HLIB Research

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Telecommunications (Neutral ←→)

INDUSTRY INSIGHT

Yes Forays into LTE, Eyeing More Spectrum

- Highlights
 Channel checks revealed that YTL Communications (Yes), a subsidiary of YTLP (HOLD, TP: RM1.85) is preparing for TDD-LTE rollout, abandoning WiMAX technology.
 - LTE trials are currently conducted not only on the 20MHz of 2.6GHz spectrum which was awarded by MCMC in 2012, but also on its 30MHz of 2.3GHz spectrum which is presently occupied by its commercial WiMAX business.
 - Surprisingly, trials are also being carried out on Asiaspace's 30MHz allocation on the 2.3GHz band.
 - Indirectly, this has implied that Yes is eyeing to takeover Asiaspace's spectrum which is currently idle as the latter's WiMAX business did not materialize.
- **Comments** Yes' exit from WiMAX is a very much anticipated move as this standard is widely believed to be phasing out and LTE is the only logical technology progression for telcos.
 - If Yes successfully lobbied for Asiaspace's spectrum, it will allow Yes to migrate its existing WiMAX subscribers to LTE seamlessly while providing better quality of service.
 - Upon complete migration, Yes could use the whole 60MHz of 2.3GHz to offer TDD-LTE with theoretical download speed of up to 220Mbps (assumed based on latest carrier aggregation technology with 2 component carriers coupled with downlinkuplink time division ratio of 3 to 1).
 - With this capability, Yes can be a competent challenger to the incumbents with the niche of offering rich / high definition voice and text services over a pure advance data network supported by IMS, without the worry of legacy voice network.
 - We believe that compatible devices will be abundant in the near future on the back of China's commitment following recent TD-LTE license awards which also consist of 2.3GHz spectrum. Notably, this (LTE band 40) is supported by iPhone 5S (model A1530).
 - If Yes does invade the LTE market as such, this will undoubtedly elevate the competition in the cellular space one notch higher, while benefiting the fixed players through data bandwidth wholesale for backhaul transmission. Overall, this coincides with our sector outlook whereby we prefer fixed.
- Cost savings from partnerships. Catalysts Managed services / outsourcing. Increased demand for wholesale bandwidth. . Irrational competition, regulation of tariffs, FOREX. **Risks** Maintained. **Forecasts** Neutral ($\leftarrow \rightarrow$) Rating Positives - Low beta, defensive, strong cash-generation and dividends should underpin the share prices. .
 - Negatives Potential irrational competition, regulatory risks, unable to monetize data and dumb pipes.
- **Top Picks** Prefer fixed over mobile as it is an inevitable pre-requisite to cellcos who are seeking growth in data.
 - Fixed has healthy market landscape monopoly in retail segment and duopoly in wholesale and enterprise segment.
 - TdC (BUY, TP: RM4.03) and TM (BUY, TP: RM5.82).

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TdC's share price



TM's share price



Maxis' share price



Axiata's share price



Figure #1 Regional Peers Comparison

Company		Price	Market Cap (m)		P/E (x)		P/B (x)		ROE (%)		Gross DY (%)
	FYE	(Local)	(Local)	(USD)	2013	2014	2013	2014	2013	2014	2013
Malaysia											
Maxis	Dec	MYR 6.89	51,700.8	15,573.5	24.5	23.1	8.5	9.7	32.0	39.3	5.8
Axiata	Dec	MYR 6.50	55,520.9	16,724.2	20.3	18.7	2.7	2.6	13.2	13.8	3.8
DiGi	Dec	MYR 4.68	36,387.0	10,960.6	22.1	20.5	99.6	88.3	539.6	529.5	4.5
ТМ	Dec	MYR 5.46	19,532.6	5,883.7	21.8	22.2	2.8	2.8	12.9	12.5	4.3
TIME dotCom	Dec	MYR 3.46	1,982.9	597.3	15.9	12.9	0.9	0.9	5.9	7.6	0.0
Average	Dee	WITC 5.10	1,702.7	077.0	20.9	19.5	22.9	20.8	120.7	120.5	3.7
Indonesia											
PT Telekom	Dec	IDR 2,235	225,287,992.0	18,475.3	15.0	13.9	3.7	3.4	25.8	25.2	4.4
Indosat	Dec	IDR 4,080	22,170,448.7	1,818.1	89.8	30.4	1.3	1.2	-0.8	3.2	1.0
XL	Dec	IDR 4,000		3,359.5	22.7	22.8	2.6	2.4	-0.8 11.7	3.z 12.2	2.0
	Der	10K 4,000	40,965,555.2	3,307.0							
Average					42.5	22.3	2.5	2.3	12.2	13.5	2.5
Singapore											
Singtel	Mar	SGD 3.44	54,845.9	43,230.0	14.9	13.9	2.2	2.1	14.9	15.3	4.9
Starhub	Dec	SGD 4.19	7,209.2	5,682.3	19.3	18.6	N/A	N/A	N/A	N/A	4.8
M1	Dec	SGD 3.32	3,068.7	2,418.7	17.4	16.3	7.6	6.9	44.8	45.0	4.9
Average					17.2	16.3	4.9	4.5	29.9	30.2	4.9
South Korea											
SKT	Dec	KRW 204,500	16,512,497.9	15,319.0	8.4	7.8	1.2	1.1	14.0	13.7	4.6
КТС	Dec	KRW 30,350	7,924,743.4	7,352.0	12.3	9.4	0.7	0.6	5.5	6.9	4.4
LGU	Dec	KRW 10,700	4,671,741.6	4,334.1	11.1	8.7	1.1	1.0	10.1	11.4	2.6
Average				.,	10.6	8.6	1.0	0.9	9.9	10.6	3.9
Thailand											
AIS	Dec	THB 211.00	627,323.1	19,140.9	17.1	15.2	13.7	13.0	82.4	87.6	5.7
True	Dec	THB 7.15	103,891.0	3,169.9	N/A	N/A	5.3	6.8	N/A	N/A	0.0
Average	DCC	1.13	103,071.0	J, 107.7	17.1	15.2	9.5	0.8 9.9	82.4	87.6	2.8
nveidye					17.1	1J.Z	7.0	7.7	02.4	07.0	2.0
China	5			040 477 0	44 -	16 -	4.5	4 -	a (=	4	
China Mobile	Dec	HKD 72.45	1,457,144.6	240,445.0	11.5	12.4	1.8	1.7	16.7	14.3	3.8
China Telecom	Dec	HKD 3.49	282,454.0	46,608.0	15.7	13.5	1.0	1.0	7.1	8.0	2.3
China Unicom	Dec	HKD 10.04	238,769.0	39,399.5	22.2	15.6	1.1	1.0	5.0	6.7	1.7
Average					16.5	13.8	1.3	1.2	9.6	9.7	2.6
ndia											
Bharti	Mar	INR 314.6	1,257,582.0	20,145.5	38.6	21.2	2.1	1.9	5.7	9.4	0.4
RCOM	Mar	INR 125.2	258,416.2	4,139.6	20.7	18.2	0.8	0.7	3.8	4.2	0.3
Idea	Mar	INR 144.2	478,564.0	7,666.2	24.9	18.8	2.9	2.6	12.3	14.2	0.3
Average				.,	28.1	19.4	1.9	1.7	7.3	9.3	0.3

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
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