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ASEAN Telecoms and Media

MyRepublic has not finished with its mobile plans in Singapore yet

We are UW M1 & Starhub as we expect returns in the Singapore mobile market to fall with the entrance of the 4th operator in 2018, TPG. MyRepublic, which lost the spectrum auction to TPG, now seeks to launch an MVNO product in Singapore which in our view could create more competition for incumbents.

We caught up with Greg Mittman, COO of MyRepublic to discuss their plans for Singapore post losing the recent spectrum auction, in December 2016.

MyRepublic's Singapore broadband market share is stabilizing in high single digits share. MyRepublic started in Singapore five years ago and has grown to 6% fibre market share with ~60k subscribers. Management indicate they continue to win 7-9% incremental share but focus in Singapore is now shifting to the enterprise market. Their goal would be to gain ~50% of Singapore revenue from Enterprise services, up from its current 25%. We expect when TPG Telecom launch their mobile product there will be a fixed broadband solution as well.

MyRepublic's mobile insights for TPG Telecom ... and ... they still have more plans for Singapore mobile. MyRepublic's previous bid to become the 4th entrant shares a lot of similarities to TPG Telecom's current plan. That is both bids will be capex light, ~\$250-300m, and use NBN fibre infrastructure as their backbone mobile network. MyRepublic's bid was aiming to win ~5% mobile share over 3-4 years and this is consistent with our forecasts for TPG to win 7% market share over 4 years. MyRepublic tested two mobile plans, 1) priced at S\$80 per month with unlimited data and 2) cheap with small amount of data. 80% of customers chose the 1st plan. Historically TPG's strategy in Australia has been a price leader hence we would expect them to combine an unlimited plan at a cheaper price vs. competitors. MyRepublic also highlighted that their mobile plans are not finished in Singapore, and have now changed from operating as a network owner, to launching as a MVNO (mobile virtual network operator). Whilst no exact date was provided for launch or which incumbent may become their wholesale provider, management did highlight this would be soon.

Future plans are to consolidate in all markets over the next 12 months, add content and explore mobile. MyRepublic have now successfully launched into Singapore, Indonesia, New Zealand and Australia and have aggressive expansion goals. Indonesia now has ~80k subscribers and are aiming for ~250k by 2018, New Zealand has ~15k and aiming for ~40k by 2018 and Australia 5k now and aiming for ~130k by 2018. MyRepublic will look to add content to its broadband offerings in Singapore, NZ and Australia, similar to their deals already established in Indonesia. MVNO deals are also the next leg of growth in each market.

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In-Line

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Valuation Methodology and Risks

MONE.SI

Our M1 price target of S\$1.80 is our base case scenario value, derived using the average of three methodologies: P/E, EV/EBITDA-based SOTP, and DCF.

- Our P/E valuation is based on 12x 2017e EPS of S\$0.15. We think M1 should trade at a 5% discount vs. the market multiple and a 29% discount to M1 long-term average to reflect the potential new entrant into the industry.
- Our EV/EBITDA-based SOTP applies a 7x multiple on the business, a 3% discount to M1's long-term average to reflect the impact from a new entrant and the likely declining return profile of the industry as a result of increased competition.
- Our DCF valuation is driven by our 10-year DCF valuation for M1's Singapore business. We assume 7.8% WACC and 3% terminal growth rate to value M1.

Key downside catalysts: i) More aggressive data price cuts as higher-margin international roaming revenues decline; ii) Potential for dividend cut; iii) Stock de-rating on the back of earnings weakness.

Key upside risks to our price target: i) No new entrant into the Singapore mobile market; ii) Mobile ARPU returns to growth driven by very strong data monetization; iii) M1 does not need to cut its payout ratio in 2018 and holds it at 80% of NPAT.

STAR.SI

Our StarHub price target of S\$2.60 is our base case scenario value, derived using the average of three methodologies: P/E, EV/EBITDA-based SOTP, and DCF.

- Our P/E valuation is based on 13x 2017e EPS of S\$0.19. We think STAR should trade in-line with the market. STAR's long-term average premium vs the SGX is 21%, however we are comfortable applying an 18% discount because of the new entrant into the industry.
- Our EV/EBITDA-based SOTP applies a 7x multiple on the business, a 16% discount to STAR's long-term average to reflect the potential new entrant and likely declining return profile of the industry as a result on the increased competition.
- Our DCF valuation is driven by our 10-year DCF valuation for StarHub's Singapore business. We assume 8% WACC and 3% terminal growth rate to value StarHub.

Key upside catalysts: i) No new entrant into the Singapore mobile market; ii) Mobile ARPU growth driven by a strong data monetization effort in a rational pricing environment; iii) Attractive dividend yield vs. the peer group.

Key upside/downside risks to our price target: i) Potential 4th entrant does not enter the Singapore mobile market; ii) Mobile ARPU increases despite intense price competition in bundled and data plans; iii) Starhub increases its dividend payout ratio.

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(as of January 31, 2017)

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1142	35%	280	42%	25%	566	36%
Equal-weight/Hold	1449	44%	300	45%	21%	706	45%
Not-Rated/Hold	62	2%	8	1%	13%	8	1%
Underweight/Sell	656	20%	76	11%	12%	279	18%
TOTAL	3,309		664			1559	

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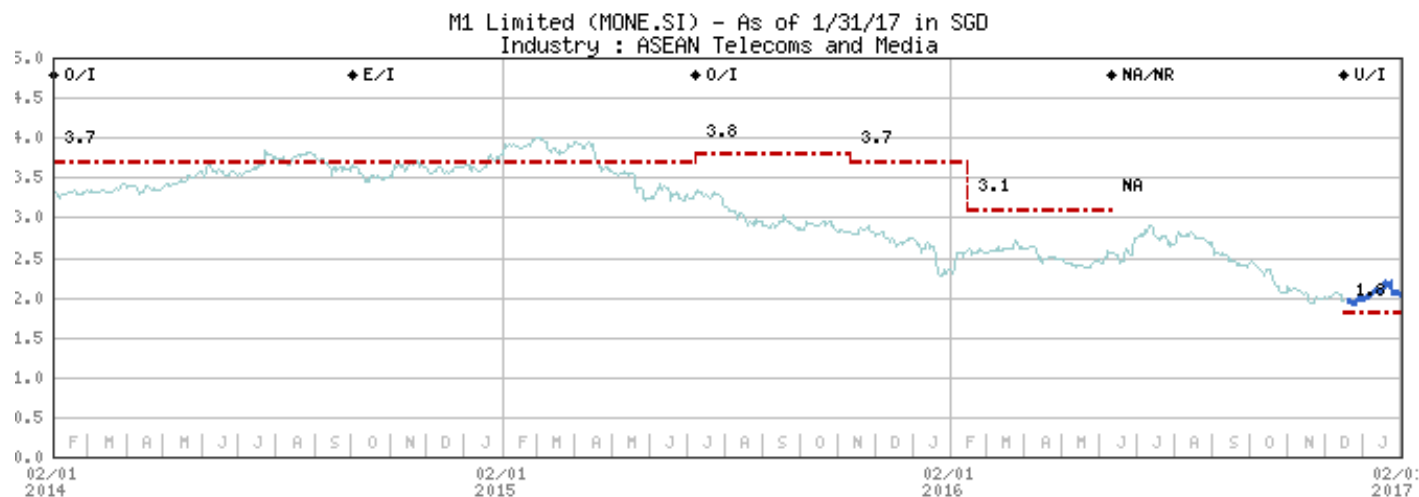
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)

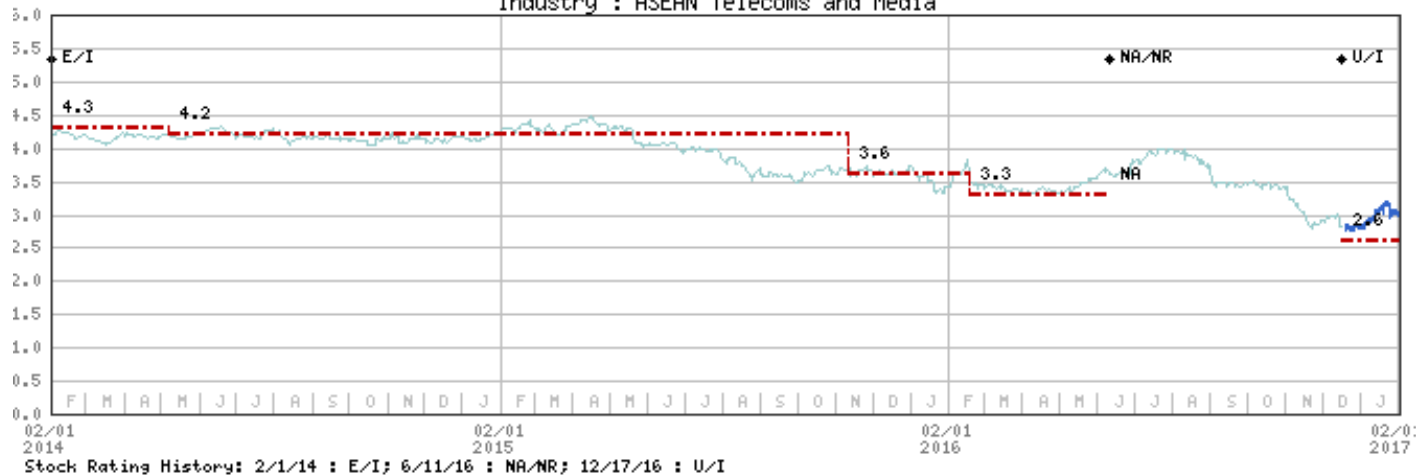


Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Ratings/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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StarHub (STAR.SI) - As of 1/31/17 in SGD
Industry : ASEAN Telecoms and Media



Price Target History: 12/5/13 : 4.3; 5/7/14 : 4.2; 11/11/15 : 3.6; 2/17/16 : 3.3; 6/11/16 : NA; 12/17/16 : 2.6

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/31/2017)
Mark Goodridge, CFA		
Advanced Info Service (ADVANC.BK)	O (01/09/2017)	Bt159.00
Globe Telecom (GLO.PS)	U (10/21/2016)	PP1,720.00
Indosat (ISAT.JK)	O (10/14/2016)	Rp6,450
Intouch Holdings (INTUCH.BK)	E (01/09/2017)	Bt53.50
Link Net (LINK.JK)	O (10/18/2016)	Rp5,000
M1 Limited (MONE.SI)	U (12/17/2016)	S\$2.01
PLDT (TEL.PS)	U (10/21/2016)	PP1,470.00
Sarana Menara Nusantara (TOWR.JK)	E (10/18/2016)	Rp3,500
Singapore Telecom (STEL.SI)	O (12/17/2016)	S\$3.87
StarHub (STAR.SI)	U (12/17/2016)	S\$2.97
Telekomunikasi (TLKM.JK)	O (10/14/2016)	Rp3,870
Total Access Comm. (DTAC.BK)	E (01/09/2017)	Bt39.25
Tower Bersama Infrastructure (TBIG.JK)	U (10/18/2016)	Rp4,950
True Corporation (TRUE.BK)	U (01/09/2017)	Bt6.55
XL Axiata (EXCL.JK)	E (10/14/2016)	Rp2,910

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* Historical prices are not split adjusted.