

Telecommunications

Neutral (Maintained)

Consolidation Dials In

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

- **Consolidation dials in; more M&As not ruled out.** We view recent developments related to the consolidation in the Singapore mobile and broadband markets positively. Expectations of market price repair are, however, varied – with mobile network operators (MNOs) expected to sustain the “high-press” approach to defend/grow revenue market share (RMS) in the short-to-medium term. We keep our NEUTRAL sector rating with Singtel as our Top Pick due to its ROIC expansion, capital management upsides and the exposure to key markets undergoing price repair.
- **Bundled data roaming and higher inclusions marred industry mobile performance.** For the June reporting season, Singtel reported in-line results while StarHub missed expectations. The quarter was characterised by acute competition with SIM price aggression laced with higher data inclusions, with roaming data infused into existing data buckets. This contributed to the 7% and 11% YoY declines in Singtel and StarHub mobile revenues for the quarter.
- **Simba-M1 marriage announced on 11 Aug.** While the market has been upbeat on the long-awaited market consolidation, MNOs are generally unsure of the timing of market price repair. We believe Simba is likely to sustain its competitive intensity, as it remains sub-scale. At StarHub’s 2Q/1H25 results call, management said it reserves the rights on spectrum assigned to the Antina JV with M1 (2100/3500MHz), and will explore options to protect its interest. The earlier JV with M1 entails equal pooling of spectrum resources. According to StarHub, Simba’s acquisition of M1 reflects a material change in ownership that would alter the spirit of the JV. Management added that current spectrum resources are optimal, with no reasons to add more despite the narrowing spectrum gap with Simba-M1. StarHub sees opportunities to take further RMS as the integration will take some time to complete. M1 remains highly vulnerable to competition, being largely dependent on a single mobile virtual network operator (MVNO), with stiff competition squeezing its RMS.
- **...then StarHub’s acquisition of 49.9% stake in MyRepublic (MR) on 12 Aug.** StarHub first acquired a 50.1% stake in MR in Sep 2021, citing strategic alignment, access to MR’s operational back-end assets and strong brand equity as reasons for the full consolidation – a tactic to solidify its stranglehold (no. 1 RMS in the broadband market). Simba had, in 2024, entered the broadband market by undercutting prices with a 10Gbps plan at SGD29.99/month. Tuas, Simba’s ASX-listed parent, turned PAT positive in 1HFY25 with 14.3m broadband subs, under two years after the broadband service was unveiled.
- **StarHub’s estimates lowered; Singtel forecast maintained.** Post results, StarHub cut FY25F EBITDA growth to a “8-12% YoY decline” as it intends to be more aggressive in 2H25 to defend/grow revenue market share, following the Simba-M1 deal. We cut FY25-27F core earnings by 22-33%, noting its comments that cost savings guided earlier under the DARE+ transformation have been offset by the shift in market dynamics, which imply that the earnings recovery will be pushed back. It will, instead, expand on cost optimisation initiatives encompassing three more levers with positive outcomes to be 3-4x larger in the long run. We retained our forecast for Singtel.

Top Picks

Singtel (ST SP) - BUY

Target Price

SGD4.70

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Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
Singtel	Buy	4.70	11.9	22.4	2.6	12.0	4.7
StarHub	Neutral	1.06	(6.2)	15.8	3.5	21.5	8.0

Source: Company data, RHB

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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