

Singapore

ADD (no change)

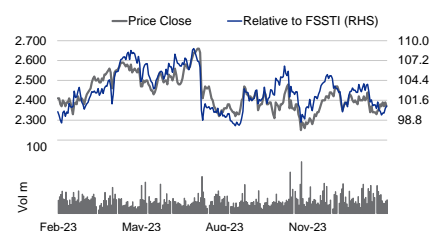
Consensus ratings*: Buy 15 Hold 2 Sell 0

Current price:	S\$2.37
Target price:	S\$2.87
Previous target:	S\$2.90
Up/downside:	21.1%
CGSI / Consensus:	-4.6%
Reuters:	STEL.SI
Bloomberg:	ST SP
Market cap:	US\$29,147m
	S\$39,113m
Average daily turnover:	US\$39.65m
	S\$52.94m
Current shares o/s:	16,569m
Free float:	48.0%

*Source: Bloomberg

Key changes in this note

- FY24-26F core EPS lowered by 2-8% as we bake more conservatism into our Bharti estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.4	3.9	-1.7
Relative (%)	-2	1.5	0.8

Major shareholders	% held
Temasek Holdings	52.0
Capital Group	3.4
Blackrock	1.8

Analyst(s)



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SingTel

Healthy core business hit by assoc decline

- 3QFY24 core net profit of S\$559m a slight miss on weak associate profits. Singtel guided for FY24 dividend payout to be at the upper end of 70-90%.
- SG business should benefit from absence of Trustwave losses and NCS ramp-up, while cost synergies from restructuring should materialise in FY25F.
- Optus recorded margin expansion on concerted cost cuts. While there was some churn in 3Q, postpaid subs have since returned to growth in Feb 2024.
- Reiterate Add with a lower TP of S\$2.87 on lower associate profit estimates.

3QFY3/24: steady SG, weaker Optus and associates

Singtel's 3QFY3/24 core net profit of S\$559m (flat yoy) missed expectations as Bharti contribution was negatively impacted by FX losses for its African operations following devaluation of the Nigerian Naira. 9MFY24 core net profit formed 74%/72% of our/ Bloomberg consensus FY24F. Optus revenue declined 5% yoy in 3Q while SG revenue held steady. 3Q group EBITDA rose to S\$935m (+3% yoy) as the lower Optus contribution was offset by deconsolidation of Trustwave losses. 3Q share of associates' pre-tax profits fell 13% yoy on lower contribution yoy from Bharti (-21%), Telkomsel (-15%), AIS (-5%).

SG cost synergies to show more meaningfully in FY25F

Singtel Singapore's EBITDA margin saw some softness (-1.0% pt yoy) in 3QFY24, which we attribute to intense competition in the prepaid mobile space. We believe margin uplift should be more apparent in FY25F as Singtel works to integrate its consolidated Consumer and Enterprise businesses and realise cost synergies. Technology services subsidiary NCS saw 3QFY24 EBITDA margin up 3.2% pts yoy on concerted cost cuts, while bookings rose a strong 57% yoy; we expect NCS's margin improvement to carry on into FY25F on 1) increased scale (driving stronger operating leverage), and 2) cost optimisation efforts. Divestment of cybersecurity arm Trustwave would further support Singtel's SG margin expansion in FY25-26F via removal of c.S\$115m in Trustwave's annual EBITDA losses.

Resilient Optus performance despite headwinds

Despite qoq churn in postpaid subs, Optus mobile service revenue still grew 3% yoy in 3Q on prepaid subs growth and stronger average revenue per user (ARPU). 3Q EBITDA margin beat our forecast at 25.8% (+0.9% pts yoy); we think this reflects some success in the group's accelerated cost rationalisation. While FX headwinds will likely stay in FY25F, we believe cost cuts and capex rationalisation should accord gradual EBIT margin expansion ahead. Singtel booked a S\$54m provision for the Optus network outage in Nov 23, which we think does not include any potential fines by the Australian government.

Reiterate Add with lower TP of S\$2.87 on reduced associate profits

Reiterate Add as we still see a healthy earnings trajectory ahead, with potential for asset monetisation in the coming quarters. We lower our FY24-26F core EPS by 2-8% as we lower our Bharti estimates further. Our SOP-based TP lowers to S\$2.87 accordingly. Re-rating catalysts: industry consolidation, further asset monetisation. Downside risks: large fines levied on Optus, intensifying competition affecting ARPU and subs growth.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (S\$m)	15,339	14,624	14,181	14,533	15,037
Operating EBITDA (S\$m)	3,767	3,686	3,636	3,815	3,989
Operating EBITDA Margin	24.6%	25.2%	25.6%	26.2%	26.5%
Net Profit (S\$m)	1,948	2,225	3,093	2,477	2,845
Core EPS (S\$)	0.12	0.12	0.13	0.15	0.18
Core EPS Growth	10.1%	6.8%	7.7%	14.3%	14.6%
FD Core P/E (x)	20.27	19.06	17.69	15.48	13.51
DPS (S\$)	0.09	0.15	0.11	0.13	0.15
Dividend Yield	3.92%	6.29%	4.81%	5.49%	6.29%
EV/EBITDA (x)	8.56	9.03	9.16	8.54	7.94
P/FCFE (x)	17.29	16.62	14.57	12.04	12.33
Net Gearing	21.9%	22.9%	19.7%	15.7%	11.9%
ROE	7.0%	7.6%	8.4%	9.4%	10.6%
% Change In Core EPS Estimates			(2.29%)	(7.51%)	(4.05%)
EPS/Consensus EPS (x)			1.31	0.90	0.93

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Healthy core business hit by assoc decline

Figure 1: Results comparison

FYE Mar (\$\$ m)	3QFY24	3QFY23	yoy % chg	2QFY24	qoq % chg	9MFY24	9MFY23	yoy % chg	Prev. FY24F	Comments
Revenue	3,593	3,713	(3.2)	3,540	1.5	10,621	10,972	(3.2)	14,126	In line, 9MFY24 formed 75% of our and 73% of Bloomberg consensus FY24F
Singapore	1,791	1,808	(0.9)	1,754	2.1	5,248	5,224	0.5	6,978	Stronger NCS and Digital InfraCo offset by weaker Singtel Singapore and removal of Trustwave
Australia	1,802	1,905	(5.4)	1,787	0.9	5,374	5,747	(6.5)	7,149	Stronger mobile service revenue, but dragged by 4% depreciation in A\$ against S\$
EBITDA	935	911	2.6	885	5.6	2,722	2,789	(2.4)	3,597	In line, 9MFY24 formed 76% of our and 73% of Bloomberg consensus FY24F
Singapore	470	437	7.6	424	10.8	1,340	1,282	4.6	1,764	Helped by absence of Trustwave losses
Australia	465	474	(1.9)	461	0.9	1,382	1,507	(8.3)	1,833	EBITDA margin expanded 0.9% pts yoy as cost cuts have begun to bear fruit
Share of assoc/JVs pre-tax profit	499	572	(12.8)	607	(17.8)	1,694	1,729	(2.0)	2,350	Below. Due to translation losses incurred for Bharti's African operations
Profit before tax	638	741	(13.9)	1,913	(66.7)	3,299	2,445	35.0	4,280	
Tax expense	(170)	(208)	(18.3)	(259)	(34.4)	(691)	(738)	(6.4)	(993)	
Effective tax rate (%)	26.6%	28.1%	n.m.	13.5%	n.m.	20.9%	30.2%	n.m.	23.2%	
Net profit	465	532	(12.6)	1,653	(71.9)	2,601	1,702	52.8	3,278	Below
Exceptionals	(94)	(28)	n.m.	1,103	n.m.	921	137	572.3	881	
Core net profit	559	559	0.0	550	1.6	1,680	1,564	7.4	2,263	Below, 9MFY24 formed 74% of our and 72% of Bloomberg consensus FY24F

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Quarterly segment results

FYE Mar (\$\$ m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	qoq (%)	yoy (%)
Revenue:									
Optus	1,944	1,899	1,905		1,785	1,787	1,802	0.8%	-5.4%
Singtel Singapore	954	1,004	1,047		937	957	1,025	7.1%	-2.1%
NCS	598	685	676		681	716	701	-2.1%	3.7%
Digital InfraCo	88	92	95		103	100	109	9.0%	14.7%
Trustwave	44	41	40		38	38	0	n.m.	n.m.
Intercompany eliminations	(43)	(46)	(49)		(56)	(56)	(44)	n.m.	n.m.
Group revenue	3,584	3,675	3,713		3,488	3,541	3,593	1.5%	-3.2%
EBITDA:									
Optus	531	502	474		456	461	465	0.9%	-1.9%
Singtel Singapore	384	373	391		382	366	372	1.6%	-4.9%
NCS	70	40	51		75	62	75	21.0%	47.1%
Digital InfraCo	56	52	57		62	51	55	7.8%	-3.5%
Trustwave	(29)	(29)	(32)		(25)	(23)	0	n.m.	n.m.
Corporate	(29)	(40)	(34)		(35)	(31)	(35)	12.9%	2.9%
Intercompany eliminations	(5)	2	4		(11)	(1)	2	n.m.	n.m.
Group EBITDA	977	900	911		902	885	935	5.6%	2.6%
EBITDA margin:									
Optus	27.3%	26.4%	24.9%		25.5%	25.8%	25.8%	0.0% pts	0.9% pts
Singtel Singapore	40.3%	37.2%	37.3%		40.8%	38.2%	36.3%	-2.0% pts	-1.1% pts
NCS	11.7%	5.8%	7.5%		11.0%	8.7%	10.7%	2.0% pts	3.2% pts
Digital InfraCo	63.6%	56.5%	60.0%		60.2%	51.0%	50.5%	-0.5% pts	-9.5% pts
Trustwave	-65.9%	-70.7%	-80.0%		-65.8%	-60.5%	n.m.	n.m.	n.m.
Group EBITDA margin	27.3%	24.5%	24.5%		25.9%	25.0%	26.0%	1.0% pts	1.5% pts

*Singtel has yet to report updated 4QFY23 figures following resegmenting of Singtel Singapore, Digital InfraCo, and others

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 3: Quarterly operational performance

	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	qoq %	yoy %
Singapore mobile:											
Postpaid subscribers (000s)	2,827	2,845	2,856	2,880	2,888	2,903	2,931	2,965	2,990	0.8%	3.5%
Prepaid subscribers (000s)	1,319	1,284	1,301	1,385	1,385	1,406	1,421	1,443	1,502	4.1%	8.4%
Total postpaid + prepaid subscribers (000s)	4,146	4,129	4,157	4,265	4,273	4,309	4,352	4,408	4,492	1.9%	5.1%
Postpaid ARPU (S\$)	30	29	32	33	34	32	32	33	34	3.0%	0.0%
Prepaid ARPU (S\$)	11	13	13	13	13	12	12	11	11	0.0%	-15.4%
Optus mobile:											
Postpaid subscribers (000s)	5,884	5,833	5,871	5,908	5,882	5,923	5,954	5,985	5,957	-0.5%	1.3%
Prepaid subscribers (000s)	3,014	3,076	3,160	3,258	3,312	3,348	3,404	3,456	3,479	0.7%	5.0%
Total postpaid + prepaid subscribers (000s)	8,898	8,909	9,031	9,166	9,194	9,271	9,358	9,441	9,436	-0.1%	2.6%
Postpaid ARPU (A\$)	40	40	40	40	41	41	41	42	42	0.0%	2.4%
Prepaid ARPU (A\$)	20	20	20	19	19	19	19	19	19	0.0%	0.0%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Share of pre-tax profits from associates

FYE Mar (S\$ m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	qoq (%)	yoy (%)
Airtel	(4)	58	64	83	102	183	156	180	184	174	182	195	146	-25.1%	-20.7%
Telkomsel	224	224	241	231	216	226	228	228	210	196	219	212	179	-15.6%	-14.8%
Globe	76	88	99	82	48	82	95	77	51	78	70	71	64	-9.9%	25.5%
AIS	85	83	85	75	80	75	73	66	81	77	81	90	77	-14.4%	-4.9%
Intouch	22	23	26	23	23	23	25	27	32	29	32	36	44	22.2%	37.5%
Others	11	23	18	20	10	22	(5)	7	14	4	4	3	(11)	n.m.	n.m.
Share of pre-tax profit	414	499	533	514	479	611	572	585	572	558	588	607	499	-17.8%	-12.8%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 5: Historical exchange rates for Optus and associates' currencies vs. S\$

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	qoq (%)	yoy (%)
S\$ to A\$	0.97	1.01	1.01	1.02	1.02	1.05	1.10	1.10	1.12	1.13	1.14	0.4%	3.6%
S\$ to INR	55.2	54.8	55.2	55.6	56.2	56.8	59.2	60.6	61.3	61.3	61.7	0.7%	4.2%
S\$ to Rp	10,753	10,629	10,526	10,644	10,526	10,750	11,236	11,364	11,111	11,361	11,628	2.4%	3.5%
S\$ to Php	36.1	37.1	37.2	38.4	38.3	40.5	41.3	41.2	41.5	41.5	41.5	0.0%	0.5%
S\$ to THB	23.5	24.4	24.6	24.3	24.9	26.1	26.2	25.8	25.7	26.1	26.4	1.1%	0.8%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Group level

- 3QFY24 core net profit came in at S\$559m (+2% qoq, flat yoy), bringing 9MFY24 core net profit to S\$1.7bn (+7% yoy), at 74% of our and 72% of Bloomberg consensus FY24 forecasts. The miss was due to weaker-than-expected share of associates' pre-tax profits of S\$499m (-18% qoq, -13% yoy), as Bharti contribution was negatively impacted by translation losses for its African operations.
- 3QFY24 revenue of S\$3.59bn (+1% qoq, -3% yoy) was in line. Overall Singapore revenue held steady at S\$1.79bn (+2% qoq, -1% yoy), but Optus revenue declined to S\$1.80bn (+1% qoq, -5% yoy).
- 3QFY24 EBITDA rose to S\$935m (+6% qoq, +3% yoy), as stronger Singapore contribution (+11% qoq, +8% yoy) was partially offset by weaker Optus (+1% qoq, -2% yoy).
- Singtel guided for FY24F dividend payout ratio at the upper end of 70-90% of core net profit. By our estimates, this indicates FY24F DPS of 11.4 Scts.(FY23: 9.9 Scts excluding special dividends).
- 3QFY24 share of associates' pre-tax profits declined to S\$499m (-18% qoq, -13% yoy) on the back of weaker revenue contribution from Bharti (-25% qoq, -21% yoy), Telkomsel (-16% qoq, -13% yoy), and AIS (-14% qoq, -5% yoy).

Notably, Bharti was impacted by c.S\$130m of FX losses arising from the weak Nigerian Naira.

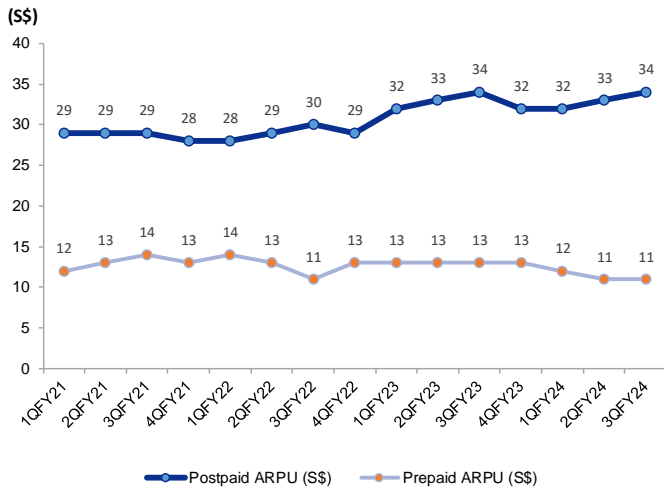
Singapore

- 3QFY24 Singtel Singapore revenue fell to S\$1.03bn (+7% qoq, -2% yoy) on the back of lower contribution from equipment sales, pay TV, and legacy voice, partially offset by higher mobile service revenue (+3% qoq, +2% yoy).
- Postpaid subs were up 1% qoq and 4% yoy in 3QFY24, while ARPU was flat yoy (+3% qoq). Prepaid subs rose 4% qoq and 8% yoy as Singtel likely ramped up competitive pressure in the prepaid space, while ARPU declined 15% yoy (flat qoq) on growing consumer adoption of lower end plans.
- Technology services subsidiary NCS saw 3QFY24 revenue increase to S\$701m (-2% qoq, +4% yoy) on the back of increased project executions for both enterprise and government clients. Bookings stood strong at S\$694m (-2% qoq, +57% yoy) as NCS continued to see a healthy pipeline of projects across various sectors. 3QFY24 EBITDA margin rose to 10.7% (+2.2% pts qoq, +3.2% pts yoy), driven by cost optimisation efforts and reduction in acquisition related costs.
- Digital InfraCo's 3QFY24 revenue rose 15% yoy to S\$109m due to increased data centre contribution (from price up-lifts) and satellite deployment fees. EBITDA margin fell to 50.5% (+0.5% pts qoq, -9.5% pts yoy) on higher expansion and marketing costs. Singtel has rebranded its data centre business as Nxera.
- The divestment of cybersecurity arm Trustwave was completed in Jan 2024.
- Singtel expects to realise cost synergies from the consolidation of its consumer and enterprise business from FY25F onwards.

Optus

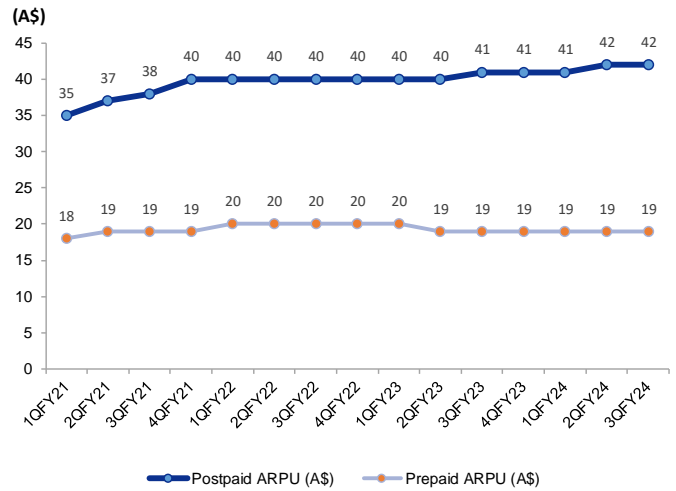
- In A\$ terms, Optus's 3QFY24 revenue stood at A\$2.05bn (+1% qoq, -2% yoy), as weaker revenue from the fixed enterprise segment was partially offset by stronger mobile service revenue (+1% qoq, +3% yoy).
- Postpaid subs were flat qoq and up 1% yoy in 3QFY24, with some qoq churn recorded (28k subs) arising from the network outage in Nov 2023. Postpaid ARPU rose 2% yoy and held steady qoq.
- Prepaid subs rose 1% qoq and 5% yoy in 3QFY24, while ARPU held flat (both qoq and yoy).
- As of Feb 2024, Singtel shared that Optus postpaid churn levels have stabilised and returned to net subs growth.
- 3QFY24 EBITDA margin rose 0.9% pts yoy to 25.8%, which we believe was driven by accelerated cost cutting efforts.
- Singtel booked a S\$54m provision for costs related to Optus's network outage in Nov 2023. We understand that the provision amount does not include any potential fines that could be imposed by the Australian Government. Based on our understanding, there is no clear timeline on when a verdict will be delivered.

Figure 6: Singapore mobile quarterly average revenue per user (ARPU) trend (S\$)



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 7: Optus mobile quarterly average revenue per user (ARPU) trend (A\$)



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 8: Earnings revision

FYE Mar (S\$ m)	New			Old			% change		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	14,181	14,533	15,037	14,126	14,572	15,086	0.4%	-0.3%	-0.3%
Singapore	7,057	7,248	7,591	6,978	7,142	7,475	1.1%	1.5%	1.6%
Australia	7,124	7,285	7,446	7,149	7,429	7,612	-0.3%	-1.9%	-2.2%
EBIT	1,201	1,323	1,468	1,166	1,306	1,430	3.0%	1.3%	2.7%
Associates' pre-tax contribution	2,208	2,488	2,786	2,350	2,733	2,927	-6.0%	-8.9%	-4.8%
Profit before tax	3,994	3,473	3,928	4,280	3,758	4,080	-6.7%	-7.6%	-3.7%
Tax expense	(893)	(987)	(1,074)	(993)	(1,067)	(1,103)	-10.1%	-7.5%	-2.6%
Net profit	3,093	2,477	2,845	3,278	2,682	2,968	-5.7%	-7.7%	-4.1%
Core net profit	2,212	2,527	2,895	2,263	2,732	3,018	-2.3%	-7.5%	-4.1%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: SOP-based target price derivation



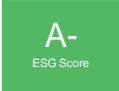





FYE Mar (S\$m)	FY25F	FY26F	FY27F	FY28F	FY29F
EBIT after tax adjustment	1,096	1,216	1,237	1,260	1,282
Depreciation and amortisation	2,097	2,123	2,141	2,158	2,176
Changes in working capital	(92)	(119)	(121)	(123)	(126)
Capex	(2,142)	(2,055)	(2,065)	(2,076)	(2,086)
FCFF	959	1,165	1,192	1,219	1,247
Total FCFF PV	4,614				
Terminal value	11,983				
Enterprise value	16,597				
Net cash/(debt)	(10,238)				
Regional investments	41,178				
Equity value	47,537				
No. of shares (m)	16,556				
Value per share (S\$)	2.87				

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 10: ASEAN telco sector comparison

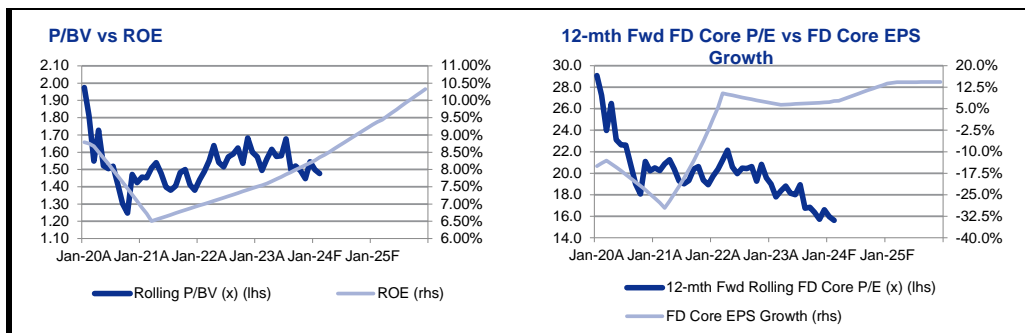
Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
			(lcl curr)	(lcl curr)		CY24F	CY25F	CY24F	CY25F	CY24F	CY25F
Indonesia telcos:											
Indosat	ISAT IJ	Add	10,950	10,500	5,663	17.3	12.6	5.1	4.6	1.9%	2.9%
Telekomunikasi Indonesia	TLKM IJ	Add	4,100	4,700	26,052	14.1	13.0	5.2	5.0	5.7%	6.1%
XL Axiata	EXCL IJ	Add	2,340	3,500	1,971	16.1	11.6	4.1	3.8	3.7%	6.1%
Indonesia telcos average						15.8	12.4	4.8	4.5	3.8%	5.0%
Malaysia telcos:											
Axiata Group	AXIATA MK	Add	2.77	3.25	5,324	35.4	19.1	4.1	3.8	3.6%	3.6%
CelcomDigi Bhd	CDB MK	Add	4.29	5.18	10,539	27.4	20.0	9.8	9.2	3.2%	4.8%
Maxis Berhad	MAXIS MK	Hold	3.78	4.00	6,199	22.4	20.5	9.8	9.3	4.8%	4.9%
Telekom Malaysia	T MK	Add	5.91	7.30	4,749	13.9	11.9	4.6	4.6	5.1%	4.6%
Malaysia telcos average						24.8	17.9	7.1	6.7	4.2%	4.5%
Singapore telcos:											
Netlink NBN Trust	NETLINK SP	Add	0.84	0.95	2,439	30.5	29.8	12.7	12.5	6.5%	6.6%
SingTel	ST SP	Add	2.37	2.87	29,147	15.9	13.9	8.7	8.1	5.3%	6.1%
Starhub	STH SP	Add	1.15	1.25	1,470	12.8	11.4	5.8	5.4	6.5%	7.0%
Singapore telcos average						19.7	18.4	9.0	8.7	6.1%	6.5%
Thailand telcos:											
Advanced Info Service	ADVANC TB	NR	209.00	NA	17,056	20.2	18.2	8.1	7.9	4.4%	4.8%
Digital Telecommunications Infrastructure Fund	DIF TB	NR	7.90	NA	2,312	7.2	7.1	8.6	8.6	11.6%	11.5%
Intouch Holdings	INTUCH TB	NR	70.75	NA	6,219	18.2	16.5	17.4	15.5	5.0%	5.5%
True Corporation	TRUE TB	NR	6.55	NA	6,844	nm	44.6	7.8	7.2	0.2%	0.9%
Thailand telcos average						15.2	21.6	10.5	9.8	5.3%	5.7%
ASEAN telcos average						18.9	17.6	7.9	7.4	4.8%	5.4%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Note: All forecasts for Not rated companies are based on Bloomberg consensus estimates
Data as of 23 Feb 2024

Refinitiv ESG Scores	
       	
<p>ESG in a nutshell</p> <p>SingTel is our top-ranked ASEAN telco for sustainability, thanks to its: i) robust cybersecurity system and well-placed position to capture the strong demand for cybersecurity services in Singapore and Asia-Pacific, ii) industry-leading efforts in staff training/development and providing a positive workplace environment, iii) more ambitious and concrete targets/roadmap than peers towards net zero carbon emissions by 2050, as well as iv) leadership in driving financial inclusion and positioning itself for future opportunities in digital financial services.</p>	
<p>Keep your eye on</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.</p> <p>Separately, GXS Bank (Grab-Singtel's 60:40 digital bank joint venture) commenced its Singapore operations in Aug 2022. At end-Apr, a consortium led by GXS Bank and Kuok Brothers also secured a digital banking licence in Malaysia, with operations to begin after a 12- to 24-month period of operational readiness.</p>	<p>Implications</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.</p> <p>Meanwhile, we have not included the value accretion from the digital bank business into our SOP valuation of Singtel as investors may only start to recognise its value in CY24-25F, when operating indicators are possibly disclosed, in our view.</p>
<p>ESG highlights</p> <p>SingTel has set a target of females to comprise 32% of its management by end-FY3/25F. The proportion of female management stood at 31% as of end-FY3/23 (FY3/22: 28%).</p>	<p>Implications</p> <p>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 and acquisitions and regulatory developments, in our view. However, Singtel's already-good rankings and potential further improvements in ESG disclosures/performance in the medium-to-longer term (5-10 year timeframe) could be upside risks and help it garner more interest from ESG-focused investors, in our view.</p>
<p>Trends</p> <p>Singtel's carbon emissions fell 11% yoy in FY23 and was 20% lower vs. FY15. We believe the Environmental pillar may gain importance in the future, amid: i) Singtel's growing data centre business, and ii) the Singapore government's staggered hike in the carbon tax from the current S\$5/tCO₂e for 2019-23 to S\$25 in 2024-25, and S\$45 in 2026-27, with a view to reach S\$50-80 by 2030 (as per its 2022 budget announcement in Feb 2022).</p>	<p>Implications</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: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	15,339	14,624	14,181	14,533	15,037
Gross Profit	3,767	3,686	3,636	3,815	3,989
Operating EBITDA	3,767	3,686	3,636	3,815	3,989
Depreciation And Amortisation	(2,723)	(2,574)	(2,435)	(2,492)	(2,521)
Operating EBIT	1,045	1,112	1,201	1,323	1,468
Financial Income/(Expense)	(313)	(359)	(297)	(288)	(276)
Pretax Income/(Loss) from Assoc.	2,136	2,287	2,208	2,488	2,786
Non-Operating Income/(Expense)	25	172	881	(50)	(50)
Profit Before Tax (pre-EI)	2,893	3,212	3,994	3,473	3,928
Exceptional Items					
Pre-tax Profit	2,893	3,212	3,994	3,473	3,928
Taxation	(934)	(978)	(893)	(987)	(1,074)
Exceptional Income - post-tax					
Profit After Tax	1,959	2,234	3,101	2,486	2,854
Minority Interests	(11)	(8)	(9)	(9)	(9)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,948	2,225	3,093	2,477	2,845
Recurring Net Profit	1,923	2,053	2,212	2,527	2,895
Fully Diluted Recurring Net Profit	1,923	2,053	2,212	2,527	2,895

Cash Flow

(\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	3,767	3,686	3,636	3,815	3,989
Cash Flow from Inv. & Assoc.	(607)	(1,653)	(1,827)	(1,614)	(1,826)
Change In Working Capital	584	270	(70)	(679)	(92)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2,432	3,762	3,820	4,430	3,732
Net Interest (Paid)/Received	(404)	(416)	(436)	(423)	(411)
Tax Paid	(164)	(352)	(347)	(299)	(325)
Cashflow From Operations	5,609	5,298	4,776	5,230	5,068
Capex	(2,217)	(2,162)	(2,086)	(2,003)	(1,917)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	1,666	1,553	647	367	367
Other Investing Cashflow	(93)	(1,693)	(63)	(5)	(4)
Cash Flow From Investing	(644)	(2,302)	(1,502)	(1,641)	(1,554)
Debt Raised/(repaid)	(2,710)	(641)	(589)	(340)	(341)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,139)	(1,964)	(2,558)	(2,014)	(2,278)
Preferred Dividends					
Other Financing Cashflow	583	(336)	(443)	(430)	(418)
Cash Flow From Financing	(3,266)	(2,941)	(3,590)	(2,783)	(3,036)
Total Cash Generated	1,698	55	(317)	807	478
Free Cashflow To Equity	2,254	2,355	2,685	3,250	3,174
Free Cashflow To Firm	5,368	3,412	3,709	4,012	3,925

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	2,130	1,668	1,806	2,451	3,075
Total Debtors	5,245	5,013	5,012	5,116	5,273
Inventories	270	346	280	273	281
Total Other Current Assets	485	1,556	1,556	1,556	1,556
Total Current Assets	8,130	8,583	8,653	9,396	10,186
Fixed Assets	10,892	10,385	10,723	10,925	11,019
Total Investments	13,040	11,788	11,065	10,804	10,755
Intangible Assets	11,977	10,990	10,897	10,739	10,577
Total Other Non-Current Assets	5,092	4,785	4,785	4,785	4,785
Total Non-current Assets	41,001	37,947	37,469	37,253	37,136
Short-term Debt	1,072	471	471	471	471
Current Portion of Long-Term Debt					
Total Creditors	5,596	5,310	4,564	4,570	4,616
Other Current Liabilities	2,388	2,518	2,518	2,518	2,518
Total Current Liabilities	9,055	8,299	7,553	7,559	7,605
Total Long-term Debt	7,204	7,142	6,554	6,214	5,874
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,762	5,074	5,466	5,860	6,258
Total Non-current Liabilities	11,967	12,217	12,020	12,075	12,132
Total Provisions	0	0	0	0	0
Total Liabilities	21,022	20,516	19,573	19,634	19,737
Shareholders' Equity	28,093	25,998	26,532	26,996	27,563
Minority Interests	17	16	18	19	21
Total Equity	28,109	26,014	26,550	27,015	27,585

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	(1.95%)	(4.66%)	(3.03%)	2.48%	3.47%
Operating EBITDA Growth	(1.68%)	(2.16%)	(1.37%)	4.93%	4.56%
Operating EBITDA Margin	24.6%	25.2%	25.6%	26.2%	26.5%
Net Cash Per Share (S\$)	(0.37)	(0.36)	(0.32)	(0.26)	(0.20)
BVPS (S\$)	1.70	1.58	1.61	1.64	1.67
Gross Interest Cover	2.59	2.67	2.75	3.13	3.57
Effective Tax Rate	32.3%	30.5%	22.3%	28.4%	27.3%
Net Dividend Payout Ratio	58.5%	88.3%	82.7%	81.3%	80.1%
Accounts Receivables Days	127.2	128.0	129.4	127.2	126.1
Inventory Days	8.54	10.28	10.86	9.41	9.15
Accounts Payables Days	182.5	182.0	171.3	155.5	151.7
ROIC (%)	2.66%	2.98%	3.69%	3.62%	4.06%
ROCE (%)	3.09%	3.34%	3.99%	4.33%	4.74%
Return On Average Assets	4.47%	5.19%	7.19%	5.80%	6.50%

Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Singapore total mobile subs (000s)	4,129.0	4,309.0	4,529.0	4,699.0	4,854.0
Optus total mobile subs (000s)	9,927.0	10,352.0	10,502.0	10,707.0	10,957.0
Singapore blended mobile ARPU (S\$/mth/sub)	24.0	26.4	26.1	26.4	26.4
Optus blended mobile ARPU (A\$/mth/sub)	31.0	31.0	31.2	31.3	31.4

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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

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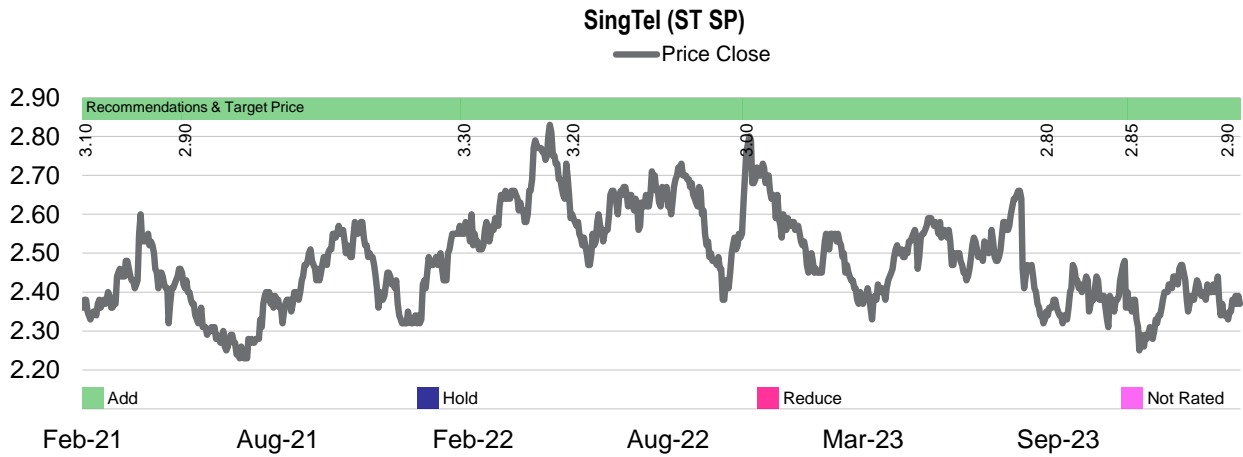
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023 636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

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.

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.

Sector Ratings

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.

Country Ratings

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.