

Pan-Asia Telecoms

Positioning for Rising Bond Yields

- **Go for growth** — Telcos have been the best performers within the MSCI Asian Indices, fueled by low interest rates from QE. The era of declining bond yields appears to have ended with yields rising from May 2013 lows. Citi's view remains of further bond yield expansion through FY14 as QE programs ease. We move attention from yield to growth telcos. Buy AIS, DTAC, SKT, China Unicom. Sell Maxis, PLDT, Telekom Malaysia, StarHub, M1, Chunghwa and TNZ.
- **QE-led yield outperformance** — The Asian telco sector has been the best performing sector from Nov 2010 to date among the MSCI sector indices. The outperformance has been consistent at a country level with local telco returns consistently outperforming country index return with the exception of India. Such outperformance is a result of yield-name crowding. Consensus earnings revisions actually moved down from FY11-14 for most Asian telcos, indicating that the re-rating was not driven by operating/financial gains.
- **Bond yields bottomed in 2Q13** — The higher yield telco stocks offered the best returns from 3Q11-2Q13 in an almost linear basis on low interest rates. However, growth names have started to perform over the last 1-2 quarters as interest rates bottomed in 2Q13 partially in anticipation of an eventual QE tapering. Investor yield preference will likely change given bottoming bond yields.
- **Markets most exposed to higher interest rates** — Citi's rates and economics teams are of the opinion that bond yields will continue to trend up from 4Q13-1Q15, ending the 2.5 year cycle of depressed rates owing to the US Fed's QE programs. The markets that offer strong telco sector yield to bond yield correlation, inflated valuations and low growth will be most at risk as they had benefitted the most from the upside – the Philippines, Taiwan, HK, Australia/NZ and Malaysian telcos.
- **Recommendation changes** — We cut M1 from Neutral to Sell, and Axiata and Taiwan Mobile from Buy to Neutral on yield de-emphasis and prior outperformance.

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Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
SKT	017670.KS	1	1	W270,000	W270,000	W23,286	W23,286
China Unicom	0762.HK	1	1	HK\$15.00	HK\$15.00	Rmb0.445	Rmb0.445
Chunghwa	2412.TW	3	3	NT\$85.00	NT\$85.00	NT\$4.98	NT\$4.98
TWM	3045.TW	1	2	NT\$123.00	NT\$103.00	NT\$5.84	NT\$5.86
FET	4904.TW	1	1	NT\$80.00	NT\$77.00	NT\$3.70	NT\$3.70
AIS	ADVA.BK	1	1	Bt294.00	Bt294.00	Bt12.70	Bt12.70
Axiata Grp	AXIA.KL	1	2	RM7.60	RM7.60	RM0.30	RM0.30
TAC	DTAC.BK	1	1	Bt130.00	Bt130.00	Bt5.01	Bt5.01
M1	MONE.SI	2	3	S\$3.05	S\$3.05	S\$0.19	S\$0.19
Maxis	MXSC.KL	3	3	RM5.80	RM5.80	RM0.30	RM0.30
StarHub	STAR.SI	3	3	S\$3.55	S\$3.55	S\$0.21	S\$0.21

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Figure 1. Asian Valuation Comps

Company Name	RIC	Rating	Share	Target		MV	EV/EBITDA		PE		FCF Yield (%)		Dividend Yield (%)	
	Code	/ Risk	Price**	Price	ETR (%)	USD (M)	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Emerging Market														
China						301,794	3.5	3.3	12.6	12.0	0.8	2.9	3.6%	3.7%
China Tel	0728.HK	2	4.02	4.00	2.29	41,956	3.5	3.4	14.1	12.4	-7.3	4.1	2.5%	2.8%
China Unicom	0762.HK	1	12.94	15.00	18.12	39,621	3.8	3.2	22.9	17.1	7.5	7.0	1.7%	2.2%
China Mobile	0941.HK	1	84.95	101.00	22.94	220,217	3.5	3.3	10.5	10.9	1.2	1.9	4.1%	4.1%
India						38,068	8.0	6.9	30.2	20.9	6.3	8.4	0.4%	0.9%
Bharti	BRTI.BO	1	339.05	415.00	23.01	22,018	7.1	6.1	31.3	20.6	5.7	7.8	0.5%	1.3%
IDEA	IDEA.BO	1	184.80	205.00	11.20	9,958	9.4	7.8	36.6	25.4	5.1	6.0	0.2%	0.4%
RCOM	RLCM.BO	3H	150.10	113.00	-24.55	5,033	9.2	8.8	20.9	19.7	13.4	17.0	0.2%	0.2%
TataComm	TATA.BO	2H	228.75	200.00	-11.69	1,059	6.4	5.7	-10.2	-9.6	-4.8	2.9	1.0%	0.9%
Indonesia						26,256	7.1	6.7	17.4	15.6	6.1	6.9	3.4%	3.9%
XL Axiata	EXCL.JK	2	4,750.00	4,625.00	-0.44	3,567	5.8	5.2	22.5	17.1	-0.7	3.9	2.2%	2.9%
Indosat	ISAT.JK	1	4,325.00	5,400.00	24.86	2,068	3.5	3.3	18.8	14.9	5.2	6.6	0.0%	2.0%
PT Telkom	TLKM.JK	2	2,325.00	2,075.00	-6.75	20,621	7.7	7.3	16.3	15.5	7.3	7.5	4.0%	4.2%
Thailand						42,739	11.9	10.1	20.7	16.2	3.7	5.5	4.8%	6.1%
AIS	ADVA.BK	1	264.00	294.00	16.19	25,093	11.9	10.3	20.8	16.6	3.2	4.8	4.8%	6.0%
TAC	DTAC.BK	1	117.00	130.00	15.36	8,857	9.6	8.1	23.3	17.0	2.5	4.9	4.2%	5.9%
Shin Corp	INTUCH.BK	1	85.75	100.00	22.03	8,790	14.5	11.7	17.6	14.1	6.3	8.0	5.4%	6.7%
Malaysia						52,821	10.7	10.2	22.9	21.4	3.9	4.7	4.5%	4.8%
Axiata Grp	AXIA.KL	2	6.90	7.60	13.43	18,516	9.0	8.3	22.8	20.0	3.1	4.3	3.3%	4.0%
Digi	DSOM.KL	1	4.86	5.50	17.90	11,877	12.3	11.9	23.6	21.3	3.8	5.0	4.7%	4.7%
Maxis	MXSC.KL	3	7.05	5.80	-12.06	16,626	12.8	12.6	23.5	22.8	4.3	4.4	5.7%	5.7%
Telekom Mal	TLMM.KL	3	5.16	4.80	-2.52	5,802	6.4	6.1	20.6	22.2	5.3	6.1	4.4%	5.5%
Philippines						14,374	7.9	7.3	16.1	15.9	6.5	7.0	6.2%	6.2%
PLDT	TEL.PS	3	2,870.00	2,700.00	0.25	14,374	7.9	7.3	16.1	15.9	6.5	7.0	6.2%	6.2%
Developed Market														
Korea						30,727	4.0	3.6	10.9	8.7	17.8	18.9	4.2%	4.4%
SKT	017670.KS	1	233,000	270,000	19.91	17,555	4.2	3.8	10.0	8.7	10.4	10.8	4.0%	4.0%
KT Corp	030200.KS	1	35,500	42,000	23.94	8,649	3.3	3.1	11.4	8.1	37.4	41.3	5.6%	5.6%
LGU	032640.KS	2	11,100	12,000	10.36	4,522	4.5	3.9	13.5	10.2	8.9	7.3	2.3%	3.2%
Hong Kong						6,875	5.4	5.1	13.6	12.3	7.8	9.1	5.5%	6.2%
PCCW	0008.HK	1	3.48	4.20	26.24	3,264	5.7	5.4	14.2	13.0	3.6	1.1	5.1%	5.5%
HTHKH	0215.HK	1	3.52	4.00	20.57	2,187	6.2	5.6	13.1	11.5	8.6	13.9	5.7%	6.9%
Smartone	0315.HK	1	10.64	13.50	32.77	1,424	3.5	3.5	13.0	11.8	16.3	19.8	6.1%	6.5%
Singapore						56,144	9.7	9.2	16.7	15.6	4.9	4.6	4.6%	4.9%
M1	MONE.SI	3	3.46	3.05	-6.85	2,568	10.2	9.2	18.0	15.6	5.3	4.7	5.0%	5.1%
StarHub	STAR.SI	3	4.35	3.55	-13.79	6,020	10.5	10.2	20.3	19.8	5.0	5.7	4.6%	4.6%
SingTel	STEL.SI	2	3.71	3.80	7.06	47,556	9.6	9.0	16.2	15.1	4.8	4.4	4.6%	5.0%
Taiwan						43,729	9.5	9.3	18.2	17.6	6.0	5.2	5.6%	5.7%
Chunghwa	2412.TW	3	93.00	85.00	-3.11	24,561	8.4	8.3	18.7	18.5	6.7	5.1	5.5%	5.4%
TWM	3045.TW	2	98.00	103.00	10.79	11,413	12.5	11.9	16.7	15.8	4.6	4.5	5.7%	6.0%
FET	4904.TW	1	69.90	77.00	15.71	7,754	8.8	8.6	18.9	17.3	5.8	6.5	5.6%	6.1%
Japan						256,083	2.1	4.1	14.4	12.5	0.6	5.5	2.2%	2.4%
NTT	9432.T	1	5,330	5,400	4.32	61,739	3.0	3.0	10.8	9.8	12.9	14.8	3.0%	3.1%
KDDI	9433.T	1	5,280	5,500	6.44	41,243	3.8	3.4	14.7	13.1	7.4	9.4	2.1%	2.3%
DoCoMo	9437.T	2	1,559	1,550	3.27	65,583	3.0	2.7	12.6	12.2	6.4	8.6	3.8%	4.0%
SoftBank	9984.T	2H	7,240	7,500	4.14	87,519		6.3	18.3	14.5	-15.7	-5.2	0.6%	0.8%
Australia						59,030	7.0	6.8	15.9	15.5	6.3	5.8	5.6%	5.7%
Telstra	TLS.AX	2	5.00	4.90	3.60	59,030	7.0	6.8	15.9	15.5	6.3	5.8	5.6%	5.7%
New Zealand						3,503	4.8	5.0	13.0	14.3	11.3	7.7	7.0%	7.0%
Telecom NZ	TEL.NZ	3	2.30	1.90	-10.43	3,503	4.8	5.0	13.0	14.3	11.3	7.7	7.0%	7.0%

** Dated 15th Oct.

Source: Citi Research estimates

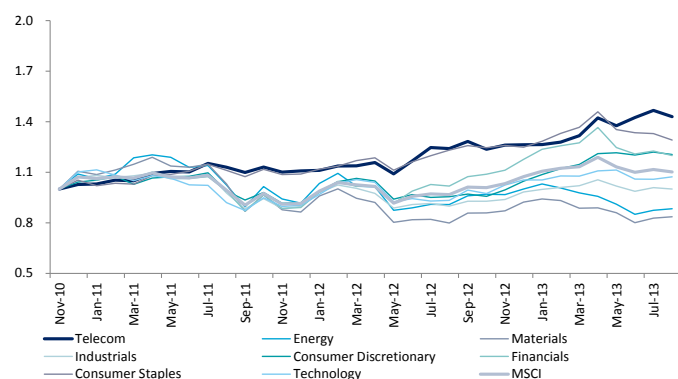
How Low Interest Rates Impacted Telcos

Best performing sector since 2010

Telecoms, both in the EM and DM space, has been the best-performing sector to date since Nov 2010, when the US Federal Reserve's QE2 program was implemented. This level of outperformance extended with the implementation of QE3, which served to extend the period of cheap money with low interest rates. The low interest rate regime served to raise investor focus on yield plays, which telcos typically dominate.

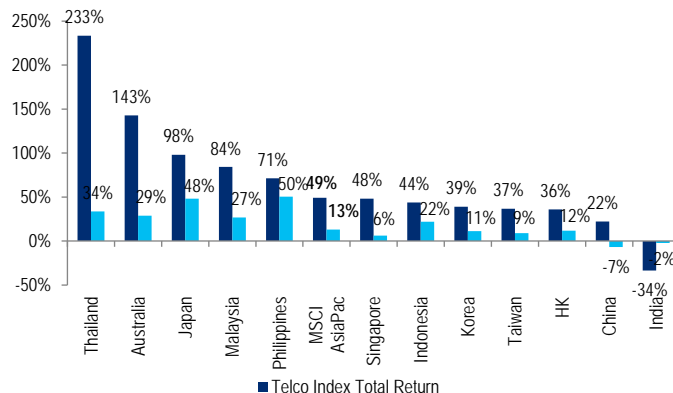
From a local market return standpoint as well, telcos have mostly outperformed their respective local market indices. The only exception is India, where telcos offer no meaningful yield to begin with (unlike other regional peers) and have been clouded by regulatory noise.

Figure 2. MSCI Sector Index Return (re-based)



Source: Citi Research

Figure 3. Telco Total Return vs. Local Index Total Return (3Q10-3Q13)

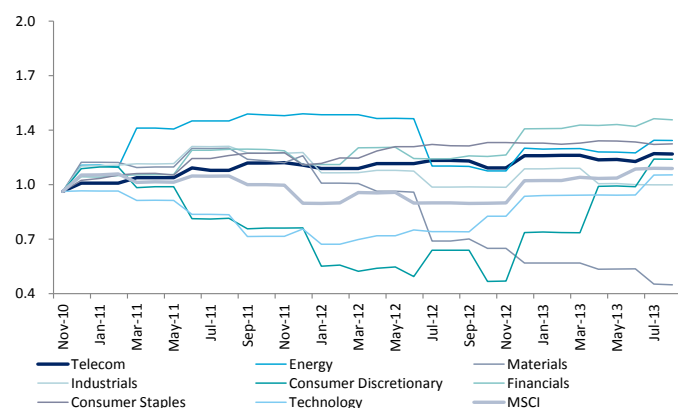


Source: Citi Research

Earnings growth not supportive of price performance

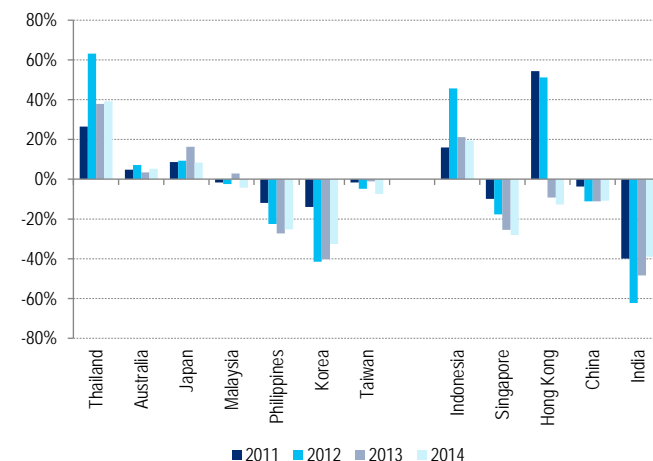
From an earnings growth standpoint, we see a significant disconnect with share-price performance. Consensus earnings revisions for most of the telcos across Asia have actually trended down, contrary to their upward share price direction/market outperformance. The share price outperformance amid a declining earnings outlook supports a view that investors have crowded the sector in search for attractive yield.

Figure 4. EPS Growth by sector (re-based)



Source: Citi Research

Figure 5. Consensus earnings revisions (FY11-14)



Source: Citi Research

Bond yield relationship

We see a consistent relationship between how the sector performed and how bond yields have trended. As bond yields were depressed from 2010, the sector outperformed. We note however that bond yields have started to move up notably across Asia from 2Q13 onwards as concerns on QE tapering start to materialize.

Figure 6. China – Bond yield to Sector return

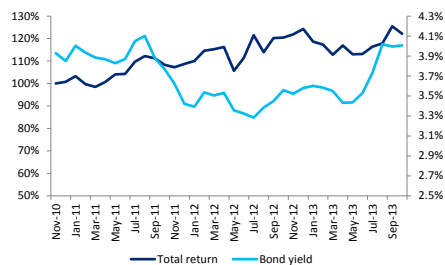


Figure 7. India – Bond yield to Sector return

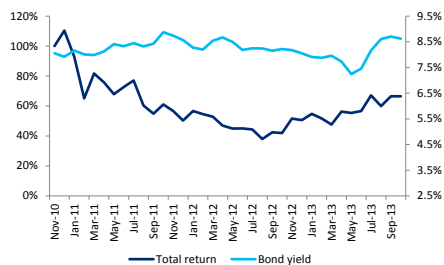


Figure 8. Indonesia – Bond yield to Sector ret

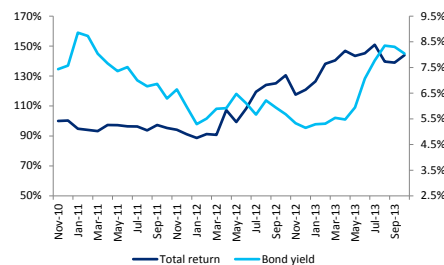


Figure 9. Thailand – Bond yield to Sector ret

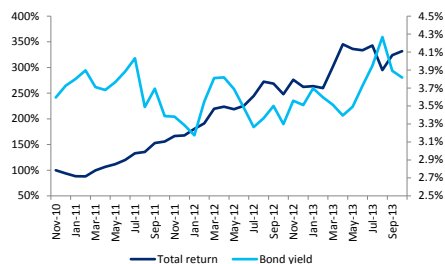


Figure 10. Malaysia – Bond yield to Sector ret

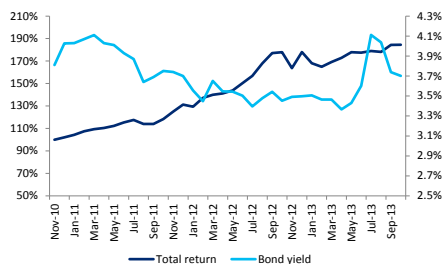


Figure 11. Philippines – Bond yield to Sector ret

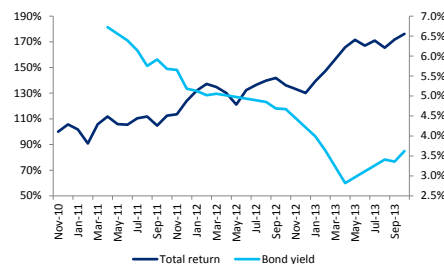


Figure 12. Korea – Bond yield to Sector return

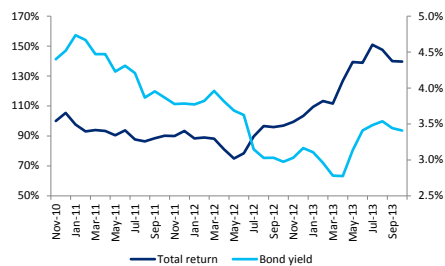


Figure 13. HK – Bond yield to Sector return

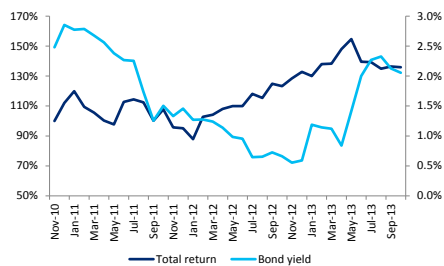


Figure 14. Singapore – Bond yield to Sector ret

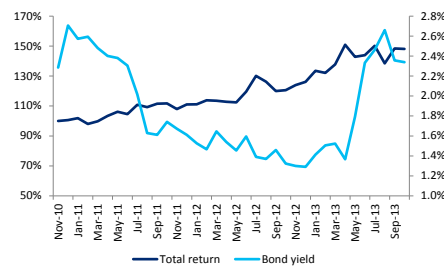


Figure 15. Taiwan – Bond yield to Sector return

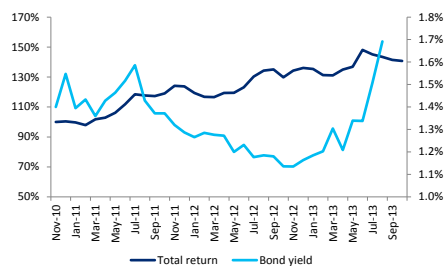


Figure 16. Japan – Bond yield to Sector return

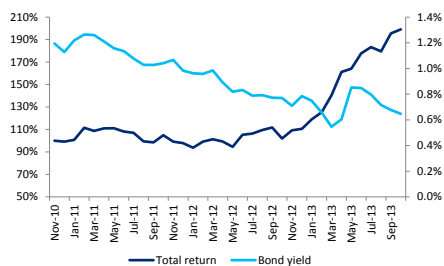
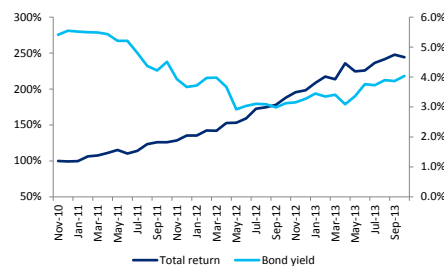


Figure 17. Australia – Bond yield to Sector ret



Source: Citi Research

Source: Citi Research

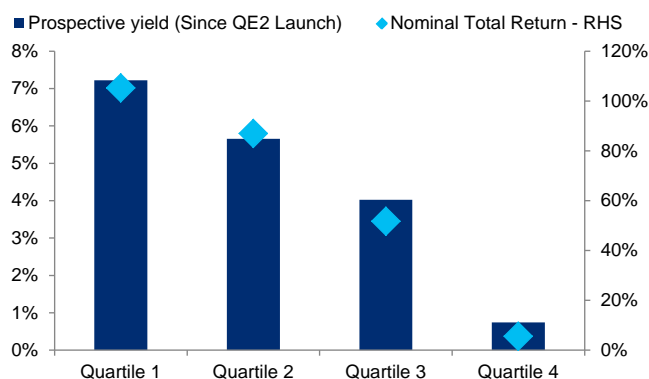
Source: Citi Research

Yield was the key driver since QE2

We have grouped our pan-Asian Telecom universe into quartiles. Figure 18 depicts the grouping based on average annual prospective yield per quartile since QE2 launch through 3Q13 where the Quartile 1 represents the highest yielding group & Quartile 4 represents lowest yielding group. Based on this, we see the clear and consistent relationship between telco yield and total share returns. Not surprisingly, since the QE2 launch, investors have favored stocks that offered strong yield as seen in superior returns compared to stocks with lower yield levels.

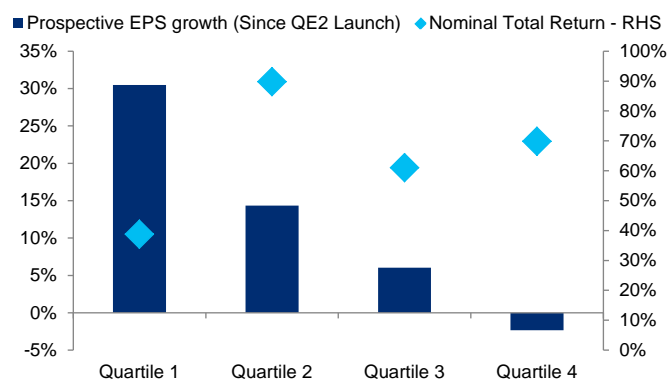
On the other hand, grouping based on prospective earnings growth (figure 19) displays no clear relationship between EPS growth and total share returns since QE2 launch. *These two figures suggest that investor actively preferred the yield-oriented telcos from Nov 2010 onwards over the growth names.*

Figure 18. Prospective Avg Yield vs. Stock Returns (Since QE2)



Source: Citi Research

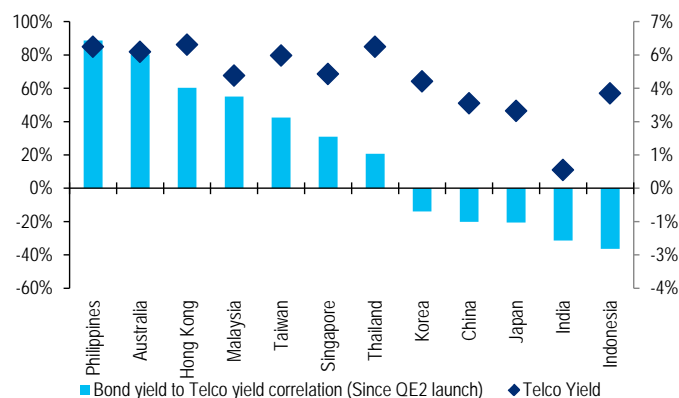
Figure 19. Prospective EPS Growth vs. Stock Returns (Since QE2)



Source: Citi Research

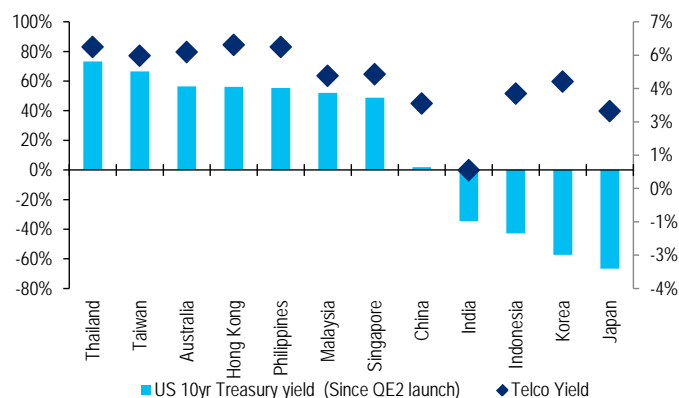
We see that the yield-oriented telco markets have the highest correlations between domestic bond yield and dividend yields as well as 10yr US treasury yield and dividend yields. While the bond yield was falling owing to flow of QE-led cheap money, we see that dividend yields in the highly correlated markets fell as well driven by rising share prices. The Philippines, Australia, Malaysia, Taiwan and HK witnessed a consistent rerating on account of cheap money and relatively attractive telco yields. Relatively lower yield telcos in Korea, Indonesia, China, and India on the other hand demonstrated poor correlation to bond yield trends, indicating greater defensiveness in a scenario of rising bond yields.

Figure 20. Sector dividend yield correlation to domestic bond yields



Source: Citi Research

Figure 21. Sector dividend yield correlation to 10yr US Treasury yields

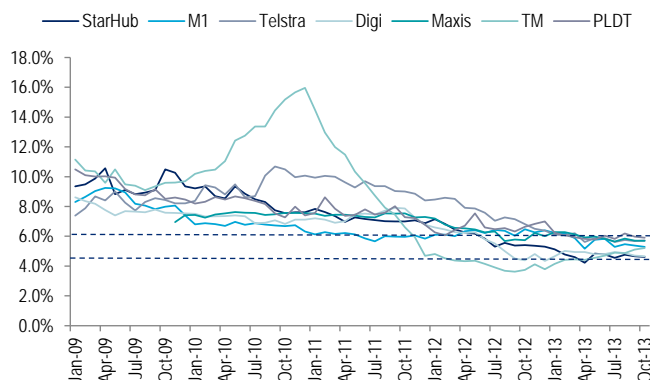


Source: Citi Research

Yield outperformance now tapering with bond yields rising

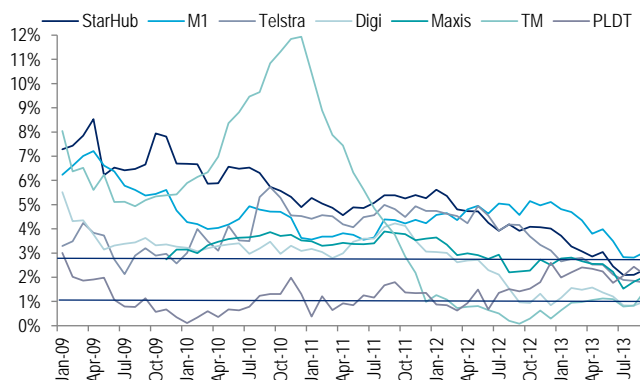
Over the last six months outperformance of yield names has started to taper as share prices have remained broadly range-bound. Dividend yield levels have touched multi-year lows with yield compression. At the same time, we have started to see bond yields rise in anticipation of an eventual QE tapering.

Figure 22. Div yield trajectory of high yield names in Asia



Source: Citi Research

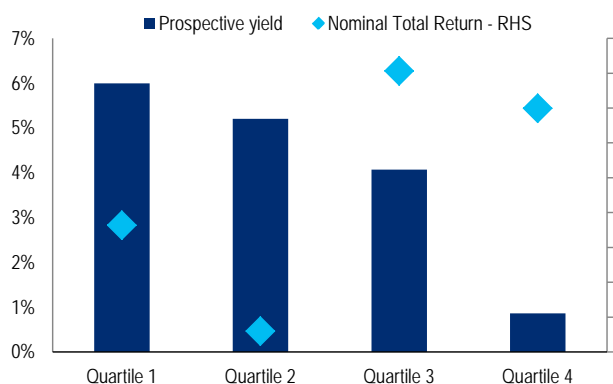
Figure 23. Yield spread trajectory of high yield names in Asia



Source: Citi Research

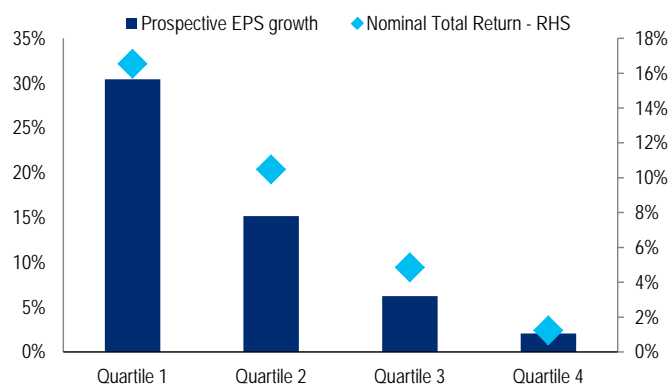
With the recent rise in bond yields and the already crowded yield trade since 2010, we see that yield telcos are no longer delivering the best return. We are now seeing investors shifting towards growth names (refer to figures 24-25) as bond yields start to rise and market interest starts to shift to growth.

Figure 24. Prospective Average Yield vs. Stock Returns (Last 6 months)



Source: Citi Research

Figure 25. Prospective EPS Growth vs. Stock Returns (Last 6 months)



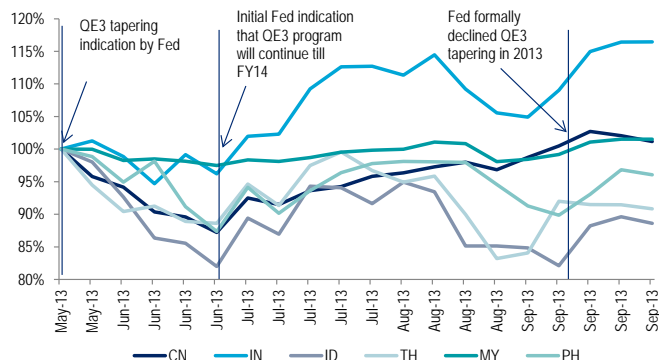
Source: Citi Research

Where Can it Unwind?

Bond yields have bottomed after an extended period of low rates driven by the Fed's QE programs designed to stimulate the US economy. Citi's house view is that the US economy will continue to improve and bond yields will rise further into the next year.

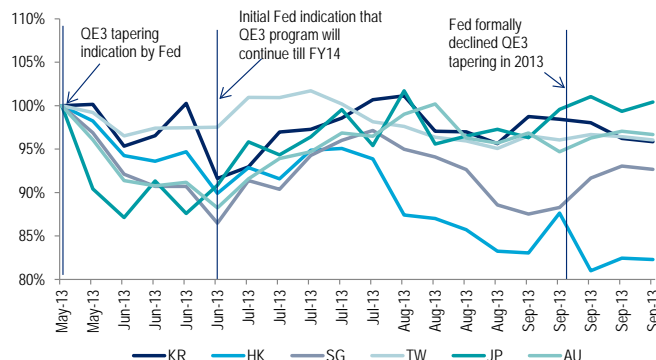
The markets have indeed started to price this in recently with bond yields starting to creep up in 2Q across Asia. In some markets such as Indonesia, India and Malaysia, the rise in bond yields has over the last quarter been material. News of delays in QE tapering post FOMC meeting in September has led to a recent bounce in some of the yield-telcos with a focus back on yields (refer to figures 26-27). However, it appears to be merely a question of when tapering will start and not whether it will happen. Citi's economics team continues to believe that QE tapering may start by Dec '13/Jan '14. Bond yields have already bottomed across Asia with the arguable exception of Japan. This will serve to realign investor outlook on telco yield stocks unless there are structural improvements to justify premium valuations.

Figure 26. EM Asia Telco share price action with QE comments



Source: Citi Research

Figure 27. DM Asia Telco share price action with QE comments



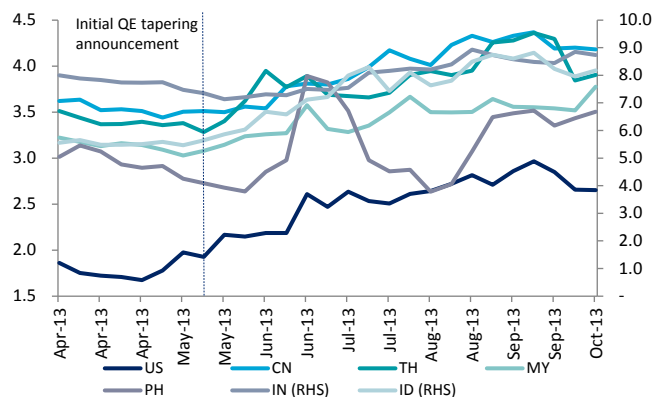
Source: Citi Research

Bond yields may be set to rise

As was the case with lowering bond yield driven by QE-led cheap money inflow, we expect the tide to turn as we may see bond yields rise with the eventual QE tapering. In a scenario of rising/normalizing bond yields, we see that dividend yields in the highly correlated markets are likely to rise as well, indicating potential share price de-rating. The Philippines, Australia, HK, Malaysia and Taiwan appear to be most vulnerable to the effects of rising bond yields (figures 20-21).

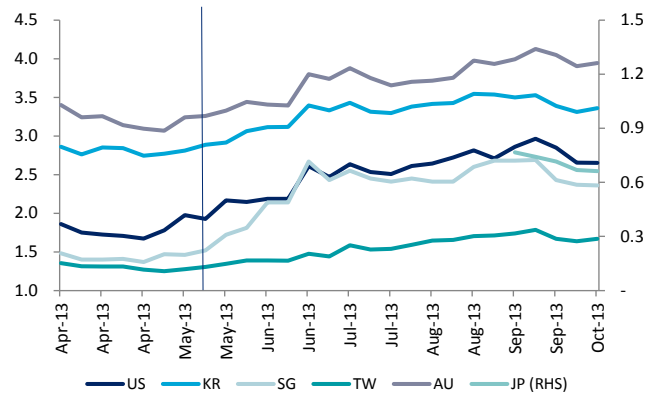
Post initial market discussions of QE tapering in May '13, we had seen a rise in bond yield across the region. Although we may see some moderation in bond yields given the delays in tapering post September FOMC meeting, Citi's economics team expects bond yields to rise across the region (figures 30-31). This indicates a shift in strategy away from yield-oriented telcos more towards growth names. (Link [Asia Macro and Strategy Outlook - What Now? Policy Outlook Amid Fed Confusion](#)).

Figure 28. EM Asia change in LT Bond Yield rate (Last 6 months)



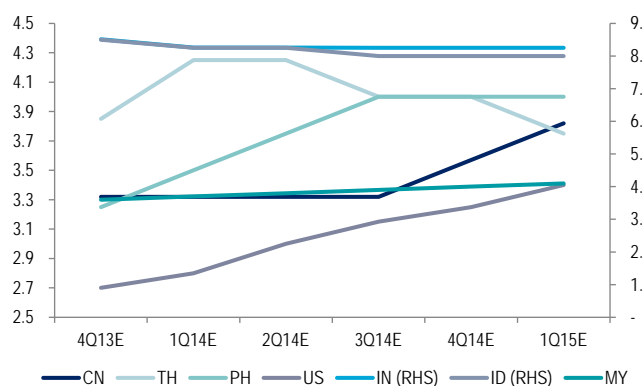
Source: Citi Research

Figure 29. DM Asia change in LT Bond Yield rate (Last 6 months)



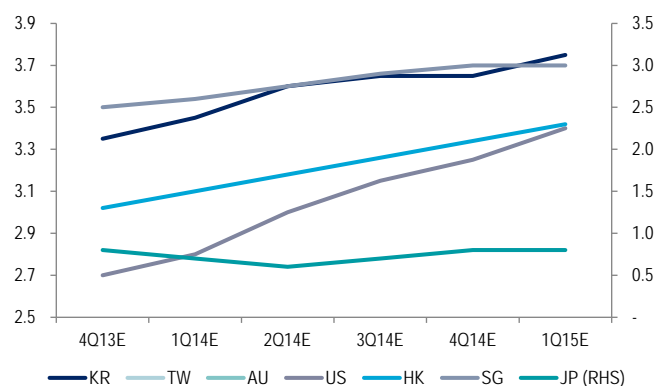
Source: Citi Research

Figure 30. EM Asia Citi Yield forecast



Source: Citi Research

Figure 31. DM Asia Citi Yield forecast

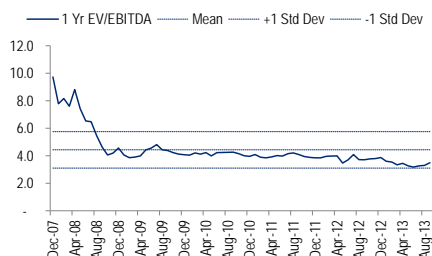


Source: Citi Research

With yield crowding, valuations took a back seat...but not for long

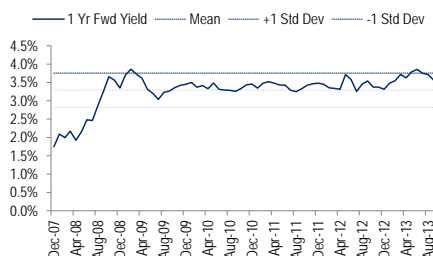
We note that EV/EBITDA valuations for telcos in Singapore, Taiwan, Australia, Malaysia, the Philippines and Thailand are now trading at 1-2 std deviation above their long term means. Outside of Thailand (which benefitted from structural changes from 3G licensing which allows for exceptional earnings growth), we see the rerating was mainly due to investor focus on yield as telcos with their stable cash flows were offering a 2-3ppts point spread over the local bond yields. On the other hand, other than DTAC and AIS, earnings growth as well as consensus earnings growth has mostly been pedestrian and fails to warrant such outperformance.

Figure 32. China Telcos EV/EBITDA Band



Source: Citi Research

Figure 33. China Telcos Dividend Yield Band

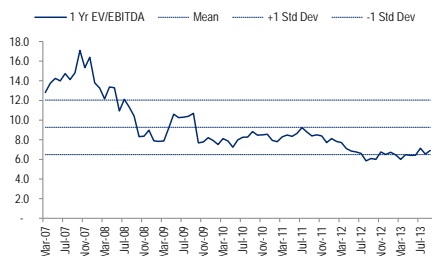


Source: Citi Research

Comments

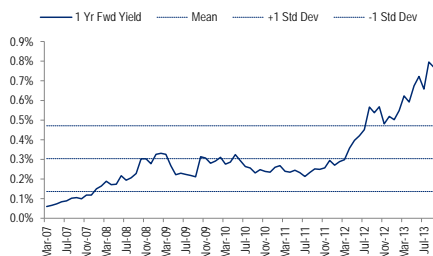
Chinese telcos appear to be less-crowded trades with valuations touching 1 std deviation below mean. Correlation between China telco sector yield and dividend yield also lies at the low-end, reducing risk of a rising interest rate induced de-rating.

Figure 34. India Telcos EV/EBITDA Band



Source: Citi Research

Figure 35. India Telcos Dividend Yield Band

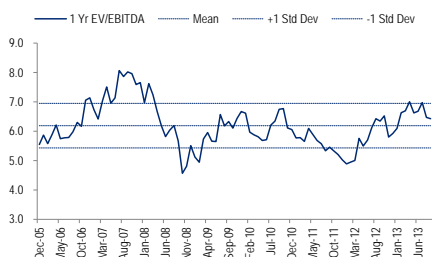


Source: Citi Research

Comments

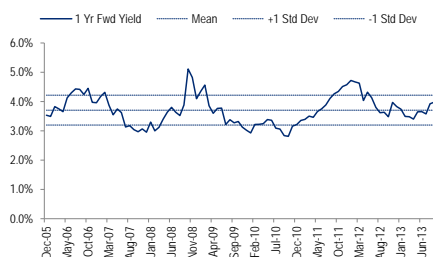
Indian telcos appear to be less-crowded trades with valuations touching 1 std deviation below mean. Correlation between India telco sector yield and dividend yield also lies at the low-end, reducing risk of a rising interest rate induced de-rating.

Figure 36. Indonesia Telcos EV/EBITDA Band



Source: Citi Research

Figure 37. Indonesia Telcos Div Yield Band

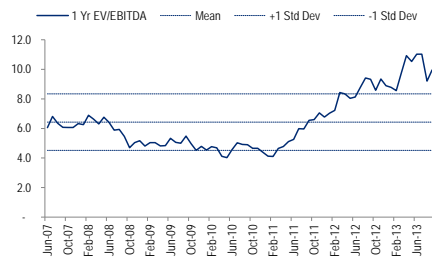


Source: Citi Research

Comments

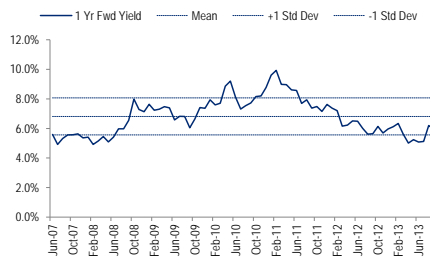
Indonesian telcos haven't re-rated materially with valuations just along mean levels. Correlations are also low, indicating greater defensive scope vs. rising interest rates.

Figure 38. Thailand Telcos EV/EBITDA Band



Source: Citi Research

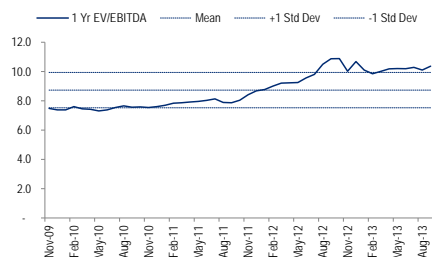
Figure 39. Thailand Telcos Dividend Yield Band



Source: Citi Research

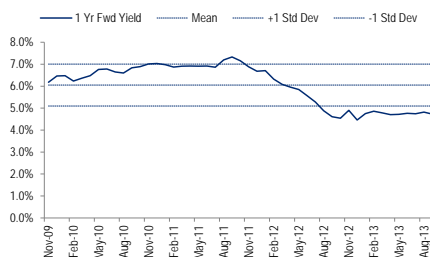
Thai telco valuations have expanded materially since FY11. This however is linked to structural changes in the industry with a move towards lower cost 3G licenses which allow for 16-21% EPS CAGR. On a growth adjusted basis, Thai telcos do not look expensive. Correlation levels on bond-dividend yield are low.

Figure 40. Malaysia Telcos EV/EBITDA Band



Source: Citi Research

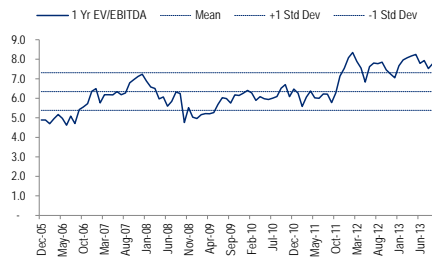
Figure 41. Malaysia Telcos Dividend Yield Band



Source: Citi Research

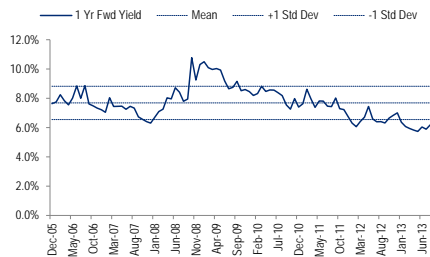
Malaysian telcos appear more vulnerable to the effects of a QE taper. Valuations are at +1 std deviation above mean and yields at -1 std deviation. Correlation levels are also high, affirming vulnerabilities to rising interest rates.

Figure 42. Philippines Telcos EV/EBITDA Band



Source: Citi Research

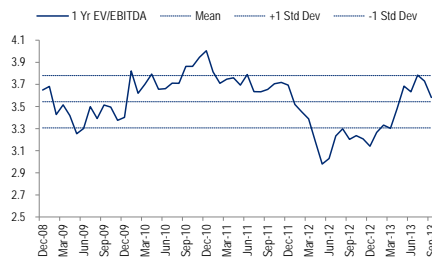
Figure 43. Philippines Telcos Div Yield Band



Source: Citi Research

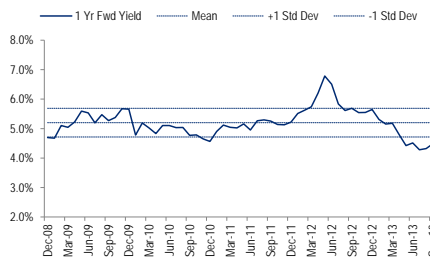
Philippine telcos appear to be highly vulnerable. Valuations are >1 std deviation above mean and yields at <1 std deviation below mean. Correlations between dividend yield and bond yield are among the highest in Asia, making them more vulnerable to rate increases.

Figure 44. Korea Telcos EV/EBITDA Band



Source: Citi Research

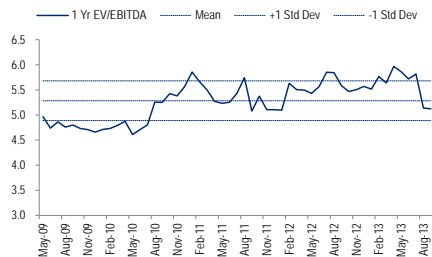
Figure 45. Korea Telcos Dividend Yield Band



Source: Citi Research

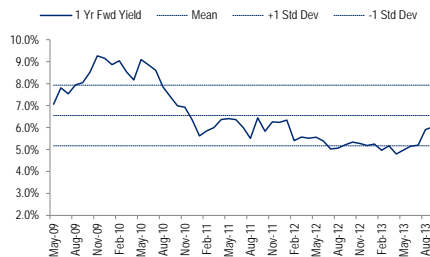
Korean telcos are just trading alongside long-term valuation mean levels. Correlations are also low, indicating limited exposure to effects of rising interest rates.

Figure 46. Hong Kong Telcos EV/EBITDA Band



Source: Citi Research

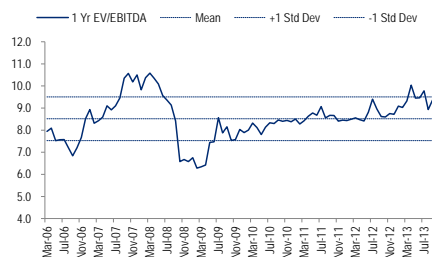
Figure 47. Hong Kong Telcos Div Yield Band



Source: Citi Research

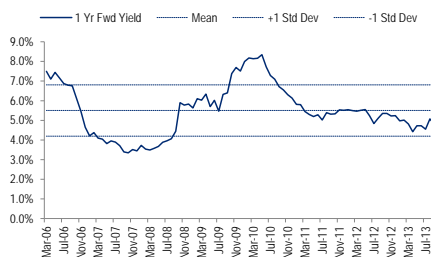
HK telco valuations have pulled back owing to recent earnings disappointments. Correlations between bond yields and dividend yields are high. This coupled with slow revenue growth renders the HK telcos more vulnerable. However, valuations do not look stretched.

Figure 48. Singapore Telcos EV/EBITDA Band



Source: Citi Research

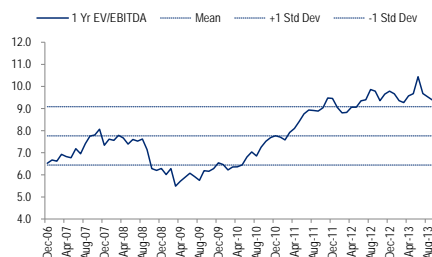
Figure 49. Singapore Telcos Div Yield Band



Source: Citi Research

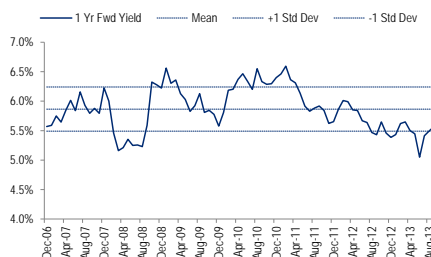
SG telco sector valuations are trading just shy of 1 std deviation above mean while yields are c0.5 std deviations below. Within the space StarHub offers the highest dividend yield correlations with bond yields, rendering it most vulnerable.

Figure 50. Taiwan Telcos EV/EBITDA Band



Source: Citi Research

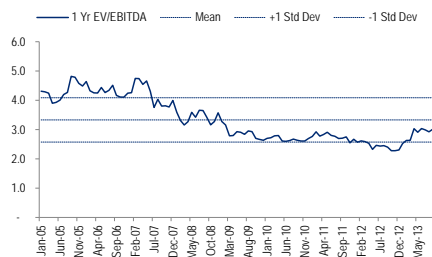
Figure 51. Taiwan Telcos Dividend Yield Band



Source: Citi Research

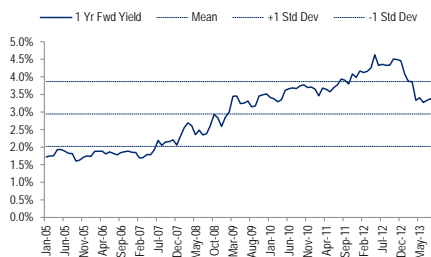
Taiwanese telcos look overpriced owing to the crowding into yield names. Risk is further exacerbated by strong bond-yield correlations. FET appears most exposed especially given its domestic mobile focus where potential new players can emerge.

Figure 52. Japan Telcos EV/EBITDA Band



Source: Citi Research

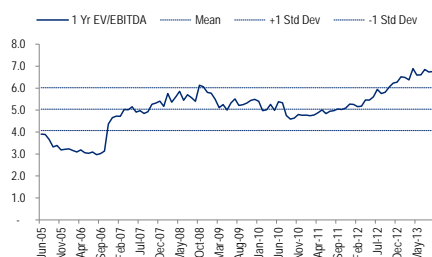
Figure 53. Japan Telcos Dividend Yield Band



Source: Citi Research

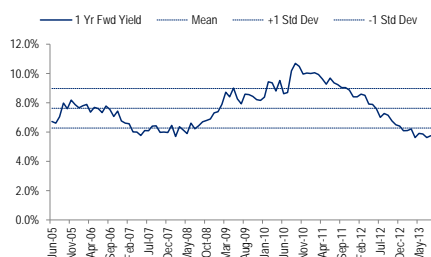
Japanese telcos appear to trade below long-term average value. Yields are also higher than LT historical average. Correlations are also low, rendering the JP telcos less vulnerable to the effects of QE taper/rising bond yields.

Figure 54. Australia Telcos EV/EBITDA Band



Source: Citi Research

Figure 55. Australia Telcos Dividend Yield Band



Source: Citi Research

Australian telcos offer the unfortunate combination of expensive valuation, materially compressed yield and high bond yield-dividend yield correlation. They are among the most exposed to the effects of rising bond yields.

Recommendations: Growth over Yield

Go for growth

With benefits of cheap money priced in over the last 3 years, we find risk-reward for some of the slower growth Asian telcos as unattractive. Citi's economics and rates teams have taken a view that interest rates will continue to rise into the next year as the effects of QE tapering start to play out (Figure 30-31) with an eventual US economic recovery. Telcos which had been the best performer among the MSCI sector indices given their high yield proposition may thus start to unwind.

Identifying opportunities/risk with rising rates

Looking at the Asian telco screen on growth, value and correlation on dividend yield to bond yield, we highlight Maxis, Starhub, Chunghwa, PLDT, Telkom Malaysia and Telecom NZ as being among the most exposed to de-rating with fund rotation to growth names and with rise in bond yields across the region.

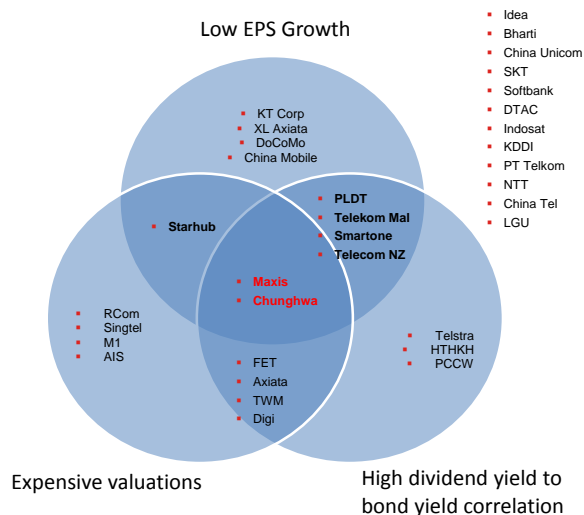
Digi does get highlighted in our screen as possessing the combination of premium valuations and high dividend yield to bond yield correlation. However, we highlight that among the Asian telcos Digi is possibly the only telco offering potential material increase in dividends on capital restructuring on top of strong earnings growth potential.

Based on our opportunity screens (figure 57), we highlight SK Telecom and China Unicom (included in our regional top sector picks) as well positioned for market focus back on growth. We still see them offering best return potential with valuations 30-40% cheaper vs. regional peers and low to negative dividend yield correlation to bond yields making them far more insulated in a scenario of rising bond yields.

We also highlight AIS and DTAC among our regional top picks, offering a combination of high EPS growth and relatively low bond yield-dividend yield correlation.

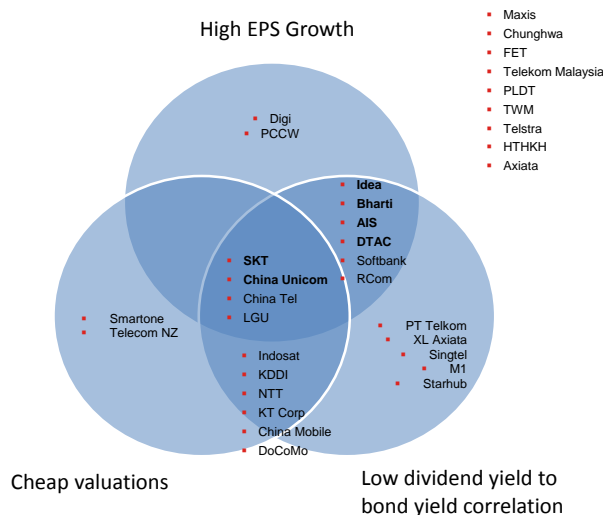
Within our regional top picks list, we remove Taiwan Mobile owing to concerns on QE tapering effects given a slower growth outlook and relatively higher bond yield correlations.

Figure 56. Asian telco least preferred screen on Growth, Value, Risk of Bond yield increase



Source: Citi Research

Figure 57. Asian telco most preferred screen on Growth, Value, Risk of Bond yield increase



Source: Citi Research

We downgrade a few names in Asia. This reflects the prospects of higher bond yields, which reduce the attractiveness of slower growing yield plays. We downgrade M1 to Sell (from Neutral), Axiata Group to Neutral (from Buy) and Taiwan Mobile to Neutral (from Buy).

We reiterate our Sell on PLDT, Maxis TM and StarHub as these have benefitted from an extended environment of low interest rates which may unwind over the next 3-12 months.

Figure 58. Asian Telco Top picks

	Ticker	Rating	Price	Target	Yield	ETR	CY2014E			
			15-Oct	Price	(%)	(%)	EV/EBITDA	P/E	P/BV	ROE (%)
DTAC	DTAC.BK	1	117.0	130.0	5.9	15.36	8.1	17.0	7.9	47%
Successful 3G licensing which allows for significant cost savings vs. concession agreements will serve to drive down costs. Revenue momentum ahead of peers and should accelerate with its 3G network build-out and IT system correction.										
China Unicom	0762.HK	1	12.9	15.0	2.2	18.12	3.2	17.1	1.0	6%
Revival of 3G momentum and margin improvement from lower subsidies via lower-cost smartphones.										
AIS	ADVA.BK	1	264.0	294.0	6.0	16.19	10.3	16.6	15.1	95%
Successful 3G licensing which allows for significant cost savings vs. concession agreements will serve to drive down costs. Significantly underleveraged with net debt to EBITDA just touching 0.2x by FY14.										
SKT	017670.KS	1	233000	270000	4.0	19.91	3.8	8.7	1.3	16%
Leadership with LTE build-out will likely allow SKT to take back higher ARPU, higher quality subs from LGU										

Source: Citi Research

Figure 59. Asian Telco Sells/Neutral on Rising Bond/Interest rate theme

	Ticker	Rating	Price	Target	Yield	ETR	CY2014E			
			15-Oct	Price	(%)	(%)	EV/EBITDA	P/E	P/BV	ROE (%)
Maxis	MXSC.KL	3	7.05	5.80	5.7	-12.06	12.6	22.8	9.6	40%
Telekom Malaysia	TLMM.KL	3	5.16	4.80	5.5	-2.52	6.1	22.2	2.6	12%
Axiata Group	AXIA.KL	2	6.90	7.60	4.0	13.43	8.3	20.0	2.8	14%
Taiwan Mobile	3045.TW	2	98.00	103.00	5.7	10.79	11.9	15.8	6.5	33%
StarHub	STAR.SI	3	4.35	3.55	4.6	-13.79	10.2	19.8	72.4	437%
M1	MONE.SI	3	3.46	3.05	5.1	-6.85	9.2	15.6	7.4	50%
PLDT	TEL.PS	3	2870.00	2700.00	6.2	0.25	7.3	15.9	4.1	26%

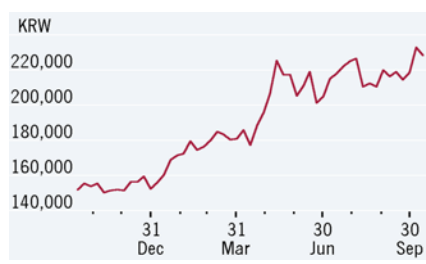
Source: Citi Research

Company Focus

Sean Lee, CFA
+82-2-3705-0740
sean.lee@citi.com

Buy	1
Price (15 Oct 13)	W233,000
Target price	W270,000
Expected share price return	15.9%
Expected dividend yield	4.0%
Expected total return	19.9%
Market Cap	W18,813,750M US\$17,555M

Price Performance
(RIC: 017670.KS, BB: 017670 KS)



SK Telecom (017670.KS) Rare Combination of Yield, Growth and Value

- **Maintain Top Pick** — We push SKT as the Top Pick, both in Korea and among the regional telco names, for its rare combination of yield, growth and value. We forecast a 14% FY12E-14E OP CAGR, and valuations look cheap at 8.7x FY14E PER and 3.8x FY14E EV/EBITDA, while we expect the dividend yield of 4% to protect the downside.
- **Expect SKT outperformance to continue** — SKT has outperformed its peers this year, and we expect the trend to continue for two reasons. 1) the telco competition has shifted to fast speed LTE now and SKT has a leadership position in LTE-A and we view SKT will be able to quickly catch up on the Broadband LTE scene as well (following KT's lead). 2) Valuations look attractive and we expect downside to be protected by 4% dividend yield.
- **Best 3Q results expected among KR telcos** — In 3Q, we expect only SKT to meet the market's high expectations among the three Korean telcos. With SKT showing solid performance in acquiring LTE subscribers, we expect 3Q ARPU to increase 1.9% QoQ. At the same time, we expect the marketing cost to remain flattish vs 2Q, thanks to the strong marketing discipline shown during 3Q. We expect SKT to show the best 3Q results among the three Korean telcos.
- **Low correlation between dividend yield and bond yield** — We view SKT as a good defensive pick even in the case of rising bond yields, as Korea tends to have low correlation with both the domestic bond yield and the 10-year US treasury bond yield.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(WB)	(W)	(%)	(x)	(x)	(%)	(%)
2011A	1,603	19,853	-9.3	11.7	1.6	13.9	4.0
2012A	1,116	13,817	-30.4	16.9	1.6	9.5	4.0
2013E	1,880	23,286	68.5	10.0	1.4	15.1	4.0
2014E	2,172	26,894	15.5	8.7	1.3	15.7	4.0
2015E	2,346	29,056	8.0	8.0	1.2	15.2	4.0

Source: Powered by dataCentral

017670.KS: Fiscal year end 31-Dec						Price: W233,000; TP: W270,000; Market Cap: W18,813,750m; Recomm: Buy					
Profit & Loss (Wb)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	15,966	16,301	16,854	17,933	18,468	PE (x)	11.7	16.9	10.0	8.7	8.0
Cost of sales	na	na	na	na	na	PB (x)	1.6	1.6	1.4	1.3	1.2
Gross profit	na	na	na	na	na	EV/EBITDA (x)	4.8	5.1	4.2	3.8	3.4
Gross Margin (%)	na	na	na	na	na	FCF yield (%)	19.4	3.7	10.4	10.8	11.8
EBITDA (Adj)	4,625	4,339	4,892	5,121	5,349	Dividend yield (%)	4.0	4.0	4.0	4.0	4.0
EBITDA Margin (Adj) (%)	29.0	26.6	29.0	28.6	29.0	Payout ratio (%)	47	68	40	35	32
Depreciation	-2,450	-2,579	-2,787	-2,819	-2,843	ROE (%)	13.9	9.5	15.1	15.7	15.2
Amortisation	0	0	0	0	0	Cashflow (Wb)					
EBIT (Adj)	2,175	1,760	2,104	2,302	2,506	EBITDA	4,625	4,339	4,892	5,121	5,349
EBIT Margin (Adj) (%)	13.6	10.8	12.5	12.8	13.6	Working capital	2,180	204	-82	-159	-79
Net interest	-129	-312	-278	-268	-258	Other	-510	-578	-157	-63	-93
Associates	0	0	0	0	0	Operating cashflow					
Non-op/Except	164	-36	647	879	895	Capex	-2,641	-3,269	-2,697	-2,869	-2,955
Pre-tax profit	2,210	1,412	2,473	2,912	3,143	Net acq/disposals	0	0	0	0	0
Tax	-576	-260	-556	-705	-761	Other	-1,598	-2,041	-2,289	-3,859	-3,647
Extraord./Min.Int./Pref.div.	-31	-36	-36	-36	-36	Investing cashflow					
Reported net profit	1,603	1,116	1,880	2,172	2,346	Dividends paid	-668	-668	-668	-668	-668
Net Margin (%)	10.0	6.8	11.2	12.1	12.7	Financing cashflow					
Core NPAT	1,603	1,116	1,880	2,172	2,346	Net change in cash	976	-759	883	445	626
Per share data						Free cashflow to s/holders					
Reported EPS (W)	19,853	13,817	23,286	26,894	29,056		3,654	696	1,956	2,029	2,222
Core EPS (W)	19,853	13,817	23,286	26,894	29,056						
DPS (W)	9,400	9,400	9,400	9,400	9,400						
CFPS (W)	77,956	49,109	57,620	60,664	64,112						
FCFPS (W)	45,249	8,624	24,222	25,130	27,516						
BVPS (W)	144,427	146,816	161,826	180,443	201,223						
Wtd avg ord shares (m)	80.7	80.7	80.7	80.7	80.7						
Wtd avg diluted shares (m)	80.7	80.7	80.7	80.7	80.7						
Growth rates											
Sales revenue (%)	2.3	2.1	3.4	6.4	3.0						
EBIT (Adj) (%)	-4.6	-19.1	19.5	9.4	8.9						
Core NPAT (%)	-9.3	-30.4	68.5	15.5	8.0						
Core EPS (%)	-9.3	-30.4	68.5	15.5	8.0						
Balance Sheet (Wb)											
Cash & cash equiv.	1,651	920	1,804	2,249	2,875						
Accounts receivables	2,064	2,166	2,240	2,383	2,454						
Inventory	149	220	242	250	266						
Net fixed & other tangibles	12,118	11,235	11,220	11,350	11,545						
Goodwill & intangibles	4,746	4,434	4,567	4,704	4,845						
Financial & other assets	3,568	6,598	6,836	7,082	7,338						
Total assets	24,296	25,573	26,908	28,018	29,324						
Accounts payable	2,945	3,673	3,673	3,673	3,673						
Short-term debt	2,367	1,497	1,497	1,497	1,497						
Long-term debt	3,591	5,391	5,391	4,891	4,391						
Provisions & other liab	2,731	2,180	2,289	2,403	2,523						
Total liabilities	11,633	12,741	12,850	12,464	12,084						
Shareholders' equity	11,662	11,855	13,067	14,570	16,248						
Minority interests	1,071	1,000	1,000	1,000	1,000						
Total equity	12,733	12,855	14,067	15,570	17,248						
Net debt	4,307	5,968	5,085	4,139	3,013						
Net debt to equity (%)	33.8	46.4	36.1	26.6	17.5						

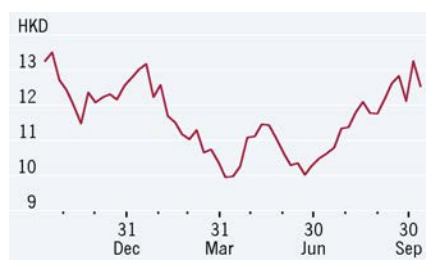
For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citigroup.com
For definitions of the items in this table, please click [here](#).

Company Focus

Bin Liu
+852-2501-2781
bin.liu@citi.com

Buy	1
Price (15 Oct 13)	HK\$12.94
Target price	HK\$15.00
Expected share price return	15.9%
Expected dividend yield	2.2%
Expected total return	18.1%
Market Cap	HK\$307,242M
	US\$39,621M

Price Performance
(RIC: 0762.HK, BB: 762 HK)



China Unicom (0762.HK)

Key Beneficiary of Mobile Data Growth, Least LTE Capex Pressure

■ Most profitable in mobile data business; CU our top pick in Chinese telcos

— CU remains our top telco pick as it has the lowest LTE capex and is likely the key beneficiary of mobile data growth in China. We expect CU to have Rmb15bn LTE capex in FY14, lower than CM's Rmb43bn and CT's Rmb45bn. CU seems best positioned to avoid risks in LTE returns in the next two years by using HSPA+ to compensate for LTE coverage, and should benefit from FD-LTE after FY15 with continued smartphone supply advantage. CM's planned LTE smartphone tariff in Guangdong is c.15% lower than CU's 3G tariff, and hence we expect the LTE impact on CU to be moderate until mid-2014.

■ **CU to see margin recovery in the next two years** — We believe CU can achieve more cost-effective 3G growth than CT due to the advantage of WCDMA smartphone supply. Besides, CU will likely face less margin pressure on fixed line development. 3G data usage should significantly drive CU's earnings growth, as CM's LTE network coverage and user demand may need at least another year to become a material competitive hit to CU. We believe CU will compete effectively with CM's TD-LTE service with HSPA+ before CM gets affordable TD-LTE smartphones. We forecast CU's total service EBITDA margin will rise to 35.5% in 2013 and 35.7% in 2014, from 34.6% in 2012.

■ **CU to have limited capex pressure** — We believe CU will have the lowest LTE capex pressure, as CU has the best 3G network to buffer LTE impact. It has upgraded all its 3G base stations to 21Mbps HSPA+ and around 10 cities with 42Mbps speed. Management guided LTE will only cover key cities, and CU will use 3G and HSPA+ for other regions. We expect CU to have Rmb15bn capex in FY14 for hybrid FD-LTE/TD-LTE network. It will reduce 3G capex after investing in LTE, and management expects overall annual capex won't increase significantly, even with LTE capex. We expect CU's total capex to increase by 13% in FY14 and 4% in FY15.

■ **Fixed line revenue improvement** — We recently increased our CU FY14-15E earnings slightly, mainly on higher fixed line service revenue and margin assumptions. Our FY13E earnings are 4% lower than IBES consensus, factoring in the impact from intensified 3G competition with CM. Cheaper smartphones from open channels and increased mobile data demand will help drive CU 3G subs scale and earnings growth in the next two years, in our view. We maintain our DCF-based target price of HK\$15 and retain a Buy on CU.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RmbM)	(Rmb)	(%)	(x)	(x)	(%)	(%)
2011A	4,212	0.179	20.1	57.0	1.2	2.0	1.0
2012A	7,096	0.301	68.5	33.8	1.1	3.4	1.1
2013E	10,485	0.445	47.8	22.9	1.1	4.9	1.7
2014E	14,040	0.596	33.9	17.1	1.0	6.2	2.2
2015E	17,808	0.756	26.8	13.5	1.0	7.3	2.8

Source: Powered by dataCentral

0762.HK: Fiscal year end 31-Dec						Price: HK\$12.94; TP: HK\$15.00; Market Cap: HK\$307,242m; Recomm: Buy					
Profit & Loss (Rmbm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	209,167	248,926	291,370	327,505	362,211	PE (x)	57.0	33.8	22.9	17.1	13.5
Cost of sales	-60,664	-67,412	-72,008	-79,254	-85,715	PB (x)	1.2	1.1	1.1	1.0	1.0
Gross profit	148,503	181,514	219,362	248,252	276,495	EV/EBITDA (x)	4.6	4.3	3.8	3.2	2.7
Gross Margin (%)	71.0	72.9	75.3	75.8	76.3	FCF yield (%)	-4.9	-1.9	7.5	7.1	8.5
EBITDA (Adj)	63,397	72,659	84,253	94,389	105,382	Dividend yield (%)	1.0	1.1	1.7	2.2	2.8
EBITDA Margin (Adj) (%)	30.3	29.2	28.9	28.8	29.1	Payout ratio (%)	55	38	38	38	38
Depreciation	-58,021	-61,057	-68,316	-73,587	-79,708	ROE (%)	2.1	3.4	4.9	6.2	7.3
Amortisation	0	0	0	0	0	Cashflow (Rmbm)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	5,391	11,602	15,937	20,802	25,674	EBITDA	63,412	72,659	84,253	94,389	105,382
EBIT Margin (Adj) (%)	2.6	4.7	5.5	6.4	7.1	Working capital	4,341	12,911	13,217	13,178	9,857
Net interest	-1,244	-3,424	-3,568	-3,694	-3,542	Other	-1,262	-3,760	-5,451	-6,762	-7,866
Associates	0	0	0	0	0	Operating cashflow	66,491	81,810	92,018	100,805	107,374
Non-op/Except	1,451	1,343	1,612	1,612	1,612	Capex	-77,861	-86,783	-75,000	-85,000	-88,000
Pre-tax profit	5,598	9,521	13,981	18,720	23,744	Net acq/disposals	-5,109	-12,697	0	0	0
Tax	-1,371	-2,425	-3,495	-4,680	-5,936	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-82,970	-99,480	-75,000	-85,000	-88,000
Reported net profit	4,227	7,096	10,485	14,040	17,808	Dividends paid	-2,070	-2,283	0	0	0
Net Margin (%)	2.0	2.9	3.6	4.3	4.9	Financing cashflow	8,988	32,004	-1,000	-1,000	-1,000
Core NPAT	4,212	7,096	10,485	14,040	17,808	Net change in cash	-7,491	14,334	16,018	14,805	18,374
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	-11,790	-4,494	18,083	16,963	20,418
Reported EPS (Rmb)	0.179	0.301	0.445	0.596	0.756						
Core EPS (Rmb)	0.179	0.301	0.445	0.596	0.756						
DPS (Rmb)	0.099	0.115	0.170	0.228	0.289						
CFPS (Rmb)	2.822	3.472	3.905	4.278	4.556						
FCFPS (Rmb)	-0.500	-0.191	0.767	0.720	0.866						
BVPS (Rmb)	8.738	8.891	9.335	9.931	10.687						
Wtd avg ord shares (m)	23,564	23,565	23,565	23,565	23,565						
Wtd avg diluted shares (m)	23,564	23,565	23,565	23,565	23,565						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	22.1	19.0	17.1	12.4	10.6						
EBIT (Adj) (%)	8.5	115.2	37.4	30.5	23.4						
Core NPAT (%)	20.1	68.5	47.8	33.9	26.8						
Core EPS (%)	20.1	68.5	47.8	33.9	26.8						
Balance Sheet (Rmbm)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	15,410	18,282	34,300	49,105	67,479						
Accounts receivables	11,412	13,753	17,562	18,568	20,793						
Inventory	4,651	5,803	6,537	7,421	8,259						
Net fixed & other tangibles	381,859	430,997	430,115	441,528	449,820						
Goodwill & intangibles	2,771	2,771	2,771	2,771	2,771						
Financial & other assets	40,130	44,518	51,986	53,456	55,117						
Total assets	456,233	516,124	543,271	572,849	604,239						
Accounts payable	95,252	108,486	119,001	129,273	138,010						
Short-term debt	70,372	139,240	139,240	100,000	100,000						
Long-term debt	34,502	2,536	1,536	39,776	38,776						
Provisions & other liab	50,209	56,357	63,504	69,770	75,614						
Total liabilities	250,335	306,619	323,280	338,819	352,400						
Shareholders' equity	205,898	209,505	219,990	234,030	251,838						
Minority interests	0	0	0	0	0						
Total equity	205,898	209,505	219,990	234,030	251,838						
Net debt	89,464	123,494	106,476	90,671	71,297						
Net debt to equity (%)	43.5	58.9	48.4	38.7	28.3						

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Company Focus

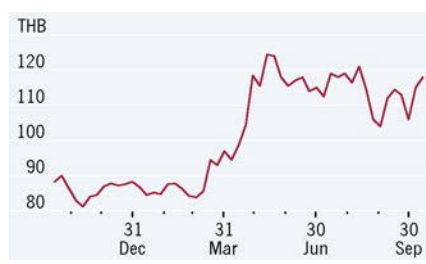
TAC (DTAC.BK)

Strong Growth Play with Accompanying Yield Component

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Buy	1
Price (15 Oct 13)	Bt117.00
Target price	Bt130.00
Expected share price return	11.1%
Expected dividend yield	4.2%
Expected total return	15.4%
Market Cap	Bt277,034M
	US\$8,857M

Price Performance
(RIC: DTAC.BK, BB: DTAC TB)



- **Buy maintained on attractive growth with yield component** – DTAC is one of our Top Buy picks within the Pan-Asia space as it offers attractive growth bundled with a yield component. We believe the market will focus on growth names as yield stocks shift out of investors' focus as bond yields rise in a QE-free world. EPS CAGR (FY12-15E) is estimated to be 23%, better than AIS' 16%, with FY14E-15E yields at 6-8%.
- **Beneficiary of 3G migration savings** – DTAC will be a bigger beneficiary among the Thai telcos as its revenue share will decrease to c.5% from 30% (vs. reduction to 5% from 24% for AIS) and this serves as one of the main drivers of EPS growth going forward.
- **Strong operational momentum for DTAC** – DTAC has continued to deliver strong positive operating momentum. It reported an impressive net add of 623k in 2Q and consistent MoU & ARPU levels despite the rapid increase in subs base (+12% YoY).
- **Little concern on cannibalization of data** – With the increasing popularity of OTT services such as Line and Whatsapp, cannibalization of data service on voice/SMS service has become a well-discussed theme. However, we are not overly concerned about this in Thailand as SMS contribution remains low. Thai telcos have also shown rational pricing strategy in their data plans and we believe this would mitigate the risk of usage arbitrage.
- **Upside opportunity could come from stronger than expected 3G 2.1GHz take-up** – DTAC disclosed encouraging initial take-up with 3m subscribers indicating an intention to port to TriNet 3G ahead of its commercial launch in July. DTAC has also decided to front load its capex with a revised Bt14.5b for FY13 vs (Bt12.5bn previously). We believe this renewed strategy is a good signal on DTAC's optimism on future 3G take-up. DTAC targets 3G subscriber migration of 8-10m. Therefore, we believe that better than expected adoption rate of 3G 2.1 GHz could be a catalyst for further share price re-rating.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(BtM)	(Bt)	(%)	(x)	(x)	(%)	(%)
2011A	11,813	4.99	14.1	23.5	7.9	22.8	16.5
2012A	11,278	4.76	-4.5	24.6	7.9	32.3	4.3
2013E	11,865	5.01	5.2	23.3	7.9	34.0	4.2
2014E	16,290	6.88	37.3	17.0	7.9	46.6	5.9
2015E	20,866	8.81	28.1	13.3	7.9	59.7	7.5

Source: Powered by dataCentral

DTAC.BK: Fiscal year end 31-Dec						Price: Bt117.00; TP: Bt130.00; Market Cap: Bt277,034m; Recomm: Buy					
Profit & Loss (Btm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	79,199	89,497	97,897	104,044	109,367	PE (x)	23.5	24.6	23.3	17.0	13.3
Cost of sales	-50,927	-62,565	-68,252	-67,168	-65,444	PB (x)	7.9	7.9	7.9	7.9	7.9
Gross profit	28,272	26,932	29,645	36,876	43,923	EV/EBITDA (x)	10.4	10.9	9.6	8.1	7.0
Gross Margin (%)	35.7	30.1	30.3	35.4	40.2	FCF yield (%)	7.6	1.1	2.5	4.9	8.9
EBITDA (Adj)	27,296	26,809	30,341	36,333	42,298	Dividend yield (%)	16.5	4.3	4.2	5.9	7.5
EBITDA Margin (Adj) (%)	34.5	30.0	31.0	34.9	38.7	Payout ratio (%)	388	106	99	100	100
Depreciation	-10,633	-11,655	-13,982	-14,243	-14,431	ROE (%)	22.8	32.3	33.7	46.6	59.7
Amortisation	0	0	0	0	0	Cashflow (Btm)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	16,663	15,154	16,359	22,090	27,866	EBITDA	27,296	26,809	30,341	36,333	42,298
EBIT Margin (Adj) (%)	21.0	16.9	16.7	21.2	25.5	Working capital	3,880	671	734	263	71
Net interest	148	-734	-1,915	-1,995	-2,051	Other	-5,045	-5,744	-4,616	-5,827	-7,027
Associates	35	25	26	26	27	Operating cashflow	26,131	21,735	26,459	30,770	35,341
Non-op/Except	232	354	241	241	241	Capex	-4,976	-7,779	-14,578	-12,660	-12,694
Pre-tax profit	17,078	14,799	14,711	20,363	26,083	Net acq/disposals	0	0	0	0	0
Tax	-5,266	-3,524	-2,942	-4,073	-5,217	Other	-74	-7,309	-3,573	-3,536	-500
Extraord./Min.Int./Pref.div.	1	2	0	0	0	Investing cashflow	-5,050	-15,088	-18,151	-16,196	-13,194
Reported net profit	11,813	11,278	11,769	16,290	20,866	Dividends paid	-7,434	-49,590	-11,769	-16,290	-20,866
Net Margin (%)	14.9	12.6	12.0	15.7	19.1	Financing cashflow	-11,755	-23,966	-11,769	-14,290	-20,866
Core NPAT	11,813	11,278	11,865	16,290	20,866	Net change in cash	9,326	-17,318	-3,460	284	1,281
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	20,978	3,135	6,910	13,596	24,739
Reported EPS (Bt)	4.99	4.76	4.97	6.88	8.81						
Core EPS (Bt)	4.99	4.76	5.01	6.88	8.81						
DPS (Bt)	19.34	5.06	4.97	6.88	8.81						
CFPS (Bt)	11.04	9.18	11.17	13.00	14.93						
FCFPS (Bt)	8.86	1.32	2.92	5.74	10.45						
BVPS (Bt)	14.73	14.76	14.76	14.76	14.76						
Wtd avg ord shares (m)	2,368	2,368	2,368	2,368	2,368						
Wtd avg diluted shares (m)	2,368	2,368	2,368	2,368	2,368						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	9.5	13.0	9.4	6.3	5.1						
EBIT (Adj) (%)	12.7	-9.1	8.0	35.0	26.1						
Core NPAT (%)	14.1	-4.5	5.2	37.3	28.1						
Core EPS (%)	14.1	-4.5	5.2	37.3	28.1						
Balance Sheet (Btm)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	21,873	4,555	1,094	1,378	2,659						
Accounts receivables	6,575	8,386	8,636	8,608	9,049						
Inventory	0	0	0	0	0						
Net fixed & other tangibles	71,900	70,442	72,347	72,073	71,646						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	3,498	17,636	16,890	16,107	15,324						
Total assets	103,847	101,018	98,967	98,167	98,678						
Accounts payable	19,480	23,592	24,431	24,487	24,806						
Short-term debt	39,691	8,808	8,808	8,808	8,808						
Long-term debt	3,269	21,460	21,460	23,460	23,460						
Provisions & other liab	6,519	12,214	9,324	6,467	6,659						
Total liabilities	68,959	66,074	64,023	63,223	63,734						
Shareholders' equity	34,888	34,944	34,944	34,944	34,944						
Minority interests	0	0	0	0	0						
Total equity	34,888	34,944	34,944	34,944	34,944						
Net debt	21,087	25,714	29,174	30,890	29,610						
Net debt to equity (%)	60.4	73.6	83.5	88.4	84.7						

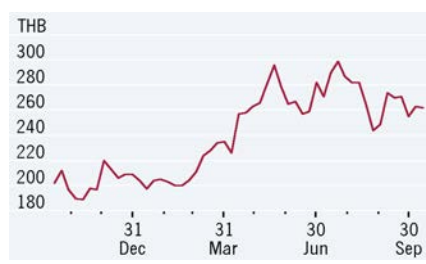
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For definitions of the items in this table, please click [here](#).

Company Focus

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Buy	1
Price (15 Oct 13)	Bt264.00
Target price	Bt294.00
Expected share price return	11.4%
Expected dividend yield	4.8%
Expected total return	16.2%
Market Cap	Bt784,897M US\$25,093M

Price Performance
(RIC: ADVA.BK, BB: ADVANC TB)



Advanced Info (ADVA.BK) Growth, Yield and Low Bond Correlation

- **Strong stock performance since QE2 but deserving** — Among Asian telcos, AIS has delivered highest return since QE2 launch benefitting from cheap money inflow due to its strong yield offer. However, we note that the major part of outperformance was linked to the commencement of 3G licensing in Thailand as well as its own strong operating performance led by data growth. Although the near-term valuation may look rich, we argue that superior cost savings led growth aligns its long-term valuation to that of its regional peers.
- **Multiple catalysts on offer** — We see AIS also offers multiple upside catalysts which may not yet be factored in the consensus estimates. As per media reports (The Nation), AIS had already migrated 10.8mn users on to its 3G network by early Oct, thus we see a strong likelihood of AIS surpassing its own target of 12mn subs by FY13 by a wide margin. This would help accelerate cost savings on lower regulatory fees for migrated subscribers. Moreover, AIS has also challenged TOT's ownership of its 13k 2G towers under the arbitration court following DTAC/True's move to do the same with their towers. If successful, AIS would be able to reduce rental fees and capex over the long run, potentially raising NPVs further.
- **Minimal OTT impact** — In our view, Thailand is one of the few Asian markets potentially insulated from negative effects of OTT take-up. This is owing to low SMS contribution at just 3% of revenues while potential for voice substitution also remains low owing to relatively low fixed broadband penetration at just 25%. On the other hand, data take-up has in-fact helped Thai telcos to raise ARPU levels, given low potential for voice/sms substitution with OTT applications. Moreover, telcos have remained rational in pricing data so as to eliminate usage arbitrage.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(BtM)	(Bt)	(%)	(x)	(x)	(%)	(%)
2011A	22,219	7.48	0.4	35.3	20.1	55.5	3.1
2012A	34,301	11.54	54.3	22.9	18.2	83.4	4.1
2013E	37,757	12.70	10.1	20.8	16.6	83.5	4.8
2014E	47,155	15.86	24.9	16.6	15.1	95.2	6.0
2015E	53,210	17.90	12.8	14.8	14.3	99.6	6.8

Source: Powered by dataCentral

ADVA.BK: Fiscal year end 31-Dec						Price: Bt264.00; TP: Bt294.00; Market Cap: Bt784,897m; Recomm: Buy					
Profit & Loss (Btm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	126,437	141,568	154,680	168,714	178,527	PE (x)	35.3	22.9	20.8	16.6	14.8
Cost of sales	-76,220	-83,970	-91,514	-90,594	-91,467	PB (x)	20.1	18.2	16.6	15.1	14.3
Gross profit	50,217	57,598	63,165	78,121	87,060	EV/EBITDA (x)	14.0	12.8	11.9	10.3	9.4
Gross Margin (%)	39.7	40.7	40.8	46.3	48.8	FCF yield (%)	5.9	4.4	3.2	4.8	6.5
EBITDA (Adj)	56,658	61,118	65,997	76,655	84,694	Dividend yield (%)	3.1	4.1	4.8	6.0	6.8
EBITDA Margin (Adj) (%)	44.8	43.2	42.7	45.4	47.4	Payout ratio (%)	108	94	100	100	100
Depreciation	-17,675	-15,630	-18,112	-16,721	-16,984	ROE (%)	55.5	84.8	83.5	95.2	99.6
Amortisation	0	0	0	0	0	Cashflow (Btm)					
EBIT (Adj)	38,983	45,488	47,885	59,933	67,710	EBITDA	56,658	61,118	65,997	76,655	84,694
EBIT Margin (Adj) (%)	30.8	32.1	31.0	35.5	37.9	Working capital	3,127	107	405	456	288
Net interest	-1,033	-319	-1,017	-1,322	-1,536	Other	-11,569	-10,092	-10,112	-12,762	-14,484
Associates	0	0	0	0	0	Operating cashflow					
Non-op/Except	-1,241	445	348	353	358	Capex	-5,707	-9,598	-27,200	-23,302	-19,326
Pre-tax profit	36,709	45,614	47,216	58,964	66,532	Net acq/disposals	4,114	133	0	0	0
Tax	-14,365	-10,715	-9,443	-11,793	-13,306	Other	13	-7,294	-3,656	-3,656	0
Extraord./Min.Int./Pref.div.	-127	-16	-16	-16	-16	Investing cashflow					
Reported net profit	22,218	34,883	37,757	47,155	53,210	Dividends paid	-24,102	-30,241	-33,743	-42,456	-50,183
Net Margin (%)	17.6	24.6	24.4	27.9	29.8	Financing cashflow					
Core NPAT	22,219	34,301	37,757	47,155	53,210	Net change in cash	7,909	1,472	-6,715	-317	3,583
Per share data						Free cashflow to s/holders					
Reported EPS (Bt)	7.48	11.73	12.70	15.86	17.90		46,635	34,374	25,433	37,390	51,171
Core EPS (Bt)	7.48	11.54	12.70	15.86	17.90						
DPS (Bt)	8.09	10.90	12.70	15.86	17.90						
CFPS (Bt)	16.23	17.20	18.93	21.64	23.71						
FCFPS (Bt)	15.69	11.56	8.55	12.58	17.21						
BVPS (Bt)	13.15	14.53	15.88	17.46	18.48						
Wtd avg ord shares (m)	2,972	2,973	2,973	2,973	2,973						
Wtd avg diluted shares (m)	2,972	2,973	2,973	2,973	2,973						
Growth rates											
Sales revenue (%)	13.6	12.0	9.3	9.1	5.8						
EBIT (Adj) (%)	19.4	16.7	5.3	25.2	13.0						
Core NPAT (%)	0.5	54.4	10.1	24.9	12.8						
Core EPS (%)	0.4	54.3	10.1	24.9	12.8						
Balance Sheet (Btm)											
Cash & cash equiv.	18,361	19,833	13,118	12,801	16,384						
Accounts receivables	9,365	11,727	12,813	13,975	14,788						
Inventory	1,087	1,427	1,559	1,700	1,799						
Net fixed & other tangibles	44,763	40,857	50,920	58,476	61,794						
Goodwill & intangibles	2,310	16,693	15,718	14,743	13,768						
Financial & other assets	10,787	10,432	10,563	10,704	10,802						
Total assets	86,672	100,968	104,691	112,399	119,335						
Accounts payable	9,579	14,785	16,154	17,620	18,278						
Short-term debt	5,469	8,462	5,251	405	405						
Long-term debt	16,537	11,888	16,694	26,289	28,884						
Provisions & other liab	15,786	22,455	19,184	15,962	16,602						
Total liabilities	47,371	57,590	57,283	60,276	64,169						
Shareholders' equity	39,091	43,190	47,203	51,902	54,929						
Minority interests	210	189	205	220	236						
Total equity	39,301	43,378	47,408	52,123	55,166						
Net debt	3,645	517	8,827	13,893	12,905						
Net debt to equity (%)	9.3	1.2	18.6	26.7	23.4						

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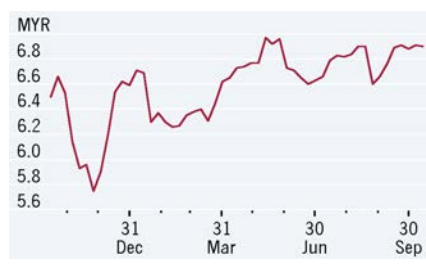
Company Focus

■ Rating Change

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Neutral	2
from Buy	
Price (14 Oct 13)	RM6.90
Target price	RM7.60
Expected share price return	10.1%
Expected dividend yield	3.3%
Expected total return	13.4%
Market Cap	RM58,907M
	US\$18,516M

Price Performance
(RIC: AXIA.KL, BB: AXIATA MK)



Axiata Group (AXIA.KL)

Expensive, Pedestrian Growth and Limited Positive Surprises

- **Downgrade to Neutral** — We downgrade Axiata to Neutral (from Buy) as 1) potential for material payout increase may be reduced with the pending XL-Axis deal which will be financed by Axiata; and 2) valuations have touched +1 std dev above mean anchoring further re-rating potential. We retain our TP of RM7.60. Operationally, we see company remains on track with all its major associates now posting strong growth. However, earnings growth may take a hit as XL could face material EPS dilution with Axis acquisition in the early years. Within Malaysia, we prefer Digi given greater likelihood of capital management.
- **XL-Axis deal have curtailed material dividend upside potential** — With XL's US\$885mn ticket price for acquiring Axis, we see Axiata's consol level FY14 net debt to EBITDA potentially rising to 1.0x from 0.6x. Additionally, Axiata will partly finance the debt which will potentially occupy the holdco level net cash of RM830mn. Although management had maintained to progressively raise pay-out levels, we believe that the ability to materially raise payout over next 1-2 years may be reduced as company may take a more gradual glide path for raising payout levels. Assuming that the company will stick to 70% payout guidance, dividend yield would fall to just 3-4% over FY13-15E.
- **Earnings growth will take a hit due to XL dilution** — Axis has been materially loss-making on both net profit and EBITDA with the company registering net losses of RM1.532m (Rp5.5tn) in FY12. If the deal goes through, we estimate potential EPS dilution of 4-5% for Axiata owing to a 21%-25% potential EPS dilution on the part of XL for FY14/15. This would reduce Axiata's FY13-15E earnings CAGR from 12% to 9%. This would further reduce the prospective yield.
- **Revenue growth remains buoyant** — From an operating perspective, we see Axiata as well placed with all the Opcos trending ahead of the industry growth. XL seems to have turned around since 2Q13 with subscriber momentum back in place while the competition remains much more rational. Idea/Robi/Dialog continues to post double digit growth. We see growth to remain resilient for Axiata given its growth centric geographic exposure.
- **Why not Sell?** — We note that the rerating catalyst linked to material dividend increase has now been reduced. Our SOTP value of RM7.60 remains unchanged (ETR 13%) with XL's earnings dilution not likely impacting its NPV negatively given the longer-term capex savings from the added spectrum and Axis' legacy network usage.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2011A	2,539	0.30	2.1	23.0	2.9	13.2	2.8
2012A	2,784	0.33	9.6	21.0	2.9	13.9	5.1
2013E	2,564	0.30	-7.9	22.8	3.0	12.9	3.3
2014E	2,923	0.35	14.0	20.0	2.8	14.4	4.0
2015E	3,208	0.38	9.7	18.2	2.7	15.1	4.7

Source: Powered by dataCentral

AXIA.KL: Fiscal year end 31-Dec						Price: RM6.90; TP: RM7.60; Market Cap: RM58,907m; Recomm: Neutral					
Profit & Loss (RMm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	16,290	17,652	18,502	19,699	20,592	PE (x)	23.0	21.0	22.8	20.0	18.2
Cost of sales	na	na	na	na	na	PB (x)	2.9	2.9	3.0	2.8	2.7
Gross profit	na	na	na	na	na	EV/EBITDA (x)	9.0	8.7	9.0	8.3	7.9
Gross Margin (%)	na	na	na	na	na	FCF yield (%)	2.6	2.9	3.1	4.4	5.2
EBITDA (Adj)	7,177	7,424	7,284	7,890	8,287	Dividend yield (%)	2.8	5.1	3.3	4.0	4.7
EBITDA Margin (Adj) (%)	44.1	42.1	39.4	40.1	40.2	Payout ratio (%)	63	106	75	80	85
Depreciation	-3,200	-3,340	-3,233	-3,432	-3,588	ROE (%)	12.2	12.6	13.1	14.4	15.1
Amortisation	0	0	0	0	0	Cashflow (RMm)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	3,977	4,085	4,050	4,458	4,699	EBITDA	7,177	7,424	7,284	7,890	8,287
EBIT Margin (Adj) (%)	24.4	23.1	21.9	22.6	22.8	Working capital	-241	22	122	101	94
Net interest	-402	-455	-544	-439	-346	Other	-1,151	-609	-1,395	-1,478	-1,455
Associates	118	211	289	370	455	Operating cashflow	5,785	6,837	6,012	6,513	6,926
Non-op/Except	-116	-78	-9	-4	1	Capex	-4,280	-5,126	-4,208	-3,957	-3,876
Pre-tax profit	3,577	3,762	3,787	4,385	4,808	Net acq/disposals	0	0	0	0	0
Tax	-864	-882	-958	-1,173	-1,260	Other	-532	-115	0	0	0
Extraord./Min.Int./Pref.div.	-367	-366	-219	-291	-340	Investing cashflow	-4,812	-5,240	-4,208	-3,957	-3,876
Reported net profit	2,346	2,513	2,609	2,920	3,208	Dividends paid	-1,297	-2,086	-2,963	-1,923	-2,338
Net Margin (%)	14.4	14.2	14.1	14.8	15.6	Financing cashflow	-641	-238	-3,918	-2,876	-3,153
Core NPAT	2,539	2,784	2,564	2,923	3,208	Net change in cash	340	1,289	-2,115	-320	-104
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	1,505	1,711	1,803	2,556	3,049
Reported EPS (RM)	0.28	0.30	0.31	0.34	0.38						
Core EPS (RM)	0.30	0.33	0.30	0.35	0.38						
DPS (RM)	0.19	0.35	0.23	0.28	0.32						
CFPS (RM)	0.68	0.81	0.71	0.77	0.82						
FCFPS (RM)	0.18	0.20	0.21	0.30	0.36						
BVPS (RM)	2.34	2.37	2.33	2.45	2.55						
Wtd avg ord shares (m)	8,466	8,466	8,466	8,466	8,466						
Wtd avg diluted shares (m)	8,466	8,466	8,466	8,466	8,466						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	4.3	8.4	4.8	6.5	4.5						
EBIT (Adj) (%)	27.8	2.7	-0.8	10.1	5.4						
Core NPAT (%)	2.4	9.6	-7.9	14.0	9.7						
Core EPS (%)	2.1	9.6	-7.9	14.0	9.7						
Balance Sheet (RMm)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	6,617	7,906	5,803	5,538	5,480						
Accounts receivables	2,106	2,112	2,113	2,216	2,320						
Inventory	342	382	333	350	367						
Net fixed & other tangibles	16,162	16,585	17,560	18,085	18,373						
Goodwill & intangibles	15,537	15,630	15,713	15,951	16,238						
Financial & other assets	342	316	389	428	445						
Total assets	41,106	42,931	41,911	42,567	43,223						
Accounts payable	5,556	5,731	5,762	6,052	6,313						
Short-term debt	2,228	1,892	914	1,114	190						
Long-term debt	9,231	10,766	10,919	9,684	9,697						
Provisions & other liab	2,415	2,534	2,443	2,557	2,652						
Total liabilities	19,430	20,923	20,038	19,406	18,852						
Shareholders' equity	19,843	20,101	19,747	20,744	21,614						
Minority interests	1,832	1,907	2,126	2,417	2,757						
Total equity	21,675	22,008	21,873	23,161	24,371						
Net debt	4,843	4,752	6,029	5,260	4,407						
Net debt to equity (%)	22.3	21.6	27.6	22.7	18.1						

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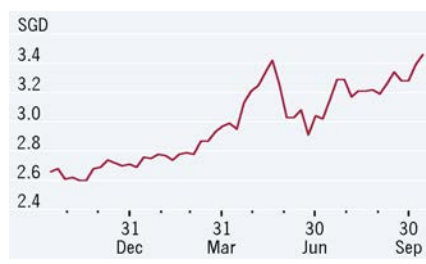
Company Focus

■ Rating Change

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Sell	3
from Neutral	
Price (14 Oct 13)	S\$3.46
Target price	S\$3.05
Expected share price return	-11.8%
Expected dividend yield	5.0%
Expected total return	-6.8%
Market Cap	S\$3,194M
	US\$2,568M

Price Performance
(RIC: MONE.SI, BB: M1 SP)



M1 (MONE.SI)

A Crowded Trade

■ **Downgrade to Sell; Rich Valuation** – We downgrade M1 to Sell (from Neutral). M1 has delivered total shareholder return of 48% over the last three years and FY14 valuation looks rich at 9.2x EV/EBITDA (+1 S.D.). M1 trades on a dividend yield of 5.0% (-0.5 S.D.). While M1 has delivered positive momentum, we believe that the current valuation should have priced in the positives. Besides, we find a lack of further re-rating thesis on the mobile front as recent moves such as subsidy cut is likely to have minimal earnings impact. We also expect moderation for its fixed business as competition intensifies.

■ **Lack of further re-rating thesis on mobile front** – With the recent iPhone 5S and 5C releases, we have noted that local telco operators have reduced the subsidy level. However, the case of subsidy reduction has yet to become a strong case for re-rating as earnings impact is expected to be minimal. In a previous scenario analysis, earnings uplift is expected to be only c.3% (assuming subsidy cut on the latest iPhone models). Further to this, while M1 has been a beneficiary of telcos' shift to tiered data plans, we have already taken into account the potential ARPU uplift from the migration to tiered data pricing and believe that there should be minimal upside surprise for M1's mobile business. Pressure on international roaming revenues on the other hand has served to soften the benefits from tiered pricing.

■ **Moderation expected for fixed business** – M1 fixed business showed softer revenue growth in 3Q13 (+2% QoQ vs 2Q13's +7% QoQ and 1Q13's 13% QoQ). We should continue to see moderation in revenue growth for this division due to the ongoing promotional activities for its fiber services (\$39/mth for 200 Mbps fiber broadband subscription). Besides, on the competition front, Starhub and SingTel have been active in their promotional campaigns for their bundles and this could put further pressure on M1's fixed business growth. We believe that M1's move into OTT internet TV service, MiBox, would also likely have a neutral impact as existing pay-TV users' propensity towards premium content may not be attracted to M1's content offering.

■ **Shift of interest from yield names to growth names** – Furthermore, given a rising interest rate environment as Fed tapering becomes an eventuality; lower growth yield stocks such as M1, vis-à-vis higher growth yield stocks such as AIS and DTAC, would become less attractive as yield spread narrows. We are expecting EPS CAGR of 12% from FY13E-FY15E for M1 vs. Thai telcos' EPS CAGR of 19-23%. Sell.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(\$M)	(\$)	(%)	(x)	(x)	(%)	(%)
2011A	164	0.18	4.5	18.9	9.6	52.5	4.3
2012A	147	0.16	-10.7	21.1	8.9	43.7	4.2
2013E	172	0.19	17.3	18.0	8.2	47.3	5.0
2014E	199	0.22	15.9	15.6	7.4	49.8	5.1
2015E	217	0.24	9.1	14.3	6.6	48.6	5.6

Source: Powered by dataCentral

MONE.SI: Fiscal year end 31-Dec						Price: S\$3.46; TP: S\$3.05; Market Cap: S\$3,194m; Recomm: Sell					
Profit & Loss (\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	1,065	1,077	1,122	1,177	1,230	PE (x)	18.9	21.1	18.0	15.6	14.3
Cost of sales	-492	-515	-507	-507	-519	PB (x)	9.6	8.9	8.2	7.4	6.6
Gross profit	573	562	616	671	711	EV/EBITDA (x)	11.0	11.3	10.2	9.2	8.6
Gross Margin (%)	53.8	52.2	54.9	57.0	57.8	FCF yield (%)	5.2	5.0	5.5	4.8	7.7
EBITDA (Adj)	309	299	330	365	388	Dividend yield (%)	4.3	4.2	5.0	5.1	5.6
EBITDA Margin (Adj) (%)	29.0	27.8	29.4	31.0	31.5	Payout ratio (%)	82	89	90	80	80
Depreciation	-105	-109	-114	-118	-119	ROE (%)	52.5	43.7	47.3	49.8	48.6
Amortisation	-2	-2	-2	-2	-2	Cashflow (\$m)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	202	188	215	245	267	EBITDA	309	299	330	365	388
EBIT Margin (Adj) (%)	18.9	17.5	19.2	20.8	21.7	Working capital	13	7	7	5	5
Net interest	-6	-6	-5	-5	-5	Other	-38	-42	-43	-46	-50
Associates	0	0	0	0	0	Operating cashflow	285	264	295	323	343
Non-op/Except	2	1	0	0	0	Capex	-102	-122	-131	-180	-111
Pre-tax profit	197	183	210	240	262	Net acq/disposals	-22	0	0	0	0
Tax	-33	-37	-38	-41	-44	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-124	-122	-131	-180	-111
Reported net profit	164	147	172	199	217	Dividends paid	-161	-132	-141	-157	-166
Net Margin (%)	15.4	13.6	15.3	16.9	17.6	Financing cashflow	-158	-154	-141	-157	-166
Core NPAT	164	147	172	199	217	Net change in cash	2	-11	23	-13	67
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	162	153	169	149	238
Reported EPS (\$)	0.18	0.16	0.19	0.22	0.24						
Core EPS (\$)	0.18	0.16	0.19	0.22	0.24						
DPS (\$)	0.15	0.15	0.17	0.18	0.19						
CFPS (\$)	0.32	0.30	0.33	0.36	0.38						
FCFPS (\$)	0.18	0.17	0.19	0.17	0.27						
BVPS (\$)	0.36	0.39	0.42	0.47	0.53						
Wtd avg ord shares (m)	895	895	895	895	895						
Wtd avg diluted shares (m)	895	895	895	895	895						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	8.8	1.1	4.2	4.9	4.5						
EBIT (Adj) (%)	3.9	-6.6	14.2	14.1	8.9						
Core NPAT (%)	4.5	-10.7	17.3	15.9	9.1						
Core EPS (%)	4.5	-10.7	17.3	15.9	9.1						
Balance Sheet (\$m)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	12	12	34	21	88						
Accounts receivables	206	194	192	195	197						
Inventory	36	33	37	39	40						
Net fixed & other tangibles	620	643	660	722	713						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	104	93	92	90	89						
Total assets	978	975	1,014	1,066	1,127						
Accounts payable	197	188	197	207	216						
Short-term debt	54	272	272	272	272						
Long-term debt	250	0	0	0	0						
Provisions & other liab	155	167	167	167	167						
Total liabilities	656	627	636	646	655						
Shareholders' equity	323	348	379	421	472						
Minority interests	0	0	0	0	0						
Total equity	323	348	379	421	472						
Net debt	292	261	238	251	184						
Net debt to equity (%)	90.6	74.9	62.8	59.6	39.0						

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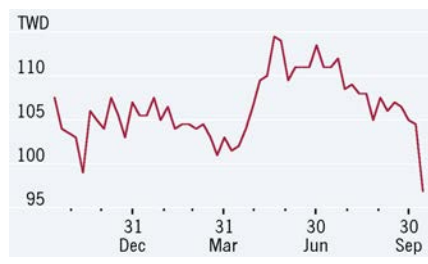
Company Focus

- Estimate Change
- Target Price Change
- Rating Change

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Neutral	2
from Buy	
Price (15 Oct 13)	NT\$98.00
Target price	NT\$103.00
from NT\$123.00	
Expected share price return	5.1%
Expected dividend yield	5.7%
Expected total return	10.8%
Market Cap	NT\$335,242M
	US\$11,413M

Price Performance
(RIC: 3045.TW, BB: 3045 TT)



Taiwan Mobile (3045.TW) Downgrade To Neutral On Increased Competition

- **Cut TP by 16%, downgrade to Neutral (from Buy)** — We see increased competition for both mobile service and Cable TV business, which together account for ~95% of the company's EBITDA. Overheating 4G license bidding and proposed Cable TV tiered pricing will put pressure on margins. Accordingly, we lower 2014E/2015E earnings by 2%/8%, respectively and cut our DCF-based TP by 16% to NT\$103.
- **Competition may intensify** — The overheating 4G bidding signifies that new entrants are determined to enter the market and intensified competition may disrupt market dynamics. In order to quickly establish a market position, new entrants are likely to adopt aggressive pricing/promotion strategies, in our view. While we believe the oligopoly market structure is unlikely to change due to incumbents' well-established scale, better network quality, and stronger balance sheet, price competition appears inevitable.
- **Overheating 4G license bidding** — In a worst case scenario, 4G license cost could reach NT\$35-40bn if Taiwan Mobile wins the bidding for the C5 block of 1,800MHz and 35MHz bandwidth. As equipment and device supports for 1,800MHz are very much ready vs. 700/900MHz spectrum, new entrants will need C5 block in order to launch service before 2017. For incumbents, to bid for the maximum 35MHz bandwidth and launch 4G service in 2015, C5 also looks to be the best option. We currently assume 4G license cost to reach NT\$25bn.
- **Potential new entrants in Cable TV business** — As of Oct 2013, seven new entrants have received approval from NCC to operate in Cable TV franchise areas that include some of Taiwan Mobile's current services areas. Taiwan Mobile may face competition from these new entrants or existing cable TV system operators in the future. New entrants have agreed to comply with NCC's proposed tiered pricing and offer different packages for subscribers. To factor in the competition, we assume cable ARPU to remain flat in 2015 despite continued penetration of cable TV broadband.
- **Proposed Cable TV tiered also a negative** — The NCC plans to introduce Cable TV tiered pricing in 2017, when cable TV operators will be required to offer different packages for subscribers' consideration. Currently cable TV subscribers pay a flat rate of NT\$500-600 a month to watch more than 100 channels. As the proposed plan is downward tiered with maximum rate capped at current levels, Taiwan Mobile may, if tiered pricing is implemented, experience falling revenues.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(NT\$M)	(NT\$)	(%)	(x)	(x)	(%)	(%)
2011A	13,469	4.99	-2.6	19.6	6.9	27.0	5.3
2012A	14,692	5.45	9.1	18.0	6.8	29.8	5.6
2013E	15,803	5.86	7.6	16.7	6.6	31.4	5.7
2014E	16,695	6.19	5.6	15.8	6.5	32.6	6.0
2015E	16,264	6.03	-2.6	16.3	6.5	31.6	5.8

Source: Powered by dataCentral

3045.TW: Fiscal year end 31-Dec						Price: NT\$98.00; TP: NT\$103.00; Market Cap: NT\$335,242m; Recomm: Neutral					
Profit & Loss (NT\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	81,369	98,141	110,679	122,208	127,615	PE (x)	19.6	18.0	16.7	15.8	16.3
Cost of sales	-48,642	-62,734	-70,879	-79,301	-84,136	PB (x)	6.9	6.8	6.6	6.5	6.5
Gross profit	32,728	35,407	39,800	42,907	43,479	EV/EBITDA (x)	12.9	12.6	12.5	11.9	11.6
Gross Margin (%)	40.2	36.1	36.0	35.1	34.1	FCF yield (%)	7.2	6.9	5.8	5.7	7.7
EBITDA (Adj)	27,087	27,928	29,629	32,710	33,365	Dividend yield (%)	5.3	5.6	5.7	6.0	5.8
EBITDA Margin (Adj) (%)	33.3	28.5	26.8	26.8	26.1	Payout ratio (%)	103	101	95	95	95
Depreciation	-7,882	-8,069	-8,434	-9,393	-10,286	ROE (%)	27.0	29.8	31.4	32.6	31.6
Amortisation	-1,615	-1,679	-1,400	-2,180	-2,500	Cashflow (NT\$m)					
EBIT (Adj)	17,590	18,180	19,795	21,136	20,579	EBITDA	27,087	27,928	29,629	32,710	33,365
EBIT Margin (Adj) (%)	21.6	18.5	17.9	17.3	16.1	Working capital	560	645	-1,421	-370	-105
Net interest	-141	-273	-308	-561	-576	Other	-2,399	-2,715	-103	-2,226	-2,959
Associates	-6	9	26	26	26	Operating cashflow					
Non-op/Except	-1,314	54	-98	-92	-49	Capex	-6,207	-7,642	-12,800	-15,000	-10,000
Pre-tax profit	16,129	17,971	19,414	20,509	19,980	Net acq/disposals	-8,414	0	0	0	0
Tax	-2,502	-3,055	-3,611	-3,815	-3,716	Other	-821	-1,865	-38,000	0	0
Extraord./Min.Int./Pref.div.	-157	-225	0	0	0	Investing cashflow					
Reported net profit	13,469	14,692	15,803	16,695	16,264	Dividends paid	-12,441	-14,134	-14,692	-15,803	-16,695
Net Margin (%)	16.6	15.0	14.3	13.7	12.7	Financing cashflow					
Core NPAT	13,469	14,692	15,803	16,695	16,264	Net change in cash	645	530	-2,386	-689	3,607
Per share data						Free cashflow to s/holders					
Reported EPS (\$)	4.99	5.45	5.86	6.19	6.03		19,040	18,217	15,306	15,113	20,302
Core EPS (\$)	4.99	5.45	5.86	6.19	6.03						
DPS (\$)	5.16	5.50	5.57	5.88	5.73						
CFPS (\$)	9.36	9.59	10.42	11.16	11.23						
FCFPS (\$)	7.06	6.75	5.67	5.60	7.53						
BVPS (\$)	14.28	14.51	14.83	15.09	14.97						
Wtd avg ord shares (m)	2,698	2,698	2,698	2,698	2,698						
Wtd avg diluted shares (m)	2,698	2,698	2,698	2,698	2,698						
Growth rates											
Sales revenue (%)	16.0	20.6	12.8	10.4	4.4						
EBIT (Adj) (%)	-3.9	3.4	8.9	6.8	-2.6						
Core NPAT (%)	-2.6	9.1	7.6	5.6	-2.6						
Core EPS (%)	-2.6	9.1	7.6	5.6	-2.6						
Balance Sheet (NT\$m)											
Cash & cash equiv.	6,972	7,429	5,043	4,354	7,961						
Accounts receivables	8,059	8,388	10,084	11,134	11,627						
Inventory	2,071	2,628	2,363	2,643	2,805						
Net fixed & other tangibles	43,746	42,654	59,420	64,427	63,541						
Goodwill & intangibles	27,761	26,781	50,381	48,201	45,701						
Financial & other assets	3,187	4,494	3,975	4,116	4,196						
Total assets	91,794	92,375	131,266	134,875	135,830						
Accounts payable	9,940	10,843	12,180	13,564	14,311						
Short-term debt	13,899	7,158	7,158	7,158	7,158						
Long-term debt	4,000	8,995	43,995	43,995	43,995						
Provisions & other liab	13,891	14,572	16,015	17,349	17,987						
Total liabilities	41,730	41,569	79,349	82,067	83,452						
Shareholders' equity	48,948	49,724	50,835	51,727	51,296						
Minority interests	1,116	1,082	1,082	1,082	1,082						
Total equity	50,064	50,806	51,917	52,809	52,378						
Net debt	10,928	8,725	46,111	46,800	43,193						
Net debt to equity (%)	21.8	17.2	88.8	88.6	82.5						

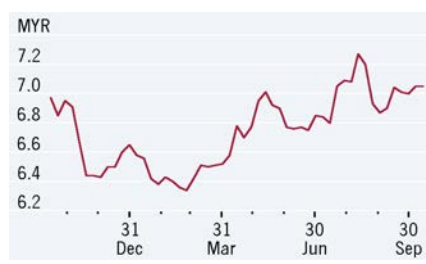
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Company Focus

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Sell	3
Price (14 Oct 13)	RM7.05
Target price	RM5.80
Expected share price return	-17.7%
Expected dividend yield	5.7%
Expected total return	-12.1%
Market Cap	RM52,897M US\$16,626M

Price Performance
(RIC: MXSC.KL, BB: MAXIS MK)



Maxis Berhad (MXSC.KL) Slow Growth, Crowded Yield Play, OTT Risk

■ Beneficiary of yield chase poses downside risk with rising interest rates —

We highlight Maxis as one of the biggest beneficiaries of cheap money flow and low interest rate regime as the company's fixed 40sen dividend translates to a yield of ~6%, still more than 2pt points above the local bond yield. Since QE2 launch, Maxis had delivered a total share return of 89% while stock had remained a big laggard losing market share on almost all the operational and financial metrics. With potential for rise in bond yields we may see the yield trade unwind for Maxis. Note that there is very little room for Maxis to raise payout levels, we see the current DPS payment as potentially unsustainable if it is not able to materially raise FCF. We thus see Maxis as a prime candidate of share price de-rating with rising interest rates.

■ Structural problems ahead —

Among the Pan Asia telcos, we see Malaysia (along with Philippines) at the biggest risk of OTT led SMS/Voice migration. This is mainly owing to 1) relatively high voice/SMS tariffs; 2) high SMS usage and; 3) high smartphone and fixed broadband penetration. Maxis particularly looks more vulnerable as 1) Maxis price points are relatively higher vs. peers making it more susceptible to OTT migration; 2) lower incentive for users to stick with bigger player to avail of cheap on-net tariffs.

■ Weak operationally with no catalysts in sight —

Maxis continues to lag peers on most operating metrics while its efforts of clawing back lost market share have not been very successful. Note that unlike regional incumbents, Maxis doesn't hold significant network advantage over peers given greater focus on dividends over network investment to extend superiority. This along with already high price points both absolutely and relatively (vs. peers) makes hard for Maxis to arrest usage migration to OTT services as well as market share loss to peers.

■ Valuation and recommendation —

We reiterate our Sell on Maxis. Operational weakness continuous with company consistently losing subscriber and revenue market share. Company remains committed to pay 20 sen annual dividend translating to 6% yield. However, we see this as unsustainable given the gap between FCF generation vs. dividend commitment. At 12.6x FY14E EV/EBITDA, the stock continues to look very expensive.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2011A	2,192	0.29	-4.5	24.1	6.5	26.2	5.7
2012A	2,049	0.27	-6.5	25.8	7.5	27.1	5.7
2013E	2,252	0.30	9.9	23.5	8.5	34.0	5.7
2014E	2,323	0.31	3.2	22.8	9.6	39.7	5.7
2015E	2,359	0.31	1.5	22.4	9.9	43.5	4.5

Source: Powered by dataCentral

MXSC.KL: Fiscal year end 31-Dec						Price: RM7.05; TP: RM5.80; Market Cap: RM52,897m; Recomm: Sell					
Profit & Loss (RMm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	8,800	8,967	9,418	9,708	9,947	PE (x)	24.1	25.8	23.5	22.8	22.4
Cost of sales	-2,763	-3,006	-3,204	-3,279	-3,359	PB (x)	6.5	7.5	8.5	9.6	9.9
Gross profit	6,037	5,961	6,214	6,430	6,587	EV/EBITDA (x)	13.0	13.4	12.8	12.6	12.5
Gross Margin (%)	68.6	66.5	66.0	66.2	66.2	FCF yield (%)	5.1	5.0	4.3	4.4	4.5
EBITDA (Adj)	4,423	4,359	4,626	4,744	4,818	Dividend yield (%)	5.7	5.7	5.7	5.7	4.5
EBITDA Margin (Adj) (%)	50.3	48.6	49.1	48.9	48.4	Payout ratio (%)	137	146	133	129	100
Depreciation	-1,011	-1,182	-1,183	-1,004	-1,013	ROE (%)	30.2	24.6	32.3	39.7	43.5
Amortisation	-137	-180	-294	-294	-294	Cashflow (RMm)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	3,275	2,997	3,149	3,446	3,510	EBITDA	4,423	4,359	4,626	4,744	4,818
EBIT Margin (Adj) (%)	37.2	33.4	33.4	35.5	35.3	Working capital	-266	-369	-24	65	67
Net interest	-228	-288	-357	-409	-426	Other	-445	-569	-1,302	-1,414	-1,443
Associates	0	0	0	0	0	Operating cashflow	3,712	3,421	3,299	3,395	3,441
Non-op/Except	-43	-133	0	0	0	Capex	-1,015	-803	-1,012	-1,044	-1,069
Pre-tax profit	3,004	2,576	2,792	3,036	3,084	Net acq/disposals	0	0	0	0	0
Tax	-473	-716	-652	-713	-725	Other	-151	-187	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-1,166	-990	-1,012	-1,044	-1,069
Reported net profit	2,531	1,860	2,140	2,323	2,359	Dividends paid	-3,000	-3,000	-3,000	-3,000	-2,531
Net Margin (%)	28.8	20.7	22.7	23.9	23.7	Financing cashflow	-2,606	-2,302	-2	-3,000	-2,031
Core NPAT	2,192	2,049	2,252	2,323	2,359	Net change in cash	-60	129	2,285	-649	342
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	2,697	2,618	2,287	2,351	2,372
Reported EPS (RM)	0.34	0.25	0.29	0.31	0.31						
Core EPS (RM)	0.29	0.27	0.30	0.31	0.31						
DPS (RM)	0.40	0.40	0.40	0.40	0.31						
CFPS (RM)	0.49	0.46	0.44	0.45	0.46						
FCFPS (RM)	0.36	0.35	0.30	0.31	0.32						
BVPS (RM)	1.08	0.94	0.83	0.73	0.71						
Wtd avg ord shares (m)	7,500	7,500	7,500	7,500	7,500						
Wtd avg diluted shares (m)	7,500	7,500	7,500	7,500	7,500						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	-0.8	1.9	5.0	3.1	2.5						
EBIT (Adj) (%)	-2.7	-8.5	5.1	9.4	1.9						
Core NPAT (%)	-4.5	-6.5	9.9	3.2	1.5						
Core EPS (%)	-4.5	-6.5	9.9	3.2	1.5						
Balance Sheet (RMm)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	838	967	3,252	2,603	2,945						
Accounts receivables	858	922	968	998	1,023						
Inventory	110	118	124	127	129						
Net fixed & other tangibles	5,095	4,608	4,437	4,477	4,533						
Goodwill & intangibles	11,060	11,152	11,152	11,152	11,152						
Financial & other assets	30	35	36	36	37						
Total assets	17,991	17,802	19,970	19,394	19,818						
Accounts payable	2,828	2,633	2,661	2,757	2,849						
Short-term debt	1,464	2	3,000	3,000	3,500						
Long-term debt	4,409	6,772	6,772	6,772	6,772						
Provisions & other liab	1,202	1,338	1,339	1,344	1,349						
Total liabilities	9,903	10,745	13,773	13,873	14,469						
Shareholders' equity	8,084	7,049	6,189	5,512	5,341						
Minority interests	0	0	0	0	0						
Total equity	8,084	7,049	6,189	5,512	5,341						
Net debt	5,035	5,807	6,520	7,169	7,327						
Net debt to equity (%)	62.3	82.4	105.4	130.1	137.2						

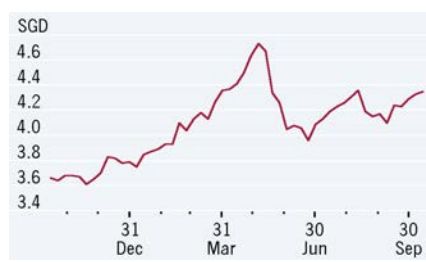
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Company Focus

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Sell	3
Price (14 Oct 13)	S\$4.35
Target price	S\$3.55
Expected share price return	-18.4%
Expected dividend yield	4.6%
Expected total return	-13.8%
Market Cap	S\$7,488M
	US\$6,020M

Price Performance
(RIC: STAR.SI, BB: STH SP)



StarHub (STAR.SI)

Challenges Remain & Remain Unattractive on Premium Valuation

■ **Maintain Sell** – Starhub has delivered a total shareholder return of 77% over the last three years as market took interest in yield names owing to a low bond yield environment. Valuations are rich as Starhub now trades at 10.2x EV/ EBITDA (>1.5 S.D. above mean) and on a forward yield of 4.6% (1 S.D. below mean). Going forward, yield names would become less attractive on a rising interest rate environment as yield spread narrows. Market would more likely focus on growth names within the telecom space in a rising interest rate environment. EPS CAGR (2012-2015) for Starhub is also lackluster at 2% compared to 6-14% for other local peers and 8% for Asia DM sector average. Maintain Sell.

■ **Challenges remain for pay-TV and broadband revenues** – Like the other local peers, Starhub posted mobile revenue growth in 2Q13 on benefits of tiered pricing. However, overall service revenues continue to be flat YoY due to challenges on the pay-TV and broadband side. Going forward, the pay-TV segment may continue to face challenge on the back of its aggressive EPL promotions which offer significant rebates. Unless Starhub can up-sell its other offerings to compensate for the rebates or grow its pay-TV/ bundled pay-TV subscriber base, the rebate program would likely be dilutive. Apart from competition from mioTV, Starhub also faces competition from the plethora of OTT content providers, potentially reducing the pie for the local cable/IPTV market. Broadband revenues would also see tepid growth due to rising competition from fibre resellers. This serves to disrupt its previous duopoly with Singtel on fixed broadband.

■ **No sign of positive catalysts on muted guidance** – While Starhub had delivered a margin surprise in 1H13 due to lower expenses on cost-recoveries on network construction expenses and lower provisions on stock obsolescence, margins should see pressure in 2H13 on the back of the release of subsidized high-end smartphones, including iPhone 5C/5S and Samsung Galaxy Note 3, and aggressive rebates to retain its pay-TV users. Management affirmed guidance of 31% EBITDA margin and low single digit revenue growth. The margin guidance, in our view, remains muted vs. 1H13 performance. We are forecasting EPS CAGR of 2% (FY12-15) which is below the local industry CAGR of 6-14%.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(\$M)	(\$)	(%)	(x)	(x)	(%)	(%)
2011A	316	0.18	19.9	23.6	nm	nm	4.6
2012A	359	0.21	13.9	20.8	171.2	nm	4.6
2013E	368	0.21	2.4	20.3	107.6	nm	4.6
2014E	376	0.22	2.2	19.8	72.4	nm	4.6
2015E	385	0.22	2.5	19.4	51.0	nm	4.6

Source: Powered by dataCentral

STAR.SI: Fiscal year end 31-Dec						Price: S\$4.35; TP: S\$3.55; Market Cap: S\$7,488m; Recomm: Sell					
Profit & Loss (\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	2,312	2,422	2,481	2,540	2,586	PE (x)	23.6	20.8	20.3	19.8	19.4
Cost of sales	-792	-769	-2,022	-2,074	-2,111	PB (x)	nm	nm	nm	72.4	51.0
Gross profit	1,521	1,653	458	467	476	EV/EBITDA (x)	11.9	11.0	10.5	10.2	9.9
Gross Margin (%)	65.8	68.2	18.5	18.4	18.4	FCF yield (%)	6.2	6.5	5.0	5.8	5.8
EBITDA (Adj)	676	720	749	769	784	Dividend yield (%)	4.6	4.6	4.6	4.6	4.6
EBITDA Margin (Adj) (%)	29.2	29.7	30.2	30.3	30.3	Payout ratio (%)	109	95	93	91	89
Depreciation	-250	-246	-291	-303	-309	ROE (%)	nm	nm	nm	nm	nm
Amortisation	-28	-27	0	0	0	Cashflow (\$m)	2011	2012	2013E	2014E	2015E
EBIT (Adj)	398	447	458	467	476	EBITDA	676	720	749	769	784
EBIT Margin (Adj) (%)	17.2	18.5	18.5	18.4	18.4	Working capital	38	42	13	13	10
Net interest	-18	-16	-15	-14	-11	Other	-22	-72	-75	-77	-79
Associates	0	0	0	0	0	Operating cashflow	692	690	687	705	715
Non-op/Except	0	0	0	0	0	Capex	-247	-273	-312	-273	-280
Pre-tax profit	380	431	443	453	464	Net acq/disposals	1	1	0	0	0
Tax	-64	-72	-75	-77	-79	Other	2	4	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-244	-268	-312	-273	-280
Reported net profit	316	359	368	376	385	Dividends paid	-343	-343	-342	-342	-342
Net Margin (%)	13.6	14.8	14.8	14.8	14.9	Financing cashflow	-509	-289	-375	-432	-435
Core NPAT	316	359	368	376	385	Net change in cash	-61	133	0	0	0
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	465	487	372	429	433
Reported EPS (\$)	0.18	0.21	0.21	0.22	0.22						
Core EPS (\$)	0.18	0.21	0.21	0.22	0.22						
DPS (\$)	0.20	0.20	0.20	0.20	0.20						
CFPS (\$)	0.40	0.40	0.40	0.41	0.42						
FCFPS (\$)	0.27	0.28	0.22	0.25	0.25						
BVPS (\$)	0.01	0.03	0.04	0.06	0.09						
Wtd avg ord shares (m)	1,715	1,715	1,715	1,715	1,715						
Wtd avg diluted shares (m)	1,715	1,715	1,715	1,715	1,715						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	3.3	4.7	2.5	2.4	1.8						
EBIT (Adj) (%)	16.3	12.3	2.5	1.8	1.9						
Core NPAT (%)	19.9	13.9	2.4	2.2	2.5						
Core EPS (%)	19.9	13.9	2.4	2.2	2.5						
Balance Sheet (\$m)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	179	312	312	312	312						
Accounts receivables	152	142	146	149	152						
Inventory	37	28	29	29	30						
Net fixed & other tangibles	765	794	815	785	757						
Goodwill & intangibles	424	397	397	397	397						
Financial & other assets	166	136	139	142	145						
Total assets	1,723	1,809	1,837	1,815	1,793						
Accounts payable	703	728	746	764	778						
Short-term debt	75	0	75	75	75						
Long-term debt	588	688	595	520	438						
Provisions & other liab	335	350	352	354	356						
Total liabilities	1,701	1,765	1,768	1,713	1,647						
Shareholders' equity	23	45	71	106	150						
Minority interests	0	0	0	0	0						
Total equity	23	45	71	106	150						
Net debt	483	376	358	283	201						
Net debt to equity (%)	nm	843.8	503.0	266.9	134.2						

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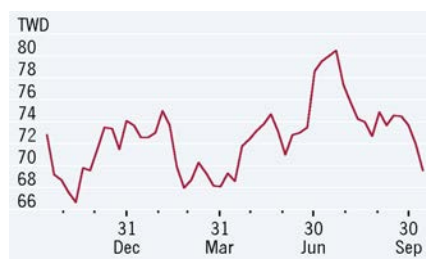
Company Focus

- Target Price Change
- Estimate Change

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Buy	1
Price (15 Oct 13)	NT\$69.90
Target price	NT\$77.00
from NT\$80.00	
Expected share price return	10.2%
Expected dividend yield	5.6%
Expected total return	15.7%
Market Cap	NT\$227,769M
	US\$7,754M

Price Performance
(RIC: 4904.TW, BB: 4904 TT)



Far Eastone (4904.TW) Cut Target Price; Maintain Buy

- **Lowering earnings on higher 4G costs** — We revise down 2014E/2015E earnings by 1%/8%, respectively to reflect higher interest expenses and 4G license cost. As a result, we also lower our DCF-based target price by 5% to NT\$77. We maintain Buy rating on FET due to its consistent dividend policy and attractive yield, and its good track record on managing cost/benefit of mobile data subscription and delivering growth. Management reiterates its >100% payout policy and insists that 4G license fees and capex will not affect dividend policy.
- **4G license higher than expected; FET well positioned** — 4G license fee with 35MHz bandwidth could exceed NT\$25bn vs. previous expectation of NT\$15bn. As the license expires in 2030, telcos will amortize the licensing cost over 16 years. Annual amortization of 4G license fee could exceed NT\$15bn, 65% higher than 3G, if licensing cost reach NT\$25bn. As C1 block of 1,800MHz spectrum is allocated to FET's 2G operation, which the license will expire in 2017, FET may focus on bidding for the C1 block instead of aiming for the overpriced C5.
- **Higher costs to hit 2015E earnings** — We estimate FET's long-term borrowing to increase by ~NT\$15bn due to higher than expected license fees. As a result, annual interest expense should increase from NT\$50mn to NT\$250mn in 2015. In addition, total license cost (3G & 4G) may reach NT\$1.7bn if FET launches 4G service in 2H15. We estimate cost to increase by NT\$1bn, or 8% of profit, in 2015.
- **Competition may intensify** — Overbidding of the 4G license implies that new entrants are determined to enter the market and intensified competition may disrupt market dynamics. In order to quickly establish a market position, new entrants are likely to adopt aggressive pricing/promotion strategies and acquire marginal 3G operators including Vibo and Asia Pacific Telecom, in our view. While we believe the oligopoly market structure is unlikely to change due to incumbents' well-established scale, better network quality, and stronger balance sheet, price competition appears inevitable.
- **3Q13 prelim highlight** — 3Q13 net profit reached NT\$3,185mn, in line with Citi's forecast of NT\$3,152mn. YTD net profit has reached 75% of Citi's 2013E earnings. Mobile data grew 6%% QoQ, 27% YoY, and accounted for 39% of mobile service revenues. Post-paid ARPU remained flat QoQ but fell 2% YoY to NT\$875. YTD EBITDA margin reached 29.3% vs. 29% a year ago.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(NT\$M)	(NT\$)	(%)	(x)	(x)	(%)	(%)
2011A	8,881	2.73	0.4	25.6	3.2	12.4	4.3
2012A	10,600	3.25	19.4	21.5	3.1	14.6	5.0
2013E	12,051	3.70	13.7	18.9	3.1	16.5	5.6
2014E	13,198	4.05	9.5	17.3	3.1	18.0	6.1
2015E	13,236	4.06	0.3	17.2	3.2	18.3	6.1

Source: Powered by dataCentral

4904.TW: Fiscal year end 31-Dec						Price: NT\$69.90; TP: NT\$77.00; Market Cap: NT\$227,769m; Recomm: Buy					
Profit & Loss (NT\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	75,749	86,745	89,393	93,307	96,483	PE (x)	25.6	21.5	18.9	17.3	17.2
Cost of sales	-45,384	-51,491	-52,013	-54,364	-57,073	PB (x)	3.2	3.1	3.1	3.1	3.2
Gross profit	30,365	35,254	37,379	38,943	39,410	EV/EBITDA (x)	10.0	9.1	8.8	8.6	8.2
Gross Margin (%)	40.1	40.6	41.8	41.7	40.8	FCF yield (%)	6.1	6.5	5.8	6.5	7.7
EBITDA (Adj)	22,483	24,372	26,246	28,215	29,338	Dividend yield (%)	4.3	5.0	5.6	6.1	6.1
EBITDA Margin (Adj) (%)	29.7	28.1	29.4	30.2	30.4	Payout ratio (%)	110	108	105	105	105
Depreciation	-10,048	-9,705	-10,148	-10,663	-11,103	ROE (%)	12.4	14.6	16.5	18.0	18.3
Amortisation	-918	-918	-918	-918	-1,700	Cashflow (NT\$m)					
EBIT (Adj)	11,517	13,749	15,180	16,634	16,535	EBITDA	22,483	24,372	26,246	28,215	29,338
EBIT Margin (Adj) (%)	15.2	15.8	17.0	17.8	17.1	Working capital	-215	305	-399	-462	-404
Net interest	67	109	55	-172	-179	Other	378	-1,080	-2,029	-2,914	-3,007
Associates	0	-80	18	18	18	Operating cashflow					
Non-op/Except	-709	-773	-515	-340	-187	Capex	-8,665	-8,751	-10,500	-10,000	-8,500
Pre-tax profit	10,875	13,005	14,738	16,141	16,188	Net acq/disposals	-236	0	0	0	0
Tax	-1,948	-2,375	-2,653	-2,905	-2,914	Other	355	159	-25,000	-918	0
Extraord./Min.Int./Pref.div.	-46	-30	-34	-37	-38	Investing cashflow					
Reported net profit	8,881	10,600	12,051	13,198	13,236	Dividends paid	-8,196	-9,834	-11,745	-13,316	-14,584
Net Margin (%)	11.7	12.2	13.5	14.1	13.7	Financing cashflow					
Core NPAT	8,881	10,600	12,051	13,198	13,236	Net change in cash	687	3,096	-10,427	5,605	2,843
Per share data						Free cashflow to s/holders					
Reported EPS (\$)	2.73	3.25	3.70	4.05	4.06		13,981	14,845	13,318	14,839	17,427
Core EPS (\$)	2.73	3.25	3.70	4.05	4.06						
DPS (\$)	3.00	3.50	3.88	4.25	4.27						
CFPS (\$)	6.95	7.24	7.31	7.62	7.96						
FCFPS (\$)	4.29	4.56	4.09	4.55	5.35						
BVPS (\$)	22.09	22.38	22.47	22.44	22.02						
Wtd avg ord shares (m)	3,259	3,259	3,259	3,259	3,259						
Wtd avg diluted shares (m)	3,259	3,259	3,259	3,259	3,259						
Growth rates											
Sales revenue (%)	19.4	14.5	3.1	4.4	3.4						
EBIT (Adj) (%)	3.1	19.4	10.4	9.6	-0.6						
Core NPAT (%)	0.4	19.4	13.7	9.5	0.3						
Core EPS (%)	0.4	19.4	13.7	9.5	0.3						
Balance Sheet (NT\$m)											
Cash & cash equiv.	13,792	15,344	4,883	10,451	13,257						
Accounts receivables	6,641	7,294	7,467	7,735	7,935						
Inventory	1,985	2,226	2,312	2,416	2,537						
Net fixed & other tangibles	52,913	52,420	51,922	50,609	47,496						
Goodwill & intangibles	16,780	16,002	40,084	40,084	38,384						
Financial & other assets	3,320	4,882	4,926	5,107	5,257						
Total assets	95,431	98,167	111,593	116,402	114,866						
Accounts payable	7,530	10,107	10,082	10,025	9,935						
Short-term debt	3,026	1,150	1,150	1,150	1,150						
Long-term debt	171	97	13,097	18,097	18,097						
Provisions & other liab	11,927	13,139	13,283	13,266	13,169						
Total liabilities	22,654	24,492	37,612	42,538	42,350						
Shareholders' equity	71,977	72,923	73,229	73,111	71,763						
Minority interests	800	752	752	752	752						
Total equity	72,776	73,675	73,981	73,864	72,516						
Net debt	-10,596	-14,098	9,363	8,795	5,990						
Net debt to equity (%)	-14.6	-19.1	12.7	11.9	8.3						

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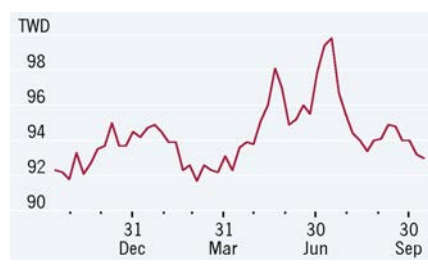
Company Focus

■ Estimate Change

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Sell	3
Price (16 Oct 13)	NT\$93.20
Target price	NT\$85.00
Expected share price return	-8.8%
Expected dividend yield	5.5%
Expected total return	-3.3%
Market Cap	NT\$722,994M US\$24,634M

Price Performance
(RIC: 2412.TW, BB: 2412 TT)



Chunghwa Telecom (2412.TW) 4G License Cost Rising; Competition Likely to Increase

- **Maintain Sell rating and TP of NT\$85** — We cut 2014E/2015E earnings by 1%/2%, respectively as we factor in higher than expected 4G license cost. We see limited impact from rising 4G license cost as Chunghwa's EBITDA looks sufficient to support the licensing fees and capex. However, we remain cautious on the stock due to persistent fixed line tariff pressure from the NCC, and increased competition on mobile service due to new entrants.
- **4G bidding** — Chunghwa Telecom vowed to bid for the maximum bandwidth of 35MHz and to be the first Taiwan telco to launch 4G service. A 15MHz block, coupled with two 10MHz blocks, is required for obtaining the maximum bandwidth. Since the C5 block of the 1,800 spectrum is ready for 4G service, we believe Chunghwa Telecom is competing with Taiwan Mobile and new entrants on bidding for the C5 block of 1,800MHz. The licensing cost could reach NT\$35-40bn if Chunghwa Telecom is determined to win the C5 block.
- **Limited impact on balance sheet** — Net-cash Chunghwa Telecom generates NT\$80bn EBITDA a year, which is sufficient to cover 4G license cost and capex in our view. While we see limited upside potential for future dividend payout due to required FTTH and 4G capex, Chunghwa Telecom should be able to maintain its 95-100% payout policy, in our view.
- **Competition may intensify** — Overheating of the 4G bidding implies that new entrants are determined to enter the market and intensified competition may disrupt market dynamics. In order to quickly establish a market position, new entrants are likely to adopt aggressive pricing/promotion strategies in our view. While we believe the oligopoly market structure is unlikely to change due to incumbents' well-established scale, better network quality, and stronger balance sheet, price competition appears inevitable.
- **Prelim 3Q13 result highlights** — 3Q13 net profit grew 1% QoQ but remained flat YoY to NT\$10,658mn, or NT\$0.89. EBITDA margin reached 36.4%, in line with our 36.8% assumption. Mobile data grew 37% YoY, 8% QoQ and accounted for 38% of mobile service revenues. Mobile voice revenues fell 7% YoY due to tariff cut and increased uses of OTT applications. Mobile ARPU grew 2% QoQ, 3% YoY driven by increased mobile data subscription. FTTH penetration reached 64% of broadband subscription while broadband ARPU remained flat at NT\$702.

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(NT\$M)	(NT\$)	(%)	(x)	(x)	(%)	(%)
2011A	46,987	6.06	23.3	15.4	2.0	12.8	5.9
2012A	39,870	5.14	-15.1	18.1	2.0	10.9	5.9
2013E	38,664	4.98	-3.0	18.7	2.0	10.5	5.5
2014E	39,021	5.03	0.9	18.5	2.0	10.6	5.4
2015E	39,730	5.12	1.8	18.2	2.0	10.8	5.5

Source: Powered by dataCentral

2412.TW: Fiscal year end 31-Dec						Price: NT\$93.20; TP: NT\$85.00; Market Cap: NT\$722,994m; Recomm: Sell					
Profit & Loss (NT\$m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	217,493	220,131	225,496	229,950	237,317	PE (x)	15.4	18.1	18.7	18.5	18.2
Cost of sales	-131,531	-141,177	-146,547	-150,137	-155,673	PB (x)	2.0	2.0	2.0	2.0	2.0
Gross profit	85,962	78,954	78,949	79,812	81,644	EV/EBITDA (x)	7.5	8.2	8.4	8.3	7.9
Gross Margin (%)	39.5	35.9	35.0	34.7	34.4	FCF yield (%)	6.7	4.7	6.7	5.0	6.2
EBITDA (Adj)	87,391	81,439	81,109	83,793	86,913	Dividend yield (%)	5.9	5.9	5.5	5.4	5.5
EBITDA Margin (Adj) (%)	40.2	37.0	36.0	36.4	36.6	Payout ratio (%)	91	106	102	100	100
Depreciation	-30,907	-31,049	-32,949	-34,549	-35,949	ROE (%)	12.8	10.9	10.5	10.6	10.8
Amortisation	-1,400	-1,476	-1,500	-2,500	-3,375	Cashflow (NT\$m)					
EBIT (Adj)	55,085	48,913	46,660	46,744	47,589	EBITDA	87,391	81,439	81,109	83,793	86,913
EBIT Margin (Adj) (%)	25.3	22.2	20.7	20.3	20.1	Working capital	-5,668	-2,347	5,659	-93	-332
Net interest	651	720	301	212	217	Other	-6,446	-11,564	-789	-7,239	-7,013
Associates	398	550	312	317	321	Operating cashflow	75,278	67,528	85,978	76,461	79,568
Non-op/Except	484	-1,321	-237	200	200	Capex	-26,876	-33,280	-37,500	-40,000	-35,000
Pre-tax profit	56,618	48,862	47,035	47,473	48,327	Net acq/disposals	0	0	0	0	0
Tax	-8,603	-7,858	-7,540	-7,612	-7,743	Other	-6,228	-5,593	-30,000	0	0
Extraord./Min.Int./Pref.div.	-1,027	-1,134	-831	-839	-854	Investing cashflow	-33,105	-38,873	-67,500	-40,000	-35,000
Reported net profit	46,987	39,870	38,664	39,021	39,730	Dividends paid	-42,854	-42,362	-35,914	-38,754	-39,126
Net Margin (%)	21.6	18.1	17.1	17.0	16.7	Financing cashflow	-63,436	-43,174	-35,914	-38,754	-39,126
Core NPAT	46,987	39,870	38,664	39,021	39,730	Net change in cash	-21,152	-14,556	-17,436	-2,293	5,442
Per share data	2011	2012	2013E	2014E	2015E	Free cashflow to s/holders	48,401	34,248	48,478	36,461	44,568
Reported EPS (\$)	6.06	5.14	4.98	5.03	5.12						
Core EPS (\$)	6.06	5.14	4.98	5.03	5.12						
DPS (\$)	5.52	5.46	5.11	5.04	5.13						
CFPS (\$)	9.70	8.70	11.08	9.86	10.26						
FCFPS (\$)	6.24	4.41	6.25	4.70	5.75						
BVPS (\$)	47.53	47.11	47.47	47.52	47.61						
Wtd avg ord shares (m)	7,757	7,757	7,757	7,757	7,757						
Wtd avg diluted shares (m)	7,757	7,757	7,757	7,757	7,757						
Growth rates	2011	2012	2013E	2014E	2015E						
Sales revenue (%)	7.4	1.2	2.4	2.0	3.2						
EBIT (Adj) (%)	-4.0	-11.2	-4.6	0.2	1.8						
Core NPAT (%)	-1.3	-15.1	-3.0	0.9	1.8						
Core EPS (%)	23.3	-15.1	-3.0	0.9	1.8						
Balance Sheet (NT\$m)	2011	2012	2013E	2014E	2015E						
Cash & cash equiv.	71,135	59,706	41,529	38,501	43,156						
Accounts receivables	22,654	24,769	20,169	20,568	21,227						
Inventory	7,520	7,196	7,824	7,920	8,212						
Net fixed & other tangibles	310,175	311,846	316,397	321,848	320,899						
Goodwill & intangibles	6,330	5,813	34,313	31,813	28,438						
Financial & other assets	25,106	30,117	26,554	26,467	26,488						
Total assets	442,920	439,447	446,786	447,118	448,421						
Accounts payable	21,053	21,161	22,547	23,069	23,889						
Short-term debt	777	120	120	120	120						
Long-term debt	1,058	2,050	2,050	2,050	2,050						
Provisions & other liab	47,691	46,214	49,327	48,764	48,577						
Total liabilities	70,580	69,545	74,044	74,003	74,636						
Shareholders' equity	368,731	365,442	368,283	368,655	369,326						
Minority interests	4,312	4,468	4,468	4,468	4,468						
Total equity	373,043	369,910	372,751	373,123	373,793						
Net debt	-69,300	-57,536	-39,359	-36,332	-40,986						
Net debt to equity (%)	-18.6	-15.6	-10.6	-9.7	-11.0						

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SK Telecom

Company description

SK Telecom Co. Ltd., an affiliate of SK Group and a dominant mobile carrier in South Korea, offers telecoms services. The company and its subsidiaries offer wireless services such as data, paging, banking and Internet services.

Investment strategy

We rate SKT shares Buy (1) with a target price of W270,000. SKT offers the rare combination of yield, growth and value on a regional perspective. We forecast a 14% FY12-14E OP CAGR, and FY13E valuations look cheap, with an attractive dividend yield of 5%. The main catalysts for the stock, in our view, will be a decline in competitive intensity over the long run and potential LTE-related ARPU accretion.

Valuation

Our target price of W270,000 is based on a sum-of-the-parts approach to capture the value of SKT's investments. We value the company's operations by applying a 2014E EV/EBITDA of 4.2x, which is in-line with the weighted average EV/EBITDA for regional developed country telcos. We believe SKT deserves to be valued in line with its regional peers as the regulatory risk of Korean telcos has been alleviated. To our fair value for the operations, we add the latest values of Hana Card, Posco, KB Financial and Hynix after ascribing a 30% NAV discount on monetization uncertainties.

Risks

The key downside risks to our investment thesis on SKT are: 1) Negative regulatory surprises; 2) SKT has ambitions to expand overseas to diversify earnings away from a mature home market, but this carries risk in terms of deal price, execution and management focus; 3) Failure to control costs adequately. If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

China Unicom

Company description

China Unicom offers GSM 2G mobile telecoms services in China, as well as fixed-line voice and data telecom services. Unicom has obtained a WCDMA license, one of the three 3G licenses to be granted in China.

Investment strategy

We rate China Unicom shares as Buy. Structurally we believe CU is a compelling growth pick among Chinese telcos as cheaper smartphones will likely drive 3G growth and improve cost controls. We expect CU to maintain solid 3G subs and revenue growth in the next two years, driven by sub-US\$100 smartphones and the company's supply-chain advantage (ie. white-box smartphones from open channels). Expect CU to see significant earnings benefit from the sharp smartphone price decline and reduced handset subsidy levels. We believe enriched mobile Internet services will drive mobile data demand of Chinese users and that CU will capitalize on its technology advantage to benefit from China's mobile data growth.

We expect CU to use HSPA+ and FD-LTE smartphones to defend its mobile data revenue growth from CM's TD-LTE promotion.

Valuation

Our target price of HK\$15 for CU is based on a DCF valuation methodology. Our model assumptions include a WACC of 11.7% and a terminal growth rate of 2%. Our key assumptions include a risk-free rate of 3.5%, cost of equity of 13.1% and cost of debt of 5.0%. We expect CU will become free cash flow positive from FY13.

Risks

China Unicom is a high beta trade compared with its peers. The stock price is volatile on monthly 3G subs data, while high operating leverage also gives little visibility on earnings growth. Downside risks to our target price include: 1) Increased competition from China Mobile, which will promote the TD-LTE service. China Unicom could potentially lose market share and traffic to China Mobile as well as to China Telecom due to intensified competition, posing risk to operating revenues and profit; and 2) Higher-than-expected selling & marketing expenses.

TAC

Company description

Total Access Communication, founded in August 1989, is Thailand's second largest wireless telecom service provider. The company provides services with 800 Mhz and 1800 Mhz frequency bands under a concession granted by the CAT Pcl. TAC is listed in the Stock Exchange of Thailand and the Singapore Stock Exchange.

Investment strategy

We rate DTAC as Buy (1) with a target price of Bt130. We see 3G licensing as potentially driving value for the stock, given regulatory savings from a shift to 3G licenses from the expensive 2G concessions, which will change revenue share from YE12 onwards to c6% from 30%. We see 3G potentially benefitting DTAC more than its peer AIS as DTAC pays a much higher revenue share at 30% to CAT compared to AIS' 24% blended rate to TOT.

Valuation

We set our target price for DTAC at Bt130 based on our FY13E DCF (derived using a WACC of 8.4% and terminal growth rate of 1.0%). At our target price, DTAC would trade at 14.8x FY15E PER and 8.0x FY15E EV/EBITDA. We believe near-term valuations do not capture the longer term benefits due to higher depreciation, financing, marketing and maintenance expenses to be incurred by a 3G network migration.

Risks

Key downside risks to our investment thesis and target price on DTAC include: 1) Any unforeseen circumstances leading to delay in 3G licensing; 2) A substantial access charge penalty should TOT revive its case against DTAC and win in court; 3) Irrational price competition of the magnitude seen in 2005-2006; and 4) Deterioration in the macroeconomic and political climate leading to a significant slowdown in telecom usage.

Advanced Info

Company description

Advanced Info has been granted a 25-year concession, expiring in 2015, by the TOT Corporation Public Co. to provide cellular-phone services in Thailand. The company provides a GSM network in the 900MHz frequency and 1800MHz frequency through its subsidiary, Digital Phone Co. Ltd. (DPC). The company was listed on the Stock Exchange of Thailand in Nov 1991. Major shareholders are Shin. Corp and SingTel.

Investment strategy

We rate AIS Buy (1) with a target price of Bt294. AIS' strong free cash flow and balance sheet should help support a generous dividend payout policy (100% payout) and hence an attractive dividend yield. Cost savings from a shift to 3G licenses should drive better earnings in the medium-term and provide upside to fair value. Moreover, there is also the opportunity to offer wireless broadband services with 3G licensing.

Valuation

Our target price of Bt294.0 is based on NPV-derived fair value. Our NPV is derived by using a 9.0% WACC and 2.0% terminal growth rate. At our target price, AIS would trade at 16.4x FY15E PER and 10.5x FY15E EV/EBITDA. We believe near-term valuations do not capture the longer-term benefits due to higher depreciation, financing, marketing and maintenance expenses to be incurred by a 3G network migration.

Risks

Key downside risks that may prevent AIS shares reaching our target price include: 1) An adverse ruling on any civil cases against AIS following the Thaksin verdict that results in outsized penalties; 2) Deterioration in the macroeconomic and political climate leading to a significant slowdown in telecom usage; 3) Slower-than-expected adoption of 3G may also reduce value accretion from licensing.

Axiata Group

Company description

Axiata Group, under the Celcom brand, is one of the largest telecom service providers in Malaysia. Through its subsidiaries, the group operates mobile telecommunication services in 10 other countries: Sri Lanka, Bangladesh, Pakistan, India, Indonesia, Singapore, Cambodia, Thailand, Malawi and Guinea. It listed on the main board of Bursa Malaysia Securities Bhd on 28 April 2008 following its de-merger from Telekom Malaysia on 25 April 2008.

Investment strategy

We rate Axiata shares Neutral (2) with a target price of RM7.60. Operationally Axiata remains ahead of its Malaysian peers driven by driven by overseas investments where we estimate CY12-15 EBITDA CAGRs of 4%-21%. That said, potential for material payout increase may be reduced with the pending XL-Axis deal which will be financed by Axiata and valuations have touched +1 std dev above mean anchoring further re-rating potential.

Valuation

Our RM7.60 target price for Axiata is based on a sum-of-the-parts valuation. We value Celcom based on DCF method (6.2% WACC, 0.8% g). We value Axiata's 66.5% stake in XL Axiata based on DCF (10.9% WACC, 1.5% g) and its 70% stake in Robi Bangladesh and its 85% stake in Dialog Sri Lanka at 7.5x 2013E EV/EBITDA. Sunshare (which owns 29.9% of M1 in Singapore) is valued at our M1 target price of S\$3.05. We value the 20% stake in the enlarged Idea Cellular at Citi's target price of Rs205 per share.

Risks

Downside risks that could prevent the shares from reaching our target price include: 1) earnings downgrades from XL's Axis acquisition; 2) sharp deterioration in the Malaysian wireless telecom industry competitive environment in both wireless and wireless broadband; 3) profitability turnaround at the Indonesia/Sri Lanka/Bangladesh associates fails to materialize or reverses. Upside risk to our target price includes 1) higher than expected capital return given potential proceeds from a tower asset spin off and 2) better/faster than expected XL-Axis turnaround.

M1

Company description

MobileOne provides mobile voice and data communications services in Singapore. Services include mobile, mobile Internet-enabled, roaming and international calling, radio paging, and circuit-switched and packet-based data services. It listed on the Singapore Stock Exchange in December 2002. Major shareholders are Telekom Malaysia, SPH and Keppel T&T.

Investment strategy

We rate MobileOne (M1) shares Sell (3) with a S\$3.05 target price. Post a strong run-up in the share price over the last year, we see limited catalysts in the horizon to further drive already high valuations. Likelihood of capital deployment is tempered by the management remains cautious on growth and impending spectrum payments. Potential increase in bond yield will also take the sheen off yield attractiveness.

Valuation

We set our target price at S\$3.05 based on our DCF analysis using an 8.8% WACC and a 1.2% terminal growth rate, in line with the Singapore long-term population growth rate. At our target price, M1 would trade at 9.0x EV/EBITDA and 15.9x FY13E PER.

Risks

Upside risk that could prevent the stock from attaining our target price include: 1) Higher than expected capital management by FY13; 2) acceleration in fiber take up; and 3) sharp fall in SAC levels.

Taiwan Mobile

Company description

Established in 1997, Taiwan Mobile provides island-wide coverage on a GSM1800 network. TCC listed on the Taisdaq Exchange in September 2000, becoming the first telecom company to list in Taiwan and has since transferred its listing to the Taiwan Stock Exchange.

Investment strategy

We rate Taiwan Mobile shares Neutral, with a target price of NT\$103. We see increased competition for both mobile service and Cable TV business, which together account for ~95% of the company's EBITDA. Overheating 4G license bidding and proposed Cable TV tiered pricing will put pressure on margins. In a worst case scenario, 4G license cost could reach NT\$35-40bn if Taiwan Mobile wins the bidding for the C5 block of 1,800MHz and 35MHz bandwidth. As 4G license cost will likely be higher than expected, increased borrowing looks inevitable. While dividend upside is unlikely, management reiterates its >90% payout policy, which translates to >5% dividend yield potential.

Valuation

Our DCF-based target price for Taiwan Mobile is NT\$103. We use a DCF methodology to capture the longer-term strategic nature of our view of the sector and of TWM. Key assumptions in our DCF model include a 9% earnings CAGR from 2013 to 2017 and a terminal growth rate of 1.3%. WACC of 7.5% is based on 1.5% risk-free rate, 5.4% equity risk premium, 0.49% beta, and 12.6% expected market return. The target price implies 17.5x 2014E P/E vs. peak P/E of 20x.

Risks

We see the primary downside risks that could prevent the stock from achieving our target price as being: (1) any initiatives to lower the dividend stream; (2) worse than expected competitive pressures, resulting in market share loss, accelerated ARPU decline and margin pressures; (3) worse-than-expected retail demand, which would lead to continued underperformance of Momo TV shopping. Upside risks to our target price include: (1) less-than-expected competition in 4G and cable TV operation; (2) investors shift focus from growth to yield; (3) faster-than-expected migration from 3G to 4G, which leads to higher than expected ARPU.

Maxis Berhad

Company description

Maxis Berhad is Malaysia's largest wireless operator by subscriber base as well as revenue. The operations include wireless, fixed and broadband services within Malaysia. The company was carved out of erstwhile Maxis Communications segregating Malaysian operations from other investments and subsequently listed on Bursa Malaysia securities board in Nov 2009.

Investment strategy

We rate Maxis shares Sell (3) with a target price of RM5.80. We believe rich valuations and modest EPS growth on our estimates make it an expensive stock to own despite attractive payouts. The company's thrust on wholesale revenues

coupled with lower investments suggest that company seems to be overly sweating its assets.

Valuation

We set our target price at RM5.80 based on our FY13 DCF analysis. Key DCF assumptions are WACC= 6.9% and $g=1.5\%$. At our target price, Maxis would trade at what we see as a more rational 18.5x 2014E PE and 10.7x 2014E EV/EBITDA. Downside is partially protected by the company's firm 5.6%yield. However, valuations remain at a material premium vs. domestic and regional peers while revenue and FCF growth remains excessively weak. The company is also paying beyond FCF levels, while FY14 net debt to EBITDA at 1.5x is the highest in the region among high yielding stocks.

Risks

Upside risks to our investment case and target price include: a) capital management surprises above our estimates; and b) better-than-expected contribution of broadband business.

StarHub

Company description

StarHub was licensed in 1997 as Singapore's second full-service basic telecoms provider, scheduled to commence operations in April 2000. In 2002, StarHub merged with Singapore Cable Vision (cable TV monopoly and broadband service provider in Singapore). StarHub positions itself as an "info-communications" company and provides a comprehensive range of services including voice and data (fixed and mobile, consumer and corporate), cable TV and internet access. It listed on the Singapore Stock Exchange in October 2004. Major shareholders are NTT Comm., ST Telemedia and MediaCorp.

Investment strategy

We rate StarHub shares Sell (3) with a target price of S\$3.55. StarHub is beset by potential risks related to NGNBN, which could lead to market share loss in the broadband segment. Moreover, risks persist in the pay-TV segment with NGNBN providing alternative access points that may be used for media. This is compounded by recent moves in other developed markets to disaggregate content from network operators with evolution of content aggregators that deliver content via broadband. Starhub's firm and sustainable 20cents/share dividend results in an around 5% yield, not exciting to warrant a huge valuation premium.

Valuation

We value StarHub on a FY13E DCF basis using a WACC of 8.2% to arrive at our target price of S\$3.55. We have adopted a terminal growth rate of 1.0%, below the long-term population growth target as we view risk of longer-term earnings erosion with NGNBN potentially raising competition for StarHub's broadband business. Moreover, the evolution of pay-TV aggregators also weighs on StarHub's cable TV operation over the longer term. At our target price, the stock would trade at 16.5x FY13E PER and 8.3x EV/EBITDA. The stock is not cheap, but is supported by a firm and sustainable 20cents/share dividend which allows for a healthy yield.

Risks

Upside risks to our target price and rating include: (1) potential market share and subscriber gains in the corporate segment due to NGNBN which may lead to revenue outperformance; (2) better than expected retention of broadband market share and pricing; and (3) stronger than expected wireless data take-up and contributions which could allow for revenue surprises.

Far Eastone

Company description

Far Eastone (FET) was awarded licenses in January 1997. It provides island-wide coverage on a GSM1800 network and GSM900 service in northern Taiwan. The company, through subsidiary Yuan-Ze Telecom, was awarded a 3G license in February 2002. It announced acquisition of KGT in October 2003. FET listed on the OTC Exchange Market in December 2001 and issued GDR shares on the Luxembourg stock exchange in June 2004. The company's major shareholders are FarEastone Group, Koo Group and DoCoMo.

Investment strategy

We rate FET shares Buy with a target price of NT\$77. Our investment thesis is primarily based on an expected financial turnaround for the company this year after contractions in revenue, EBITDA and net profit since 2005. This financial turnaround and return to growth would be partly driven by the company's early mover differentiation in a suite of smart device apps, apps store and services as well as in-house software development talent. We see FET being a favored choice among investors in a de-risked and low-yield environment in which capital is increasingly committed to defensives with strong cashflow dynamics.

Valuation

Our target price for FET of NT\$77 is based on DCF methodology to capture the longer-term strategic nature of our view of the sector and of the company. Key assumptions include a 5% earnings CAGR from 2013 to 2017E and a terminal growth rate of 1.3%. WACC of 6.9% is based on 1.5% risk-free rate, 5.4% equity risk premium, 0.49 beta, and 12.6% expected market return. The target price implies 19x 2014E P/E vs. peak P/E ratio of 22x.

Risks

We see the primary risks associated with FET as follows: 1) Over-aggression by operators in the market on pushing 3G take-up which could then drive marketing costs higher and 2) Higher capital expenditure and start-up costs as FET continues to strive for a "converged service" strategy. If any of these factors has a greater or lesser impact than we expect, the stock could fail to reach our target price.

Chunghwa Telecom

Company description

Chunghwa Telecom (CHT) is Taiwan's incumbent telecoms services provider. Services include local, domestic and international long distance, wireless and Internet and data, including ADSL and leased-line services. CHT listed its shares on

the Taiwan Stock Exchange in October 2000. It also listed ADS on the NYSE on July 17, 2003. The Ministry of Transportation and Communications (MoTC) is its major shareholder, with a 36% stake.

Investment strategy

We rate CHT shares Sell with a target price of NT\$85. CHT has the largest 3G subscriber market share at 30% and mobile data remains the company's growth component. (We forecast mobile data revenues to grow by 29% with mobile voice to fall 3% in 2013.) However, continued capex to expand the FTTH network and broadband tariff pressure from NCC mean that we expect CHT's post-dividend FCF to turn negative in 2013, for the first time in 10 years. With a deteriorating cash flow profile and weak EBITDA margin outlook, we see limited upside potential for special dividends going forward.

Valuation

Our DCF-based target price for CHT is NT\$85. We use a DCF methodology to capture the longer-term strategic nature of our view of the sector and of CHT. Key assumptions in our DCF model include a 2% earnings CAGR from 2013 to 2017 and a terminal growth rate of 1.3%. WACC of 6.9% is based on a 1.4% risk-free rate, 5% equity risk premium, 0.45% beta, and 12.6% expected market return. The target price implies 19x 2013E P/E vs. peak P/E of 20x.

Risks

Key upside risks that could cause the CHT stock to trade above our target price include: 1) A rethink of its conservative balance sheet gearing culture that would allow it to maintain vanilla dividends and cap reductions while making investments necessary to drive incremental NPVs from smartmobility and cloud opportunities. 2) The company fleshing out and actioning a proactive strategy around unlocking real estate value within its asset mix. 3) A strategic macro reversion to normalized bond equity yield relatives meaning that, despite a contracting prospective cash return stream for CHT, the stock moves to trade at a tighter yield spread to long bonds.

Appendix A-1

Analyst Certification

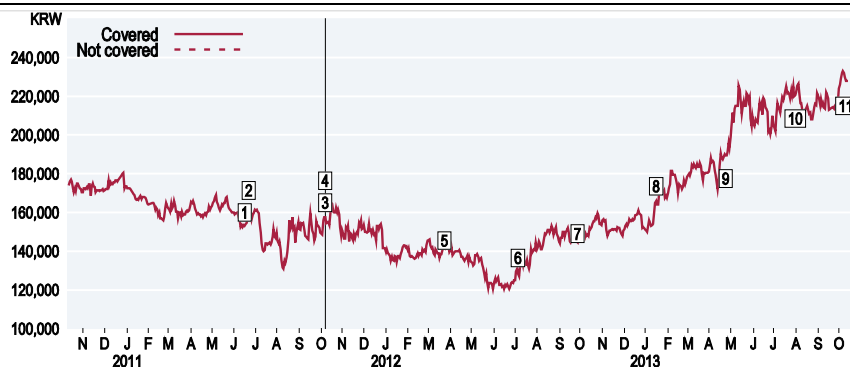
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

SK Telecom (017670.KS)

Ratings and Target Price History Fundamental Research

Analyst: Sean Lee, CFA



	Date	Rating	Target Price	Closing Price
1	16-Jun-11	1M	*180,000.00	153,000.00
2	22-Jun-11	1M	*185,000.00	158,500.00
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	185,000.00	157,500.00

* Indicates change

	Date	Rating	Target Price	Closing Price
5	23-Mar-12	1	*170,000.00	142,000.00
6	5-Jul-12	1	*155,000.00	128,500.00
7	27-Sep-12	1	*175,000.00	144,500.00
8	16-Jan-13	1	*190,000.00	166,000.00

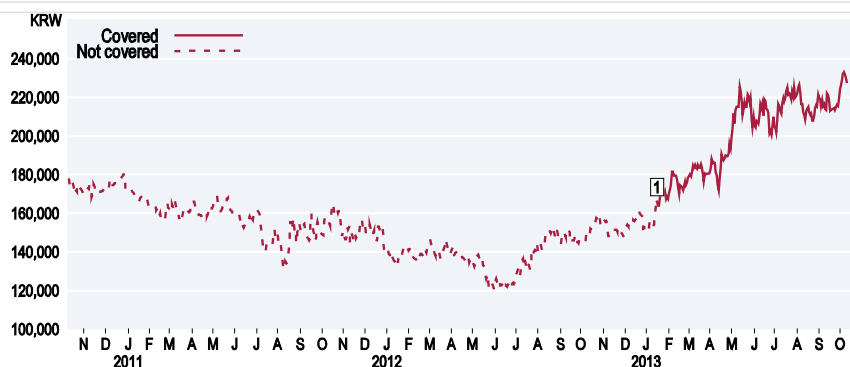
	Date	Rating	Target Price	Closing Price
9	24-Apr-13	1	*230,000.00	189,500.00
10	31-Jul-13	1	*254,000.00	220,500.00
11	10-Oct-13	1	*270,000.00	228,000.00

Rating/target price changes above reflect Eastern Standard Time

SK Telecom (017670.KS)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Sean Lee, CFA



	Date	Rating	Target Price	Closing Price
1	16-Jan-13	*ADD MP	-	166,000.00

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Maxis Berhad (MXSC.KL)

Ratings and Target Price History

Fundamental Research

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	24-Feb-11	*3L	*4.90	5.39
2	28-Feb-11	3L	*4.85	5.43
3	31-May-11	3L	*4.70	5.42

* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	Stock rating system changed		
5	7-Oct-11	*3	4.70	5.26
6	30-Nov-11	3	*4.85	5.50

	Date	Rating	Target Price	Closing Price
7	26-Feb-13	3	*5.40	6.35
8	6-Aug-13	3	*5.80	7.15

Rating/target price changes above reflect Eastern Standard Time

Maxis Berhad (MXSC.KL)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	11-Aug-11	*ADD LP	-	5.27

* Indicates change

	Date	Rating	Target Price	Closing Price
2	21-Aug-13	*REM LP	-	7.15

Rating/target price changes above reflect Eastern Standard Time

TAC (DTAC.BK)

Ratings and Target Price History

Fundamental Research

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	22-Oct-10	1L	*56.00	41.50
2	18-Jan-11	1L	*56.50	42.25
3	7-Feb-11	1L	*59.00	41.00
4	28-Apr-11	1L	*86.00	47.75
5	23-Aug-11	1L	*75.25	67.75
6	29-Sep-11	1L	*81.50	74.75
7	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
8	7-Oct-11	*1	81.50	73.50
9	21-Oct-11	1	*88.00	72.25
10	3-Jan-12	1	*78.00	69.50
11	6-Feb-12	1	*80.00	68.00
12	23-Jul-12	1	*90.00	79.75
13	28-Aug-12	1	*101.00	86.00
14	3-Oct-12	1	*131.00	90.75

	Date	Rating	Target Price	Closing Price
15	8-Feb-13	1	*120.00	88.00
16	24-Apr-13	1	*125.00	104.00
17	31-May-13	1	*132.00	115.00
18	19-Jul-13	1	*138.00	118.00
19	28-Aug-13	1	*130.00	98.00

Rating/target price changes above reflect Eastern Standard Time

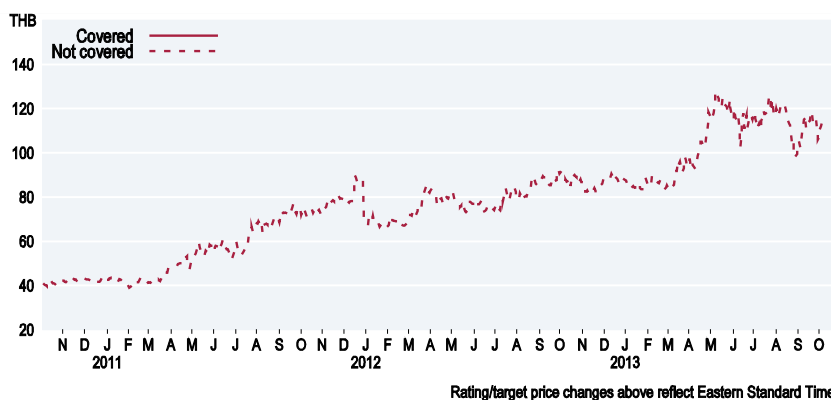
TAC (DTAC.BK)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Arthur Pineda



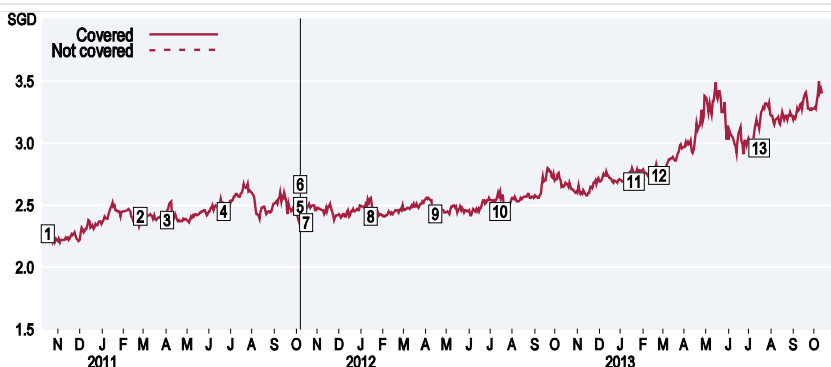
* Indicates change

M1 (MONE.SI)

Ratings and Target Price History

Fundamental Research

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	18-Oct-10	1L	*2.64	2.25
2	24-Feb-11	1L	*2.74	2.36
3	4-Apr-11	1L	*2.72	2.46
4	22-Jun-11	1L	*3.00	2.49
5	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Oct-11	*1	3.00	2.38
7	17-Oct-11	1	*2.90	2.48
8	16-Jan-12	1	*2.88	2.56
9	16-Apr-12	1	*2.80	2.44
10	16-Jul-12	1	*2.86	2.61

	Date	Rating	Target Price	Closing Price
11	21-Jan-13	*2	*2.70	2.75
12	24-Feb-13	*1	*3.05	2.78
13	16-Jul-13	*2	3.05	3.12

Rating/target price changes above reflect Eastern Standard Time

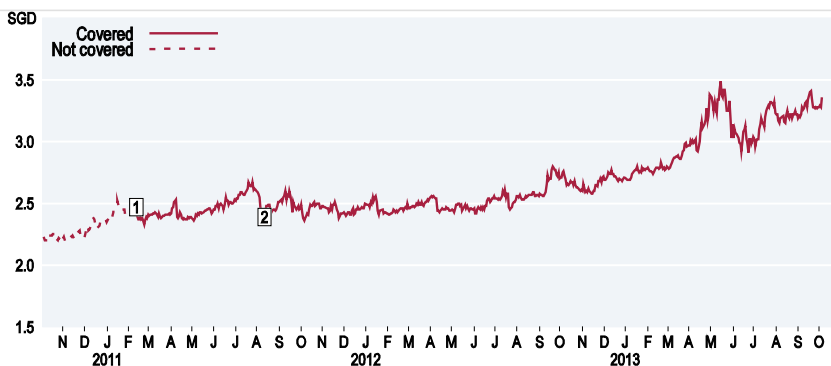
M1 (MONE.SI)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	2.41

* Indicates change

	Date	Rating	Target Price	Closing Price
2	11-Aug-11	*REM MP	-	2.39

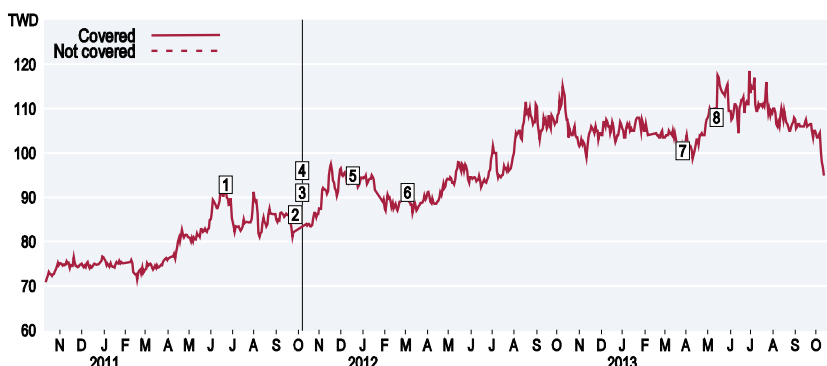
Rating/target price changes above reflect Eastern Standard Time

Taiwan Mobile (3045.TW)

Ratings and Target Price History

Fundamental Research

Analyst: Timothy Chen
Covered since March 27 2013



	Date	Rating	Target Price	Closing Price
1	22-Jun-11	*2L	*92.09	92.85
2	28-Sep-11	2L	*92.00	82.11
3	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	*1	92.00	NA
5	19-Dec-11	1	*100.00	94.50
6	4-Mar-12	*2	*93.00	91.10

	Date	Rating	Target Price	Closing Price
7	27-Mar-13	2	*108.00	101.00
8	14-May-13	*1	*123.00	110.00

Rating/target price changes above reflect Eastern Standard Time

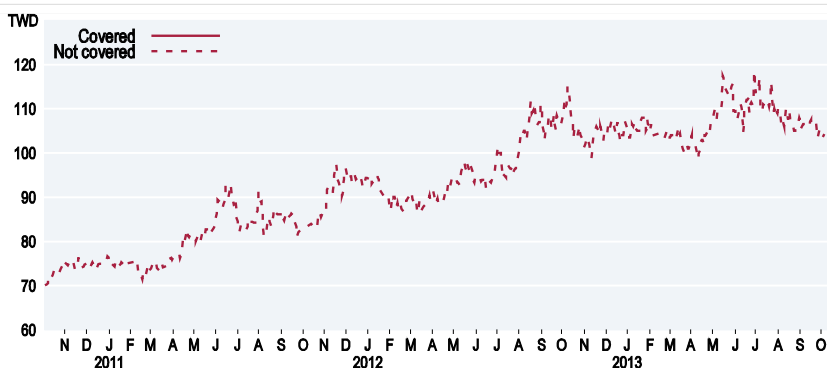
Taiwan Mobile (3045.TW)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Timothy Chen
Covered since March 27 2013



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

China Unicom (0762.HK)

Ratings and Target Price History

Fundamental Research

Analyst: Bin Liu



	Date	Rating	Target Price	Closing Price
1	27-Jan-11	*2M	*13.80	12.86
2	14-Mar-11	*1M	*16.00	13.24
3	23-May-11	1M	*19.00	16.26
4	8-Aug-11	1M	*18.50	14.28

* Indicates change

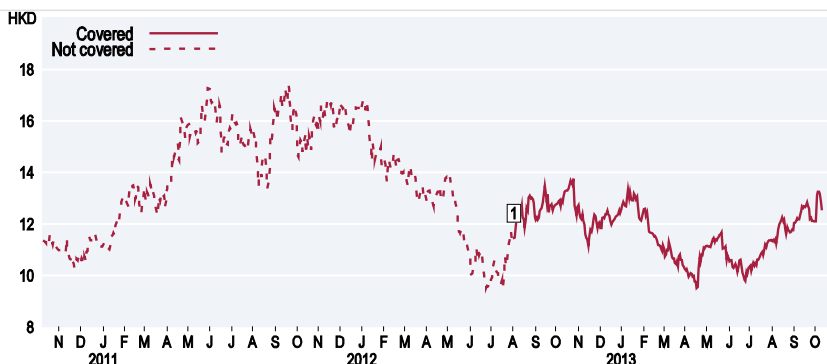
	Date	Rating	Target Price	Closing Price
5	7-Oct-11	Stock rating system changed		
6	7-Oct-11	*1	18.50	15.22
7	16-Feb-12	1	*17.00	14.54
8	23-Mar-12	1	*16.50	13.24

	Date	Rating	Target Price	Closing Price
9	28-Jun-12	1	*17.00	9.50
10	22-Mar-13	1	*16.00	10.74
11	15-Jul-13	1	*15.00	10.68

Rating/target price changes above reflect Eastern Standard Time

China Unicom (0762.HK) **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: Bin Liu



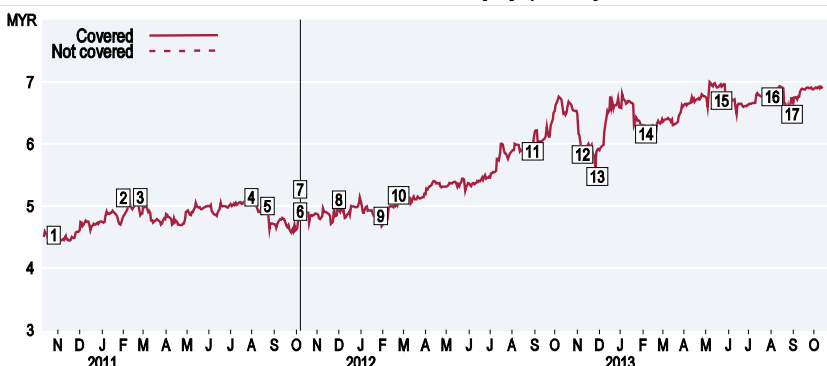
	Date	Rating	Target Price	Closing Price
1	2-Aug-12	*ADD MP	-	11.46

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Axiata Group (AXIA.KL) **Ratings and Target Price History** **Fundamental Research**

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	26-Oct-10	1L	*5.45	4.44
2	1-Feb-11	1L	*5.55	4.80
3	24-Feb-11	1L	*5.80	4.85
4	1-Aug-11	1L	*6.00	5.10
5	23-Aug-11	1L	*5.72	4.98
6	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	*1	5.72	4.79
8	1-Dec-11	1	*5.88	4.93
9	29-Jan-12	1	*5.65	4.77
10	23-Feb-12	1	*5.70	5.09
11	30-Aug-12	1	*6.70	5.99
12	8-Nov-12	1	*6.68	5.91

	Date	Rating	Target Price	Closing Price
13	29-Nov-12	1	*6.66	5.91
14	6-Feb-13	1	*7.00	6.16
15	23-May-13	1	*7.65	6.92
16	2-Aug-13	1	*7.80	6.83
17	30-Aug-13	1	*7.60	6.74

Rating/target price changes above reflect Eastern Standard Time

Axiata Group (AXIA.KL) **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	4.97

* Indicates change

	Date	Rating	Target Price	Closing Price
2	11-Nov-11	*REM MP	-	4.90

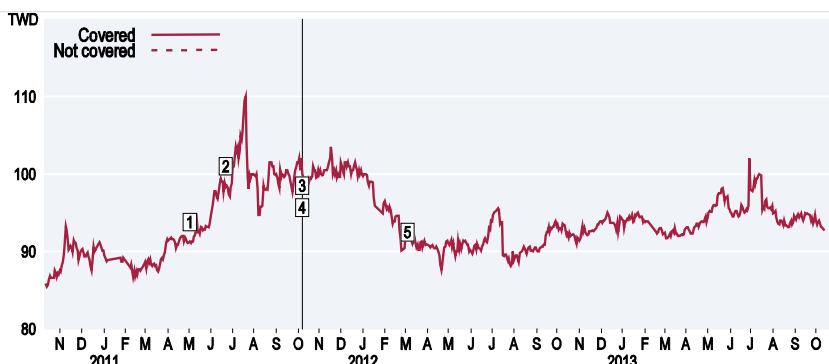
Rating/target price changes above reflect Eastern Standard Time

Chunghwa Telecom (2412.TW)

Ratings and Target Price History Fundamental Research

Analyst: Timothy Chen

Covered since March 27 2013



	Date	Rating	Target Price	Closing Price
1	3-May-11	*2L	*90.50	91.30
2	22-Jun-11	2L	*99.00	98.30

* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*2	99.00	100.00

	Date	Rating	Target Price	Closing Price
5	4-Mar-12	*3	*85.00	92.20

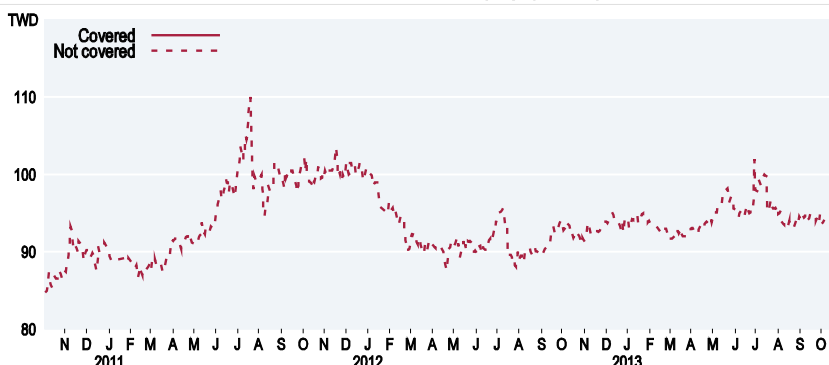
Rating/target price changes above reflect Eastern Standard Time

Chunghwa Telecom (2412.TW)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Timothy Chen

Covered since March 27 2013



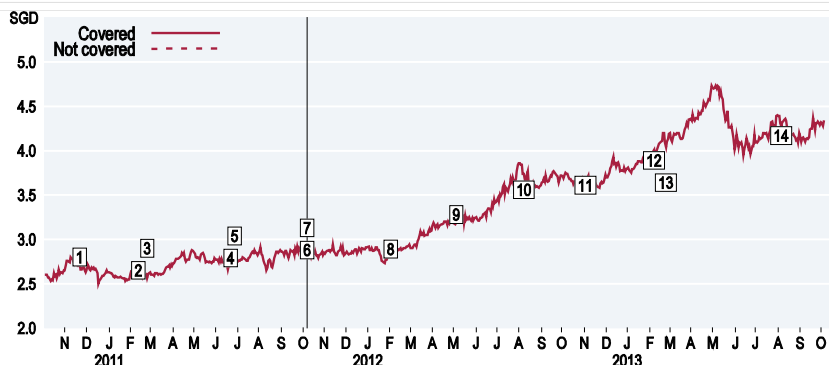
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

StarHub (STAR.SI)

Ratings and Target Price History Fundamental Research

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	22-Nov-10	*3L	*2.47	2.73
2	11-Feb-11	3L	*2.43	2.61
3	24-Feb-11	3L	*2.50	2.56
4	22-Jun-11	*2L	*2.68	2.73
5	28-Jun-11	2L	*2.69	2.75

* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Oct-11	Stock rating system changed		
7	7-Oct-11	*2	2.69	2.84
8	2-Feb-12	2	*2.70	2.83
9	4-May-12	2	*3.00	3.19
10	8-Aug-12	*3	3.00	3.74

	Date	Rating	Target Price	Closing Price
11	2-Nov-12	3	*3.16	3.65
12	7-Feb-13	3	*3.10	4.01
13	24-Feb-13	3	*3.35	4.09
14	6-Aug-13	3	*3.55	4.27

Rating/target price changes above reflect Eastern Standard Time

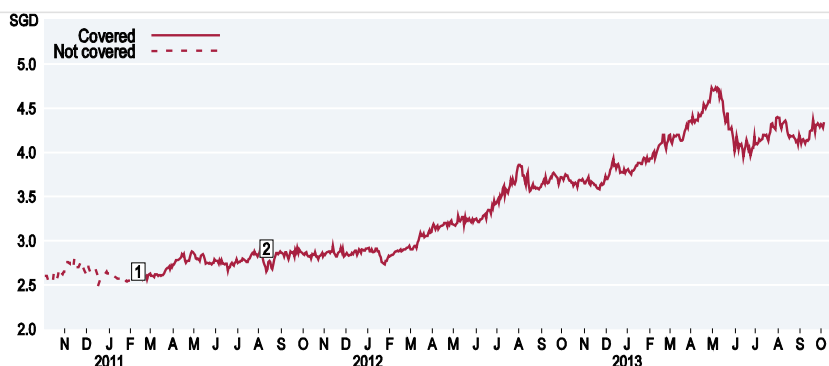
StarHub (STAR.SI)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	2.61

* Indicates change

	Date	Rating	Target Price	Closing Price
2	11-Aug-11	*REM LP	-	2.65

Rating/target price changes above reflect Eastern Standard Time

Far Eastone (4904.TW)

Ratings and Target Price History

Fundamental Research

Analyst: Timothy Chen

Covered since March 27 2013



	Date	Rating	Target Price	Closing Price
1	22-Jun-11	*1L	*54.40	44.45
2	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	*1	54.40	46.60
4	19-Dec-11	1	*65.00	54.80

	Date	Rating	Target Price	Closing Price
5	4-Mar-12	1	*72.00	60.50
6	27-Mar-13	1	*80.00	67.90

Rating/target price changes above reflect Eastern Standard Time

Far Eastone (4904.TW)

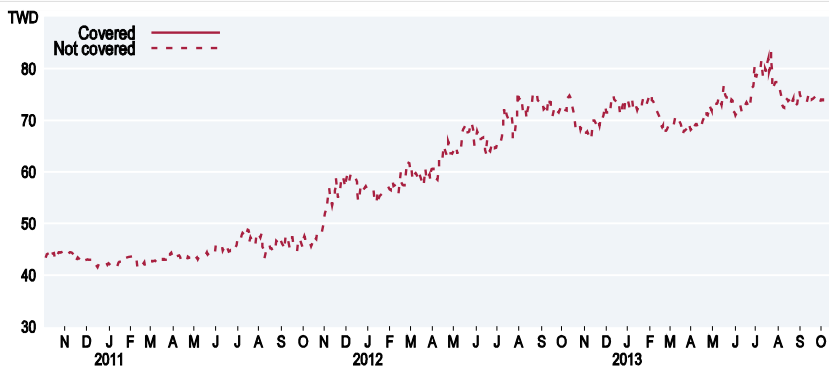
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Timothy Chen

Covered since March 27 2013



* Indicates change

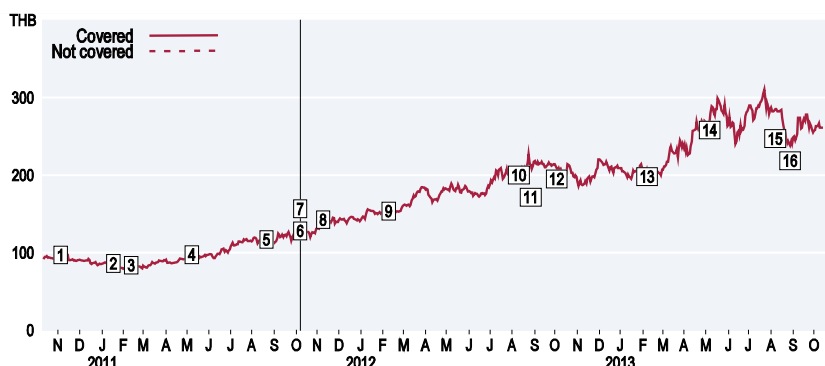
Rating/target price changes above reflect Eastern Standard Time

Advanced Info (ADVA.BK)

Ratings and Target Price History

Fundamental Research

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	4-Nov-10	1L	*113.00	96.75
2	18-Jan-11	1L	*112.00	84.75
3	11-Feb-11	1L	*116.00	80.25
4	9-May-11	1L	*123.00	94.25
5	22-Aug-11	1L	*140.70	114.50
6	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	*1	140.70	123.50
8	9-Nov-11	1	*150.00	135.00
9	9-Feb-12	1	*168.00	152.00
10	10-Aug-12	1	*227.00	206.00
11	28-Aug-12	1	*245.00	213.00
12	3-Oct-12	1	*272.00	209.00

	Date	Rating	Target Price	Closing Price
13	7-Feb-13	1	*285.00	207.00
14	7-May-13	1	*300.00	270.00
15	7-Aug-13	1	*315.00	285.00
16	28-Aug-13	1	*294.00	238.00

Rating/target price changes above reflect Eastern Standard Time

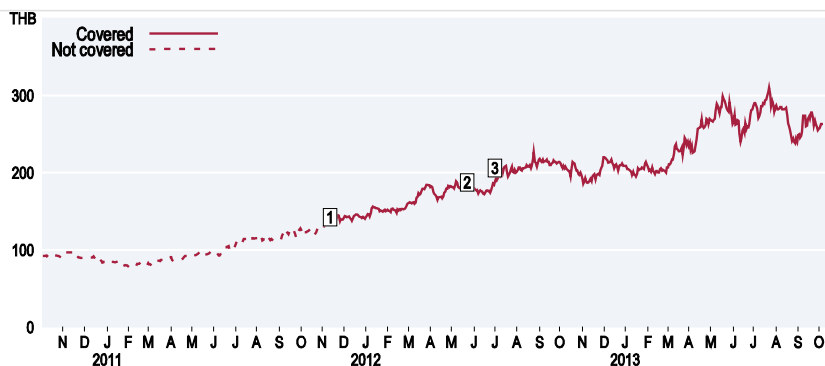
Advanced Info (ADVA.BK)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Arthur Pineda



	Date	Rating	Target Price	Closing Price
1	11-Nov-11	*ADD MP	-	136.00

* Indicates change

	Date	Rating	Target Price	Closing Price
2	23-May-12	*REM MP	-	181.00

	Date	Rating	Target Price	Closing Price
3	30-Jun-12	*N	-	184.50

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Samsung Electronics Co Ltd

We, Citigroup Global Markets Korea Securities Limited ("CGM Korea"), hereby disclose that one of our research analyst, Sean Lee has participated in the event for research analysts organized and sponsored by SK telecom on October 11-12, 2013 in Jeju island.

Citigroup is acting as joint bookrunner for Temasek's sale of its stake in Singapore Telecommunications Ltd. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Singapore Telecommunications Ltd

Citi is acting as Sell Side advisor to Indosat in its divestment of Tower Assets.

Hong Han Low, Director of Research, holds a long position in the securities of M1,StarHub,SingTel.

A member of the household of Sungmee Park, CFA, Analyst, holds a long position in the securities of Samsung Electronics.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of China Telecom, POSCO. This position reflects information available as of the prior business day.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of SK Hynix, DiGi.Com, SoftBank, Indosat, Bharti Airtel, KT Corp..

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Samsung Electronics, True Corp, SK Telecom, China Mobile, KB Financial Group, PT Telkom, Maxis Berhad, TAC, SingTel, Telstra Corp Ltd, SK Hynix, DiGi.Com, NTT DoCoMo, China Unicom, HTHKH, SoftBank, Nippon Telegraph and Telephone, China Telecom, Indosat, Bharti Airtel, KT Corp., POSCO, Smartone, Telecom Corporation of New Zealand Ltd.

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