



Singapore Telecommunications Ltd

Prices are up, costs down, but currency headwind



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SINGAPORE | TELECOMMUNICATIONS | 1Q25 UPDATE

- 1Q25 results were within expectation. Revenue and EBITDA were 23%/25% of our FY25e forecast. Optus reported stronger margins offset by weaker associate income due to currency depreciation. 1Q25 net profit growth was largely driven by an absence of losses in Trustwave.
- Associate earnings were down 5% YoY to S\$406mn. A weaker Indonesia rupiah pulled down Telkomsel's net profit by 6.3% points. Bharti suffered from Nigerian Naira translation losses and higher interest expenses from the additional stake in Airtel.
- We maintain BUY with an unchanged target price of S\$3.44. Our ACCUMULATE recommendation is unchanged. We nudge our PATMI by 2% to account for lower depreciation. Optus operations are benefiting from S\$200mn cost-out plans p.a. Associates will ride on higher mobile price plans, especially India's repricing in July. Currency depreciation will be the headwind. Further monetization of assets will be a share price catalyst.

Results at a glance

SGDmn	1Q25	1Q24	YoY	Comments
Revenue	3,414	3,488	-2%	0.1% points negative impact from currency.
- Singtel Singapore	933	937	0%	Postpaid Subs. +3.3%, Postpaid ARPU +4.1%.
- Optus	1,722	1,785	-4%	Postpaid Subs. +0.3%, Postpaid ARPU +4.0%.
- NCS	707	681	4%	Bookings of ~\$900mn secured in the quarter.
EBITDA	977	902	8%	Includes Trustwave S\$25mn loss in 1Q24.
- Singtel Singapore	385	382	1%	Legacy fixed voice and data pulled down earnings.
- Optus	475	456	4%	
- NCS	84	75	12%	Cost optimization efforts.
Regional Associates PAT	406	426	-5%	4.4% points negative impact from currency.
- Telkomsel	155	169	-8%	6.3% points depreciation in rupiah.
- AIS	74	65	14%	
- Bharti	80	112	-29%	Currency depreciation in African currencies.
PAT	693	486	43%	Includes gain of S\$88mn vs S\$88mn loss in 1Q24.
Underlying PAT	602	572	5%	Most of the growth from Trustwave losses.

Source: Company, PSR # Note - No analyst briefing and limited financials were provided in the 1Q25 update

The Positive

+ Margin improvement in Australia. Optus's revenue decline was due to lower ICT and project-based satellite revenue. This was despite the 5% YoY growth in mobile revenue supported by postpaid ARPU jumping 5% YoY to A\$33. EBITDA margins expanded 2% points to 27.6%. An exceptional staff restructuring cost of S\$13mn was recorded this quarter.

The Negative

- Currency depreciation pulls down associates. Associate net earnings declined 5% YoY to S\$406mn, currency headwind was 4.4% points. Telkomsel suffered a 6.3%-point decline in rupiah. Meanwhile, Bharti recognised currency devaluation in Africa and higher finance expenses with the additional stake in Airtel.

Outlook

Mobile price repair is underway in multiple countries, including Australia, India, Thailand, and the Philippines. This, together with cost optimization efforts in Optus and Singapore, will support operating earnings. Data centres will be another area of growth from new capacity and GPU service opportunities.

Maintain ACCUMULATE with an unchanged TP of S\$3.44

18 August 2024

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 2.980
FORECAST DIV	SGD 0.158
TARGET PRICE	SGD 3.440
TOTAL RETURN	20.7%

COMPANY DATA

BLOOMBERG CODE:	ST SP
O/S SHARES (MN) :	16,513
MARKET CAP (USD mn / SGD mn) :	37356 / 49209
52 - WK HI/LO (SGD) :	3.11 / 2.25
3M Average Daily T/O (mn) :	39.93

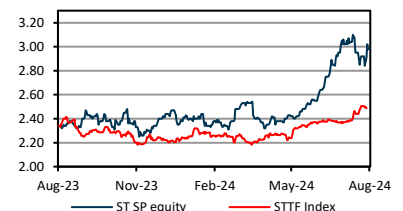
MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	50.3%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.3	25.9	23.9
STTF	(2.0)	3.2	7.8

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar, SGDmn	FY23	FY24	FY25e	FY26e
Revenue	14.62	14.13	14.57	15.04
EBITDA	3.69	3.60	3.84	4.05
Net Profit	2.05	2.26	2.36	2.65
DPS (cents)	14.9	15.0	15.8	16.3
EPS-adj. (cents)	12.4	13.7	14.3	16.1
P/E (X)-adj.	24.0	21.8	20.9	18.6
Dividend Yield	5.0%	5.0%	5.3%	5.5%
ROE	7.6%	8.9%	9.3%	10.3%
ROA	4.3%	4.9%	5.1%	5.8%

Source: Company, PSR

VALUATION METHOD

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

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Financials

Income Statement

Y/E Mar, SGD 'Mn	FY22	FY23	FY24	FY25e	FY26e
Revenue	15,339	14,624	14,128	14,567	15,041
Operating Profit	3,614	3,491	3,378	3,689	3,855
EBITDA	3,767	3,686	3,597	3,839	4,047
Depreciation & Amortisation	(2,723)	(2,574)	(2,444)	(2,499)	(2,588)
EBIT	1,045	1,112	1,153	1,340	1,459
Net Finance Inc/(Exp)	(404)	(416)	(444)	(399)	(381)
Associates	1,653	1,827	1,362	1,922	2,127
Profit before tax	2,621	2,598	961	2,995	3,249
Taxation	(662)	(365)	(158)	(539)	(585)
Non-controlling interest	(11)	(8)	(9)	(12)	(13)
Net profit, reported	1,949	2,225	795	2,444	2,651
Exceptional	25	172	(1,466)	88	-
Net profit, adjusted	1,924	2,053	2,261	2,356	2,651

Per share data (SGD Cents)

Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	11.8	13.5	4.8	14.8	16.1
EPS, adjusted	11.6	12.4	13.7	14.3	16.1
DPS	9.3	14.9	15.0	15.8	16.3
BVPS	169.9	157.6	151.0	154.3	158.3

Cash Flow

Y/E Mar, SGD 'Mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax	2,621	2,598	961	2,995	3,249
Adjustments	1,136	1,048	2,600	932	798
WC changes	270	(70)	85	(536)	(14)
Cash generated from ops	4,027	3,576	3,646	3,391	4,033
Tax paid	(352)	(347)	(341)	(539)	(585)
Cashflow from ops	5,298	4,776	4,718	3,964	4,704
CFI					
CAPEX & IA, net	(2,217)	(2,162)	(2,150)	(2,800)	(2,300)
Others	1,850	(21)	2,610	44	45
Cashflow from investments	(644)	(2,302)	247	(2,756)	(2,255)
CFE					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	(1,650)	542	1,169	(500)	(500)
Dividends	(1,139)	(1,964)	(2,146)	(1,898)	(1,997)
Others	(477)	(1,519)	(1,015)	(399)	(381)
Cashflow from financing	(3,266)	(2,941)	(1,993)	(2,797)	(2,879)
Net change in cash	1,387	(467)	2,973	(1,589)	(430)
CCE, end	2,149	1,644	4,595	3,006	2,576

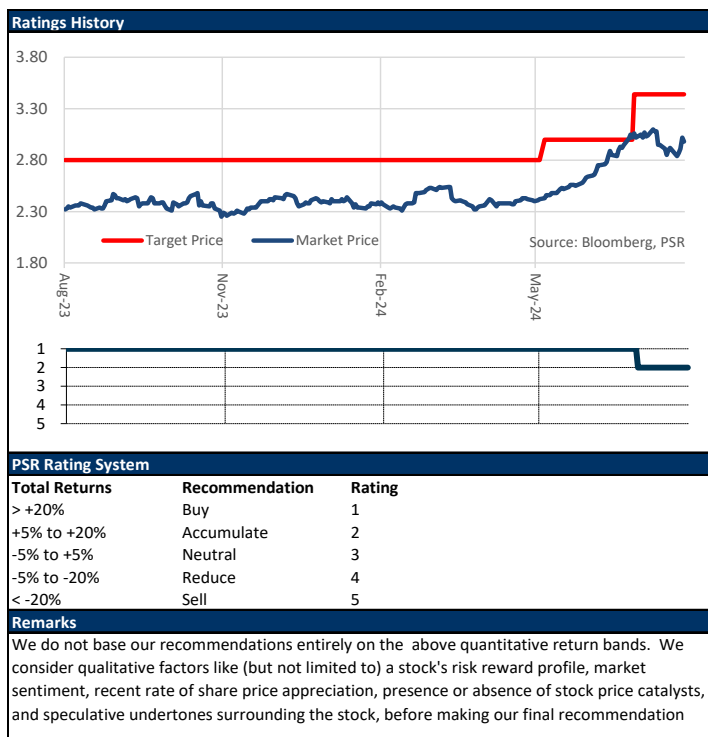
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, SGD 'Mn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Accounts receivables	5,245	5,013	5,006	4,807	4,964
Cash	2,130	1,668	4,605	3,016	2,587
Inventories	270	346	301	291	301
Others	485	1,556	448	448	448
Total current assets	8,130	8,583	10,360	8,562	8,299
PPE & IA	22,870	21,374	18,274	18,575	18,286
Others	18,131	16,573	17,565	18,374	19,245
Total non-current assets	41,001	37,947	35,838	36,949	37,531
Total Assets	49,131	46,530	46,199	45,511	45,830
LIABILITIES					
Accounts payables	5,596	5,310	5,406	4,661	4,813
Short term loans	1,841	1,202	911	911	911
Tax payable	769	731	887	887	887
Total current liabilities	9,055	8,299	7,649	6,905	7,056
Long term loans	10,254	9,911	11,330	10,830	10,330
Deferred tax liabilities	499	543	540	540	540
Others	1,213	1,764	1,715	1,715	1,715
Total non-current liabilities	11,967	12,217	13,584	13,084	12,584
Total Liabilities	21,022	20,516	21,234	19,989	19,641
EQUITY					
Non-controlling interests	(15)	9	37	49	63
Shareholder Equity	28,124	26,005	24,928	25,473	26,127

Valuation Ratios

Y/E Mar	FY22	FY23	FY24	FY25e	FY26e
P/E (X)-adj.	25.6	24.0	21.8	20.9	18.6
P/B (X)	1.8	1.9	2.0	1.9	1.9
EV/EBITDA (X)	15.6	15.8	15.7	15.0	14.2
Growth & Margins					
Growth					
Revenue	-1.9%	-4.7%	-3.4%	3.1%	3.3%
EBITDA	-1.7%	-2.2%	-2.4%	6.7%	5.4%
EBIT	-8.9%	6.4%	3.7%	16.2%	8.8%
Net profit, adj.	11.0%	6.7%	10.1%	4.2%	12.5%
Margins					
Gross margin	23.6%	23.9%	23.9%	25.3%	25.6%
EBITDA margin	24.6%	25.2%	25.5%	26.4%	26.9%
EBIT margin	6.8%	7.6%	8.2%	9.2%	9.7%
Net profit margin	12.5%	14.0%	16.0%	16.2%	17.6%
Key Ratios					
ROE	7.0%	7.6%	8.9%	9.3%	10.3%
ROA	4.0%	4.3%	4.9%	5.1%	5.8%
Dividend Payout	80.0%	119.8%	311.4%	106.7%	101.5%
Dividend Yield	3.1%	5.0%	5.0%	5.3%	5.5%



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