



CHINA
DEVELOPMENT
FINANCIAL

SingTel

(ST SP/STEL.SI)

Not-Rated

Price as of 5 Feb 2018	3.49
12M target price (S\$)	na
Previous target price (S\$)	na
Upside (%)	na

Trading data

Mkt Cap (S\$m) / (US\$m)	56,989 / 43,265
Issued Shares (m)	16,329
Ave Daily Traded (3-Month) Vol / Val	21.9m / \$79.9m
52 week lo / hi	\$3.44 / \$3.99
Free Float	50.1%

Major Shareholders

Temasek	52.3%
Franklin	1.6%

ST SP (1yr) VS STI



Source: Bloomberg

Testing 5-year support levels; Attractive dividend yields

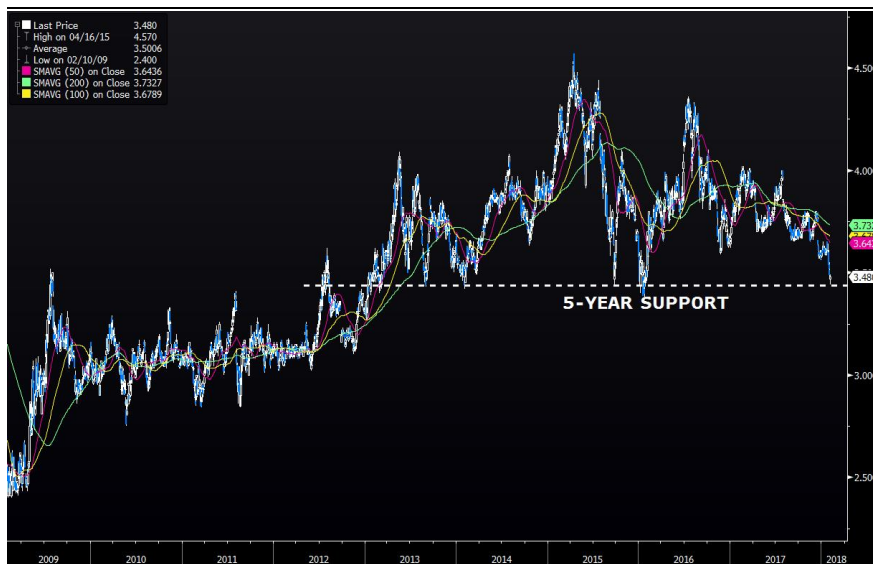
Event

ST's share price has declined 13% from its 52-week high of ~S\$4.0. ST has also underperformed the STI by 5% year-to-date.

Impact

ST's share price is currently testing a key 5-year support (Figure 1). We believe share price at current levels can be supported by its 5.2%/5.6% consensus dividend yield for FY19/20F.

Figure 1: ST is testing 5-year key support levels



Source: Bloomberg, KGI Research

Valuation & Action

Attractive 5% dividends supported by healthy FCF. SingTel typically pays between 60-75% of its core net profit as ordinary dividends, which has translated to 16.8 SG cents for FY14-15 and 17.5 SG cents for FY15-17. The sell-down offers an attractive opportunity to accumulate ST given its forward dividend yields of 5.3%/5.6% for FY19/20F. It is due to report its 3Q18 earnings this Thursday (8-Feb) before market opens.

Risks

Entry of Singapore's fourth telco may erode margins more than expected. The business shift to ICT will compete with big global technology companies, which may lead to more capex requirements to stay competitive. Higher capex may impact FCF and its ability to maintain a stable dividend payout.

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See the last page for important disclosures.

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	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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