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**Singapore
Telecoms**

Updates from MyRepublic

Bid to be 4th telco still on track. Downside risk to M1 & STH.

Our recent chat with MyRepublic's management indicates that its bid to be Singapore's 4th telco is still on track, with both bank loan and vendor financing now in the bag. It is on the last stretch to raise the remaining S\$150m equity tranche, and is in late-stage discussions with 4 potential backers. While competition has stepped up, this is still within its original business plan, and with 100k respondents to its indicative mobile plan launches, MyRepublic remains confident of its mobile ambitions. We maintain our BUY on Singtel and SELLS on M1 and StarHub given disruption risk.

MyRepublic's bid to be SG's 4th telco is still on track

- ❑ After a year of campaigning, MyRepublic is now on the last leg to qualify to be SG's 4th full-fledged telco operator, with the last 2 hurdles left of (1) clearing iDA's prequalification requirements and (2) winning the mobile spectrum left.
- ❑ However, a recent news article has cast doubt over MyRepublic's bid, as it cites difficulty in raising funds, which would hence scuttle its chances.
- ❑ We caught up with MyRepublic's management team of Malcolm Rodrigues (CEO) and Greg Mittman (co-founder) to better understand their current standing, and were given the message that MyRepublic remains clearly on track to raise the required funding to clear the prequalification requirements, and will be a serious contender to be a 4th telco operator when the spectrum auction occurs.

Bankers are still working, funding via equity and vendor financing

- ❑ MyRepublic has confirmed that the banking relationship with DBS and Goldman Sachs is still ongoing and they are still working to raise capital for the bid.
- ❑ To date, they have secured both a loan agreement of S\$130m, as well as confirmed a vendor financing agreement worth S\$250m.
- ❑ MyRepublic also commented that it has sufficient funds via a prior fund raising to secure the bankers' guarantee that is required for the prequalification for the upcoming spectrum auction.
- ❑ The remaining tranche of equity fund raising that is targeted for S\$150m is in the last stages of negotiation, and the company is in discussions with 4 potential investors.
- ❑ They expect to complete funding by end-July, which is their expectation of when the prequalifications will be completed as well.

Competition is stiffer now, but within expectations and can still thrive

- ❑ While there has been increased competition in the industry from the new SIM-only plans and new MVNO Circles Life, they hold the view that this is still within their original business plan.
- ❑ They have received strong feedback when they launched their indicative plans, having received nearly 100k respondents. Out of them, ~80% have indicated that they would prefer to sign up for the S\$80/mth unlimited data plan.
- ❑ MyRepublic believes there is a market to be carved out in the space and is confident of meeting the network requirements to support unlimited plans.
- ❑ As for coverage, it believes outdoor can be easily achieved via the 900Mhz spectrum and macro cell coverage, while indoor coverage can be supported via the common antenna system as well as the penetration capabilities of the 900MHz.

Maintain view that Singtel (BUY) looks best positioned, SELL M1, STH

- ❑ Our conversations indicate that MyRepublic remains in contention to be Singapore's 4th full-fledged telco, which points towards continued downside for both M1 and StarHub given their significant exposure to Singapore mobile.
- ❑ We continue to prefer Singtel as the top telco pick given the strong performance by Optus as well as its regional associates.

Updates from MyRepublic

After almost a year of campaigning, MyRepublic is now preparing to clear the final hurdle to become Singapore's 4th full-fledged telco. In order to make the cut, it would need to meet the prequalification requirements by iDA (Infocomm Development Authority of Singapore), as well as win the auction for the spectrum when it happens.

However, there has been recent chatter around its funding drive, which is being supported by DBS and Goldman Sachs. Specifically, a news article highlighted that there is a risk of them being unable to finance their bid and hence fail to meet prequalification requirements.

As a result, we decided to catch up with MyRepublic's management team of Malcolm Rodrigues (CEO) and Greg Mittman (co-founder), with regards to their progress in funding their telco ambitions.

The overall sense we get is that MyRepublic remains on track with its funding drive, and is still committed to getting this across the line. The company has secured S\$250m of vendor financing and is still working with both DBS and Goldman Sachs to raise the equity portion (S\$150m). They firmly believe that they will be able to raise the sufficient funds by Jul'16 to meet the iDA prequalification requirements.

Figure 1

Q&A session with MyRepublic Management team

Question	MyRepublic's mgmt. team response
How has the funding drive by DBS and Goldman Sachs gone?	Banking relationship and fund raising activities still ongoing.
Is the targeted funding still S\$250m, and what role does vendor financing play in your overall telco bid financing?	Targeted rollout capex of S\$250m remains intact and vendor financing of around S\$250m has been secured. On top of this, they are targeting to raise S\$150m of equity for the telco business. This S\$150m has not been completed as of yet. They are in final discussions with 4 investors.
What are iDA's prequalification requirements fixed at in terms of fund raising?	MyRepublic expects final auction details to be out by mid-July and submission of documents by end-July for prequalification. This is in line with MyRepublic's fund raising timeline.
Is MyRepublic selling out stakes at the MyRepublic level or at the telco co. level during the fund raising, and who are the potential stake-holders?	They are undecided at this point in time of the funding structure and are in discussions with various potential backers. This could take place at either group or Singapore inc. level. They expect to wrap up by July.
Has the banker guarantee for the auction been secured?	Yes, the guarantee has been secured, and they do not need to rely on their backers for further financing to meet the bankers' guarantee requirement.
If MyRepublic does win the license, what is your rollout plan to achieve coverage given your capex plans?	Outdoor coverage is easily achievable with the 900Mhz spectrum and macro cell coverage. Especially given COPIF, which allows them access to rooftops. As for inbuilding, they estimate that c.400 buildings in Singapore are covered under the open antenna system. Given that MyRepublic estimates the existing 3 telcos only have 600-1,000 inbuilding coverage, they believe their network will not be too inferior considering the combination of both common antenna system access and the 900Mhz spectrum, which has good penetration capabilities.
How was the feedback and indication rate of the two potential plans that you have posted on your website?	The feedback has been strong with 80% of respondents opting for the S\$80/mth unlimited plan. MyRepublic believes there is a market to be carved out. They are confident of meeting the network requirements to support unlimited plans. MyRepublic has received nearly 100,000 respondents to their indicative plans.
How has the SG as well as the regional expansions been going? Has SG turned profitable yet?	The Singapore business has turned EBITDA positive since Jan'16. In addition, the group is currently on a revenue run-rate of S\$75m/yr, are now signing up an average of ~10k new subscribers per month across 3 countries, and have over 110k broadband customers across 3 countries.
What is your take on the change in the competitive landscape?	While there has been increased competition from both SIM only plans and Circles Life, they do not see a major threat to their business plan.

Source: CLSA, company

Companies mentioned

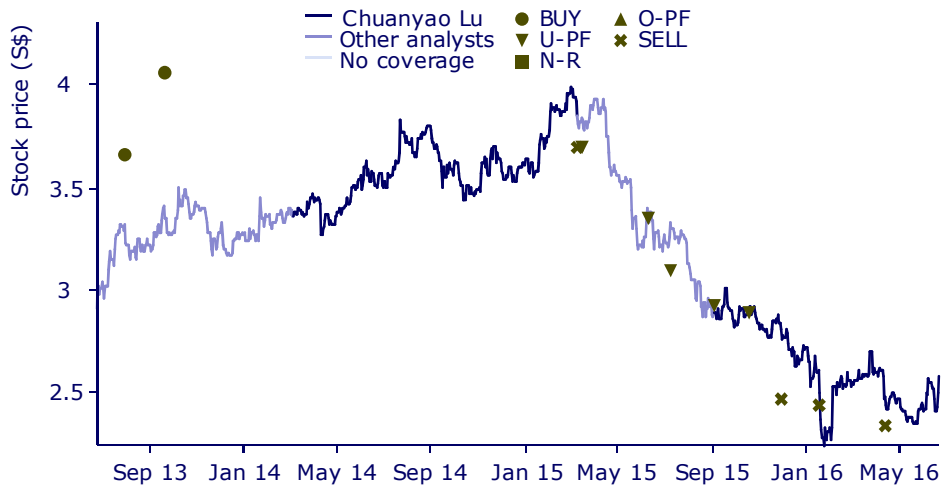
M1 (M1 SP - S\$2.58 - SELL)
 MyRepublic (N-R)
 Singtel (ST SP - S\$3.85 - BUY)
 StarHub (STH SP - S\$3.63 - SELL)

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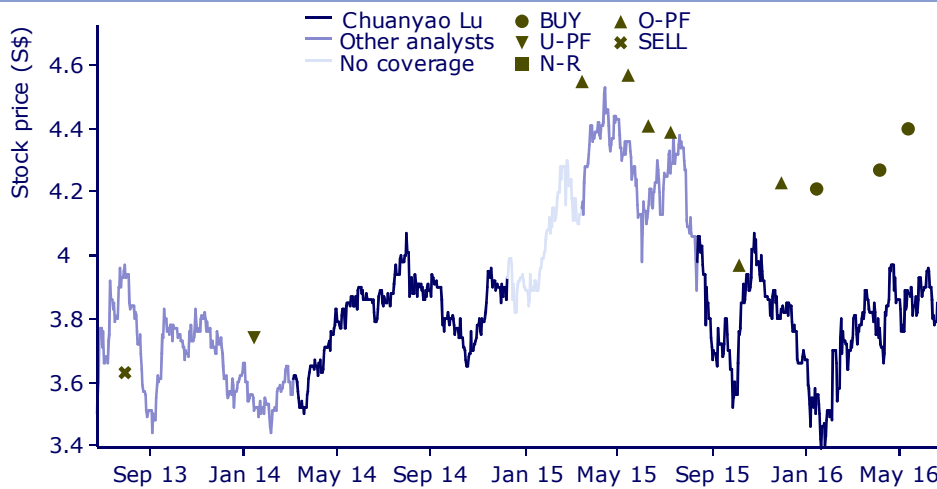
Recommendation history of M1 Ltd M1 SP



Date	Rec	Target	Date	Rec	Target
13 Apr 2016	SELL	2.34	10 Jun 2015	U-PF	3.35
18 Jan 2016	SELL	2.44	16 Mar 2015	U-PF	3.70
30 Nov 2015	SELL	2.47	10 Mar 2015	SELL	3.70
19 Oct 2015	U-PF	2.89	20 Sep 2013	BUY	4.06
04 Sep 2015	U-PF	2.93	30 Jul 2013	BUY	3.66
09 Jul 2015	U-PF	3.10			

Source: CLSA

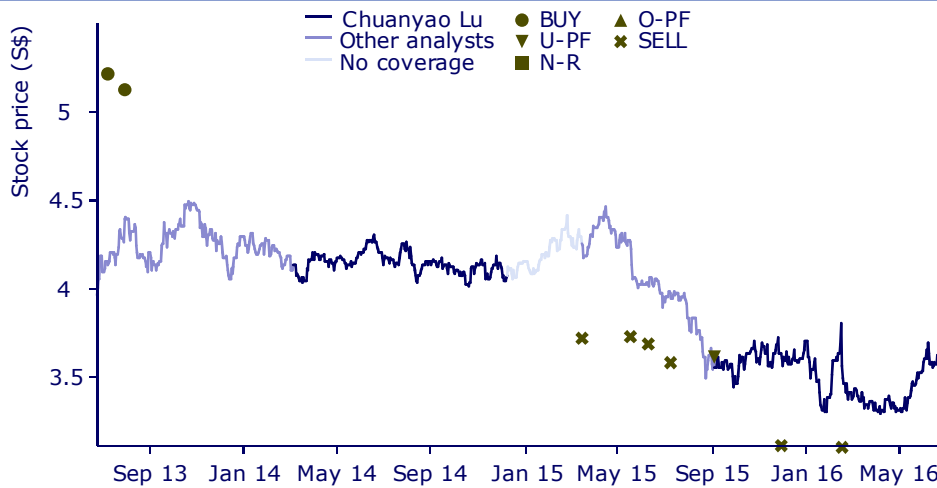
Recommendation history of Singapore Telecommunications Ltd ST SP



Date	Rec	Target	Date	Rec	Target
13 May 2016	BUY	4.40	10 Jun 2015	O-PF	4.41
06 Apr 2016	BUY	4.27	15 May 2015	O-PF	4.57
15 Jan 2016	BUY	4.21	16 Mar 2015	O-PF	4.55
30 Nov 2015	O-PF	4.23	09 Dec 2014	Dropped Coverage	
06 Oct 2015	O-PF	3.97	14 Jan 2014	U-PF	3.74
09 Jul 2015	O-PF	4.39	30 Jul 2013	SELL	3.63

Source: CLSA

Recommendation history of StarHub Ltd STH SP



Date	Rec	Target	Date	Rec	Target
17 Feb 2016	SELL	3.10	18 May 2015	SELL	3.73
30 Nov 2015	SELL	3.11	16 Mar 2015	SELL	3.72
04 Sep 2015	U-PF	3.61	09 Dec 2014	Dropped Coverage	
09 Jul 2015	SELL	3.58	30 Jul 2013	BUY	5.12
10 Jun 2015	SELL	3.68	08 Jul 2013	BUY	5.21

Source: CLSA

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