

MITA No. 010/06/2008

17 April 2009

MobileOne Ltd

Maintain

BUY

Previous Rating: BUY

\$S1.47

Fair Value: \$S2.12

Stock Code: MONE.SI
 Reuters: B2F
 ISIN Code: M1 SP
 Bloomberg: M1 SP

Event: Results

1Q09 results within expectation

1Q09 results mostly within expectation. MobileOne (M1) reported its 1Q09 results last evening, with revenue down 8.6% YoY and 4.3% QoQ at S\$186.4m, meeting 24% of our FY09 forecast. Management noted that this decline was due to a combination of the economic slowdown and higher competition. But due to an improvement in operating expenses (mainly due to lower staff costs), profit before tax declined by a smaller 5.7% YoY and 2.2% QoQ to S\$44.1m. Meanwhile, net profit jumped 10.4% YoY and 14.5% QoQ to S\$41.9m, or around 29.1% of our full-year estimate, aided by a sharp drop in taxes; this was due to one-off accounting adjustment for the reduction in corporate tax rate from 18% to 17%.

Loses post-paid market share as expected. On the business front, M1 felt both the impact of the economic slowdown - leading to lower roaming revenue - as well as stiffer competition. More importantly, M1 saw a near-12k QoQ drop in subscribers in 1Q09, where its post-paid segment lost nearly 4k subscribers, which reduces its market share from 27.2% to 26.8%; this despite a drop in its monthly churn rate from 1.7% in 4Q08 to 1.6%. We had previously articulated that M1 faces a slight disadvantage due to its lack of bundling abilities as compared to the other telcos, and this could continue to be a concern until it can become an integrated services provider when the NBN (National Broadband Network) comes online from next year onwards. In the meantime, M1 intends to defend and reverse the decline in its post-paid market share. We expect this to result in higher S&P expenses and reverse the decline in average acquisition and retention costs (See Exhibit 1).

Guides for stable operations for FY09. M1 continues to expect 2009 to remain challenging, mainly due to the economic downturn, but it maintains its guidance of stable operations; management later clarified that the stability will be in terms of profitability (See Exhibit 2), citing continued cost discipline and improvements in operating efficiency. We are leaving our FY09 estimates unchanged (already expecting drops of 2.7% and 4.1% in revenue and earnings, respectively). And against the still uncertain economic backdrop, we like M1 for its defensive and strong free cash flow-generating business, and dividend paying ability (80% payout ratio). We also see M1 as one of the biggest beneficiaries of the NBN initiative. As such, we maintain **BUY** and \$S2.12 fair value.

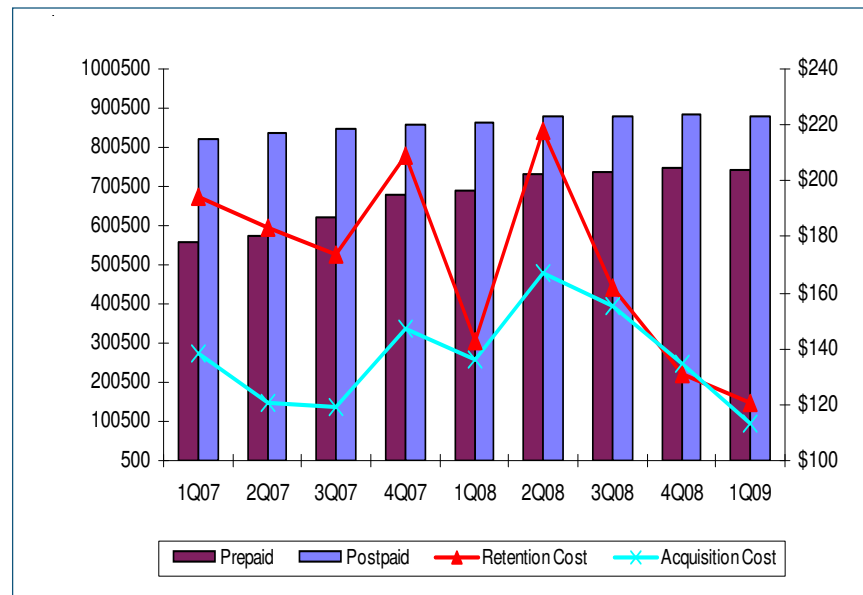
General Data	
Issued Capital (m)	895
Mkt Cap (\$m/US\$m)	1,316 / 878
Major Shareholder	SunShare (24.75%)
Free Float (%)	38.9
NTA per share (\$)	0.16
Daily Vol 3-mth ('000)	614
52Wk High (\$)	2.060
52Wk Low (\$)	1.160

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Year to 31 Dec	Turnover (\$m)	EBITDA (\$m)	Net Profit (\$m)	EPS (cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	803.3	320.7	171.8	18.5	11.1	8.0	7.3
FY 08	800.6	316.5	150.1	16.8	-9.1	8.8	9.1
FY 09F	778.2	308.2	143.9	16.1	-4.1	9.1	8.8
FY 10F	798.3	316.3	153.7	17.2	6.8	8.6	9.4

Please refer to the important disclosures at the back of this document.

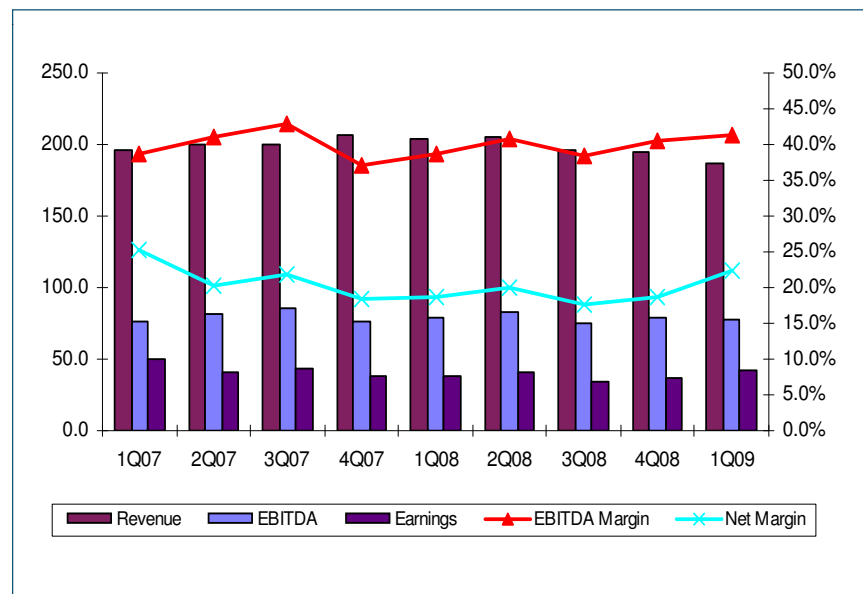
Exhibit 1: Operating Statistics



Source: Company, OIR

Note: Fall in 1Q09's acquisition/retention costs also due to launch of Take3 program where handsets are "loaned" to subscribers via hire-purchase scheme and the costs are amortized over the contract period.

Exhibit 2: Profitability Trends



Source: Company, OIR

M1's Key Financial Data

M1 Results	1Q08	1Q09	% Chg	4Q08	% Chg
Year Ended 31 Dec (S\$ m)	(S\$m)	(S\$m)	(YoY)	(S\$m)	(QoQ)
Operating Revenue	203.9	186.4	-8.6%	194.7	-4.3%
Operating Expenses	-155.3	-141.3	-9.0%	-148.1	-4.6%
Other Revenue	0.2	0.7	250.0%	0.2	250.0%
Finance Costs	-2.05	-1.7	-17.1%	-1.7	0.0%
Profit Before Tax	46.75	44.1	-5.7%	45.1	-2.2%
Tax	-8.8	-2.2	-75.0%	-8.5	-74.1%
Net Profit	37.95	41.9	10.4%	36.6	14.5%
Net Margin	18.6%	22.5%		18.8%	
EBITDA	78.9	77	-2.4%	78.8	-2.3%
Depreciation	-30	-31.2	4.0%	-31.9	-2.2%
Operating Profit	48.9	45.8	-6.3%	46.9	-2.3%

EARNINGS FORECAST

Year Ended 31 Dec (S\$ m)	FY07	FY08F	FY09F	FY10F
Revenue	803.3	800.6	778.2	798.3
EBITDA	320.7	316.5	308.2	316.3
Depreciation & amortisation	-116.7	-123.9	-124.3	-121.0
Operating Profit	320.7	316.6	308.2	316.3
Net interest	-9.5	-7.6	-7.4	-6.7
Associates	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0
Pre-tax profit	194.5	185.1	176.6	188.6
Tax	-22.7	-34.9	-32.7	-34.9
Minority interests	0.0	0.0	0.0	0.0
Net profit	171.8	150.1	143.9	153.7
Earnings per share (cents)	18.5	16.8	16.1	17.2
Fully diluted earnings per share (cents)	18.5	16.8	16.1	17.2

BALANCE SHEET**As at 31 Dec (S\$ m)**

	FY07	FY08F	FY09F	FY10F
Cash	23.1	17.8	22.1	25.8
Other current assets	103.5	92.9	91.8	104.4
Fixed assets	636.7	612.9	591.9	584.2
Other long term assets	83.3	80.1	77.0	73.7
Total assets	846.6	803.7	782.7	788.1
Current liabilities less debt	252.7	230.5	219.7	227.0
Debt	285.0	250.0	230.0	210.0
Other long term liabilities	106.9	99.9	84.9	72.2
Total liabilities	644.7	580.4	534.6	509.2
Shareholders equity	201.9	223.3	248.1	278.9
Minority interests	0.0	0.0	0.0	0.0
Total equity and liabilities	846.6	803.7	782.7	788.1
NTA per share (cents)	13.3	16.1	19.2	23.1

CASH FLOW**Year Ended 31 Dec (S\$ m)**

	FY07	FY08F	FY09F	FY10F
Operating profit before working cap. changes	319.5	317.2	308.2	316.3
Working capital changes	3.8	-8.4	-9.0	-8.2
Interest and tax	-94.3	-54.3	-55.1	-51.5
Net cash from operations	229.0	254.5	244.1	256.7
Capex	-56.3	-96.9	-100.0	-110.0
Other investing flows	0.0	0.1	4.0	-7.8
Investing cash flow	-56.3	-96.8	-96.0	-117.8
Change in equity	0.0	1.8	0.0	0.0
Net change in debt	35.0	-35.0	-20.0	-20.0
Dividends paid	-96.7	-129.8	-119.9	-115.1
Others	-256.5	0.0	-3.9	0.0
Financing cash flow	-318.2	-163.0	-143.8	-135.1
Forex adjustments	0.0	0.0	0.0	0.0
Net cash flow	-145.5	-5.3	4.3	3.7
Cash at beginning of year	168.6	23.1	17.8	22.1
Fixed deposits pledged	0.0	0.0	0.0	0.0
Cash at end of year	23.1	17.8	22.1	25.8

Key Ratios

PER (x)	8.0	8.8	9.1	8.6
Price/NTA (x)	11.0	9.1	7.6	6.4
EV/EBITDA (x)	4.9	4.9	4.9	4.7
Dividend yield (%)	7.3	9.1	8.8	9.4
ROIC (%)	35.3	31.7	30.1	31.4
ROE (%)	85.1	67.2	58.0	55.1
Net gearing	1.3	1.0	0.8	0.7
PE to growth (x)	0.7	-1.0	-2.2	1.3

Source: Company data, OIR estimates

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The analyst/analysts who wrote this report holds NIL shares in the above security.

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