Singapore and has significant share in Australia, India and ASEAN

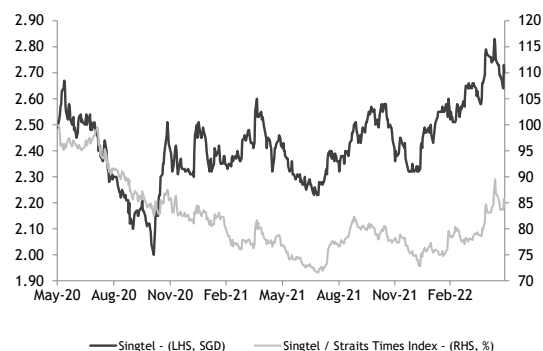
Statistics

52w high/low (SGD)	2.83/2.23
3m avg turnover (USDm)	62.1
Free float (%)	41.8
Issued shares (m)	16,515
Market capitalisation	SGD44.6B
	USD32.5B

Major shareholders:

Temasek Holdings	52.2%
Central Provident Fund	4.9%
Capital Research	1.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	4	10
Relative to index (%)	(1)	6	8

Source: FactSet

Details of companies mentioned in this report

Bharti Airtel (532454-IN, BUY, TP INR890, CP

INR688.35)

Telkomsel (TLKM-ID, CP IDR 4,300, NR)

Globe (GLO-PH, BUY, TP P3133, CP P2524)

Advanced Info Service (ADVANC-TH, CP THB218, NR)

Value Proposition

- Telco conglomerate whose companies have significant, if not leading, shares in their markets.
- High-growth phase for wireless segment has passed. Competition is generally on the rise in this segment in most markets.
- Enterprise and 5G to provide next legs of growth, while cash is harvested from wireless leadership to support investments and capex.
- Healthy balance sheet backs DPS payout ratio of 60-80%. Proceeds from sale of non-core assets are partly committed to exceptional payouts.

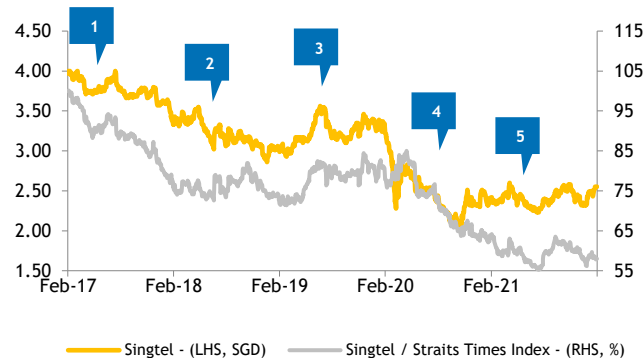
Singtel SOTP valuation

Valuation	Stake (%)	Valuation method	Valuation (LC)	Exch rate (SGD/LC)	Valuation (SGD m)	Per share (SGD)	% of total
SingTel Core Business	100.0	Singtel DCF (6.9% WACC, 1% TG, 0.90 beta) Optus DCF (6.0% WACC, 1% TG, 0.71 beta)	19,675	1.00	19,675	1.21	
(Less) Consol Net Debt					-9,738	-0.60	
Sub Total					9,937	0.61	20%
Associates	Stake (%)	Valuation method	Valuation (LC)	Exch rate (S\$LC)	Valuation (SGD m)	Per share (SGD)	% of total
Tekomsel (Indonesia)	35.0	70% of Market Cap listed Telkom	#####	10,645	9,576	0.59	15%
Bharti Airtel (India)	31.7	DCF (9.4% WACC, 3% TG, 1.0 beta), mcap of africa and tower businesses	1,538,551	55.83	27,558	1.69	42%
AIS (Thailand)	23.3	DCF (7.0% WACC, 2% LTG, 1.0 beta)	166,597	24.05	6,927	0.42	11%
Globe (Philippines)	47.0	DCF (5.7% WACC, 1% LTG, 0.7 beta)	195,844	38.13	5,136	0.31	8%
Intouch (Thailand)	21.1	SO TP (AIS TP and mkt cap of THCOM TB)	46,473	24.05	1,932	0.12	3%
NetLink NBN Trust (Singapore)	24.8	DDM (COE 0%, 0% LTG, 0.5 beta)	1,015	1.00	1,015	0.06	2%
SingPost (Singapore)	21.7	Market Cap	315	1.00	315	0.02	0%
Sub Total					52,144	3.21	
		25% discount			(0.80)		
Associates' value					2.41	0.06	80%
Total Equity Value					3.02	0.06	100%

Source: Company

Price Drivers

Historical share price trend



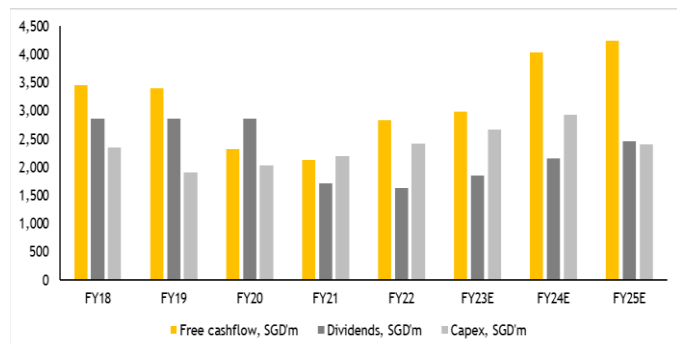
Source: Company, Maybank IBG Research

1. Proposal for fourth mobile licence. Bharti's profits started to taper off.
2. Proposal to increase effective stake in Bharti to 39.5%. Share price continued to be pressured by competitive environment.
3. Australia wireless pricing went through industry-wide deflation.
4. Earnings marred by weakness in ARPU on the back of lower usage of roaming and data given travel restriction and work-from-home arrangements.
5. Ongoing global economic disruption brought about by COVID-19 and structural challenges brought about by intense market competition.

Financial Metrics

- We forecast EBITDA to grow at 5.9% CAGR over FY21-23E due to earnings recovery following Covid-19.
- Pretax associate income could contribute to bottom line by growing 27% over the same period, led by Bharti's swing to net profit from net loss.
- We expect net debt to EBITDA, including associate dividends, to remain healthy at 1.6x-2.2x in FY21-23E; providing support to its fixed DPS commitment.

Free cash flow, Dividends and Capex



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Strong growth in enterprise and Digital Life to positive operating leverage.
- Stronger-than-expected ARPU due to easing in price competition in countries it operates in.
- Faster-than-expected monetisation of 5G development.

Downside

- Further wireless margin compression triggered by competition in Singapore and / or Australia.
- Worse-than-expected cannibalisation of wireless voice, SMS and roaming by data.
- Failure to monetise 5G development.

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Risk Rating & Score ¹	18.5
Score Momentum ²	No change
Last Updated	16 Dec 2021
Controversy Score ³	0 - No reports

Business Model & Industry Issues

- Singtel is most exposed to cybersecurity and personal data leakage risks given its nature of business. There have been minor lapses due to IT, process and human errors over the years, and Singtel was penalised for an immaterial sum.
- Going forward, Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.
- As Singtel is in the business of connectivity, it is supporting digital inclusion through connecting communities and supporting the disadvantaged.
- Notably in FY20, the telco supported migrant workers with free remittance service and their WiFi and mobile data needs. It also provided refurbished laptops and data SIMs to disadvantaged students for their home-based learning. In Australia, Optus scaled up “Donate Your Data” to support disadvantaged students by offering them free mobile data access for online learning.
- Singtel displays no exceptional risks for a telco operator for ESG and is in line with peers in tackling ESG issues.

Material E issues

- Achieved carbon emissions intensity reduction of 70% in 2020, well exceeding our 2030 target of 50%.
- Over 84% of waste generated disposed via reuse, recycling or incineration with energy recovered.
- Only Southeast Asian company among a pioneer group of 28 global companies in July 2019 that committed to keeping global temperature increase within 1.5°C and net zero emissions by 2050.

Material S issues

- 28% of female employees in middle and top management.
- Singtel was included in the 2020 Bloomberg Gender-Equality Index and the Refinitiv Global Diversity & Inclusion Index 2019 and named as one of the top 10 employers for Gender Diversity at The Leonie Awards 2019.
- Total training investment of SGD21.9m and pledged SGD45m to boost the digital skills of its workforce through company-wide initiatives over three years.
- Zero fatality rate across Singtel and Optus in FY20.
- To promote digital inclusion, Optus has launched “Donate Your Data” in Australia to help disadvantaged young people bridge the digital divide.
- Singtel also supported 1,000 vulnerable seniors under CareLine 24-hour telephone befriending service with free mobile phone services to promote digital inclusion and well-being.

Key G metrics and issues

- Board consists of 10 directors, of which one is executive officer (MD/CEO), the remaining are non-executive & independent directors (including Chairman). 30% are female directors.
- The nomination, audit, investment and remuneration committees are chaired by independent directors.
- Key management/directors’ compensation accounted for 9.4%/1.3% of total employee compensation in 2019.
- There have been no corruption cases reported for the past three years.
- Cyber security and data leakage risks. Conducts its businesses in strict adherence to data protection laws - the Personal Data Protection Act in Singapore and the Privacy Act and Telecommunications Act in Australia.
- There have been minor lapses due to IT, process and human errors. Singtel will continue to educate its staff and improve practices and processes to minimise data breaches.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Focus Charts

Fig 1: Forecast Revision

	FY23E	FY24E	FY25E
Revised revenue (SGD m)	16,036	16,383	16,557
Revised EBITDA (SGD m)	4,042	4,270	4,366
Revised core profit (SGD m)	2,534	2,892	3,213
Revised TP (SGD)	3.02		
Previous revenue (SGD m)	17,424	17,369	17,584
Previous EBITDA (SGD m)	4,054	4,620	4,724
Previous core profit (SGD m)	2,641	3,079	3,510
Previous TP (SGD)	2.98		
Change in revenue	-8.0%	-5.7%	-5.8%
Change in EBITDA	-0.3%	-7.6%	-7.6%
Change in core profit	-4.1%	-6.1%	-8.5%
Change in TP	1.4%		

Source: Maybank IBG Research

Fig 2: MIBG vs Consensus

(end-Mar, SGD m)	FY23E	FY24E	FY25E
Revenues (MIBG)	16,036	16,383	16,557
EBITDA (MIBG)	4,042	4,270	4,366
EBITDA margin (MIBG)	25.2%	26.1%	26.4%
EBIT (MIBG)	1,311	1,467	1,515
Reported profit (MIBG)	2,534	2,892	3,213
Target price (MIBG)	3.02		
Revenues (consensus)	16,253	16,663	17,429
EBITDA (consensus)	4,098	4,234	4,424
EBITDA margin (consensus)	25.2%	25.4%	25.4%
EBIT (consensus)	1,337	1,495	1,530
Core profit (consensus)	2,564	2,936	3,306
Target price (consensus)	3.15		
Revenues (MIBG / consensus)	-1.3%	-1.7%	-5.0%
EBITDA (MIBG / consensus)	-1.4%	0.8%	-1.3%
EBIT (MIBG / consensus)	-1.9%	-1.9%	-0.9%
Reported profit (MIBG / consensus)	-1.2%	-1.5%	-2.8%
Target price (MIBG / consensus)	-4.1%		

Source: Maybank IBG Research, Company

Fig 3: Quarterly P&L

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY	%MIBG YTD	% cons YTD
Operating revenue												
Singapore consumer	409	470	504	440	414	453	482	415	-14%	-6%		
Australia consumer	1595	1680	1899	1761	1717	1627	1684	1581	-6%	-10%		
Group Enterprise	900	957	972	934	920	943	947	918	-3%	-2%		
NCS	499	560	566	659	528	579	559	695	24%	5%		
Amobee	151	259	313	182	236	151	155	277	79%	52%		
Trustwave	96	100	104	110	98	101	87	82	-6%	-25%		
Group revenue	3534	3667	3941	3794	3913	3855	3914	3968	1%	5%	95%	98%
EBITDA												
Singapore consumer	156	158	148	140	149	149	156	128	-18%	-9%		
Australia consumer	410	475	501	465	506	473	526	422	-20%	-9%		
Group Enterprise	306	314	324	324	307	305	316	297	-6%	-8%		
NCS	83	104	82	82	84	63	71	84	18%	2%		
Amobee	(12)	7	17	(7)	5	2	1	(10)	-1100%	43%		
Trustwave	(27)	(29)	(26)	(26)	(24)	(26)	(35)	(31)	-11%	19%		
Corporate	(17)	(20)	(36)	(53)	(28)	(35)	(45)	(40)	-11%	-25%		
Group EBITDA	897	1006	1006	922	997	932	990	850	-14%	-8%	92%	95%
EBIT												
Singapore consumer	90	89	74	67	74	79	85	43	-49%	-36%		
Australia consumer	41	82	107	63	86	60	116	22	-81%	-65%		
Group Enterprise	166	167	174	163	164	166	173	151	-13%	-7%		
NCS	59	80	60	58	63	42	50	59	18%	2%		
Amobee	(33)	(16)	(4)	(29)	(11)	(14)	(17)	(28)	65%	-3%		
Trustwave	(41)	(43)	(40)	(42)	(30)	(34)	(42)	(36)	-14%	-14%		
Corporate	(19)	(21)	(39)	(55)	(1)	(37)	(51)	(53)	4%	-4%		
Group EBIT	262	334	328	223	312	261	314	158	-50%	-29%	75%	86%
Pre-tax contributions from regional associates												
Telkomsel	242	225	224	224	241	124	216	126	-42%	-44%		
AIS	87	79	85	82	85	46	80	45	-44%	-45%		
Intouch	26	22	22	37	26	14	23	13	-43%	-65%		
Globe	98	84	76	91	99	37	48	49	2%	-46%		
Bharti Telecom/ Airtel	-79	49	-4	58	64	-15	102	46	-55%	-21%		
Regional associates	373	460	402	478	514	495	469	279	-41%	-42%		
Underlying PATMI	345	492	345	551	451	532	473	468	-1%	-15%	82%	87%
PATMI	-20	486	-20	108	445	509	734	261	-64%	142%	83%	89%

Source: Maybank IBG Research

Fig 4: Operating Metrics

	FY19	FY20	FY21	FY22	YoY
Singapore					
Total Mobile (SGD 'm)	2499	2306	1859	1772	-5%
Postpaid					
ARPU (SGD / mo)	43	38	29	29	0%
Mobile customers (k)	2574	2704	2782	2845	2%
Prepaid					
ARPU (SGD / mo)	18	16	13	13	0%
Mobile customers (k)	1621	1578	1346	1284	-5%
Pay TV					
Service revenue (SGD m)	253	218	205	197	-4%
Total subs (k)	381	382	375	356	-5%
ARPU (SGD / mo)	42	41	42	40	-5%
Australia					
Total Mobile (SGD 'm)	5966	5687	5390	5076	-6%
Postpaid					
ARPU (SGD / mo)	42	37	37	40	8%
Mobile customers (k)	5683	5824	5766	5931	3%
Prepaid					
ARPU (SGD / mo)	19	18	19	20	5%

Source: Maybank IBG Research

Fig 5: SOTP Valuation

Valuation	Stake (%)	Valuation method	Valuation (LC)	Exch rate (SGD/LC)	Valuation (SGD m)	Per share (SGD)	% of total
SingTel Core Business	100.0	Singtel DCF (6.9% WACC, 1% TG, 0.90 beta) Optus DCF (6.0% WACC, 1% TG, 0.71 beta)	19,841	1.00	19,841	1.21	
(Less) Consol Net Debt					-9,738	-0.60	
Sub Total					11,735	0.61	20%
Valuation	Stake (%)	Valuation method	Valuation (LC)	Exch rate (S\$/LC)	Valuation (SGD m)	Per share (SGD)	% of total
Associates							
Telkomsel (Indonesia)	35.0	70% of Market Cap listed Telkom	101,935,024	10,645	9,576	0.59	15%
Bharti Airtel (India)	31.7	DCF (9.4% WACC, 3% TG, 1.0 beta), mcap of Africa and tower businesses	1,538,551	55.83	27,558	1.69	44%
AIS (Thailand)	23.3	DCF (7.0% WACC, 2% LTG, 1.0 beta)	166,597	24.05	6,927	0.42	11%
Globe (Philippines)	47.0	DCF (5.7% WACC, 1% LTG, 0.7 beta)	195,844	38.13	5,136	0.31	8%
Intouch (Thailand)	21.1	SOTP (AIS TP and mkt cap of THCOM TB)	46,473	24.05	1,932	0.12	3%
NetLink NBN Trust (Singapore)	24.8	DDM (COE 6%, 0% LTG, 0.5 beta)	1,015	1.00	1,015	0.06	2%
SingPost (Singapore)	21.7	Market Cap	315	1.00	315	0.02	1%
Sub Total					52,144	3.21	
		25% discount				(0.80)	
Associates' value						2.41	80%
Total Equity Value						3.02	100%

Source: FactSet, Maybank IBG Research

Fig 6: DCF Valuation for Singtel

YE Mar (SGDm)	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
EBIT	372	830	899	918	545	471	416	357	297	236
Depreciation and amortisation	1,421	1,365	1,353	1,377	1,250	1,203	1,168	1,131	1,092	1,053
EBITDA	1,794	2,194	2,252	2,295	1,795	1,673	1,584	1,488	1,389	1,289
Change in WC	(93)	(102)	(100)	(104)	(105)	(105)	(105)	(105)	(105)	(105)
Tax paid	(200)	(245)	(251)	(256)	(200)	(187)	(177)	(166)	(155)	(144)
Capex	(867)	(944)	(924)	(961)	(974)	(970)	(972)	(973)	(974)	(975)
Unlevered FCF	634	904	797	787	783	781	886	866	866	866
PV of FCF	634	846	698	645	600	560	594	544	509	476
Total PV of FCF	6,104									
Terminal Value	12,590									
PV of Terminal Value	6,918									
Enterprise Value	13,023									
Less: net debt										
Equity Value	13,023									
Equity Value Per Share	0.80									

Source: Maybank IBG Research

Fig 7: DCF Valuation - Optus

YE Mar (SGDm)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
EBIT	373	248	553	599	612	363	314	277	238	198
Depreciation and amortisation	1,711	1,302	1,366	1,450	1,474	1,473	1,520	1,555	1,592	1,631
EBITDA	2,084	1,550	1,919	2,049	2,086	1,836	1,834	1,832	1,831	1,829
Change in WC	968	(12)	688	129	121	38	102	29	36	43
Tax paid	(322)	(239)	(296)	(316)	(322)	(283)	(283)	(283)	(282)	(282)
Capex	(3,441)	3,084	(1,718)	(2,004)	(1,439)	(1,326)	(1,230)	(1,228)	(1,277)	(1,226)
Unlevered FCF	(711)	4,383	593	(143)	446	264	424	350	307	363
PV of FCF	(711)	4,135	528	(120)	353	198	299	233	193	215
Total PV of FCF	5,322									
Terminal Value	5,283									
PV of Terminal Value	3,128									
Enterprise Value	8,450									
Less: net debt										
Equity Value	8,450									
Equity Value Per Share	0.52									

Source: Maybank IBG Research

Fig 8: DCF parameters for Singtel and Optus

Parameter	
Risk Free Rate	2.5%
Market risk premium	6.5%
Beta (x)	0.90
Cost of Equity (%)	8.4%
Cost of Debt (%)	3.2%
Gearing (x)	0.40
WACC (%)	6.9%
Terminal Growth (%)	0.0%

Source: Maybank IBG Research

Fig 3: Regional Associates Update

Company	Market position (market share)	Stake (%)	Outlook/ Thesis	MIBG rating
Bhariti Airtel (India)	#2 in India (29%)	31.9	<ul style="list-style-type: none"> The Indian telco industry is set for the next level of growth driven by the government relief package and recent tariff hike. We believe BHARTI is best placed to capture this benefit. BHARTI took the lead in hiking tariffs and has been opportunistic in raising funds when required to drive growth, and competing well with the industry leader. We retain BUY and our SOTP based TP of INR890, valuing the India business on DCF (WACC 9%, TG 3%), the listed tower and Africa businesses on market capitalisation and fibre assets at replacement cost. 	BUY
Advanced Info Service (Thailand)	#1 in Thailand (43.65%)	23.3	<ul style="list-style-type: none"> Mobile ARPU (blended) eased 5% YoY in 2021 - postpaid (-7%), prepaid (-10%) as 5G subscribers hit 2.2m by YE. All players have seen ARPUs decline for several years. About 74% of ADVANC's subscribers are prepaid (ARPU=THB136), forming a soggy base that weighs on ARPU. 5G ARPU is 10-15% above its post-paid average but overall ARPU is trending lower. The 5% decline in 2021 ARPU is mainly why 2021 net profit dipped 2% YoY. We see growth in 2022 mobile revenues but the nexus between postpaid and 5G ARPU will likely produce flat revenues beyond 2022. Improvement in ousehold income could see ARPU trends reverse, we think. The new earnings stream raises our DCF-based TP by 2.5% to THB240.5 (7.7% WACC, 1% G). Given 5% upside and dividend yield of 3% (ETR 8%), we cut our rating to HOLD following 23% outperformance vs SET since mid-21. 	BUY
Telkomsel (Indonesia)	#1 in Indonesia (58.9%)	35	<ul style="list-style-type: none"> Telkomsel targets low single-digit revenue growth (2020: 1% yoy) and a stable EBITDA margin (2020: 52.8%) for 2021. Our Indonesian analyst expects a 9% yoy net profit growth for 2021. Mobile competition remains intense but is not worsening. Competition has shifted towards delivering quality products and services rather than offering low priced packages. Telkomsel is expected to benefit from its dominant position especially in ex-Java region, and favorable regulatory environment. 	NR
Globe (Philippines)	#1 in Philippines (47.0%)	46.9	<ul style="list-style-type: none"> GLO reported FY21 earnings of PHP23.7b (+27.7% YoY), which includes two one-offs: 1) a PHP4b gain from the partial sale of its Mynt stake; and 2) PHP2.2b costs arising from Typhoon Odette. Excluding these, GLO's FY21 income is at PHP22.4b, 88.3% of our FY21 forecast. We cut our FY22/23E net income forecasts by 4.7%/3.6% to reflect higher depreciation costs from the surprisingly high capex in FY21 and still elevated capex expectation for FY22E. While this reduces our DCF-TP to PHP3,080 (-6.2%, WACC: 4.7%, G: 1.0%), the recent price weakness presents a buying opportunity. Upgrade to BUY. 	BUY

Source: Maybank IBG Research

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	25.9	25.5	17.4	15.2	13.7
Core P/E (x)	26.2	27.7	17.4	15.2	13.7
Core FD P/E (x)	26.3	27.7	17.4	15.3	13.7
P/BV (x)	1.5	1.6	1.6	1.5	1.5
P/NTA (x)	3.0	2.8	2.7	2.6	2.4
Net dividend yield (%)	3.1	3.5	4.0	4.6	5.1
FCF yield (%)	nm	11.7	7.4	6.3	8.5
EV/EBITDA (x)	14.4	15.8	13.0	12.0	11.3
EV/EBIT (x)	55.8	85.1	40.0	34.8	32.6

INCOME STATEMENT (SGD m)

Revenue	15,427.8	14,915.3	16,035.6	16,383.2	16,557.0
EBITDA	3,616.8	3,343.3	4,041.9	4,269.7	4,366.5
Depreciation	(2,685.0)	(2,723.0)	(2,731.0)	(2,803.0)	(2,851.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	931.8	620.3	1,310.9	1,466.7	1,515.5
Net interest income / (exp)	(395.0)	(361.3)	(400.0)	(399.9)	(399.9)
Associates & JV	1,798.0	2,137.0	2,608.8	2,949.6	3,346.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	2,334.8	2,396.0	3,519.8	4,016.4	4,461.7
Income tax	(811.0)	(832.2)	(980.0)	(1,118.3)	(1,242.3)
Minorities	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,517.6	1,557.6	2,533.6	2,892.0	3,213.2
Core net profit	1,517.6	1,557.6	2,533.6	2,892.0	3,213.2

BALANCE SHEET (SGD m)

Cash & Short Term Investments	754.7	2,130.0	3,456.1	4,820.5	6,516.9
Accounts receivable	5,443.7	5,245.0	5,638.9	5,761.2	5,822.3
Inventory	271.6	270.0	320.7	327.7	331.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	11,534.1	10,892.0	10,823.0	10,948.0	10,497.0
Intangible assets	13,129.1	11,977.0	11,977.0	11,977.0	11,977.0
Investment in Associates & JVs	15,790.3	17,206.0	17,206.0	17,206.0	17,206.0
Other assets	1,074.9	1,412.0	1,412.0	1,412.0	1,412.0
Total assets	47,998.4	49,132.0	50,833.7	52,452.4	53,762.3
ST interest bearing debt	2,033.9	1,614.0	1,614.0	1,614.0	1,614.0
Accounts payable	6,784.8	6,402.0	7,352.0	7,511.4	7,591.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	10,825.6	10,254.0	10,245.4	10,245.6	10,245.6
Other liabilities	1,843.0	3,444.0	3,444.0	3,914.0	4,042.0
Total Liabilities	21,487.0	21,714.0	22,655.2	23,284.8	23,492.8
Shareholders Equity	26,485.8	27,433.0	28,193.6	29,182.6	30,284.6
Minority Interest	25.6	(15.0)	(15.0)	(15.0)	(15.0)
Total shareholder equity	26,511.4	27,418.0	28,178.6	29,167.6	30,269.6
Total liabilities and equity	47,998.4	49,132.0	50,833.7	52,452.4	53,762.3

CASH FLOW (SGD m)

Pretax profit	2,334.8	2,396.0	3,519.8	4,016.4	4,461.7
Depreciation & amortisation	2,685.0	2,723.0	2,731.0	2,803.0	2,851.0
Adj net interest (income)/exp	(1,695.0)	(1,681.7)	(894.9)	(1,297.3)	(1,261.3)
Change in working capital	878.1	(104.9)	505.4	30.2	15.1
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.4	0.4	0.5	0.0
Cash flow from operations	4,031.2	3,332.4	5,861.3	5,552.3	6,066.4
Capex	(2,200.0)	2,217.0	(2,662.0)	(2,928.0)	(2,400.0)
Free cash flow	2,328.2	4,133.7	3,199.3	2,624.3	3,666.4
Dividends paid	(1,722.2)	(1,090.3)	(1,773.5)	(2,024.4)	(2,249.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(353.9)	(921.4)	674.9	721.1	353.2
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(244.9)	1,375.3	1,326.1	1,364.4	1,696.4

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(6.7)	(3.3)	7.5	2.2	1.1
EBITDA growth	(10.6)	(7.6)	20.9	5.6	2.3
EBIT growth	(52.5)	(33.4)	111.3	11.9	3.3
Pretax growth	14.5	2.6	46.9	14.1	11.1
Reported net profit growth	41.3	2.6	62.7	14.1	11.1
Core net profit growth	41.3	2.6	62.7	14.1	11.1
Profitability ratios (%)					
EBITDA margin	23.4	22.4	25.2	26.1	26.4
EBIT margin	6.0	4.2	8.2	9.0	9.2
Pretax profit margin	15.1	16.1	21.9	24.5	26.9
Payout ratio	80.7	97.5	70.0	70.0	70.0
DuPont analysis					
Net profit margin (%)	9.8	10.4	15.8	17.7	19.4
Revenue/Assets (x)	0.3	0.3	0.3	0.3	0.3
Assets/Equity (x)	1.8	1.8	1.8	1.8	1.8
ROAE (%)	5.7	5.8	9.1	10.1	10.8
ROAA (%)	3.1	3.2	5.1	5.6	6.1
Liquidity & Efficiency					
Cash conversion cycle	na	na	na	na	na
Days receivable outstanding	128.4	129.0	122.2	125.3	125.9
Days inventory outstanding	na	na	na	na	na
Days payables outstanding	na	na	na	na	na
Dividend cover (x)	1.2	1.0	1.4	1.4	1.4
Current ratio (x)	0.7	0.9	1.0	1.1	1.3
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.3	2.2	2.3	2.3
Net gearing (%) (incl perps)	45.7	35.5	29.8	24.1	17.7
Net gearing (%) (excl. perps)	45.7	35.5	29.8	24.1	17.7
Net interest cover (x)	2.4	1.7	3.3	3.7	3.8
Debt/EBITDA (x)	3.6	3.5	2.9	2.8	2.7
Capex/revenue (%)	14.3	nm	16.6	17.9	14.5
Net debt/ (net cash)	12,104.8	9,738.0	8,403.3	7,039.1	5,342.7

Source: Company; Maybank IBG Research

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Malaysia

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Thailand

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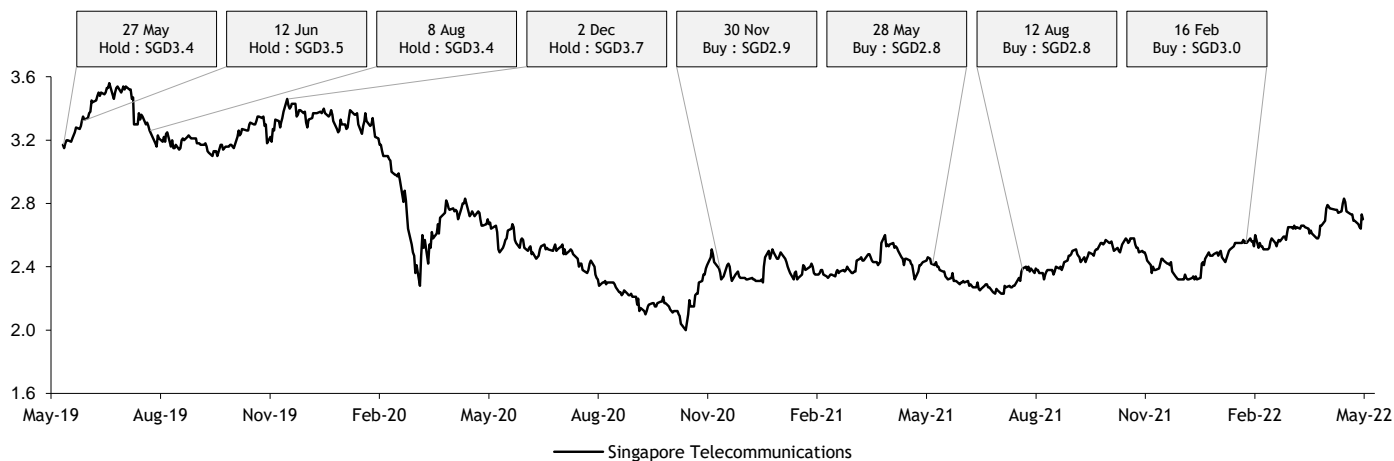
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