

February 15, 2016

Singapore Telecoms

Call with MyRepublic: Steady Fixed, Focusing on Mobile

MyRepublic remains interested in upcoming spectrum auctions in Singapore and believes it can leverage its fixed broadband presence to achieve break-even at ~5% market share. Fixed broadband is stable with maturing residential segment making way for new opportunities in corporate and SME segment.

We had a call with management of MyRepublic (MR) to get the latest update on the company's broadband business (both Singapore and regionally) as well as its ambitions in the upcoming mobile spectrum auctions in Singapore. All in, the company said it continues to grow steadily in the fixed broadband market, with focus shifting towards enterprise segment as the residential market in Singapore shows signs of maturing. MR also remains committed to the upcoming mobile spectrum auctions in Singapore and believes it has a viable case to emerge as a fourth player in the Singapore mobile market.

Status update of the company: MR had a strong 2015, having started with ~30k broadband subs in Singapore and finishing the year with ~90k subs (~45-50k in Singapore) across three markets (Singapore, NZ and Australia). The company is targeting ~300k subs across the region by end-2016, with Indonesia expected to be a contributor to growth in 2016 and beyond. While NBN-based markets were the initial area of interest, the group is studying several non-NBN markets after the Indonesian launch given the under-penetrated broadband markets across the region.

Netflix and OTT services: MR believes Netflix presents a big opportunity as the global trend shifts towards content disintegration and unbundling of content and access, with operators providing access to OTT services. The company believes that cross subsidization across mobile and fixed/access and content will eventually fade, which should help smaller operators such as MR.

Singapore mobile: MyRepublic's base case assumes no changes to iDA framework: MR remains interested in bidding for mobile spectrum in the upcoming spectrum auctions (likely in June 2016). The company went through a rigorous exercise trying to understand the business case and came back convinced that it can emerge as a viable fourth mobile player in Singapore. As part of its base case, MR does not expect the regulator to mandate roaming, although the company acknowledged that national roaming would ease cost pressures in the early stage of network rollout. MR can still commercially negotiate roaming with the incumbents. The company intends to leverage on opportunities from the evolving digital space e.g. "Internet of things" and aims to differentiate its offering by providing a mix of attractive pricing and variety to ensure customers get products and services that are more catered to their requirements and usage levels.

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Conference Call Takeaways - Continued

Singapore mobile: upcoming spectrum auctions and the company's plans: MR expects the spectrum auctions to happen around June 2016, and in the first stage will focus on the spectrum that is reserved for new entrants at a lower base price. While more spectrum would be good, the company wants to take a lean approach in the early stage and ensure capital commitment is gradual.

Singapore mobile: operational and financial targets: MR is targeting 8-9% market share in 5 years and aims to break even in 2-3 years. The company expects peak funding requirements of ~S\$250mn, given its existing infrastructure, IT systems etc, along with its brand presence (indeed, barring radio equipment, management believes its existing infrastructure replicates almost 80% of a mobile operator's network, including IT, distribution, existing customer base, brand etc). The company has invested a lot on process automation and views itself as a next-generation operator, which shifts several items from capex to opex. The company believes its existing business allows it to achieve break-even at a small market share level and limits peak funding, vs a greenfield network, which may need peak funding of between S\$800mn-1bn.

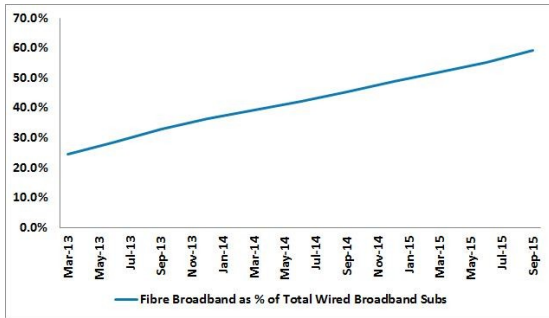
The company did a mobile trial in Singapore, where it field tested the mobile operator it wants to build; and the trial also allowed the company to stress test its engineering assumptions, and conduct some end-user surveys on people's sentiment towards a fourth operator. The company's surveys show high demand among customers for a new mobile player, which it views as a positive sign.

Long-term strategy: The company aims to first establish a foothold within the residential fixed broadband business before diversifying into the SME, Enterprise, Carrier and eventually the mobility businesses - a strategy it has followed in the Singapore market. MR acknowledges rising competition in the residential and SME space and hence chooses to allocate proportionately more resources to the Enterprise and Carrier business.

Indonesia operations: MR has stated its approach towards the Indonesian broadband business is different vs its usual preference for NBN (next generation broadband network) markets. MR believes the market opportunity in Indonesia is significant since real broadband penetration (speeds in excess of 10Mbps) is ~1%. The firm has purchased equipment with Chinese vendors, which reduces the upfront capex although meaningful investments will be required in provisioning IT and back-end systems. Management acknowledged that capital needs for the Indonesian business will be immense vs the requirements in Singapore, but given the size of the opportunity, the company sees justifiable returns on capital.

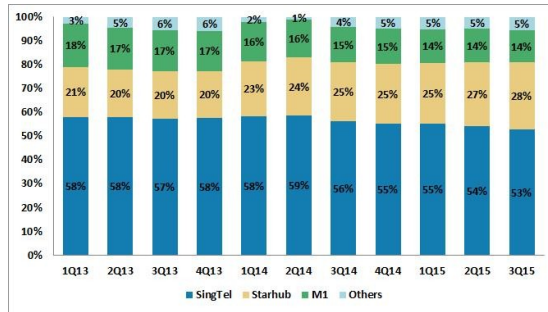
Funding ongoing: MR is in the midst of raising funds, with two banks leading the process, which aims to raise S\$300mn. These funds will mainly be used for the Indonesian and Australian broadband businesses and Singapore mobility, as the Singapore and NZ broadband businesses are fully funded. Prior to this, the company had raised a total of just under S\$100mn, so the scale of the coming capital raise is significant. MR said it remained open to a group of private investors or a large strategic shareholder as part of the ongoing S\$300mn funding exercise. Existing large shareholders are prepared to contribute more as well, according to MR, although angel investors and management could see dilution in their stake.

Exhibit 1: Singapore: Fibre as % of Total Broadband



Source: Company data, iDA, Morgan Stanley Research

Exhibit 2: Singapore: Fibre Broadband Market Share



Source: Company data, iDA, Morgan Stanley Research

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL	
				IBC	% OF RATING CATEGORY
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Equal-weight/Hold	1432	42%	331	44%	23%
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COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/12/2016)
Navin Killa		
Advanced Info Service (ADVANC.BK)	O (10/03/2014)	Bt166.50
Astro Malaysia Holdings Bhd (ASTR.KL)	E (08/28/2015)	RM2.68
Axiata Group Berhad (AXIAKL)	E (01/29/2016)	RM5.60
DiGi.com (DSCM.KL)	U (10/27/2015)	RM4.85
Digital Telecommunications Infrastructure Fund (DIFu.BK)	O (04/23/2015)	Bt12.50
Global Mediacom (BMTR.JK)	O (08/18/2014)	Rp770
Globe Telecom Inc. (GLO.PS)	E (02/04/2015)	PP1,850.00
Indosat (ISAT.JK)	O (06/19/2012)	Rp5,375
Intouch Holdings Public Company Limited (INTUCH.BK)	O (10/03/2014)	Bt55.25
Jasmine Broadband Internet Infra Fund (JASIFu.BK)	E (12/21/2015)	Bt8.05
Jasmine International (JAS.BK)	U (12/21/2015)	Bt2.92
M1 Limited (MONE.SI)	O (07/08/2015)	S\$2.53
Maxis Berhad (MXSC.KL)	U (08/07/2013)	RM6.06
Media Nusantara Citra (MNCN.JK)	O (05/29/2014)	Rp1,395
MNC Sky Vision (MSKY.JK)	U (09/29/2015)	Rp1,185
PLDT (TEL.PS)	U (02/04/2015)	PP2,168.00
PT Link Net Tbk (LINK.JK)	O (04/23/2015)	Rp3,150
Sarana Menara Nusantara (TOWR.JK)	U (10/03/2014)	Rp4,135
Singapore Telecom (STEL.SI)	O (09/16/2010)	S\$3.58
StarHub (STAR.SI)	E (11/26/2012)	S\$3.63
Surya Citra Media (SCMA.JK)	E (01/26/2016)	Rp2,910
Telekom Malaysia (TLMM.KL)	E (04/23/2015)	RM6.59
Telekomunikasi (TLKM.JK)	E (10/03/2014)	Rp3,285
Total Access Comm. (DTAC.BK)	E (10/03/2014)	Bt31.75
Tower Bersama Infrastructure (TBIG.JK)	U (09/27/2013)	Rp6,100
True Corporation (TRUE.BK)	U (04/23/2015)	Bt6.05
XL Axiata (EXCL.JK)	O (06/25/2015)	Rp3,930

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