

## Telecommunications

**Neutral** (Maintained)

### Competition And Consolidation

- **Still NEUTRAL; Top Pick: Singtel.** Telcos' EBITDA are holding up well on cost discipline. We continue to see industry consolidation as a key narrative. SIM-only competition remained keen. Singapore telcos are trading at +1SD of forward EV/EBITDA, supported by attractive dividend yields of 5-6%. Singtel remains our preferred pick on ROIC accretion, capital management, and earnings upside from new growth engines. Key risks for the sector include competition, and weaker-than-expected earnings and/or dividends.
- **3Q24 recap.** Singtel and StarHub saw in-line 1HFY25/9M24 results with core earnings up 6.1% and 9.5% YoY. Stand-outs for the quarter include: i) Singtel's solid EBIT recovery with higher interim DPS (including 1.4 cents DPS in variable realisation dividends (VRD), and ii) StarHub's expanding mobile revenue market share (RMS), backed by a multi-market segmentation approach. Industry mobile revenue (Big-3 MNOs) fell 4% QoQ (-5.1% YTD), based on our estimates, as competition on SIM-only plans remained stiff.
- **Singtel: EBIT recovery on track for low double-digit growth in FY25; ROIC projected to hit 10% in FY25.** EBIT from core businesses (Singapore and Optus) grew 12.8% in 1HFY25, with management indicating the group is at the halfway mark of the SGD0.2bn opex savings targeted for FY25F. Optus' EBIT (AUD terms) surged 58% YTD on strong cost efficiencies while NCS' EBIT grew 40% on higher delivery margins. We see the mid-term capital recycling target of SGD6bn supporting the VRD, with another SGD1bn to be recognised over the next 6-8 months from the sale of Comcentre.
- **StarHub: To benefit from SGD270m transformation programme from 2025.** Its multi-segment/brand focus saw its mobile segment outperform the industry sequentially in 3Q24 with strong sub growth from its digital brand (giga!) and MVNO customers. It is expected to incur SGD27m in investments (capex+opex) in FY25 with the completion of its DARE+ programme. Cumulative investments by end-2024 will amount to c.SGD240m (90% of target). We see benefits from the investments likely back-loaded into FY26-27F as opex related to legacy networks gradually reduce. The shift in the market's competitive dynamics and StarHub's commercial response could temper positive outcomes from the transformation, in our view, with potentially lower revenue uplifts alongside inflationary-led cost adjustments.
- **Strong consolidation vibes.** At its 3Q24 results call, StarHub's management said it is open to industry consolidation and did not rule out market talks of a merger with either M1 or Simba Telecom. M1 and StarHub share 5G infrastructure, and greater synergies could be seen via a merger. A merger with the third or fourth-largest MNO would reduce competitive risks in the market and elevate its mobile standing with its fibre broadband share already at a No.2 position after Singtel. Note that StarHub's strong balance sheet (3Q24 net debt/EBITDA: 1.25x) gives it firepower for potential M&As.

Stocks Covered 2  
 Rating (Buy/Neutral/Sell): 1 / 1 / 0  
 Last 12m Earnings Revision Trend: Negative

#### Top Picks

Singtel (ST SP) – BUY

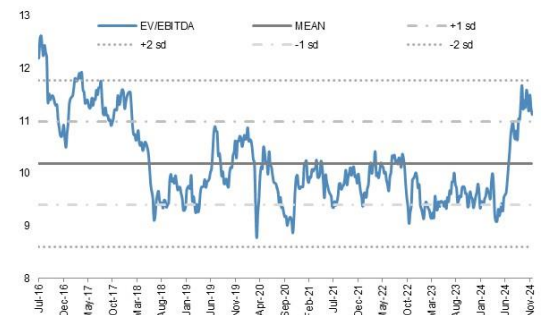
#### Target Price

SGD3.60

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#### Sector forward rolling EV/EBITDA

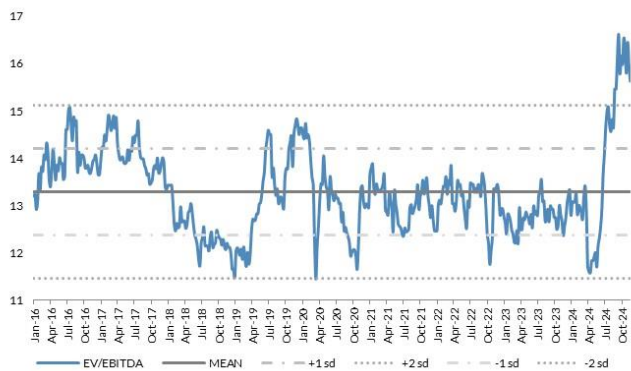


Source: Company data, RHB

Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Singtel	Buy	3.60	15.0	20.8	2.1	8.7	5.5
StarHub	Neutral	1.18	(4.1)	13.3	3.5	27.1	5.6

Source: Company data, RHB

Figure 1: Singtel's forward EV/EBITDA



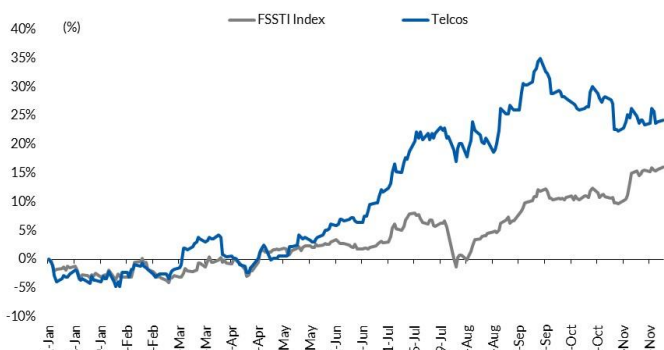
Source: Company data, RHB

Figure 2: StarHub's forward EV/EBITDA



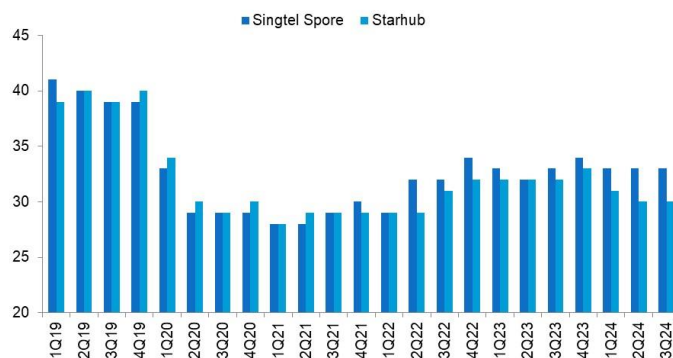
Source: Company data, RHB

Figure 3: Sector performance vs STI YTD



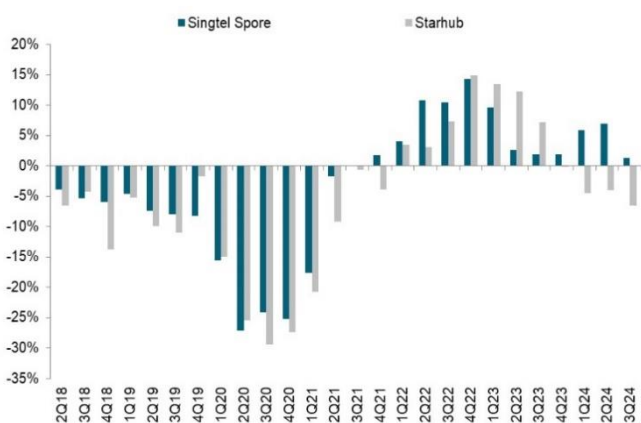
Source: Company data, RHB

Figure 4: Postpaid ARPU



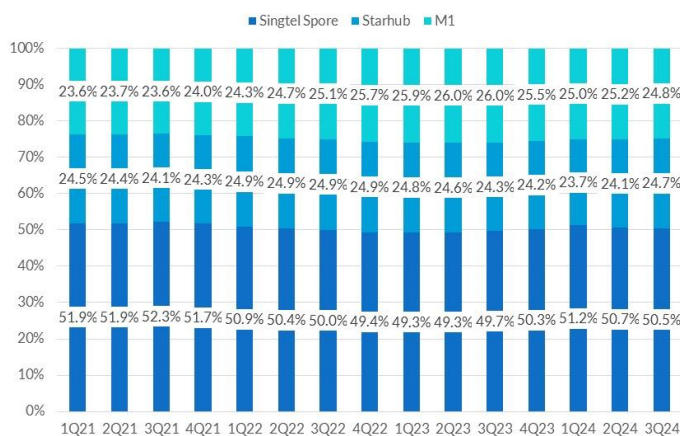
Source: Company data, RHB

Figure 5: Mobile revenue growth (Big 2 MNOs; YoY)



Source: Company data, RHB

Figure 6: Subscriber market share (Big- 3 MNOs)



Source: Company data, RHB

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
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<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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