

# Singapore Telecommunications (ST SP)

## Pressure All Over

### Continued outperformance could be challenging; maintain HOLD

1HFY19 core EPS was below consensus estimates at 43% of FY19E vs 51% for MKE. We maintain our Singapore and Australia forecasts but reflect our house's recent earnings revisions for *Bharti* and *AIS*. This lowers our DCF-based SOTP (Figs 1, 4) to SGD3.39 and our FY19E-20E core EPS by 4-5%. Maintain HOLD as the stock's continued outperformance could be challenging. Prefer its 25% associate, NetLink NBN Trust (NETLINK SP, SGD0.78, BUY, TP SGD0.93), in Singapore's telco space.

### Consolidated revenue in line

1HFY19 consolidated revenue met MKE/consensus estimates, at 48%/49% of FY19E. Heightened competition in the quarter was reflected in the increased popularity of SIM-only and data-add-on plans that diluted ARPUs. But thanks to Singapore's healthy postpaid subs growth, non-escalation of hostilities in Australia and cost-management, we maintain our consolidated business forecasts.

### Adjustments made for regional associates

We incorporate our colleagues' latest associate forecasts for Bharti, whose results missed expectations. Although unlisted Telkomsel in Indonesia staged a QoQ rebound from a partial recovery of data-pricing power, third-entrant risks have significantly increased for Globe in the Philippines. Overall, our SOTP and earnings are weighted more to Indonesia at 17% than the Philippines' 6%.

### Proverbial 20,000 foot tanker but all seas are rough

Singtel's geographical diversification and non-wireless earnings base provide some protection against its Singapore wireless and broadband peers. This is reflected in its relative outperformance to the STI over the last one and three months. However, with competition in most of its markets outside Singapore in full swing or rising, we think absolute performance remains challenging.

| FYE Mar (SGD m)              | FY17A  | FY18A  | FY19E  | FY20E  | FY21E  |
|------------------------------|--------|--------|--------|--------|--------|
| Revenue                      | 16,711 | 17,268 | 17,579 | 17,838 | 17,649 |
| EBITDA                       | 7,940  | 7,513  | 6,478  | 6,587  | 7,471  |
| Core net profit              | 3,915  | 3,593  | 2,755  | 2,744  | 3,325  |
| Core FDEPS (cts)             | 24.4   | 22.0   | 16.9   | 16.8   | 20.3   |
| Core FDEPS growth(%)         | 2.4    | (10.0) | (23.3) | (0.4)  | 21.2   |
| Net DPS (cts)                | 17.5   | 20.6   | 17.5   | 17.5   | 14.9   |
| Core FD P/E (x)              | 16.0   | 15.3   | 18.6   | 18.7   | 15.4   |
| P/BV (x)                     | 2.3    | 1.9    | 1.7    | 1.7    | 1.7    |
| Net dividend yield (%)       | 4.5    | 6.1    | 5.6    | 5.6    | 4.7    |
| ROAE (%)                     | 14.5   | 18.9   | 9.3    | 9.3    | 11.1   |
| ROAA (%)                     | 8.5    | 7.4    | 5.7    | 5.7    | 6.9    |
| EV/EBITDA (x)                | 9.3    | 8.6    | 9.5    | 9.4    | 8.1    |
| Net gearing (%) (incl perps) | 37.8   | 33.4   | 35.2   | 36.0   | 30.7   |
| Consensus core profit        | -      | -      | 3,339  | 3,584  | 3,889  |
| MKE vs. Consensus (%)        | -      | -      | (17.4) | (23.6) | (14.5) |

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## HOLD

|                       |                |
|-----------------------|----------------|
| Share Price           | SGD 3.14       |
| 12m Price Target      | SGD 3.39 (+8%) |
| Previous Price Target | SGD 3.46       |

### Company Description

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

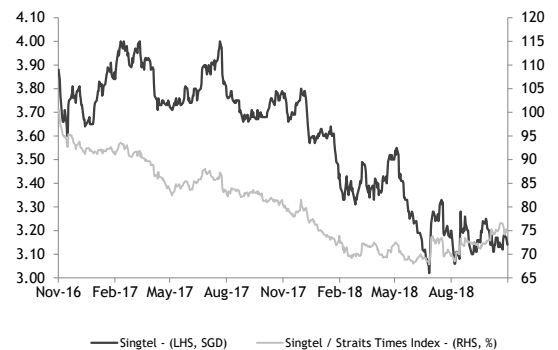
### Statistics

|                        |                      |
|------------------------|----------------------|
| 52w high/low (SGD)     | 3.80/3.02            |
| 3m avg turnover (USDm) | 44.3                 |
| Free float (%)         | 42.4                 |
| Issued shares (m)      | 15,944               |
| Market capitalisation  | SGD50.1B<br>USD36.6B |

### Major shareholders:

|                        |       |
|------------------------|-------|
| Temasek Holdings       | 51.9% |
| Central Provident Fund | 5.7%  |
| Capital Research       | 3.3%  |

### Price Performance



|                       | -1M | -3M | -12M |
|-----------------------|-----|-----|------|
| Absolute (%)          | (2) | (2) | (17) |
| Relative to index (%) | 3   | 7   | (7)  |

Source: FactSet

### Companies mentioned:

Bharti (BHARTI IN, INR305, HOLD, TP INR300)  
AIS (ADVANC TB, THB181.50, BUY, TP THB220)  
Globe (GLO PM, PHP1,920, HOLD, TP PHP2,130)  
TPG (TPM AU, Not Rated)

Figure 1: Forecast revisions

| (end-Mar, SGD m)                    | FY19E  | FY20E  | FY21E  |
|-------------------------------------|--------|--------|--------|
| Revenues - Revised                  | 17,579 | 17,838 | 17,649 |
| Revenues - Previous                 | 17,579 | 17,838 | 17,649 |
| Change                              | 0.0%   | 0.0%   | 0.0%   |
| Operational EBITDA - Revised        | 4,720  | 4,500  | 5,149  |
| Operational EBITDA - Previous       | 4,720  | 4,500  | 5,149  |
| Change                              | 0.0%   | 0.0%   | 0.0%   |
| Pre-tax associate income - Revised  | 1,758  | 2,087  | 2,322  |
| Pre-tax associate income - Previous | 1,902  | 2,294  | 2,726  |
| Change                              | -7.6%  | -9.0%  | -14.8% |
| EBITDA + associates - Revised       | 6,478  | 6,587  | 7,471  |
| EBITDA + associates - Previous      | 6,622  | 6,794  | 7,874  |
| Change                              | -2.2%  | -3.0%  | -5.1%  |
| Reported profit - Revised           | 2,755  | 2,744  | 3,325  |
| Reported profit - Previous          | 2,860  | 2,900  | 3,641  |
| Change                              | -3.7%  | -5.4%  | -8.7%  |
| Core profit - Revised               | 2,755  | 2,744  | 3,325  |
| Core profit - Previous              | 2,860  | 2,900  | 3,641  |
| Change                              | -3.7%  | -5.2%  | -8.1%  |
| Target price (PHP) - Revised        | 3.39   |        |        |
| Target price (PHP) - Previous       | 3.46   |        |        |
| Change                              | -2.1%  |        |        |

Source: Maybank Kim Eng

Figure 2: MKE vs consensus

| (end-Mar, SGD m)              | 2019E  | 2020E  | 2021E  |
|-------------------------------|--------|--------|--------|
| Revenues (MKE)                | 17,579 | 17,838 | 17,649 |
| EBITDA (MKE)                  | 4,720  | 4,500  | 5,149  |
| EBITDA margin (MKE)           | 26.8%  | 25.2%  | 29.2%  |
| Core profit (MKE)             | 2,755  | 2,744  | 3,325  |
| Revenues (consensus)          | 17,045 | 17,073 | 17,238 |
| EBITDA (consensus)            | 4,926  | 4,894  | 4,904  |
| EBITDA margin (consensus)     | 28.9%  | 28.7%  | 28.4%  |
| Reported profit (consensus)   | 3,300  | 3,492  | 3,787  |
| Core profit (consensus)       | 3,339  | 3,584  | 3,889  |
| Revenues (MKE / consensus)    | 3.1%   | 4.5%   | 2.4%   |
| EBITDA (MKE / consensus)      | -4.2%  | -8.0%  | 5.0%   |
| Core profit (MKE / consensus) | -17.4% | -23.6% | -14.5% |

Source: Maybank Kim Eng, FactSet

Figure 3: Quarterly results

| (end- Mar 30, SGD m)                   | 1Q18           | 2Q18           | 1Q19           | 2Q19           | QoQ           | YoY           | % prev MKE YTD | % cons YTD   |
|--|----------------|----------------|----------------|----------------|---------------|---------------|----------------|--------------|
| <b>Total revenue</b>                   | <b>4,157</b>   | <b>4,269</b>   | <b>4,134</b>   | <b>4,270</b>   | <b>3.3%</b>   | <b>0.0%</b>   | <b>47.8%</b>   | <b>49.3%</b> |
| Singtel                                | 2,002          | 2,026          | 1,934          | 2,072          | 7.1%          | 2.3%          |                |              |
| - Mobile                               | 438            | 434            | 421            | 411            | -2.4%         | -5.3%         |                |              |
| - Data & Internet                      | 396            | 395            | 386            | 392            | 1.6%          | -0.8%         |                |              |
| - ICT (Managed services/Biz solutions) | 552            | 589            | 505            | 583            | 15.4%         | -1.0%         |                |              |
| - National Telephone                   | 95             | 96             | 92             | 88             | -4.3%         | -8.3%         |                |              |
| - Sale of equipment                    | 158            | 143            | 170            | 198            | 16.5%         | 38.5%         |                |              |
| - Pay TV                               | 63             | 64             | 72             | 72             | 0.0%          | 12.5%         |                |              |
| - Digital businesses                   | 282            | 285            | 271            | 313            | 15.5%         | 9.8%          |                |              |
| - Others (Misc/Others)                 | 18             | 20             | 17             | 15             | -11.8%        | -25.0%        |                |              |
| Optus                                  | 2,155          | 2,243          | 2,200          | 2,198          | -0.1%         | -2.0%         |                |              |
| - Mobile                               | 987            | 1,031          | 971            | 942            | -3.0%         | -8.6%         |                |              |
| - Data & Internet                      | 441            | 481            | 439            | 429            | -2.3%         | -10.8%        |                |              |
| - ICT (Managed services/Biz solutions) | 153            | 194            | 174            | 162            | -6.9%         | -16.5%        |                |              |
| - National Telephone                   | 188            | 187            | 154            | 154            | 0.0%          | -17.6%        |                |              |
| - Sale of equipment                    | 354            | 311            | 412            | 455            | 10.4%         | 46.3%         |                |              |
| - Pay TV                               | 30             | 34             | 32             | 31             | -3.1%         | -8.8%         |                |              |
| - Others (Misc/Others)                 | 2              | 5              | 18             | 25             | 38.9%         | 400.0%        |                |              |
| Other income                           | 73             | 47             | 65             | 50             | -23.1%        | 6.4%          |                |              |
| <b>Operating expenses</b>              | <b>(3,536)</b> | <b>(3,642)</b> | <b>(3,547)</b> | <b>(3,733)</b> | <b>5.2%</b>   | <b>2.5%</b>   |                |              |
| Depreciation & amortisation            | (549)          | (576)          | (554)          | (554)          | 0.0%          | -3.8%         |                |              |
| Selling & admin                        | (614)          | (637)          | (599)          | (640)          | 6.8%          | 0.5%          |                |              |
| Traffic                                | (393)          | (405)          | (392)          | (399)          | 1.8%          | -1.5%         |                |              |
| Cost of sales                          | (1,195)        | (1,216)        | (1,253)        | (1,379)        | 10.1%         | 13.4%         |                |              |
| Staff                                  | (689)          | (703)          | (680)          | (671)          | -1.3%         | -4.6%         |                |              |
| Repair & maintenance                   | (93)           | (94)           | (86)           | (96)           | 11.6%         | 2.1%          |                |              |
| Others                                 | (3)            | (11)           | 17             | 6              | -64.7%        | -154.5%       |                |              |
| <b>EBIT</b>                            | <b>694</b>     | <b>674</b>     | <b>652</b>     | <b>587</b>     | <b>-10.0%</b> | <b>-12.9%</b> |                |              |
| Net interest income (exp)              | (86)           | (91)           | (70)           | (94)           | 34.3%         | 3.3%          |                |              |
| <b>Share of associates (pretax)</b>    | <b>734</b>     | <b>649</b>     | <b>416</b>     | <b>331</b>     | <b>-20.4%</b> | <b>-49.0%</b> | <b>39.3%</b>   |              |
| Bharti                                 | 103            | 83             | (63)           | (176)          | 179.4%        | -312.0%       |                |              |
| Telkomsel                              | 383            | 371            | 237            | 291            | 22.8%         | -21.6%        |                |              |
| Globe                                  | 81             | 59             | 95             | 88             | -7.4%         | 49.2%         |                |              |
| AIS                                    | 82             | 83             | 94             | 79             | -16.0%        | -4.8%         |                |              |
| Intouch                                | 24             | 24             | 28             | 22             | -21.4%        | -8.3%         |                |              |
| Others                                 | 61             | 29             | 25             | 27             | 8.0%          | -6.9%         |                |              |
| Net exceptional                        | (19)           | 1,940          | 98             | (48)           | -149.0%       | -102.5%       |                |              |
| <b>Pretax profit</b>                   | <b>1,316</b>   | <b>3,180</b>   | <b>1,098</b>   | <b>763</b>     | <b>-30.5%</b> | <b>-76.0%</b> |                |              |
| Income taxes                           | (432)          | (332)          | (271)          | (102)          | -62.4%        | -69.3%        |                |              |
| Minority interest                      | (6)            | (6)            | (5)            | (6)            | 20.0%         | 0.0%          |                |              |
| <b>Reported profit</b>                 | <b>890</b>     | <b>2,854</b>   | <b>832</b>     | <b>667</b>     | <b>-19.8%</b> | <b>-76.6%</b> | <b>52.4%</b>   | <b>45.4%</b> |
| Exceptional                            | 19             | (1,940)        | (98)           | 48             | -149.0%       | -102.5%       |                |              |
| <b>Core profit</b>                     | <b>909</b>     | <b>914</b>     | <b>734</b>     | <b>715</b>     | <b>-2.6%</b>  | <b>-21.8%</b> | <b>50.7%</b>   | <b>43.4%</b> |

Source: Company data, Maybank Kim Eng, FactSet

Figure 4: Sum-of-the-parts (SOTP) valuation

| Valuation                           | Stake (%) | Valuation method                      | Valuation (SGD m) | Per share (SGD) | % of total  |
|-------------------------------------|-----------|---------------------------------------|-------------------|-----------------|-------------|
| <b>Consolidated Businesses</b>      |           |                                       |                   |                 |             |
| SingTel                             | 100.0     | DCF (5.5% WACC, 0% TG, 0.60 beta)     | 9,915             | 0.61            | 18%         |
| Optus                               | 100.0     | DCF (5.7% WACC, 0% TG, 0.65 beta)     | 13,738            | 0.84            | 25%         |
| <b>Sub Total</b>                    |           |                                       | <b>23,654</b>     | <b>1.45</b>     | <b>43%</b>  |
| Valuation                           | Stake (%) | Valuation method                      | Valuation (SGD m) | Per share (SGD) | % of total  |
| <b>Associates &amp; Investments</b> |           |                                       |                   |                 |             |
| Telkomsel (Indonesia)               | 35.0      | DCF (10.8% WACC, 3% TG, 1.0 beta)     | 9,643             | 0.59            | 17%         |
| Bharti Airtel (India)               | 38.6      | SOTP (10.5% WACC, 3% TG, 0.9 beta)    | 8,714             | 0.53            | 16%         |
| AIS (Thailand)                      | 23.3      | DCF (7.0% WACC, 2% TG, 1.0 beta)      | 6,357             | 0.39            | 11%         |
| Globe (Philippines)                 | 47.2      | DCF (7.7% WACC, 1% TG, 1.05 beta)     | 3,277             | 0.20            | 6%          |
| Intouch (Thailand)                  | 21.0      | SOTP (AIS TP and mkt cap of THCOM TB) | 1,904             | 0.12            | 3%          |
| NetLink NBN Trust (Singapore)       | 25.0      | DDM (COE 6%, 0% LTG, 0.54 beta)       | 906               | 0.06            | 2%          |
| SingPost (Singapore)                | 25.8      | DCF (7.6% WACC, 1% TG, 0.95 beta)     | 880               | 0.05            | 2%          |
| <b>Sub Total</b>                    |           |                                       | <b>30,801</b>     | <b>1.94</b>     | <b>57%</b>  |
| <b>Total Equity Value</b>           |           |                                       | <b>54,455</b>     | <b>3.39</b>     | <b>100%</b> |

Source: Company data, Maybank Kim Eng, FactSet

\* Bharti is covered by Neerav Dalal. AIS and Intouch are covered by Maria Lapiz. SingPost is covered by SG research team.

\*\* At the market prices of its listed parts, Singtel's SOTP would be SGD3.22.

Fig 3: Market snapshots

| Market      | Competition status  | Upside/downside  |
|-------------|---|--|
| Singapore   | Heightened competition due to MVNOs   | TPG yet to reveal degree of aggression for Dec quarter launch.   |
| Australia   | Remains competitive with TPG/Voda merger pending approval but no major escalation | TPG's potential merger with Vodafone could lift near-term competition but create a stronger merged entity.         |
| India       | Stabilised environment but Bharti needs to rebuild revenue share via 4G           | Merger of unlisted Idea and Vodafone India lifts near-term competition but creates stronger entity in medium term. |
| Indonesia   | Improving with data pricing raised industry-wide                                  | Cannibalisation of traditional voice and SMS and higher opex are likely to continue.                               |
| Thailand    | Rational environment  | AIS's expanding presence in fixed broadband provides medium-term revenue opportunity.                              |
| Philippines | Heightened competition with video streaming promotions                            | Third-entrant risk for 2019E onwards.  |

Source: Company data, Maybank Kim Eng

## 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 digital services to provide next legs of growth while cash is harvested from wireless leadership to support investments and capex.
- Healthy balance sheet backs a FY19E-20E fixed DPS policy commitment of SGD0.175. Non-core asset-sale proceeds are partly committed to exceptional payouts.
- Despite its acquisitions in recent years, Singtel continues to generate 14-16% ROIC.

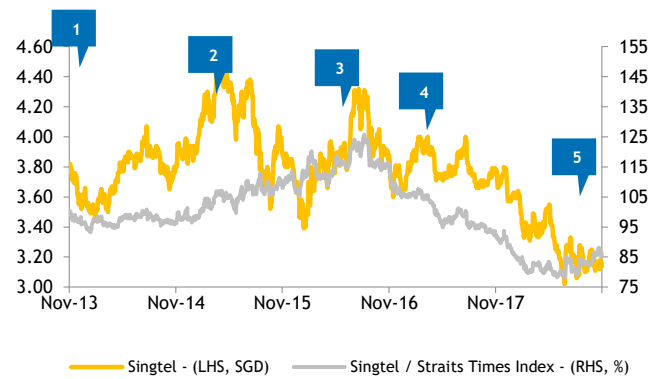
### Singtel's SOTP breakdown

| Valuation                           | Stake (%) | Valuation method                      | Valuation Per share (SGD m) | (SGD)       | % of total  |
|-------------------------------------|-----------|---------------------------------------|-----------------------------|-------------|-------------|
| <b>Consolidated Businesses</b>      |           |                                       |                             |             |             |
| SingTel                             | 100.0     | DCF (5.5% WACC, 0% TG, 0.60 beta)     | 9,915                       | 0.61        | 18%         |
| Optus                               | 100.0     | DCF (5.7% WACC, 0% TG, 0.65 beta)     | 13,738                      | 0.84        | 25%         |
| <b>Sub Total</b>                    |           |                                       | <b>23,654</b>               | <b>1.45</b> | <b>43%</b>  |
| <b>Associates &amp; Investments</b> |           |                                       |                             |             |             |
| Telkomsel (Indonesia)               | 35.0      | DCF (10.8% WACC, 3% TG, 1.0 beta)     | 9,643                       | 0.59        | 17%         |
| Bharti Airtel (India)               | 38.6      | SOTP (10.5% WACC, 3% TG, 0.9 beta)    | 8,714                       | 0.53        | 16%         |
| AIS (Thailand)                      | 23.3      | DCF (7.0% WACC, 2% TG, 1.0 beta)      | 6,357                       | 0.39        | 11%         |
| Globe (Philippines)                 | 47.2      | DCF (7.7% WACC, 1% TG, 1.05 beta)     | 3,277                       | 0.20        | 6%          |
| Intouch (Thailand)                  | 21.0      | SOTP (AIS TP and mkt cap of THCOM TB) | 1,904                       | 0.12        | 3%          |
| NetLink NBN Trust (Singapore)       | 25.0      | DDM (COE 6%, 0% LTG, 0.54 beta)       | 906                         | 0.06        | 2%          |
| SingPost (Singapore)                | 25.8      | DCF (7.6% WACC, 1% TG, 0.95 beta)     | 880                         | 0.05        | 2%          |
| <b>Sub Total</b>                    |           |                                       | <b>30,801</b>               | <b>1.94</b> | <b>57%</b>  |
| <b>Total Equity Value</b>           |           |                                       | <b>54,455</b>               | <b>3.39</b> | <b>100%</b> |

Source: Maybank Kim Eng

## Price Drivers

### Historical share price trend



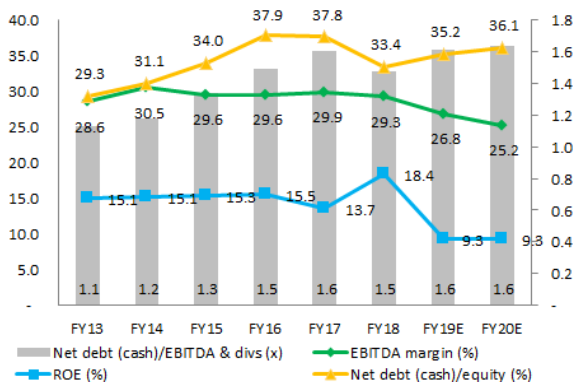
Source: Company, Maybank Kim Eng, Factset

1. Launch of 4G services that ended unlimited data plan competition.
2. All regional associates powered earnings in FY15.
3. Proposal for fourth mobile licence. Bharti's profits started to taper off.
4. TPG won licence in a general spectrum auction.
5. Proposal to increase effective stake in Bharti to 39.5%.

## Financial Metrics

- Singapore and Australia operational EBITDA forecast to decline by 11% 2-year CAGR on the back of higher equipment subsidies.
- Pretax associate income could soften the blow by growing 15% over the same period.
- We expect net debt to EBITDA, including associate dividends, to remain healthy at 1.5x-1.6x in FY19-20E; providing support to its new fixed DPS commitment.

### Financial ratios have not succumbed to competitive pressure



Source: Company, Maybank Kim Eng

## Swing Factors

### Upside

- Strong growth in enterprise and Digital Life to economies of scale.
- Ebbing competitive heat in India.
- Subsidies per smartphone drop.

### Downside

- Wireless margin compression triggered either by TPG in Singapore and / or Australia or pre-emptive strikes by incumbents. These are not likely in consensus forecasts.
- Long-term capex for 5G rollout not likely priced in.
- Worse-than-expected cannibalisation of wireless voice, SMS and roaming by data.

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| FYE 31 Mar             | FY17A | FY18A | FY19E | FY20E | FY21E |
|------------------------|-------|-------|-------|-------|-------|
| <b>Key Metrics</b>     |       |       |       |       |       |
| P/E (reported) (x)     | 16.3  | 11.0  | 18.6  | 18.7  | 15.4  |
| Core P/E (x)           | 16.0  | 15.3  | 18.6  | 18.7  | 15.4  |
| Core FD P/E (x)        | 16.0  | 15.3  | 18.6  | 18.7  | 15.4  |
| P/BV (x)               | 2.3   | 1.9   | 1.7   | 1.7   | 1.7   |
| P/NTA (x)              | 4.2   | 3.5   | 3.3   | 3.3   | 3.1   |
| Net dividend yield (%) | 4.5   | 6.1   | 5.6   | 5.6   | 4.7   |
| FCF yield (%)          | 2.8   | 5.1   | 5.2   | 5.5   | 7.6   |
| EV/EBITDA (x)          | 9.3   | 8.6   | 9.5   | 9.4   | 8.1   |
| EV/EBIT (x)            | 26.6  | 23.2  | 26.3  | 30.8  | 23.6  |

**INCOME STATEMENT (SGD m)**

|                             |           |           |           |           |           |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue                     | 16,711.0  | 17,268.0  | 17,579.0  | 17,838.2  | 17,649.2  |
| EBITDA                      | 7,940.4   | 7,512.8   | 6,477.7   | 6,587.2   | 7,470.8   |
| Depreciation                | (2,238.9) | (2,250.0) | (2,378.3) | (2,492.1) | (2,576.8) |
| Amortisation                | 0.0       | 0.0       | 0.0       | 0.0       | 0.0       |
| EBIT                        | 2,759.5   | 2,801.4   | 2,341.4   | 2,008.3   | 2,572.0   |
| Net interest income / (exp) | (260.0)   | (345.0)   | (335.9)   | (347.0)   | (347.0)   |
| Associates & JV             | 2,942.0   | 2,461.4   | 1,758.1   | 2,086.8   | 2,322.1   |
| Exceptionals                | (63.0)    | 1,880.0   | 0.0       | 0.0       | 0.0       |
| Other pretax income         | 0.0       | 0.0       | 0.0       | 0.0       | 0.0       |
| Pretax profit               | 5,378.1   | 6,796.6   | 3,763.6   | 3,748.1   | 4,547.1   |
| Income tax                  | (1,548.0) | (1,344.5) | (1,029.2) | (1,025.0) | (1,243.5) |
| Minorities                  | 22.0      | 21.0      | 21.0      | 21.0      | 21.0      |
| Discontinued operations     | 0.0       | 0.0       | 0.0       | 0.0       | 0.0       |
| Reported net profit         | 3,852.1   | 5,473.1   | 2,755.4   | 2,744.1   | 3,324.7   |
| Core net profit             | 3,915.1   | 3,593.1   | 2,755.4   | 2,744.1   | 3,324.7   |

**BALANCE SHEET (SGD m)**

|                                     |                 |                 |                 |                 |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash & Short Term Investments       | 534.0           | 525.0           | 208.0           | 499.5           | 1,292.0         |
| Accounts receivable                 | 4,924.0         | 5,035.0         | 5,125.7         | 5,201.3         | 5,146.1         |
| Inventory                           | 352.0           | 397.0           | 351.6           | 356.8           | 353.0           |
| Reinsurance assets                  | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| Property, Plant & Equip (net)       | 11,893.0        | 11,801.0        | 11,708.0        | 11,534.8        | 11,252.5        |
| Intangible assets                   | 13,073.0        | 13,969.0        | 13,829.3        | 14,067.0        | 13,926.3        |
| Investment in Associates & JVs      | 14,428.0        | 14,987.0        | 14,987.0        | 14,987.0        | 14,987.0        |
| Other assets                        | 3,091.0         | 1,540.0         | 1,540.0         | 1,540.0         | 1,540.0         |
| <b>Total assets</b>                 | <b>48,295.0</b> | <b>48,254.0</b> | <b>47,749.6</b> | <b>48,186.4</b> | <b>48,497.0</b> |
| ST interest bearing debt            | 3,134.0         | 1,824.0         | 1,901.0         | 1,901.0         | 1,901.0         |
| Accounts payable                    | 6,122.0         | 6,400.0         | 5,830.4         | 5,879.2         | 5,792.1         |
| Insurance contract liabilities      | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| LT interest bearing debt            | 8,053.0         | 8,607.0         | 8,725.0         | 9,225.0         | 8,725.0         |
| Other liabilities                   | 2,773.0         | 1,770.0         | 1,715.0         | 1,715.0         | 1,715.0         |
| <b>Total Liabilities</b>            | <b>20,082.0</b> | <b>18,601.0</b> | <b>18,171.4</b> | <b>18,720.2</b> | <b>18,133.1</b> |
| Shareholders Equity                 | 28,213.0        | 29,653.0        | 29,578.2        | 29,466.2        | 30,363.9        |
| Minority Interest                   | 0.0             | (26.0)          | (5.0)           | 16.0            | 37.0            |
| <b>Total shareholder equity</b>     | <b>28,213.0</b> | <b>29,627.0</b> | <b>29,573.2</b> | <b>29,482.2</b> | <b>30,400.9</b> |
| <b>Total liabilities and equity</b> | <b>48,295.0</b> | <b>48,254.0</b> | <b>47,749.6</b> | <b>48,186.4</b> | <b>48,497.0</b> |

**CASH FLOW (SGD m)**

|                                  |           |           |           |           |           |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Pretax profit                    | 5,378.1   | 6,796.6   | 3,763.6   | 3,748.1   | 4,547.1   |
| Depreciation & amortisation      | 2,238.9   | 2,250.0   | 2,378.3   | 2,492.1   | 2,576.8   |
| Adj net interest (income)/exp    | 260.0     | 345.0     | 335.9     | 347.0     | 347.0     |
| Change in working capital        | (491.9)   | (178.0)   | (614.9)   | (32.0)    | (28.1)    |
| Cash taxes paid                  | (783.9)   | (2,449.2) | (854.2)   | (1,260.0) | (1,027.2) |
| Other operating cash flow        | (2,942.0) | (2,461.4) | (1,758.1) | (2,086.8) | (2,322.1) |
| Cash flow from operations        | 3,659.2   | 4,303.0   | 3,250.6   | 3,208.4   | 4,093.4   |
| Capex                            | (2,260.6) | (2,349.0) | (2,285.3) | (2,319.0) | (2,294.4) |
| Free cash flow                   | 3,054.1   | 3,061.0   | 2,704.5   | 2,885.3   | 4,008.1   |
| Dividends paid                   | (2,815.5) | (2,857.0) | (3,356.2) | (2,856.2) | (2,856.2) |
| Equity raised / (purchased)      | (27.2)    | 0.0       | 0.0       | 0.0       | 0.0       |
| Change in Debt                   | 1,157.6   | (312.0)   | 195.0     | 500.0     | (500.0)   |
| Other invest/financing cash flow | (1,297.0) | (442.0)   | 139.7     | (237.7)   | 140.7     |
| Effect of exch rate changes      | 0.0       | 0.0       | 0.0       | 0.0       | 0.0       |
| Net cash flow                    | 72.0      | (9.0)     | (317.0)   | 291.4     | 792.6     |

| FYE 31 Mar                             | FY17A    | FY18A   | FY19E    | FY20E    | FY21E   |
|--|----------|---------|----------|----------|---------|
| <b>Key Ratios</b>                      |          |         |          |          |         |
| <b>Growth ratios (%)</b>               |          |         |          |          |         |
| Revenue growth                         | (1.5)    | 3.3     | 1.8      | 1.5      | (1.1)   |
| EBITDA growth                          | 1.7      | (5.4)   | (13.8)   | 1.7      | 13.4    |
| EBIT growth                            | (3.7)    | 1.5     | (16.4)   | (14.2)   | 28.1    |
| Pretax growth                          | (1.4)    | 26.4    | (44.6)   | (0.4)    | 21.3    |
| Reported net profit growth             | (0.5)    | 42.1    | (49.7)   | (0.4)    | 21.2    |
| Core net profit growth                 | 2.9      | (8.2)   | (23.3)   | (0.4)    | 21.2    |
| <b>Profitability ratios (%)</b>        |          |         |          |          |         |
| EBITDA margin                          | 47.5     | 43.5    | 36.8     | 36.9     | 42.3    |
| EBIT margin                            | 16.5     | 16.2    | 13.3     | 11.3     | 14.6    |
| Pretax profit margin                   | 32.2     | 39.4    | 21.4     | 21.0     | 25.8    |
| Payout ratio                           | 72.8     | 61.3    | 103.7    | 104.1    | 73.0    |
| <b>DuPont analysis</b>                 |          |         |          |          |         |
| Net profit margin (%)                  | 23.1     | 31.7    | 15.7     | 15.4     | 18.8    |
| Revenue/Assets (x)                     | 0.3      | 0.4     | 0.4      | 0.4      | 0.4     |
| Assets/Equity (x)                      | 1.7      | 1.6     | 1.6      | 1.6      | 1.6     |
| ROAE (%)                               | 14.5     | 18.9    | 9.3      | 9.3      | 11.1    |
| ROAA (%)                               | 8.5      | 7.4     | 5.7      | 5.7      | 6.9     |
| <b>Liquidity &amp; Efficiency</b>      |          |         |          |          |         |
| Cash conversion cycle                  | na       | na      | na       | na       | na      |
| Days receivable outstanding            | 100.1    | 103.8   | 104.0    | 104.2    | 105.5   |
| Days inventory outstanding             | na       | na      | na       | na       | na      |
| Days payables outstanding              | na       | na      | na       | na       | na      |
| Dividend cover (x)                     | 1.4      | 1.6     | 1.0      | 1.0      | 1.4     |
| Current ratio (x)                      | 0.6      | 0.7     | 0.7      | 0.8      | 0.9     |
| <b>Leverage &amp; Expense Analysis</b> |          |         |          |          |         |
| Asset/Liability (x)                    | 2.4      | 2.6     | 2.6      | 2.6      | 2.7     |
| Net gearing (%) (incl perps)           | 37.8     | 33.4    | 35.2     | 36.0     | 30.7    |
| Net gearing (%) (excl. perps)          | 37.8     | 33.4    | 35.2     | 36.0     | 30.7    |
| Net interest cover (x)                 | 10.6     | 8.1     | 7.0      | 5.8      | 7.4     |
| Debt/EBITDA (x)                        | 1.4      | 1.4     | 1.6      | 1.7      | 1.4     |
| Capex/revenue (%)                      | 13.5     | 13.6    | 13.0     | 13.0     | 13.0    |
| Net debt/ (net cash)                   | 10,653.0 | 9,906.0 | 10,418.0 | 10,626.5 | 9,334.0 |

Source: Company; Maybank

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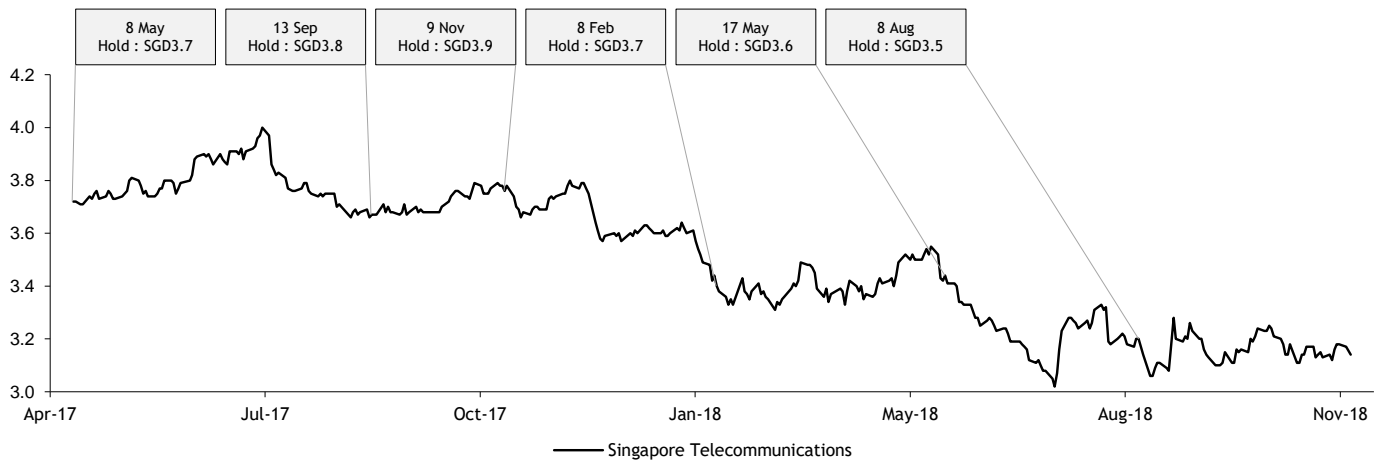
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