



Singapore Telecommunications 2014/15 Q1 (end-June)

Analyst: Ryan Huang

Key Findings

1. Stronger SGD erodes overseas profits
2. Australian unit Optus posts weak metrics
3. Singapore revenue on uptrend

Matrix sees SingTel as **NEUTRAL** with short bias

More of the same story from previous results, with the stronger Sing dollar and Australian weakness putting pressure on overall results.

The positives came from the strong domestic performance, particularly growth in home revenue (+11%) and mobile (+2%). Household ARPU was up 13% to \$61, partly boosted by the World Cup. SingTel's mobile share also rose slightly to 48%.

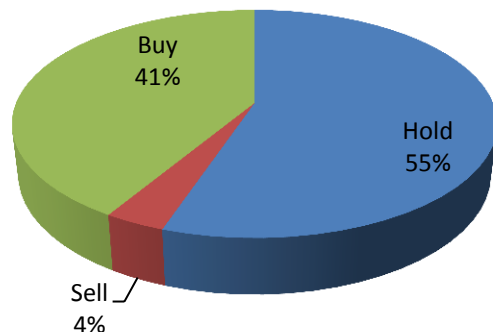
Australia's Optus results were soft, especially in contrast with rival Telstra. Optus lost 25,000 subscribers in Q1 sequentially, driven by 38,000 postpaid losses more than offsetting prepaid gains.

Contribution from associates was up 8% to \$622m (19% in constant currency), lifted by Bharti and Globe.

Over the past months though, there have been some interesting developments that potentially set up a long term competitive advantage and ARPU boost. SingTel's recently introduced 4G+Wi-Fi bundle, essentially Wi-Fi offloading, promises to improve data coverage while relieving network strains. This leveraging of its network infrastructure will be something rivals may find it hard to match on the same scale.

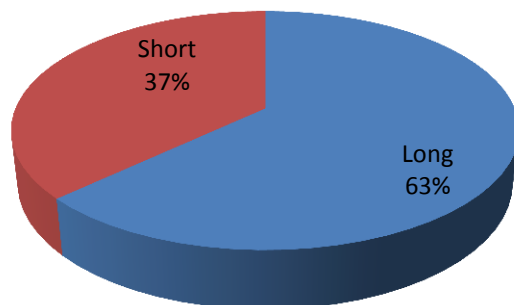
However based on the latest numbers, we see few catalysts and any further upside on stock price to be capped until we get more exciting metrics.

How analysts are positioned



Current Market price: \$3.91 Consensus 12mth Target: \$4.09
Premium/discount: **4.6% discount**

What IG clients think of SingTel





SINGTEL 2014/15 Q1 – KEY FIGURE COMPARISONS

Actual Earnings	Q1FY15 Actuals	Q1FY14 Actuals	% Change	Comment	IG
Revenue (m)	\$4,148	\$4,293	-3.3%	Softer Australia results in fixed revenue & equipment sales	M
Net Profit (m)	\$834	\$1,011	-17.5%	Previously included exceptional gain of \$150m from dilution of Airtel stake, & A\$24m restructuring costs in Australia	M
EBITDA Margin	30.2%	30.2%	-	Stronger Singapore consumer growth offset by weaker Australia revenue	I
% Capex to Revenue	13	13	-	Net debt gearing ratio down to 21% from 21.2%	I
Actuals VS Consensus	Q1FY14 Actuals	Consensus Estimates	Diff.	Comment	IG
Revenue (m)	\$4,148	\$4,152	-0.11%	Stronger Singapore dollar eroded overseas revenue	I
Earnings/Share	\$0.052	\$0.06	-13.33%	Ad unit wins key customers Sony and Samsung, but Digital Life losses widened to \$46m from \$32m	M
Net Profit (m)	\$834.6	\$925	-9.77%	Initiatives to raise ARPU and lock in users are underway but will take more time	M
Final Dividend	-	-	-	Stronger cash flows from Singapore and Australia, but not likely to see more dividends payouts	I





Singapore Telecommunications Ltd (SGX) 08:00 18/08/14 H: 3.9200 L: 3.8700 -0.0200 -0.51%



Technical view:

After coming off its one-year high of \$4.07 last month, SingTel's stock price looks to be in consolidation and poised for a breakout on the next catalyst. It currently appears to be respecting its support level of around \$3.84.

DEFINITIONS:

INLINE: The author considers a result within +/-2% of estimates or comparable actuals as INLINE and are unlikely to be seen as materially different. That is not to say that under certain circumstances a beat or miss of 2% will would not be seen as a market sensitive but it is likely to be less material than a result outside of these boundaries.

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