

**Recommendation:**

**HOLD**

Previous call: HOLD at S\$1.83 on 9 September 2009.

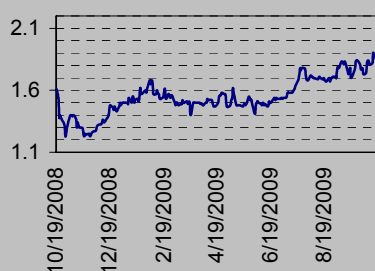
**Price**

**Previous close** S\$1.85  
**Fair value** S\$1.78  
**Share price return** -3.8%

**Share Statistics**

Shares 895m  
Market Cap. S\$1,656m  
Trailing PER 11.0x  
Forward PER 11.1x  
P/BV 7.4x  
52-week Price Range S\$1.23-S\$1.90  
52-week PER Range 7.3x-11.4x  
Listing Bourse SGX-Main Board  
1. Axiata Group (29.65%)  
2. Keppel Telecom (19.98%)  
3. SPH (13.90%)  
Major Shareholder

**Price Chart**



**Company Profile**

MobileOne Ltd is one of the three licensed cellular operators in Singapore.

**Analyst**

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## MobileOne Limited (M1) 3Q09 results

19 October 2009

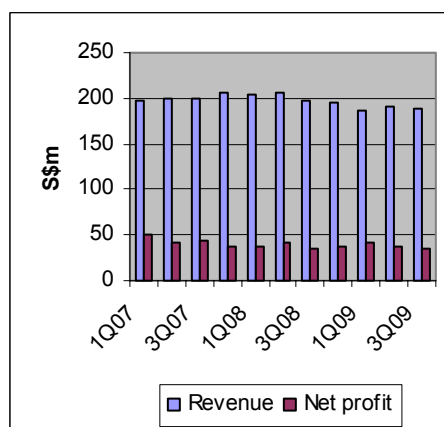
**3Q09 results.** For 3Q09, M1 reported operating revenue of S\$188.4m (-4.2% yoy) and net profit of S\$34.2m (-0.7% yoy).

Mobile telecommunications services and international call services posted decline in revenue to S\$140.8m (-5.6% yoy) and S\$31.8m (-1.6% yoy) respectively. Mobile telecommunications revenue fell due to the competitive tariff and bundling discounts. For international call services, it was because of the decrease in roaming traffic. Meanwhile, fixed network services reported revenue of S\$0.6m. Moreover, handset sales increased slightly to S\$15.3m (+0.4% yoy) because of higher sales volume.

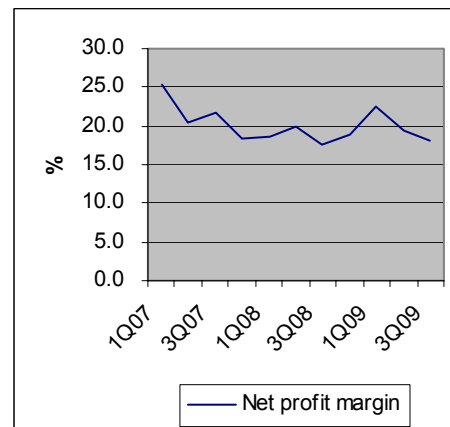
In line with revenue, operating expenses was also lower at S\$146.1m (-4.4% yoy) because staff cost, facilities expenses, provision for doubtful debts and other general and administrative expenses declined.

M1's net profit decreased slightly as revenue fell more than operating expenses.

**Exhibit 1: Quarterly revenue and net profit**



**Exhibit 2: Quarterly net profit margin**

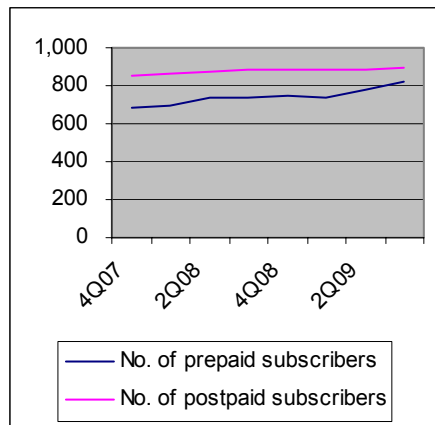


Source: Company, Phillip Securities Research

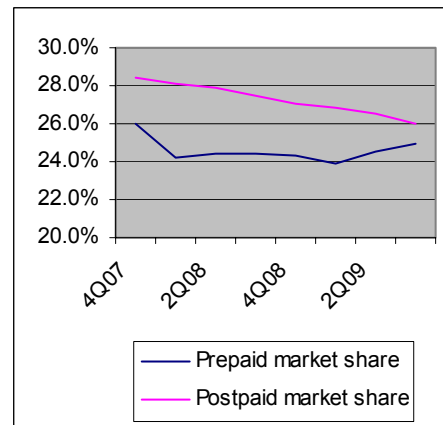
**Profit margin.** Because of lower revenue, the net profit margin was lesser at 18.2% in 3Q09 compared to 19.5% in 2Q09. However, the net profit margin of 18.2% in 3Q09 was higher than 17.5% in 3Q08 as a result of lower operating expenses.

**Mixed results for market share in 3Q09.** The number of post-paid customers rose by 0.8% from 886,000 in 2Q09 to 893,000 in 3Q09. However, its post-paid market share fell from 26.5% in 2Q09 to 26.0% in 3Q09. Furthermore, the number of pre-paid customers rose by 5.2% from 783,000 in 2Q09 to 824,000 in 3Q09. This caused its pre-paid market share to improve from 24.5% in 2Q09 to 25.0% in 3Q09. We feel that M1 should continue to work on improving its post-paid market share against bigger rivals SingTel and StarHub through innovative products, advertising and promotion programs as well as attractive discounts.

**Exhibit 3: No. of prepaid and postpaid subscribers**



**Exhibit 4: Prepaid and postpaid market share**



Source: Company, Phillip Securities Research

**Outlook for FY2009.** M1 highlights that operating conditions remain challenging despite the recovery of the global economy. It mentions that operating revenue remains under pressure. Nevertheless, it anticipates net profit to be comparable to 2008. It will offer iPhone by the end of the year and we expect this to help M1 achieve a larger increase in the number of post-paid customers.

**Maintain Hold with fair value at S\$1.78.** We have a hold recommendation as M1 is likely to achieve limited growth in the local telecommunications market. Using the free cash flow to firm model, we derive a fair value of S\$1.78. The dividend yield for the stock is 7.2%.

**Exhibit 5: Financial Summary**

	3Q08	3Q09	%ch	FY2008	FY2009F	FY2010F
Revenue (S\$ m)	196.7	188.4	(4.2)	800.6	789.0	827.3
EBITDA (S\$ m)	75.4	75.2	(0.3)	316.6	317.1	332.2
EBIT (S\$ m)	44.1	43.0	(2.5)	192.7	193.1	203.7
Net profit (S\$ m)	34.4	34.2	(0.6)	150.2	148.9	156.5
EPS (S\$ cents)	0.038	0.038	0.0	0.168	0.166	0.175
DPS (S\$ cents)	0.000	0.000	na	0.134	0.134	0.134
Net profit margin (%)	17.5	18.2	0.7	18.8	18.9	18.9

Source: Company, Phillip Securities Research

## Financials

Profit & Loss statement (\$\$ m)	2008	2009F	2010F	2011F
Mobile	601.4	600.1	621.7	641.0
Broadband	0.0	0.0	10.7	11.1
International call	137.1	114.9	117.8	120.7
Sale of handset	62.1	74.0	77.0	80.0
Total revenue	800.6	789.0	827.3	852.9
Other income	1.0	5.2	5.2	5.2
Cost of sales	(300.7)	(304.9)	(330.7)	(351.8)
Other operating expenses	(184.3)	(172.2)	(169.6)	(173.0)
EBITDA	316.6	317.1	332.2	333.3
Depreciation & amortisation	(123.9)	(124.0)	(128.5)	(133.0)
EBIT	192.7	193.1	203.7	200.3
Finance costs	(7.6)	(10.3)	(10.3)	(10.3)
Profit before tax & exceptional items	185.1	182.9	193.5	190.1
Exceptional items	0.0	0.0	0.0	0.0
Profit before tax	185.1	182.9	193.5	190.1
Tax	(34.9)	(34.0)	(37.0)	(36.0)
Profit for the year	150.2	148.9	156.5	154.1
EPS (\$\$)	0.168	0.166	0.175	0.172
BVPS (\$\$)	0.249	0.283	0.318	0.352
DPS (\$\$)	0.134	0.134	0.134	0.134

Growth & margins (%)	2008	2009F	2010F	2011F
Sales growth	(0.3)	(1.4)	4.8	3.1
EBITDA growth	(1.3)	0.2	4.8	0.3
EBIT growth	(5.5)	0.2	5.5	(1.7)
Net income growth	(4.8)	(1.2)	5.8	(1.8)
EPS growth	(9.3)	(0.9)	5.1	(1.6)
EBITDA margin	39.5	40.2	40.2	39.1
EBIT margin	24.1	24.5	24.6	23.5
Net profit margin	18.8	18.9	18.9	18.1
ROA	18.3	17.4	15.8	13.4
ROE	70.3	62.5	58.3	51.4

Cash flow statement (\$\$ m)	2008	2009F	2010F	2011F
Profit before tax	185.1	182.9	193.5	190.1
Adjustments	132.1	90.0	91.5	97.0
Operating profit before working capital	317.2	272.9	285.0	287.1
Changes in inventories	(0.1)	(5.1)	(2.7)	(2.9)
Changes in trade debtors	11.6	(35.8)	(13.0)	(13.5)
Changes in creditors	(17.2)	69.9	148.7	101.3
Changes in related parties and others	(9.9)	0.0	0.0	0.0
Payment of tax	(47.0)	0.0	0.0	0.0
Net cash flow from operating activities	254.6	301.9	418.0	372.0
Net cash flow from investing activities	(96.8)	(55.6)	(59.6)	(60.7)
Net cash flow from financing activities	(163.0)	(119.1)	(125.2)	(123.2)
Net change in cash	(5.2)	127.2	233.2	188.0
Cash at beginning	23.0	17.8	145.0	378.2
Cash at end of year	17.8	145.0	378.2	566.2

Balance sheet (\$\$ m)	2008	2009F	2010F	2011F
Cash	17.8	145.0	378.2	566.2
Inventory	8.5	13.6	16.3	19.3
Receivables	69.2	105.0	118.0	131.4
Other current assets	15.1	15.1	15.1	15.1
Fixed assets	612.9	549.2	485.1	417.5
Intangibles	79.3	74.5	69.7	65.0
Other non-current assets	0.9	0.9	0.9	0.9
<b>Total assets</b>	<b>803.7</b>	<b>903.2</b>	<b>1,083.3</b>	<b>1,215.4</b>
Short term borrowings	0.0	0.0	0.0	0.0
Payables (Incl Others)	180.7	250.6	399.3	500.6
Other current liabilities	49.8	49.8	49.8	49.8
Long term borrowings	250.0	250.0	250.0	250.0
Other non-current liabilities	99.9	99.9	99.9	99.9
<b>Total liabilities</b>	<b>580.4</b>	<b>650.3</b>	<b>799.0</b>	<b>900.3</b>

<b>Total shareholders equity</b>	<b>223.2</b>	<b>253.0</b>	<b>284.3</b>	<b>315.1</b>
<b>Total liabilities &amp; Equity</b>	<b>803.6</b>	<b>903.3</b>	<b>1,083.3</b>	<b>1,215.4</b>

Key Ratios	2008	2009F	2010F	2011F
Gross gearing	0.7	0.7	0.7	0.7
Net gearing	0.8	0.6	0.4	0.3
Interest coverage	25.4	18.8	19.9	19.5
Net debt/EBITDA	0.7	0.3	(0.4)	(0.9)
Debt ratio	0.5	0.5	0.5	0.4

Sales to inventory ratio	94.2	58.1	50.7	44.3
Assets to sales ratio	1.0	1.1	1.3	1.4
Average receivable turnover	10.7	9.1	7.4	6.8
Average days receivable	34.0	40.3	49.2	53.4
Average payable turnover	4.3	3.7	2.5	1.9
Average days payable	85.3	99.8	143.4	192.6
Average assets turnover	1.0	0.9	0.8	0.7
Average equity turnover	3.7	3.3	3.1	2.8

Quick ratio	0.4	0.9	1.1	1.3
Current ratio	0.5	0.9	1.2	1.3
Cash ratio	0.1	0.5	0.8	1.0
Current assets to equity ratio	0.5	1.1	1.9	2.3
Current liabilities to equity ratio	1.0	1.2	1.6	1.7
Current liabilities to inventory ratio	27.1	22.1	27.5	28.6
Total liabilities to equity ratio	2.6	2.6	2.8	2.9

Valuation	2008	2009F	2010F	2011F
P/E basic (X)	11.0	11.1	10.6	10.7
P/B (X)	7.4	6.5	5.8	5.3
Dividend yield (%)	7.2	7.2	7.2	7.2

Source: Company, Phillip Securities Research

## Ratings History

### MobileOne Limited

Rating	Date	Closing price (S\$)	Fair value (S\$)	Remarks
HOLD	19 October 2009	1.85	1.78	Results
HOLD	9 September 2009	1.83	1.78	Update
HOLD	17 July 2009	1.61	1.67	Results
HOLD	20 April 2009	1.47	1.67	Results
HOLD	13 April 2009	1.52	1.67	Update
HOLD	19 February 2009	1.58	1.67	Results
HOLD	28 July 2008	1.96	2.16	Results
HOLD	22 April 2008	1.91	2.16	Results
HOLD	29 January 2008	1.88	2.16	Results
HOLD	23 October 2007	2.06	2.38	Results
HOLD	25 July 2007	2.15	2.38	Results

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	SELL	>15% downside from the current price
	We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation	

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