SINGAPORE TELECOMS

MyRepublic growing in confidence

We recently caught up with MyRepublic's management and noted its increased confidence in the Singapore mobility venture. Management took a neutral to slightly positive view on IDA's recent decision on spectrum allocation and the fourth mobile licence ("Singapore Telecoms – Another step closer to spectrum auctions", 18 February 2016). In particular, the removal of 700MHz spectrum (whose availability is dependent on analogue switch-off) from the new entrant auction and its replacement with an additional 20MHz of 2.3GHz spectrum is viewed positively by management. Management believes the 60MHz of spectrum in the new entrant package will be sufficient to support MyRepublic's business case, but does not rule out participating in the general auction for the 700MHz/2.5GHz spectrum. The company assumes no mandated national roaming as its base case, and site acquisition discussions with landlords have been initiated.

MyRepublic's market share targets remain consistent at c9-15%, with break even at c5% share. According to management, the mobile proposition could feature some bundled devices, although this will not be MyRepublic's core offering. The company is targeting access speeds of up to 600Mbps, using carrier aggregation. Management indicated peak funding of cSGD250m-300m, made possible by reliance on the NBN fibre for backhaul, heavy automation and usage of cloud services. If successful at the auctions, the company targets mobile service launch, with nationwide coverage, in 2H 2017. Funding remains the key issue for this company. Management stated it was in discussions with both financial and strategic investors for funding of the Singapore mobility business. No concrete agreement has been reached, although management expressed confidence in securing funding ahead of IDA's pre-qualification process in mid-2016.

Trading sentiment likely to remain weak ahead of spectrum auctions

We note trading sentiment for the Singapore telecom sector will likely remain weak ahead of the spectrum auctions in 3Q/4Q16. Our BUY rating on Singtel (ST SP; CP: SGD3.71) is supported by its income diversification, enterprise market leadership and emerging market growth exposure. At current levels, Singtel offers c5% 1-year forward dividend yield. We have a BUY rating on M1 (M1 SP; CP: SGD2.55) on valuation grounds, as the stock is trading >1SD below its 5-year historical average EV/EBITDA and offers c7% 1-year forward dividend yield. We have a HOLD rating on STH (STH SP; CP: SGD3.37).

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Company	Ticker	Disclosure (as applicable)
Singapore Telecom	ST SP	2, 3, 4

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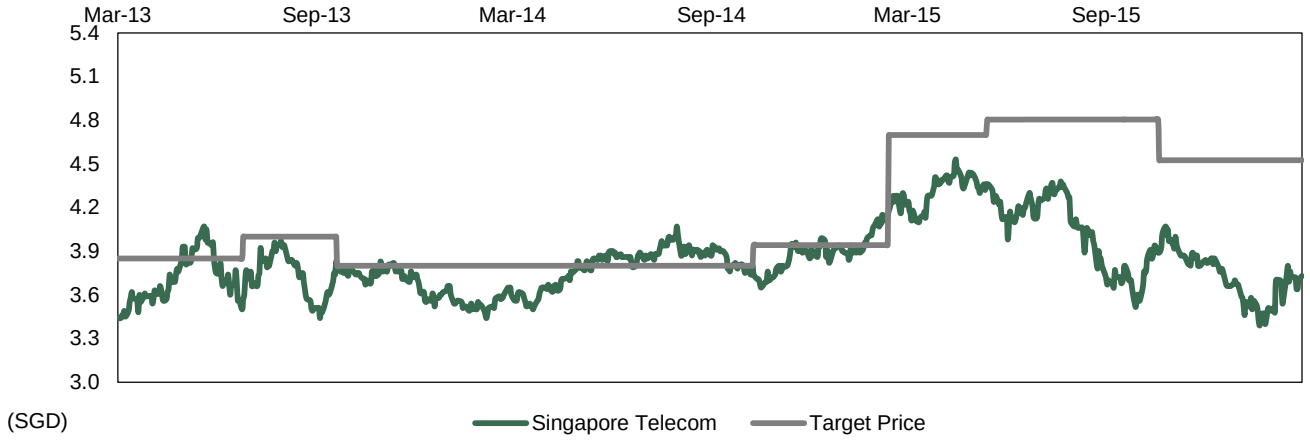
History of change in investment rating and/or target price

M1 Ltd (M1 SP)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Oct-14	Hold	3.75	17-Jun-15	Hold	3.54	12-Jan-16	Buy	3.13
19-Jan-15	Hold	3.81	20-Oct-15	Hold	3.17	19-Jan-16	Buy	3.12

Wei Shi Wu started covering this stock from 10 Oct 2014
Price and TP are in local currency
Valuation and risks: Our TP is based on DCF. Key downside risks: Greater than expected mobile competition; slower than expected data revenue growth; greater than expected broadband competition, leading to ARPU erosion; inability to grow fixed services; inability to manage costs; higher than expected capex.
Sources: FactSet; BNP Paribas

Singapore Telecom (ST SP)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Mar-13	Buy	3.85	20-Sep-13	Hold	3.80	14-May-15	Buy	4.80
25-Jun-13	Buy	4.00	10-Oct-14	Hold	3.94	17-Jun-15	Buy	4.81
01-Aug-13	Hold	4.00	12-Feb-15	Buy	4.70	20-Oct-15	Buy	4.53

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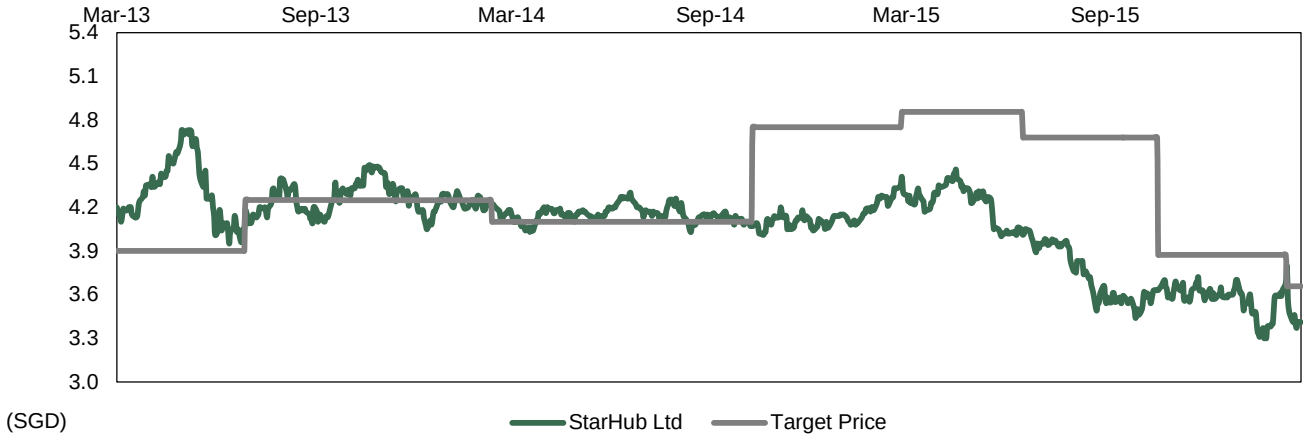
Valuation and risks: Our TP is based on SOTP. Key downside risks: Adverse FX movement (especially SGD appreciation versus AUD/INR/IDR); significant emerging market sell-off; deteriorating macro-economic outlook in Singtel's markets; political and regulatory risks across Singtel's markets; greater than expected competition in Singapore and Australia; potential negative impact from the Singapore and Australia NBNs; potential risk of overpaying for assets.
Sources: FactSet; BNP Paribas

StarHub Ltd (STH SP)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Mar-13	Hold	3.90	11-Feb-14	Hold	4.10	17-Jun-15	Buy	4.68
28-Jun-13	Hold	4.25	10-Oct-14	Buy	4.75	20-Oct-15	Hold	3.87
20-Sep-13	Hold	4.25	25-Feb-15	Buy	4.86	16-Feb-16	Hold	3.66

Wei Shi Wu started covering this stock from 10 Oct 2014
Price and TP are in local currency
Valuation and risks: Our TP is based on DCF. Key downside risks: Increased competitive intensity in mobile and broadband, leading to accelerated market share or ARPU erosion; pay-TV subscriber loss to OTT platforms; inability to manage costs; higher than expected capex; inability to sustain shareholder returns. Key upside risks: More benign than expected mobile and broadband competition; slower than expected migration to over-the-top content services, resulting in better than expected pay-TV performance; accelerated shareholder returns.
Sources: FactSet; BNP Paribas

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