Singtel

Version 5 | Bloomberg: ST SP | Reuters: STEL.SI

DBS Group Research . Equity

24 Oct 2018

BUY

Last Traded Price (23 Oct 2018): S$3.13 **(STI :** 3,031.39)
Price Target 12-mth: S$3.64 (16% upside) (Prev S$3.70)

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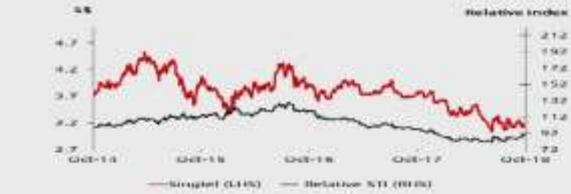
What's New

- Weak TPG capex in Singapore and TPG-Vodafone merger in Australia reduce risk of irrational competition
- FY19F/20F EPS cut 5% each in anticipation of potentially weak Bharti; Singtel's earnings have possibly bottomed out in 1Q19
- Maintain BUY with lower TP of S$3.64

Price Relative



Forecasts and Valuation

FY Mar (S$m)	2018A	2019F	2020F	2021F
Revenue	17,268	17,369	17,964	18,569
EBITDA	7,512	6,853	7,193	7,580
Pre-tax Profit	6,797	4,214	4,507	5,206
Net Profit	5,474	3,097	3,266	3,665
Net Pft (Pre Ex.)	3,594	3,097	3,266	3,665
Net Pft Gth (Pre-ex) (%)	(7.5)	(13.8)	5.5	12.2
EPS (S cts)	33.5	19.0	20.0	22.5
EPS Pre Ex. (S cts)	22.0	19.0	20.0	22.5
EPS Gth Pre Ex (%)	(7)	(14)	5	12
Diluted EPS (S cts)	33.5	19.0	20.0	22.5
Net DPS (S cts)	20.5	17.5	17.5	17.5
BV Per Share (S cts)	182	180	183	188
PE (X)	9.3	16.5	15.6	13.9
PE Pre Ex. (X)	14.2	16.5	15.6	13.9
P/Cash Flow (X)	11.9	11.1	13.2	13.7
EV/EBITDA (X)	8.1	8.9	8.5	8.0
Net Div Yield (%)	6.5	5.6	5.6	5.6
P/Book Value (X)	1.7	1.7	1.7	1.7
Net Debt/Equity (X)	0.3	0.3	0.3	0.3
ROAE (%)	18.9	10.5	11.0	12.1
Earnings Rev (%):		(5)	(5)	N/A
Consensus EPS (S cts):		20.8	22.4	23.7
Other Broker Recs:		B: 17	S: 0	H: 6

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

Rising associate's contribution to drive the share price

Fixed dividend commitment of 17.5 Scts over FY19-20F each (5.5% yield) with 6% EPS CAGR over FY19F-21F. Current quarter associates' profit contribution has been a critical factor for Singtel's share price historically. Associates' profit contribution bottomed out in 1Q19 possibly and is expected to grow in FY20F (after two years of decline) led by Telkomsel, AIS and Globe despite delay in Bharti's recovery. Besides, core business is likely to be stable too as soon-to-be merger of Vodafone-TPG in Australia and TPG's abysmally low capex in Singapore (~S$66m so far) have significantly reduced the risk of irrational competition. Singtel is attractive at 12-month forward PER of 16x, -1SD of its 17x historical average and offers 5.5% yield.

Where we differ: (1) Our revised FY19F/20F EPS is 5% below consensus mainly due to lower projections than consensus for Bharti and Telkomsel, (2) We value Digital Life! and cyber security businesses at 13 Scts per share based on ~1x revenue versus market ascribing them a negative value of 3 Scts per share. Singtel may exit these businesses over the next two years.

Potential catalysts: Sequential rise in Singtel's earnings in 2Q19F due to Telkomsel's recovery, 6.8-Sct DPS in December, Singtel raising its stakes in regional associates.

Valuation:

BUY with a revised TP of S$3.64. We lower our sum-of-the-parts (SOTP) valuation to S$3.64, due to the decline in the market capitalisation of Bharti and weaker regional currencies partially offset by rise in the value of Telkomsel.

Key Risks to Our View:

Bear-case valuation of S$2.70 suggests -9% risk. This assumes (i) 20% drop in the core valuation due to EBITDA decline vs. stable EBITDA, (ii) 20% drop in Bharti's, Telkomsel's valuations and 10% drop in market cap of other associates; (iii) 15% holding company discount vs. 5% base case.

At A Glance

Issued Capital (m shrs)	16,329
Mkt. Cap (Sm/USm)	51,110 / 37,074
Major Shareholders (%)	
Temasek Holdings	52.3
Free Float (%)	47.7
3m Avg. Daily Val (US$m)	45.5

ICB Industry : Telecommunications / Fixed Line Telecommunications

WHAT'S NEW

Key risks minimised in the core markets

TPG's capex spend too low to pose a threat. TPG has so far spent A$66.7m (S$65.7m) in cumulative capex on its Singapore roll-out, ~22-32% of its planned S$200-300m of capex. The telco revealed that its production network covers ~90% of outdoor areas during its FY18 results briefing and mentioned that it is on track to meet the nationwide coverage requirement by December 2018, as set forth by IMDA. TPG is likely to delay the commercial launch of its services to 2Q19 from late 2018, citing delays in negotiating access to the jointly built common antenna systems of the incumbents and network testing. TPG is said to be launching 4G trials in 4Q18 followed by a commercial launch of services in 2Q19.

At the current level of capex spend, TPG's network at commercial launch is unlikely to pose a threat to the incumbents, in our view. We estimate that StarHub, the second largest operator in Singapore, is likely to have spent over S$600m on its 4G network since 2013, almost 10x of the current capex spend of TPG on its 4G network. We are of the view that to become a disruptive market player in Singapore, TPG would need to significantly ramp up its roll-out capex to provide ubiquitous coverage. For instance, Reliance Jio in India, spent almost US$15-20bn upfront to build its 4G network from ground up before its commercial launch, which is nearly 4x the average annual capex Bharti has spent over the past five years on expanding mobile coverage in India. (Average 5-year annual capex spend by Bharti on mobile services in India is ~US$900m after assuming 40% of capex is spent on network maintenance.

While TPG is likely to meet the outdoor coverage requirements by 2018, quality of the outdoor network is likely to be poor with patchy and inadequate coverage inside buildings and MRTs given its current capex spend. This would make it difficult for TPG to lure low-end subscribers, who already enjoy much better network quality and coverage through Mobile Virtual Network Operators (MVNOs) riding on the incumbent's mobile networks.

TPG capex spend still inadequate

FY18 CASH FLOW

$m

	FY18	FY17
Operating Cash Flow	868.3	869.7
Tax	(194.5)	(147.0)
Capex – Australia – BAU	(258.0)	(362.5)
Capex – Australia – mobile spectrum	(597.3)	(83.1)
Capex – Singapore – mobile spectrum	-	(124.4)
Capex – Australia – mobile network	(38.7)	(1.9)
Capex – Singapore – mobile network	(62.3)	(4.4)
IRU/finance lease payments	(34.1)	(27.0)
Operating Cash Flow less Capex	(316.6)	119.4

Source: TPG FY18 Financials

StarHub is estimated to have spent over S$600m on its 4G network

StarHub Capex (S$m)	FY13	FY14	FY15	FY16	FY17
StarHub Cash Capex (ex. Spectrum)	303	322	329	287	296
Capex on broadband services (30%)	91	97	99	86	89
Capex on Mobile services (70%)	212	225	230	201	207
Maintenance mobile capex (40%)	85	90	92	80	83
Capex on 4G expansions	127	135	138	121	124
Cumulative 4G capex (assumed)					**646**

Assuming 30% of capex spend by StarHub is allocated for broadband services while 40% of mobile capex is spent on network maintenance.
Source: StarHub, DBS Bank

Not meeting coverage requirements could cause penalties or forced industry consolidation. We believe TPG would need to significantly boost its capex spend and network roll-out over 2019, in order to meet IMDA's road tunnel and in-building coverage requirements by December 2019. TPG would also need to negotiate access to common antenna systems of the incumbents, given the limited availability of space for deploying antennas in key sites. Any potential delays in TPG's network ramp-up or negotiating access to the incumbents' networks could lead to TPG failing to meet the coverage deadlines set by IMDA. While this is likely to result in only a fine (S$5,000-50,000) in the first few instances, continued failure to meet coverage requirements, particularly owing to issues in securing funding for capex, could prompt the regulator to mediate a forced consolidation of the industry or push TPG to dispose its spectrum assets to an incumbent.

QoS required by IMDA

Performance Indicators	QoS Standards	Effective date for new operator
Nationwide outdoor coverage	>95% coverage with signal strength of -109dBm or better >99% coverage with signal strength of -109dBm or better (average across all outdoor space)	1 January 2019 1 January 2020
Tunnel coverage	>99% coverage with signal strength of -109dBm or better in all road and MRT tunnels	1 January 2020 (for road tunnels) 1 January 2022 (for underground MRT stations/lines)
In-building coverage	>85% coverage with signal strength of -109dBm or better in each building	1 January 2020

Source: IMDA

TPG Merger

Potential merger of TPG and Vodafone heralds a cooler telecom market in Australia. In August 2018, TPG and Vodafone Hutchison Australia announced a merger to establish a full-service telecommunications provider in the country, covering both mobile and fixed-line services in order to better challenge the dominant players, Telstra and Optus. If the merger goes through, 49.9% of the new entity will be owned by TPG shareholders and 50.1% by Vodafone Hutchison Australia shareholders. Following the merger, the group will be listed on the Australian Stock Exchange under the TPG name as Vodafone Hutchison Australia is not publicly listed. TPG also intends to separate its Singapore mobile operations before the implementation of the merger by way of an in-specie distribution.

Illustrative Merged Group shareholder structure

Source: TPG Australia

The merger of TPG and Vodafone Hutchison Australia will create a strong third player in Australia with ~20% and ~22% market shares in the mobile and fixed-line industries respectively. Accordingly, this will result in 1.9m fixed-line residential subscribers and 6.0m mobile subscribers, to whom complementary products and complete solutions can be offered. We expect the combined entity to focus on further enhancing profitability rather than engaging in price wars.

TPG unlikely to cause major disruption in Australia. We expect this merger to create better competitive conditions for the top three players as the risk of an alien operator, TPG, disrupting the low-end mobile market through aggressive pricing is now contained. TPG was slated to enter Australia as the fourth mobile network operator, after having acquired spectrum rights in the 700MHz spectrum band. The telco was contemplating aggressive pricing strategies, having announced plans to offer free unlimited mobile data for six months (A$9.99 thereafter). While we had expected to see some disruption in the price-sensitive quarter of the market, we believe such risks have now subsided with TPG's potential merger with Vodafone.

Funding of Singapore expansions remains a key concern. As part of the merger agreement, TPG Singapore will be spun off as an independent company with an in-specie distribution of shares to existing TPG shareholders, subject to the approval of IMDA. The creation of a new entity raises doubts of TPG's capacity to fund its expansions in Singapore. TPG would likely need to spend at least S$140-240m over the next 2-3 years for its Singapore roll-out and as per our base case of TPG grabbing ~4% revenue market share by 2022, the entity is likely to remain cash flow negative till 2022, three years after its commercial launch in 2019. Potential financial strains on TPG's Singapore operations could force the operator to make an exit or prompt the regulator to mediate a transfer of TPG's Singapore business to an incumbent operator.

Regional Associates

Associate contributions to bottom out in FY19F

Associate Pre-tax contributions (S$m)	FY17A	FY18A	FY19F	FY20F
Telkomsel	1422	1,372	1,156	1,236
			(1165 earlier)	(1167 earlier)
Bharti Airtel	580	216	-142	-27
			(156 earlier)	(469 earlier)
AIS	420	450	527	593
			(534 earlier)	(569 earlier)
Globe	288	266	318	331
			(255 earlier)	(287 earlier)
NetLink	159	82	15	20
Others including SingPost	72	68	51	53
Total	**2,941**	**2,454**	**1,921**	**2,204**
			(2181 earlier)	**(2576 earlier)**

YoY Growth	FY18A	FY19F	FY20F
Telkomsel	-4%	-16%	7%
Bharti Airtel	-63%	-166%	nm
AIS	7%	17%	12%
Globe	-8%	19%	4%
NetLink	-48%	-81%	31%
Others including SingPost	-6%	-32%	10%
Overall	**-17%**	**-22%**	**15%**

Source: DBS Bank

Contributions from Telkomsel likely to return to high single-digit growth in FY20F if the Indonesian Rupiah stabilises. Contributions from Telkomsel dipped 22%/38% over 4Q18/1Q19 as Telkomsel grappled with the loss of subscribers and intense competition in the industry in the first half of 2018 due to the prepaid SIM registration exercise, which marked its end in May 2018. Competitive conditions have since improved, with Telkomsel instituting a series of price revisions and quota curtailments to uplift the depressed data yields of the industry. Contributions from Telkomsel is likely to record mid-to-high double-digit decline in FY19F given weakness in 1H18 and 8.6% YTD depreciation of the Indonesian Rupiah against the Singapore Dollar.

We believe contributions from Telkomsel would return to high single-digit growth from 4Q19 supported by benign competitive conditions in Java, which contributes ~40% of Telkomsel's top line. Mid-to-high double-digit growth would be unlikely in FY20F as Telkomsel is likely to lose revenue share outside Java to a major operator that is aggressively expanding coverage in the region, challenging Telkomsel's high price premiums outside Java. Telkomsel also has ~50% exposure to declining legacy revenues, which would further weigh on its growth in FY20F.

Bharti's earnings recovery pushed back to FY21F from FY20F earlier. 1Q19 marked the second consecutive quarter of negative contributions from Bharti, with Singtel recording a S$63m loss from the former. There are two key reasons for a less bullish view.

Firstly, we do not see a let-up in competition till Jio overtakes Bharti in revenue share at the least. Including National Long Distance (NLD), Jio's revenue share stood at ~25% vs. ~31% for Bharti and ~35% for Vodafone-Idea as of June 2018.

Secondly, voice and SMS comprise ~70% of Bharti's revenue and with cheap smartphones priced ~S$30, continued growth in data should cannibalise Bharti's legacy revenue till data contribute the majority of Bharti's revenue.

The integration of operations of Vodafone and Idea is fraught with complications caused by vendor and staff issues and the combined entity is highly levered with a 10.2x net debt-to-

EBITDA (5.7x after adjusting for opex synergies from the merger) vs. 3.2x for Bharti. We expect Jio and Bharti to persist with aggressive pricing to gain subscribers from Vodafone-Idea.

We project contributions from Bharti to dip into negative territory in FY19F (-S$142m vs. +S$156m earlier) and FY20F (-S$27m vs. +S$469m earlier) and do not expect any major earnings recovery until FY21F.

Growing contributions from AIS to offer some respite. Competition in Thailand has veered off the expensive handset subsidy wars seen in the past, in favour of value-added services (e.g. fixed speeds, unlimited data usage) which should benefit AIS's bottom line. AIS is also set to record net subscriber additions, owing to uncertainty over Total Access Communications's (DTAC) long-term solution on the lack of low-band spectrum profiles. DTAC presently uses 10MHz in the 850MHz spectrum band based on a concession agreement with CAT, the only low-band spectrum of the telco. While DTAC is set to win the 900MHz spectrum auction as the only participating bidder, potential network outages over band migrations and issues with network quality offer a window of opportunity for AIS to snatch subscribers. We have projected for contributions from AIS to grow 17%/12% in FY19/20F in view of this.

Consensus earnings for Globe for the current year have been raised 25% with management guidance revised up. Revenue guidance has been revised to mid-single-digit growth from low single digit earlier. EBITDA margin guidance has been raised to mid-40s from 40% earlier owing to lower subsidy and interconnection expenses.

Globe is set to benefit from perception of better network quality and its market positioning, appealing to data-hungry millennials. Competition between PLDT and Globe has remained elevated in the mobile market, but the duo has taken a much cooler stance on the growing fixed broadband segment.

~Eight operators have so far expressed an interest in entering Philippines as the third operator. Applications for expressions of interest are set to close on 5 November. We expect to see improving contributions from Globe, given the telco's favourable position and amicable operating conditions in the Philippines.

Sum-of-the-parts valuation for Singtel based on the market price of its regional associates

Singtel Valuation	Value (S$ m)	Per share (S$)
Singapore core business	15,687	
Australia core business	20,000	
Digital Business	2,211	
Debt	-10,278	
MI	3	
Equity value of the core business	27,624	1.65
Regional telco investments		1.98
Share value		3.64

Source: DBS Bank

Detailed breakdown of the valuations of the regional associates based on their market cap

Regional telco investments	Share price	Exchange rate	Stake	Value (S$ m)	Per Share (S$)
Airtel	285.00	53.50	40%	8,411	0.50
AIS	196.00	23.70	23%	5,729	0.34
InTouch	52.50	23.70	21%	1,492	0.09
Globe*	2016.00	39.24	47%	3,200	0.19
Singpost	1.06	1.00	22%	526	0.03
	FY19F (March YE) PER	Exchange rate	Stake	Value (S$ m)	
Telkomsel	18	11,042	35%	15,551	0.93
Total				34,909	
Holding company discount (5%)				-1,745	-0.10
Net investment holdings				33,163	1.98

*Ownership stake of ordinary shares
Source: DBS Bank

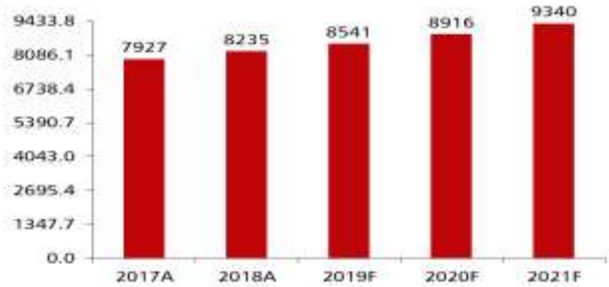
CRITICAL DATA POINTS TO WATCH

Critical Factors

Associate pre-tax contribution possibly bottomed out in 1Q19 and is expected to grow in FY20F. Telkomsel is likely to rebound in the upcoming quarter leading to sequential rise in associate profit contribution. FY20F as (i) Telkomsel is likely to benefit from data re-pricing in Indonesia (ii) AIS to benefit from its competitor's worries and benign competition in Thailand and (iii) Globe to enjoy favourable market positioning amidst a moderately intense competitive environment. Contribution from SingPost is also likely to edge up from rising volume of e-commerce international mails and parcels. Meanwhile, Bharti is facing earnings headwinds due to competitive pressures and voice/SMS cannibalisation. Bharti is likely to record a loss in FY19 as competitive pressures in India remain tight.

Stable EBITDA due to growth in Australia and lower losses in Digital Life. We expect the core business of Singtel (Singapore + Optus) to see stable EBITDA in FY19F, similar to what we have seen in FY18. We expect growing contributions from Optus and narrowing losses in the digital segment to offset any potential declines in Singapore consumer and enterprise segments. Singtel could also benefit from the resumption of quarterly NBN migration fees of ~A$60-70m from 3Q19F in Australia which were halted by the regulator in November 2017 due to technical issues. Narrowing losses at the digital life segment, supported by growth of Amobee, should further support EBITDA of the core business in FY19F.

Singapore Revenue (S$m)



Singapore EBITDA Margin (%)

Optus Revenue (A$m)

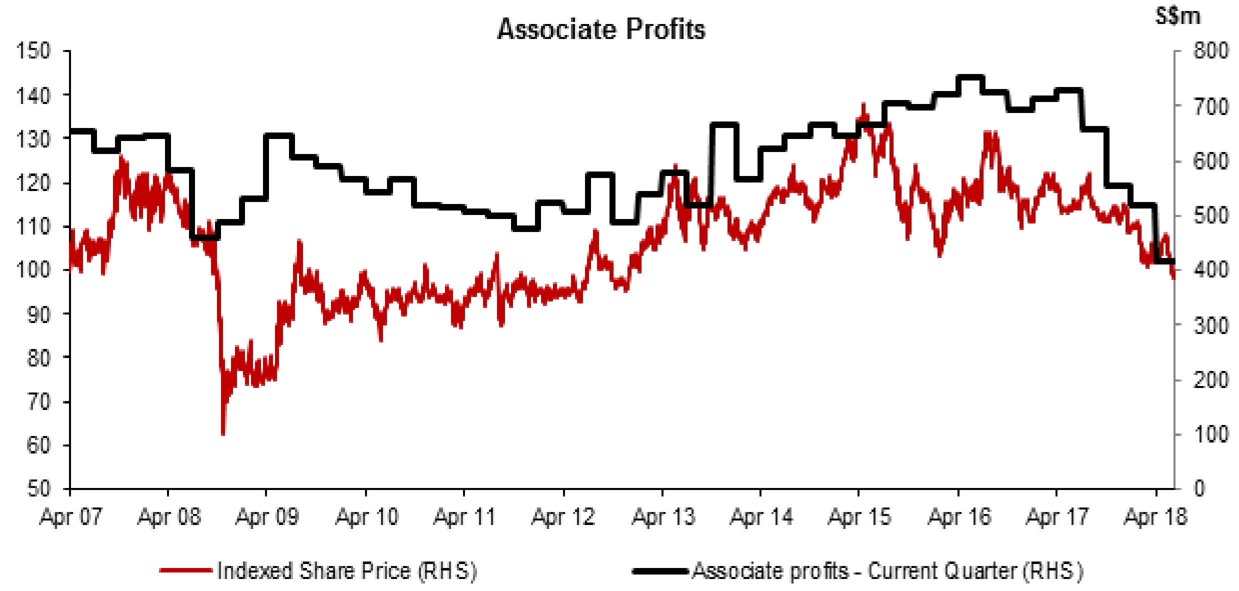
Associate pre-tax earnings (S$m)

Source: Company, DBS Bank

Appendix 1: A look at Company's listed history – what drives its share price?

Associate profit is the most critical factor followed by EBITDA. In the critical factor analysis which we conducted over the past ~10 years, Singtel's share price seems to follow its current quarter associate profits. Singtel's share price change had a positive correlation of 0.62 with its associate profits.

Share price vs. current quarter associate profits



Sources: Reuters, Companies, DBS Bank

Balance Sheet:

Strong balance sheet. This is reflected in FY18 net debt-to-EBITDA (after pre-tax profit contributions of associates) of only ~1.3x, giving ample room to Singtel to invest in new business opportunities and/or raise its earnings payout ratio from 70-75% now. If Singtel were to leverage to 2x net debt-to-EBITDA, it implies the company could borrow another S$5bn if it wants to. In our view, Singtel should be able to sustain its dividends at the current level even if earnings were to decline due to any reason.

Share Price Drivers:

Long-term earnings growth at a bargain. The market is seemingly worried over staggering growth in Singtel's earnings caused by the weakness of its regional associates, particularly Bharti and Telkomsel. As a result, the stock is trading cheap at 5.8x EV/EBITDA, at a 15-20% discount to Singtel's local peers. We believe this offers an attractive opportunity for investors to accumulate Singtel and gain exposure to its long-term potential for growth. We expect the telco's earnings to return to a growth trajectory in FY20F, supported by the recovery of Bharti, which should uplift the telco's valuations. The counter also offers a decent yield of 5%.

Key Risks:

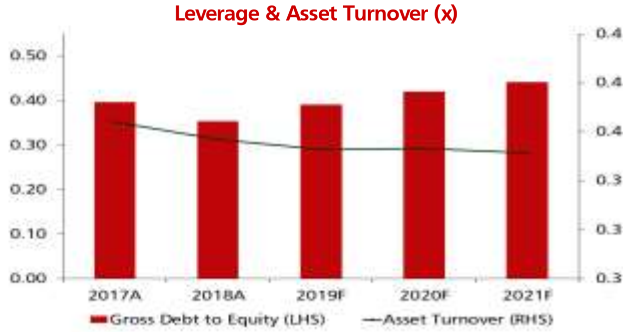
Bear-case valuation of S$2.60 suggests -12% risk. This assumes (i) 23% drop in the core valuation due to EBITDA decline vs. stable EBITDA, (ii) 20% drop in Bharti's, Telkomsel's valuations and 10% drop in market cap of other associates; (iii) 15% holding company discount vs. 5% base case.

Bull-case valuation for Singtel is S$4.10. In our bull case, we have assumed core EBITDA to grow 5% each over FY18A-20F despite new mobile entrants in Singapore and Australia. We have also projected for Bharti's market value to increase 20% along with 20% growth in Telkomsel's earnings for FY18F. Under our bull-case scenario, our fair value could rise to S$4.10.

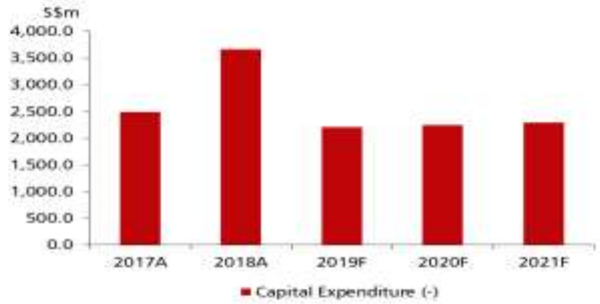
Company Background

Singtel is the largest telecom operator in Singapore and its Australian subsidiary Optus is the second largest operator in Australia. Singtel also has substantial stakes in telcos in the region – Telkomsel in Indonesia, Bharti Airtel (Bharti) in India, AIS in Thailand and Globe in the Philippines.

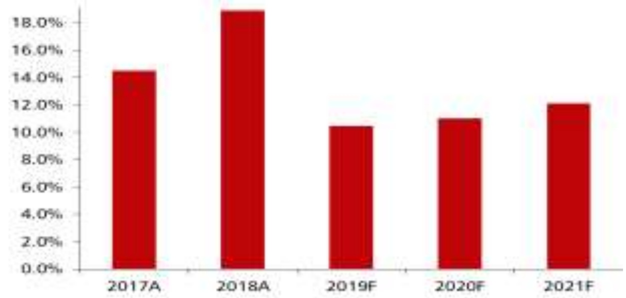
Leverage & Asset Turnover (x)



Capital Expenditure



ROE (%)



Forward PE Band (x)

PB Band (x)

Source: Company, DBS Bank

Key Assumptions

FY Mar	2017A	2018A	2019F	2020F	2021F
Singapore Revenue (S$m)	7,927	8,235	8,541	8,916	9,340
Singapore EBITDA Margin	27.9	26.6	25.3	24.3	23.1
Optus Revenue (A$m)	8,425	8,612	8,827	9,048	9,229
Optus EBITDA Margin (%)	0.0	0.0	0.0	0.0	0.0
Associate pre-tax earnings	2,886	2,461	1,921	2,204	2,561

Income Statement (S$m)

FY Mar	2017A	2018A	2019F	2020F	2021F
Revenue	16,711	17,268	17,369	17,964	18,569
Cost of Goods Sold	(11,929)	(12,476)	(12,695)	(13,234)	(13,810)
Gross Profit	**4,782**	**4,792**	**4,674**	**4,731**	**4,760**
Other Opng (Exp)/Inc	(2,024)	(1,991)	(2,067)	(2,096)	(2,115)
Operating Profit	**2,759**	**2,801**	**2,607**	**2,634**	**2,645**
Other Non Opg (Exp)/Inc	77.4	0.0	0.0	0.0	0.0
Associates & JV Inc	2,886	2,461	1,921	2,204	2,561
Net Interest (Exp)/Inc	(337)	(345)	(314)	(330)	0.0
Exceptional Gain/(Loss)	(31.9)	1,880	0.0	0.0	0.0
Pre-tax Profit	**5,353**	**6,797**	**4,214**	**4,507**	**5,206**
Tax	(1,522)	(1,344)	(1,138)	(1,262)	(1,562)
Minority Interest	21.7	21.0	21.0	21.0	21.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	**3,853**	**5,474**	**3,097**	**3,266**	**3,665**
Net Profit before Except.	3,885	3,594	3,097	3,266	3,665
EBITDA	7,961	7,512	6,853	7,193	7,580
Growth					
Revenue Gth (%)	(1.5)	3.3	0.6	3.4	3.4
EBITDA Gth (%)	1.5	(5.6)	(8.8)	5.0	5.4
Opg Profit Gth (%)	(3.7)	1.5	(6.9)	1.1	0.4
Net Profit Gth (Pre-ex) (%)	1.9	(7.5)	(13.8)	5.5	12.2
Margins & Ratio					
Gross Margins (%)	28.6	27.8	26.9	26.3	25.6
Opg Profit Margin (%)	16.5	16.2	15.0	14.7	14.2
Net Profit Margin (%)	23.1	31.7	17.8	18.2	19.7
ROAE (%)	14.5	18.9	10.5	11.0	12.1
ROA (%)	8.4	11.3	6.3	6.4	6.9
ROCE (%)	4.9	5.3	4.5	4.4	4.1
Div Payout Ratio (%)	74.2	61.1	92.2	87.5	77.9
Net Interest Cover (x)	8.2	8.1	8.3	8.0	NM

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Mar	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
Revenue	4,156	4,268	4,583	4,262	4,134
Cost of Goods Sold	(2,988)	(3,066)	(3,333)	(3,089)	(2,992)
Gross Profit	**1,168**	**1,202**	**1,250**	**1,173**	**1,142**
Other Oper. (Exp)/Inc	(476)	(529)	(482)	(504)	(489)
Operating Profit	**692**	**673**	**768**	**669**	**653**
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	730	659	553	519	416
Net Interest (Exp)/Inc	(86.0)	(91.0)	(81.0)	(87.0)	(70.0)
Exceptional Gain/(Loss)	(19.0)	1,940	10.0	(51.0)	98.0
Pre-tax Profit	**1,317**	**3,181**	**1,250**	**1,050**	**1,097**
Tax	(432)	(332)	(299)	(282)	(271)
Minority Interest	6.00	6.00	8.00	2.00	5.00
Net Profit	**890**	**2,855**	**959**	**770**	**832**
Net profit bef Except.	909	915	949	821	734
EBITDA	1,422	1,332	1,321	1,188	1,623
Growth					
Revenue Gth (%)	(3.5)	2.7	7.4	(7.0)	(3.0)
EBITDA Gth (%)	(1.5)	(6.3)	(0.8)	(10.1)	36.6
Opg Profit Gth (%)	(4.3)	(2.7)	14.1	(12.9)	(2.4)
Net Profit Gth (Pre-ex) (%)	(8.0)	0.7	3.7	(13.5)	(10.6)
Margins					
Gross Margins (%)	28.1	28.2	27.3	27.5	27.6
Opg Profit Margins (%)	16.6	15.8	16.8	15.7	15.8
Net Profit Margins (%)	21.4	66.9	20.9	18.1	20.1

Balance Sheet (S$m)

FY Mar	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	11,893	11,454	11,710	11,971	12,263
Invts in Associates & JVs	14,235	14,756	15,391	16,119	16,965
Other LT Assets	16,249	15,515	15,140	14,764	14,389
Cash & ST Invts	534	525	1,521	2,392	3,687
Inventory	352	397	399	413	427
Debtors	4,924	5,818	5,852	6,053	6,256
Other Current Assets	107	22.0	22.0	22.0	22.0
Total Assets	**48,294**	**48,487**	**50,035**	**51,733**	**54,009**
ST Debt	3,134	1,824	1,824	1,824	1,824
Creditor	4,922	5,371	5,402	5,588	5,776
Other Current Liab	1,216	1,235	2,022	2,146	2,446
LT Debt	8,052	8,668	9,668	10,668	11,668
Other LT Liabilities	2,756	1,709	1,709	1,709	1,709
Shareholder's Equity	28,191	29,706	29,457	29,867	30,676
Minority Interests	22.4	(26.0)	(47.0)	(68.0)	(89.0)
Total Cap. & Liab.	**48,294**	**48,487**	**50,035**	**51,733**	**54,009**
Non-Cash Wkg. Capital	(755)	(369)	(1,151)	(1,246)	(1,516)
Net Cash/(Debt)	(10,652)	(9,967)	(9,971)	(10,100)	(9,805)
Debtors Turn (avg days)	101.5	113.5	122.6	120.9	121.0
Creditors Turn (avg days)	179.3	183.7	189.6	184.4	181.3
Inventory Turn (avg days)	12.7	13.4	14.0	13.6	13.4
Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Current Ratio (x)	0.6	0.8	0.8	0.9	1.0
Quick Ratio (x)	0.6	0.8	0.8	0.9	1.0
Net Debt/Equity (X)	0.4	0.3	0.3	0.3	0.3
Net Debt/Equity ex MI (X)	0.4	0.3	0.3	0.3	0.3
Capex to Debt (%)	22.2	35.0	19.2	17.9	17.0
Z-Score (X)	2.9	3.1	2.9	2.8	NA

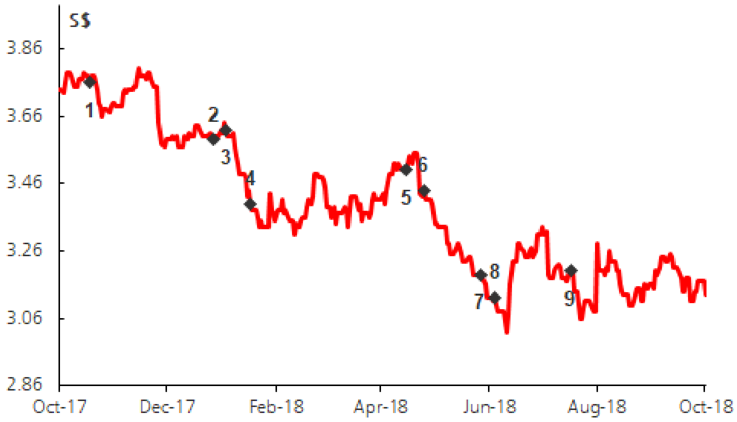
Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Mar	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	5,353	6,797	4,214	4,507	5,206
Dep. & Amort.	2,239	2,250	2,326	2,355	2,374
Tax Paid	(834)	(608)	(351)	(1,138)	(1,262)
Assoc. & JV Inc/(loss)	(2,886)	(2,461)	(1,921)	(2,204)	(2,561)
Chg in Wkg.Cap.	(492)	(178)	(4.9)	(29.1)	(29.6)
Other Operating CF	279	(1,493)	350	382	0.0
Net Operating CF	**3,659**	**4,308**	**4,613**	**3,874**	**3,727**
Capital Exp.(net)	(2,488)	(3,667)	(2,207)	(2,241)	(2,290)
Other Invts.(net)	40.4	18.1	0.0	0.0	0.0
Invts in Assoc. & JV	(2,410)	606	0.0	0.0	0.0
Div from Assoc & JV	1,656	1,648	1,286	1,475	1,715
Other Investing CF	26.1	1,093	0.0	0.0	0.0
Net Investing CF	**(3,177)**	**(303)**	**(921)**	**(766)**	**(575)**
Div Paid	(2,821)	(2,862)	(3,346)	(2,856)	(2,856)
Chg in Gross Debt	1,158	(312)	1,000	1,000	1,000
Capital Issues	1,602	0.0	0.0	0.0	0.0
Other Financing CF	(362)	(835)	(350)	(382)	0.0
Net Financing CF	**(422)**	**(4,009)**	**(2,696)**	**(2,238)**	**(1,856)**
Currency Adjustments	11.9	(4.2)	0.0	0.0	0.0
Chg in Cash	72.0	(8.8)	996	870	1,296
Opg CFPS (S cts)	25.4	27.5	28.3	23.9	23.0
Free CFPS (S cts)	7.17	3.92	14.7	10.0	8.81

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	09 Nov 17	3.76	4.30	BUY
2:	18 Jan 18	3.59	4.30	BUY
3:	25 Jan 18	3.62	4.30	BUY
4:	08 Feb 18	3.40	4.30	BUY
5:	07 May 18	3.50	3.85	BUY
6:	17 May 18	3.44	3.85	BUY
7:	18 Jun 18	3.19	3.70	BUY
8:	26 Jun 18	3.12	3.70	BUY
9:	08 Aug 18	3.20	3.70	BUY

***Note**: Share price and Target price are adjusted for corporate actions.*

Source: DBS Bank
Analyst: Sachin MITTAL

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 24 Oct 2018 07:52:38 (SGT)
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