

Industry Note

Global EM Telcos

The 12 year bear market is over, go long, outsized returns ahead

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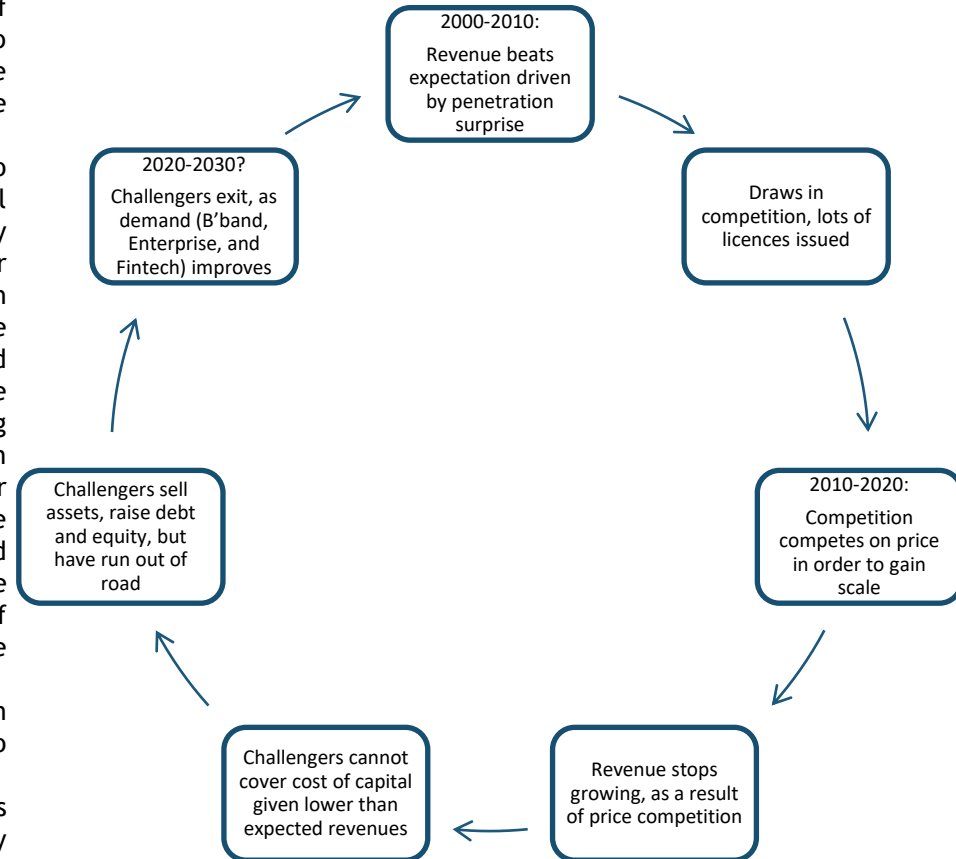
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- **What's new:** We think we are at a significant inflection point in the EM telco sector. Return on capital, valuation and, dare we say it, growth all point to outsized returns ahead. Most investors are negative on the space. But consolidation, diversification into Fintech and Broadband, and a new [demand curve from Enterprise](#) all coming together means the environment is much better going forward. We see a great opportunity for investors to make money over the next 3-4 years.
- **Thesis:** 5 key themes drive our outright bullish view of EM Telcos:
 - **Consolidation.** Across all regions, EM telco markets are consolidating from typically 4 or 5+ players to 2 or 3. Impact on market structure and therefore consumer monetization is significant. Furthermore, where it has launched, 5G is driving ARPU upside in EM.
 - **Enterprise**, predominantly in Asia and Latin America. We see Enterprise revenues doubling in 5-6 years, driven by a [powerful Enterprise S-curve](#) as middle income economies digitize.
 - **Fintech**, a driver of better growth and returns, predominantly in Africa & LatAm. African telcos are we estimate generating [30-40% of earnings from Mobile Money/Fintech now](#), growing at rapid rates and with high ROIC.
 - **Consumer Broadband**, which has been growing for some time, but which is now a material revenue stream (10-20% of group) for a number of EM telcos and which is therefore driving accelerating group growth.
 - **ROIC** - underpinning this better growth environment, capex has been falling relative to sales for some time, and with better monetisation, [ROIC is now well above the cost of capital](#) for most leading EM telcos.
- **Valuation:** Despite strong share price performance ytd, EM telcos still trade on multiples which reflect the downbeat consensus view of them as low growth “bad businesses”. As growth and returns improve multiples have the potential to expand 50-100% on rising estimates in our view, providing scope for outsized shareholder returns. Top picks; [T'kom Indo](#), [TIM Brasil](#), [Bharti](#), [AIS](#).

10 year bear market is over and now we are in an upswing

- **A Brief History:** EM Telcos were not always stock market dogs. During 2000-2010 there was a powerful EM Telco bull market driven by mobile penetration beating expectations, as handset prices fell. This in turn led to optimism among potential investors and owners of mobile networks in these countries and a surge of new entrants into them. The most extreme example of this was India which at one stage had 13 players, but Indonesia with 7, and Nigeria and Brazil with 5 are also good examples.
 - Telecoms is a scale business, and the challengers needed to gain share, and competed on price to do so. As prices fell rapidly, even with the introduction of data and significantly growing volumes, top line growth was modest. With lower than expected revenues, challengers have failed to reach scale, and in almost all EMs we see a structure where the leader is covering their cost of capital but the 2nd/3rd and below are not. Challengers have funded cash flow negative business models through selling assets (Towers, Fibre) raising debt and new equity. But at this stage most assets have been sold, debt is at high levels, and equity holders are no longer willing to continue to fund, given weak share price performance. Hence the only option left is to consolidate and move to a less price aggressive strategy. We see this same story playing out in country after country and is the core of why we see less competition going forward in lower income countries.
 - At the same time, faced with intense competition in consumer, many leading EM telcos have diversified, to Fintech, or Broadband, or Enterprise.
 - The reduction in competition on the consumer side is happening at the same time as improved demand, especially for Enterprise, while Fintech and Broadband businesses have now grown to scale for many leading EM telcos. Thus, we see stabilizing price and improving growth in the core consumer mobile business overlaid by better group growth driven by Enterprise/B'band/Fintech.

Cycle of competition in EM telcos

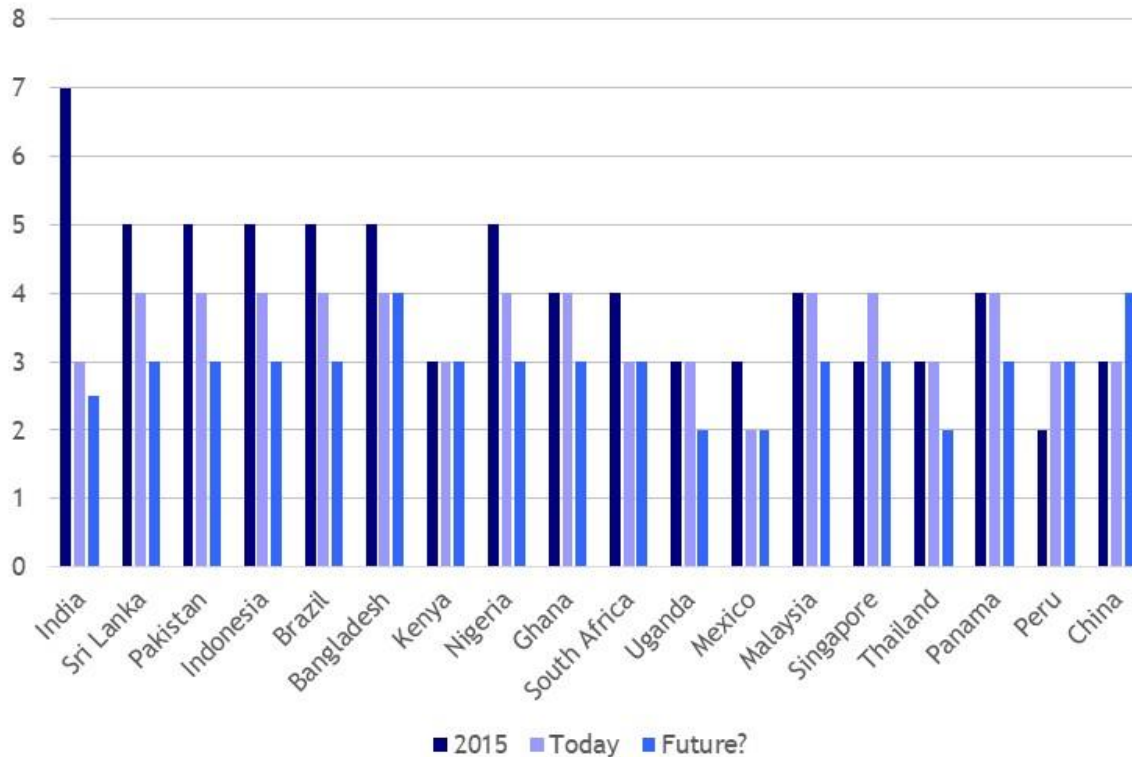


Source: New Street Research

Theme 1: Consolidation means competition is falling

- Consolidation is happening rapidly in Emerging Markets. Many EM telco markets have seen material consolidation over the last 2-3 years, and we have seen further announcements this year, for instance in Malaysia, Brazil and Indonesia, and rumours of a duopoly in Thailand.
 - As a result, the “average” EM market is dropping from 4 or 5 players to 3, while 2 is becoming more common.
- It is this reduction in competition and improvement in market structure that gives us confidence that Consumer trends are set to stabilize/grow, as price competition eases.

Number of players

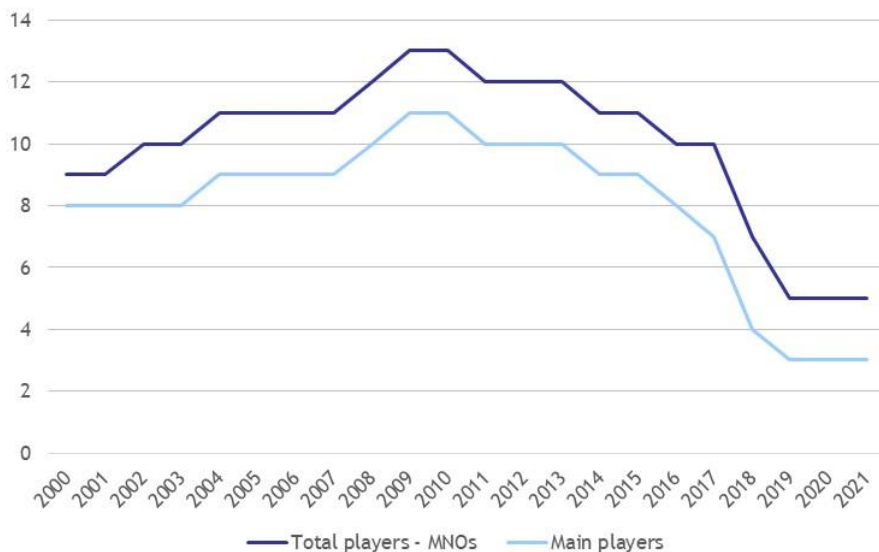


Source: New Street Research estimates

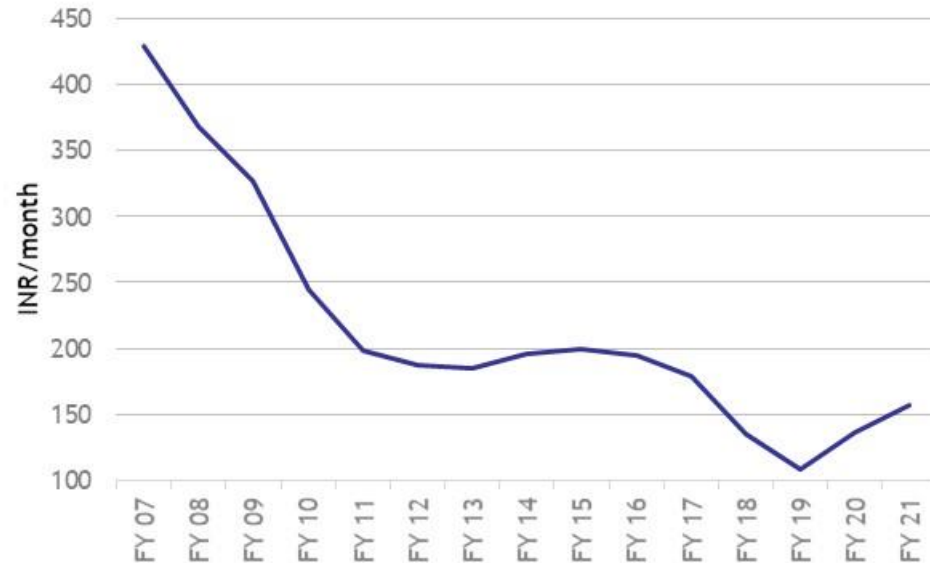
How the cycle plays out in an individual country

- India is the most extreme version of the cycle of competition that we have seen. But the experience in India we think is being played out in other countries, with the very bullish period from 2000-2010 drawing in too many players, followed by a decade of sub-par returns, and then retrenchment/consolidation and finally in the last 2-3 years, less price competition.
 - With intense competition ARPU fell from over INR 400/month to almost INR 100, and has since recovered to over INR 150.
 - Because other countries saw less extreme competitive dynamics, the recovery phase is happening 2-3 years later than in India. In other words it is just starting.

Number of players - India



ARPU – India (INR/month)

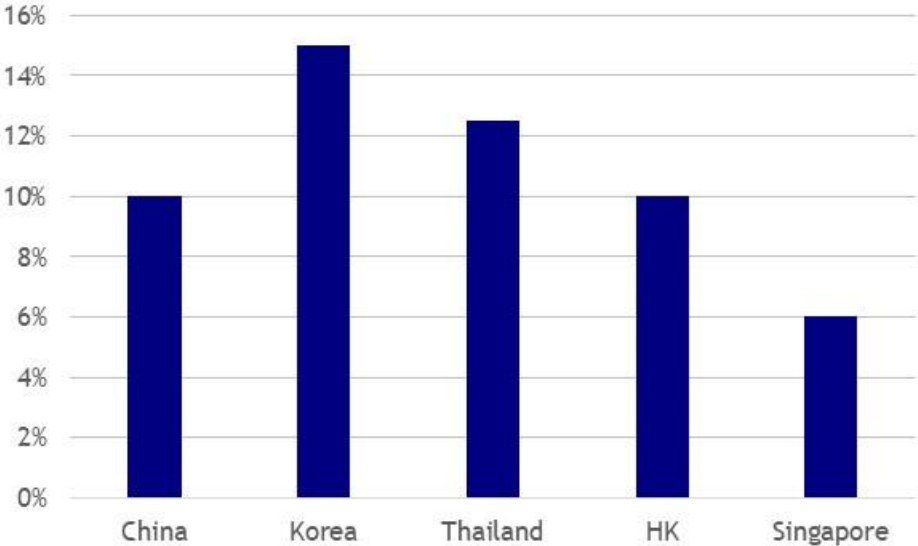


Source: New Street Research estimates

Consumer monetisation helped by 5G ARPU upside

- Many Emerging markets that have launched 5G now claim it leads to ARPU upside of 5-15%, largely at this stage through customers being upsold larger packages.
 - It remains to be seen whether this ARPU upside can be maintained as 5G proliferates through the base, but at this stage 5G appears to be supportive of improving revenue trends in the Emerging Markets, such as China, where it is being deployed.

5G like for like ARPU upside, company self-reporting (%)



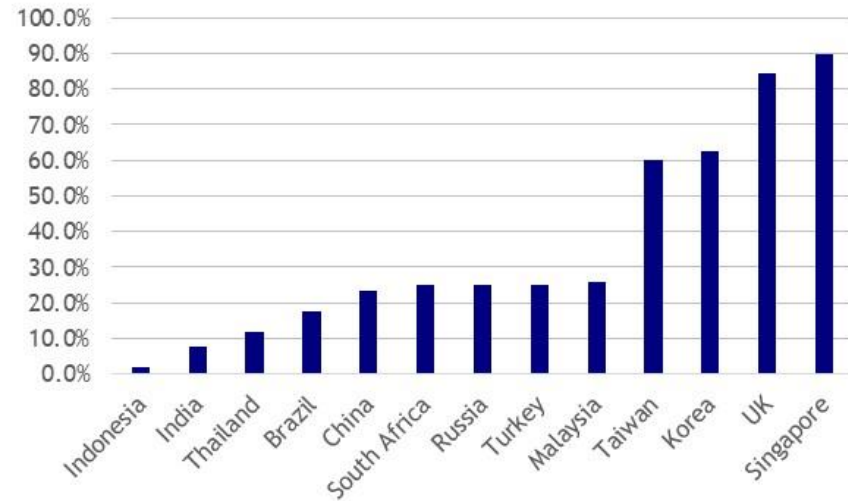
Source: New Street Research

Source: New Street Research

Theme 2: Enterprise

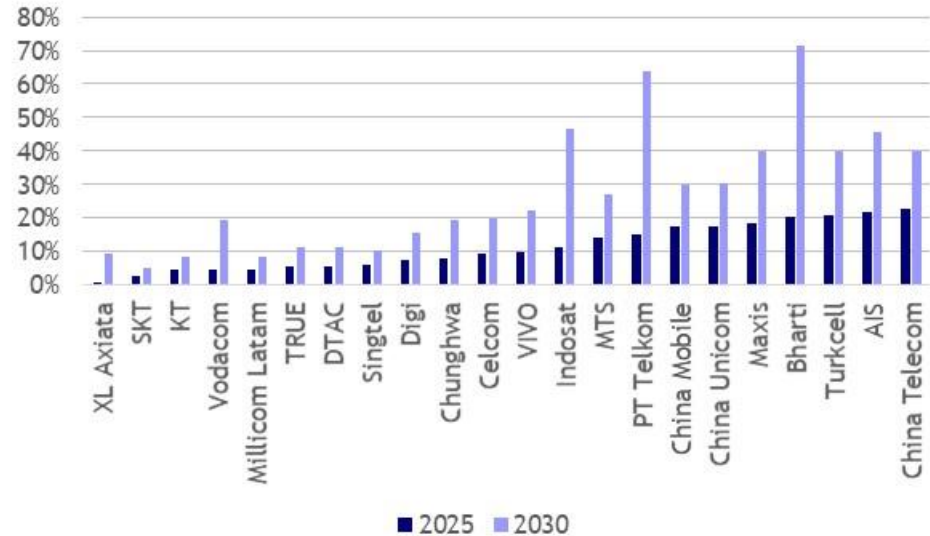
- We published a deep dive [on the Enterprise S-curve](#), but in essence, we think the key difference between EM Enterprise growth and DM Enterprise growth is that in DM, Enterprise is essentially about upselling new services to existing Enterprise customers, but in EM, additionally to this telcos are also able to add new Enterprise customers as well, given Enterprise penetration (the proportion of Enterprises in the country with an Enterprise account with a telco) is only 10-30% depending on the country.
 - For many Emerging Markets we see Enterprise revenues doubling in 5-6 years, adding 10-25% to overall revenues over this time frame, and more in the longer term.
 - With consolidation on the consumer side, and therefore a greater prospect of stability of consumer revenues, the implication is that these revenues are additive to overall revenues, rather than simply acting to offset a decline in consumer.
 - We see Enterprise as a stronger driver in middle-income emerging markets, typically in Asia, EMEA (eg Turkey), and Latin America, with poorer markets for instance in Sub-Saharan Africa still too immature to see Enterprise as a meaningful driver in the next 2-3 years.

Enterprise Penetration (%)



Source: New Street Research

Enterprise Upside

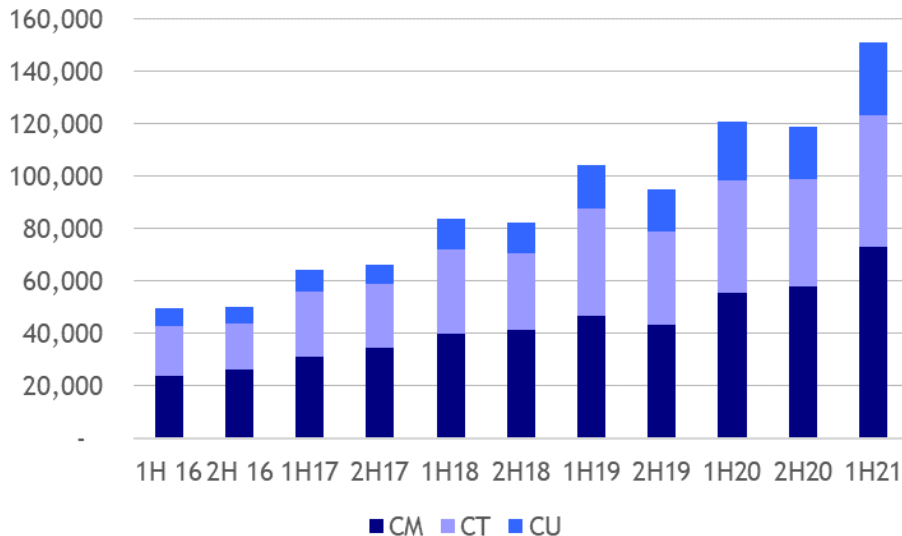


How Enterprise is driving revenue growth: China

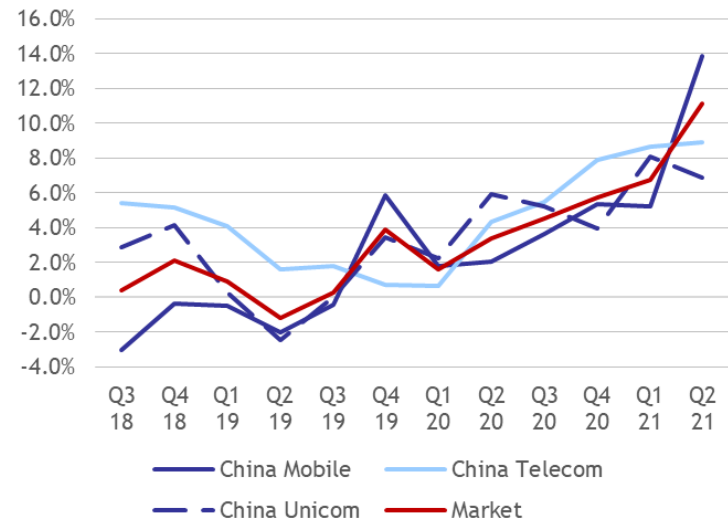
As a result of stronger Enterprise revenues, total service revenue growth for the Chinese market has improved to +11% YoY in Q2 2021 from -1% in Q2 2019

- China Mobile saw SR growth improve to 13.8% YoY;
- Enterprise revenues are now over 20% of aggregate sales for the 3 Chinese telcos and accelerating, with growth of 25% in H1 2021. The MIIT release revenue growth numbers for August and they accelerated again in the enterprise segment (+28% Jan-Aug). As a proportion of sales Enterprise revenues have increased from 8.2% to 20.3%.
- China is a good example we think of the future direction of Enterprise revenues in other countries.

Chinese Enterprise revenues (RMB m)



YoY growth in Total service revenues per operator

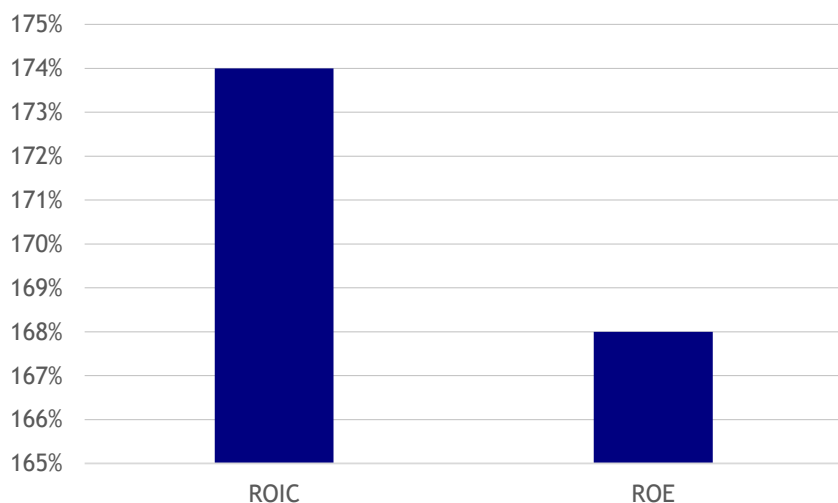


Source: Company data, New Street Research estimates

Theme 3: Fintech

- Work we have done on the [African Fintech opportunity](#) shows that not only does mobile money increase the revenue opportunity, with mobile money now up to 35% of revenues, but it also does this at a very high ROIC.
 - African telcos which are typically less exposed to the Enterprise opportunity are typically more exposed to mobile money.

MTN Ghana mobile money: ROIC and ROE - extremely high



Source: New Street Research

Exposure to mobile money: Safaricom and MTN most exposed

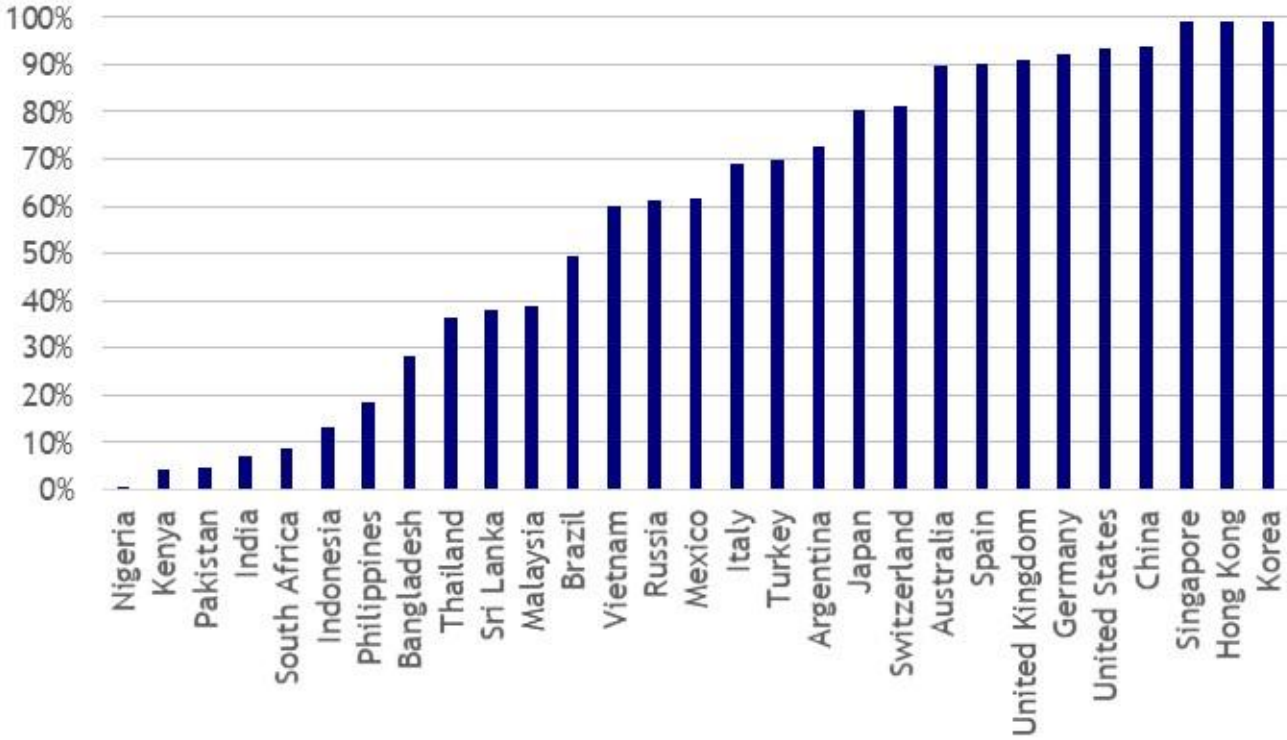
	Safaricom	MTN	Airtel Africa	Vodacom	Orange
% of revenues	36%	10%	13%	11%	1%
% of EBITDA	42%	13%	13%	12%	2%
% of EBIT	56%	27%	22%	18%	6%
% of PBT / Net income	55%	38%	36%	21%	8%

Source: New Street Research

Theme 4: Broadband

- Broadband penetration continues to grow in most EMs driven by continued roll out. The pathway of further growth continues to be long.

Broadband household penetration (2019)

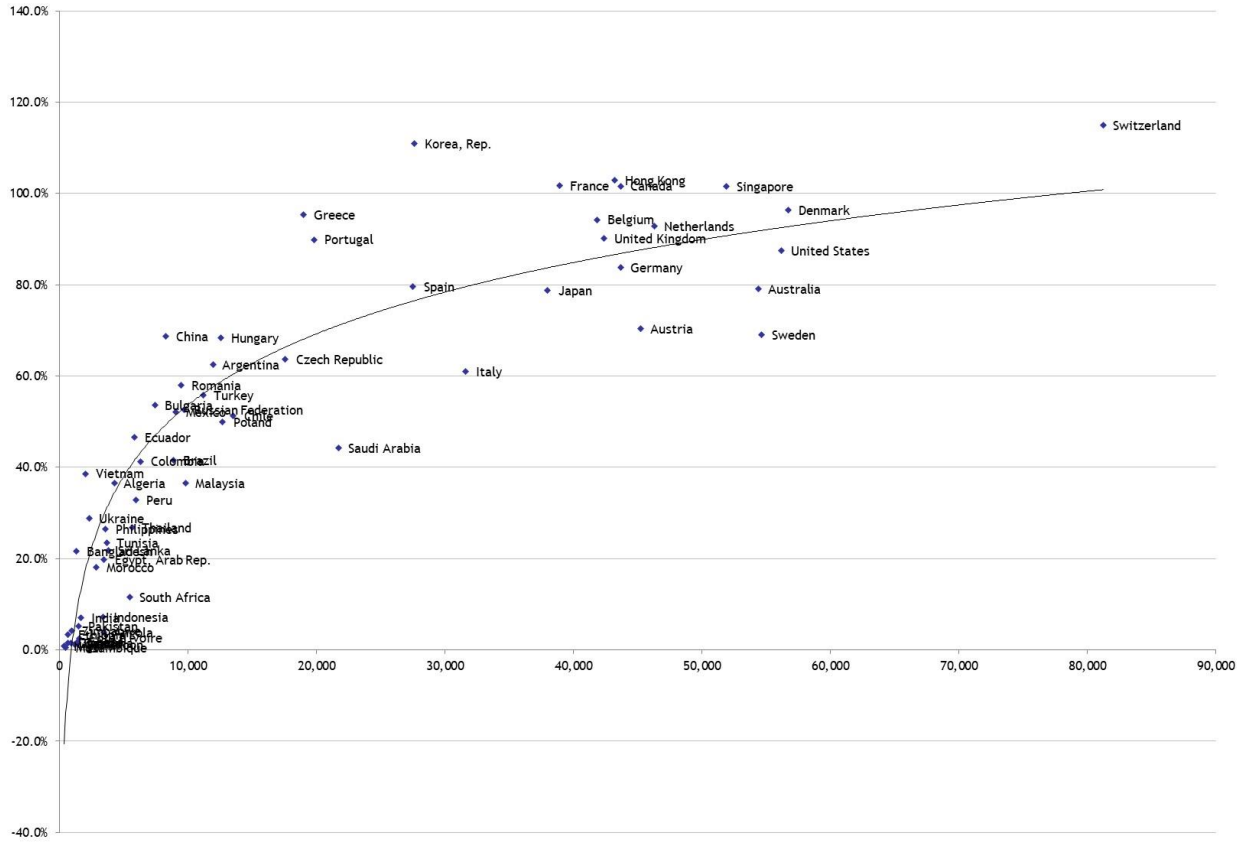


Source: NSR Research

Theme 4: Broadband penetration correlation to GDP/Capita

- Broadband penetration is also relatively well correlated to GDP; the implication is that as GDP increases, so too should b'band penetration.

Broadband household penetration, and GDP/Capita (2019)

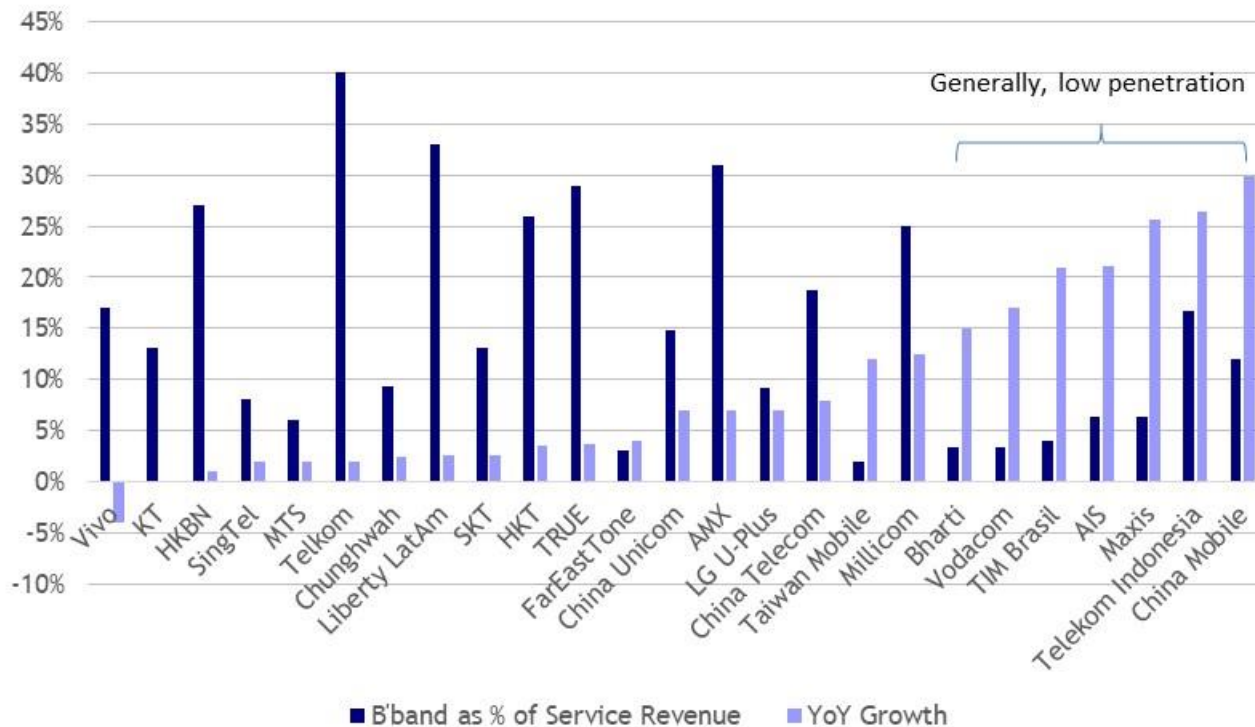


Source: NSR Research

Broadband continues to grow

- Broadband revenue growth in EM is positive in almost all cases, and has been for a long time.
 - Given pressure on mobile, this means broadband revenues are now over 10% of sales for a number of companies.
 - And typically in low penetration countries, broadband revenue growth is over 10%, and in a handful of cases over 20%.

Broadband as % of sales, and broadband revenue growth (2020)

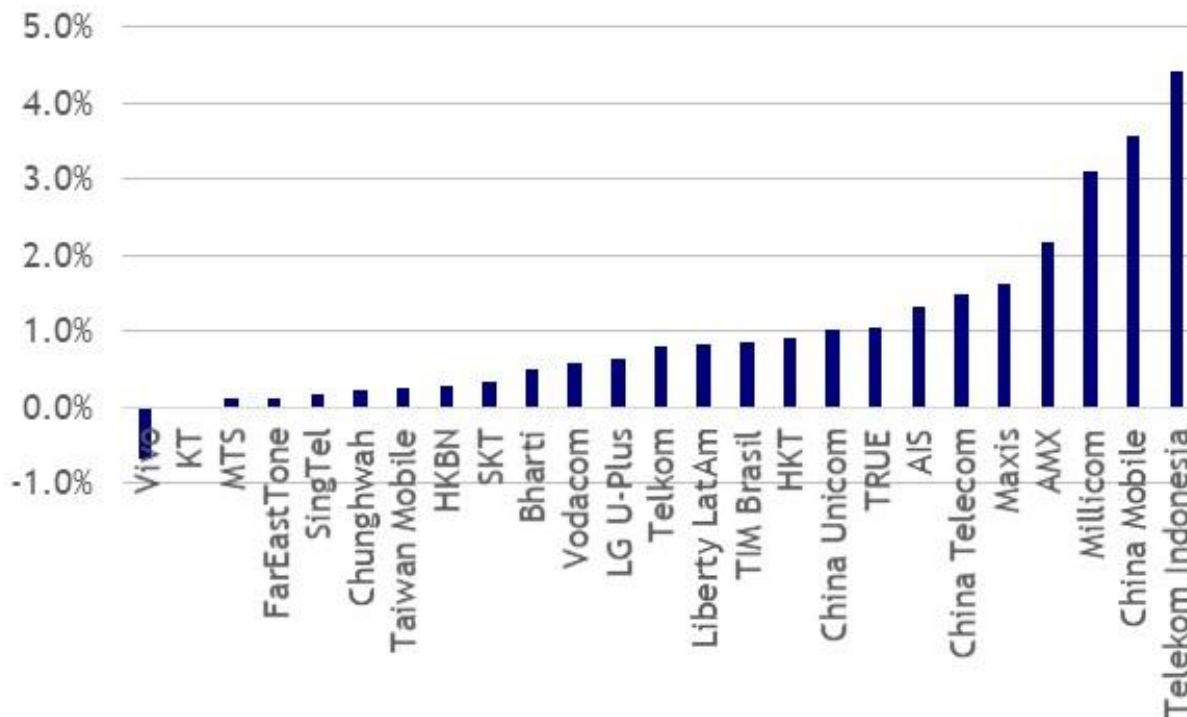


Source: NSR Research

Broadband contribution to group revenue growth

- Therefore for a number of EM Telcos, where broadband is meaningful as a share of revenues, and where growth remains high, as penetration is still relatively low, broadband is now a meaningful contributor to group revenue growth, adding over 2% to total group revenue growth in a number of cases.
 - Typically this is for leading operators (high broadband market share) in markets where broadband penetration is low.
 - Key examples include Telekom Indonesia, Millicom and AMX.

Broadband contribution to group revenue growth (2020)

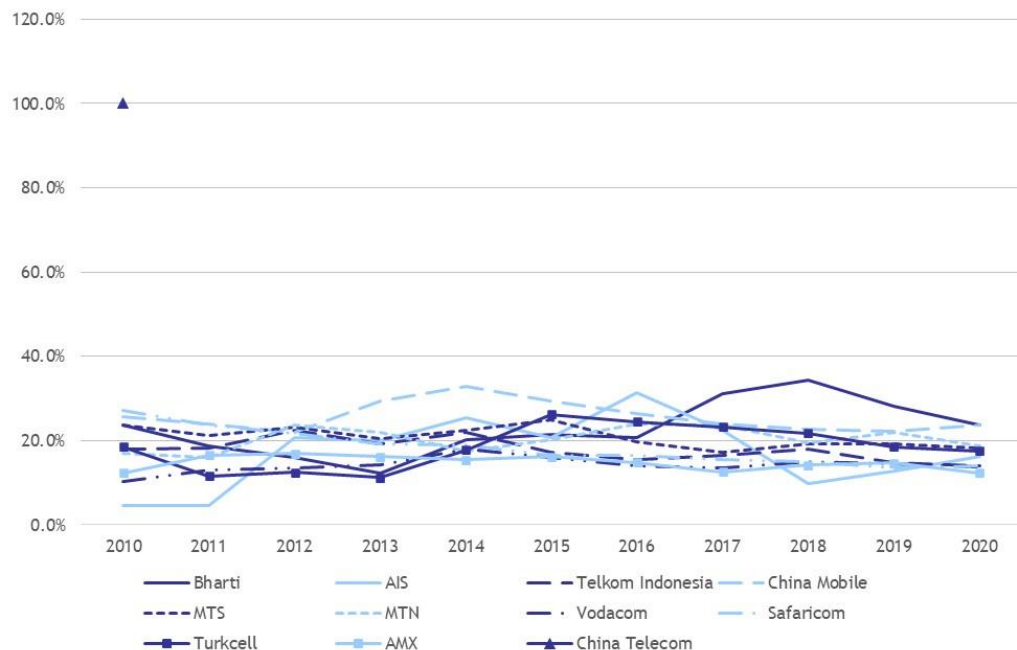


Source: NSR Research

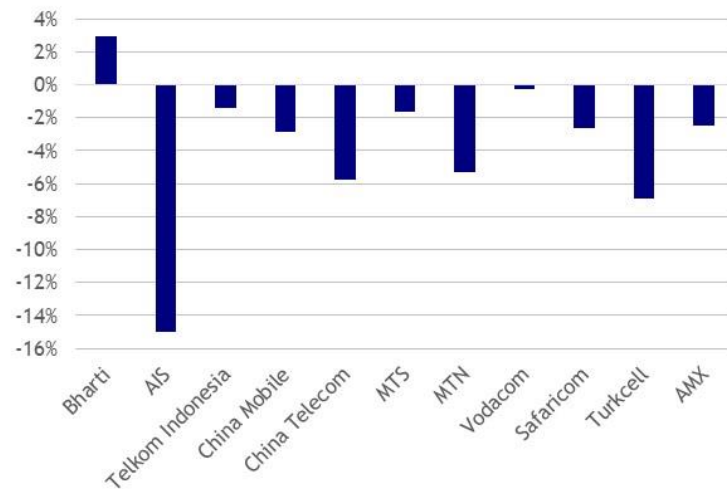
Theme 5: ROIC is rising

- As a result of reducing competition and the fact that networks are largely built out across most emerging markets, capex/sales is generally now in decline.

Capex/sales



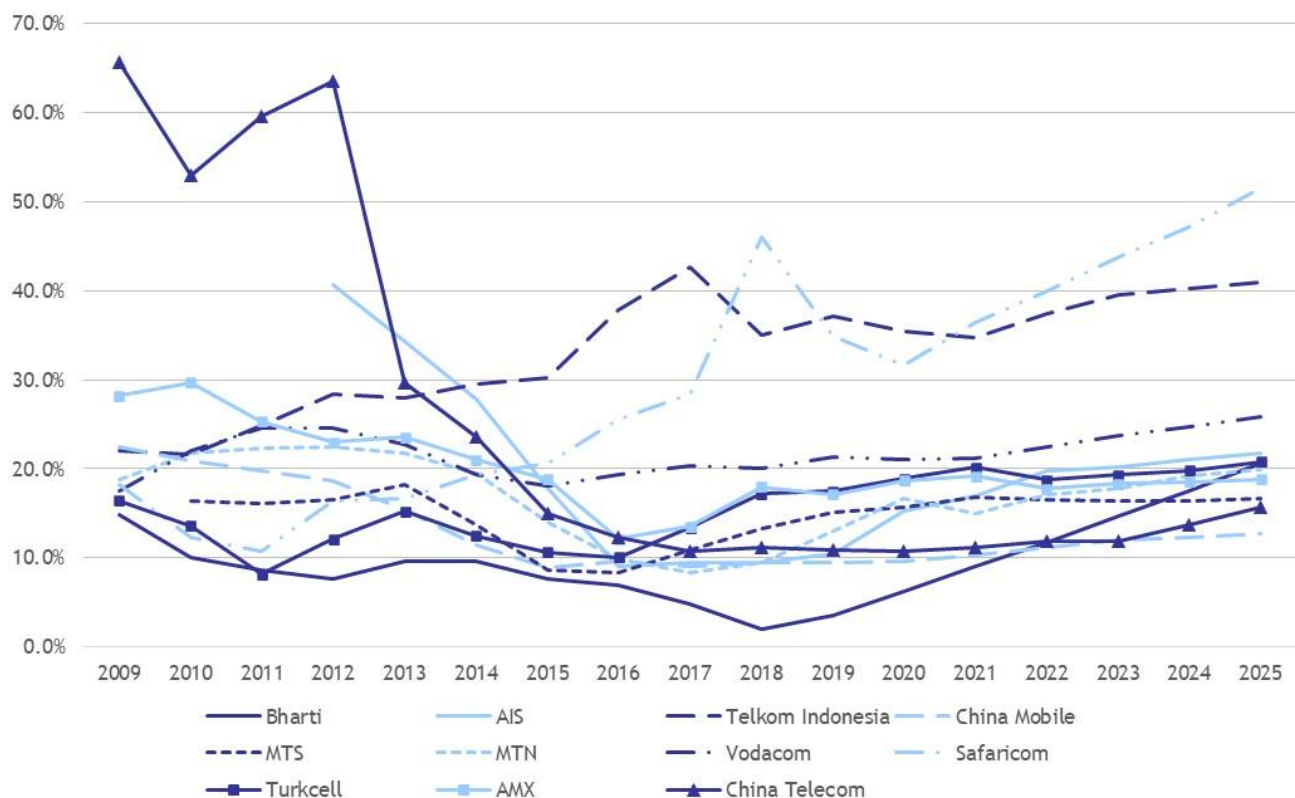
2020 vs 2016 Capex/sales



As a result, excess returns are positive, and rising

- As a result, excess returns (which we define as ROIC - WACC) are generally speaking positive for leading EM telcos apart from Bharti.
 - In Bharti's case, we expect the ROIC to rise above WACC by 2022. At that point all the leading EM mobile operators that we cover will be generating a positive excess return based on our forecasts, something that hasn't happened for as long as we have been tracking the space.
 - In general our forecasts see excess returns of 5-10%; healthy levels, but because of economies of scale probably not high enough to enable smaller operators to cover their cost of capital.

Excess Return (ROIC - WACC) by leading operator



Share prices have started to reflect this

- Long term share price performance of EM Telcos has been poor. Many PMs we speak to have little or no holdings in the space as a result. However, we think this reflects:
 - However, as this note describes we think the 10-12 year bear market has now ended. More recently, the market is starting to price in better growth and returns that this note describes. Given the depth & length of the bear market, we think this process has a long way to run.
 - The share prices of the core, liquid EM telcos (AMX, MTN, Bharti, Telekom Indonesia) are all up 20-120% ytd.

Share prices rebased to 100, ytd



Source: Bloomberg, Company data, New Street Research estimates

Section 2: Valuation

Despite rallying, EM telcos are cheap

- EM telcos in aggregate trade cheaply; Over time, we see scope for these multiples to increase 50-100% if growth/returns continue to improve.

					2021E	2022E	2023E	2024E	21E-24E	2021E	2022E	2023E	2024E	21E-24E
	Price	Target	Upside	Rating	EV/EBITDA					EV/OpFCF				
Telkom SA	ZAR 47.5	ZAR 56.0	17.8%	Buy	3.0	2.5	2.3	2.1	1.6%	7.6	5.7	5.2	4.6	7.3%
America Movil	US\$ 17.5	US\$ 18.5	5.9%	Neutral	6.0	5.7	5.0	4.6	2.2%	11.1	10.0	8.4	7.4	6.8%
Oi	BRL 1.61	BRL 1.80	11.8%	Neutral	5.7	6.0	6.1	6.3	8.1%	-9.2	-14.2	-489.7	32.8	-173.2%
Telecom Argentina	US\$ 212.8	US\$ UR	-	UR	5.7	4.7	3.8	3.0	14.8%	15.9	9.4	6.9	5.4	33.4%
Telefonica Brasil	BRL 44.82	BRL 58.00	29.4%	Buy	3.9	3.5	3.1	2.7	3.0%	7.0	6.2	5.5	4.8	3.9%
Televisa	US\$ 11.7	US\$ 12.0	2.9%	Neutral	7.0	6.5	6.1	5.6	6.2%	13.5	11.9	10.8	9.9	9.6%
Agg. LatAm Incumbent					5.8	5.4	4.8	4.4	3.4%	11.6	10.2	8.5	7.4	9.5%
China Telecom	HK\$ 2.81	HK\$ 7.40	163.3%	Buy	0.8	0.5	0.1	-0.2	7.0%	2.9	1.5	0.3	-0.5	17%
China Unicom	HK\$ 4.08	HK\$ 11.10	172.1%	Buy	0.1	0.0	-0.2	-0.3	3.2%	0.7	-0.2	-0.8	-1.3	-1%
Chungghwa Telecom	TWD 111.50	TWD 87.00	-22.0%	Reduce	10.9	9.9	9.2	8.5	2.4%	18.5	16.4	14.1	11.9	8.9%
KT Corp	KRW 13	KRW 17	24.9%	Buy	2.7	2.4	2.1	1.7	1.1%	7.5	6.8	5.9	4.9	1.3%
PT Telkom	IDR 3,870	IDR 7,450	92.5%	Buy	7.8	6.9	6.3	5.8	11.3%	12.5	10.9	9.8	9.0	13%
Agg. Emerging Asia Incumbent					2.3	1.9	1.6	1.3	6.0%	7.2	5.7	4.4	3.5	11.1%
Agg. Emerging Incumbent					3.5	3.1	2.7	2.3	5.1%	9.1	7.6	6.1	5.1	10.3%
Airtel Africa	US\$ 0.98	US\$ 1.10	12.2%	Buy	6.1	5.5	5.1	4.8	2.8%	10.2	9.1	8.3	7.5	5%
MobileTeleSystems	US\$ 9.45	US\$ 10.10	6.9%	Buy	5.0	4.8	4.5	4.3	0.3%	8.6	8.2	7.8	7.0	2%
MTN	ZAR 135.69	ZAR 130.00	-4.2%	Buy	5.4	4.8	4.4	3.9	6.4%	10.1	8.5	7.5	6.7	10%
Safaricom	KES 42.95	KES36.5	-15.0%	Neutral	11.2	9.8	8.4	7.3	8.5%	15.0	12.9	11.0	9.2	10%
Turkcell	US\$ 15.84	US\$ 16.90	6.7%	Buy	3.1	2.7	2.2	1.8	5.2%	5.3	4.5	3.8	2.9	7%
VEON	US\$ 2.3	US\$ 2.6	15.0%	Neutral	3.5	3.5	3.4	3.5	-2.8%	7.2	6.6	6.3	6.4	0.5%
Vodacom	ZAR 137.0	ZAR 140.0	2.2%	Neutral	5.5	4.9	4.5	5.6	2.3%	8.4	7.4	6.7	8.2	3.8%
Agg. EMEA Cellular					5.3	4.9	4.5	4.4	3.0%	9.2	8.2	7.4	7.0	5.5%
Entel	CLP 3,400	CLP 6,400	88.2%	Buy	4.5	4.1	3.6	3.1	6.9%	15.7	12.3	8.9	7.0	23%
Millicom	US\$ 36.5	US\$ 45.0	23.4%	Neutral	5.9	5.5	5.2	4.8	3.6%	9.7	8.9	8.2	7.5	5%
TIM Participacoes	BRL 11.77	BRL 22.00	86.9%	Buy	4.2	3.7	3.2	2.8	4.3%	7.8	6.8	5.9	5.1	5.4%
Agg. LatAm Cellular					5.1	4.7	4.3	3.9	4.3%	9.6	8.6	7.5	6.7	7.2%
AIS	THB 188.0	THB 285.0	51.6%	Buy	7.2	5.6	4.8	4.0	3.7%	10.4	8.0	6.8	5.7	4.6%
Axiata	MYR 4.00	MYR 5.70	42.5%	Buy	4.7	4.5	4.0	3.4	4.5%	11.6	10.7	8.8	6.9	11.8%
Bharti Airtel	INR 694	INR 1100	58.4%	Buy	10.6	9.8	8.8	7.5	13.1%	16.9	14.9	13.1	11.0	16.2%
China Mobile	HK\$ 49.0	HK\$ 105.0	114.5%	Buy	0.8	0.4	0.0	-0.5	5.6%	2.0	0.9	-0.1	-0.8	18.4%
DiGi.com	MYR 4.3	MYR 6.0	38.6%	Buy	12.4	11.5	10.7	9.7	3.1%	17.5	17.5	13.9	12.4	6.5%
Far EasTone	TWD 61.5	TWD 64.0	4.1%	Neutral	8.9	8.5	7.9	7.3	1.3%	14.3	13.1	11.2	10.2	6.2%
IDEA Cellular	INR 10.3	INR 3.0	-70.7%	Reduce	14.3	12.4	10.9	9.9	17.5%	21.1	18.3	15.9	14.5	17.8%
Indosat	IDR 7,175	IDR 8,250	15.0%	Buy	5.7	5.4	4.8	4.3	23.3%	15.0	14.0	11.6	10.3	27.1%
LG Uplus	KRW 14,850	KRW 18,380	23.8%	Buy	3.7	3.2	2.8	2.5	1.9%	11.5	6.3	5.3	4.9	18.2%
Maxis	MYR 4.78	MYR 5.60	17.2%	Buy	12.3	11.2	10.1	9.0	5.6%	18.3	16.1	14.5	13.0	7.0%
SK Telecom	KRW 312,000	KRW 390,000	25.0%	Buy	3.4	3.0	2.6	2.2	2.1%	8.7	6.6	5.4	4.8	8.0%
Taiwan Mobile	TWD 98.4	TWD 103.0	4.7%	Neutral	9.7	8.9	8.1	7.2	3.8%	17.5	13.9	11.8	9.8	14.1%
Total Access	THB 39.8	THB 50.0	25.8%	Buy	5.5	5.0	4.7	4.5	1.0%	11	11.0	10.7	10.1	-2%
True Corp	THB 4.1	THB 4.8	17.6%	Buy	12.0	10.9	10.2	9.4	5.6%	29.8	24.9	21.8	19.0	13.3%
XL Axiata	IDR 3,110	IDR 5,000	60.8%	Buy	4.9	4.5	4.1	3.7	5.6%	11.2	9.6	8.4	7.1	11.6%
Agg. Emerging Asia Cellular					3.6	3.2	2.7	2.2	6.1%	8.1	6.5	4.8	3.8	15.3%
Agg. Emerging Cellular					4.0	3.5	3.0	2.6	5.5%	8.4	6.9	5.4	4.5	12.9%
Megacable	MXN65.19	MXN74.00	13.5%	Neutral	5.4	4.8	4.2	3.5	7.1%	20.2	13.5	9.0	7.3	30.5%
LILAC	USD12.25	USD18.00	47.0%	Buy	6.1	5.8	5.4	5.1	3.1%	11.7	10.8	10.1	9.5	3.8%
Agg. Emerging LatAm Altnets & Cable					6.0	5.5	5.1	4.7	4.1%	12.8	11.3	9.9	9.0	8.3%

Valuation 2: P/E & EV/FCF

	Price	Target	Upside	Rating	EV/FCF					P/Adj E				
Telkom SA	ZAR 47.5	ZAR 56.0	17.8%	Buy	10.5	7.9	7.2	6.5	7.3%	6.0	6.0	6.3	6.5	-2.8%
America Movil	US\$ 17.5	US\$ 18.5	5.9%	Neutral	15.8	14.3	12.0	10.5	6.8%	14.5	13.4	11.6	10.1	4.8%
Oi	BRL 1.61	BRL 1.80	11.8%	Neutral	-13.9	-21.5	-742.0	49.6	-173.2%	-1.7	-2.0	-2.8	-3.8	-23.9%
Telecom Argentina	US\$ 212.8	US\$ UR	-	UR	22.1	13.0	9.6	7.5	33.4%	13.1	10.3	8.6	7.5	20.1%
Telefonica Brasil	BRL 44.82	BRL 58.00	29.4%	Buy	9.9	8.9	8.0	7.2	1.9%	13.8	13.0	12.2	11.6	5.9%
Televisa	US\$ 11.7	US\$ 12.0	2.9%	Neutral	18.7	16.6	15.0	13.7	9.6%	33.5	27.2	23.6	19.6	19.6%
Agg. LatAm Incumbent					16.4	14.5	12.1	10.6	9.1%	17.1	15.2	12.9	11.2	9.5%
China Telecom	HK\$ 2.81	HK\$ 7.40	163.3%	Buy	3.7	2.0	0.4	-0.6	16.8%	9.7	7.4	5.9	5.3	23%
China Unicom	HK\$ 4.08	HK\$ 11.10	172.1%	Buy	0.9	-0.3	-1.1	-1.8	-1.8%	7.1	5.6	4.9	4.2	19%
Chungghwa Telecom	TWD 111.50	TWD 87.00	-22.0%	Reduce	22.8	20.3	17.4	14.8	8.9%	29.2	26.3	25.2	24.0	6.7%
KT Corp	KRW 13	KRW 17	24.9%	Buy	10.5	9.6	8.4	6.9	1.3%	8.5	8.3	8.3	7.5	4.5%
PT Telkom	IDR 3,870	IDR 7,450	92.5%	Buy	16.8	14.7	13.2	12.2	12.9%	16.7	13.8	11.8	10.4	17%
Agg. Emerging Asia Incumbent					9.5	7.4	5.7	4.6	11.0%	13.6	10.8	9.2	8.1	18.7%
Agg. Emerging Incumbent					12.3	10.3	8.3	7.0	10.2%	14.5	12.0	10.2	8.9	15.2%
Airtel Africa	US\$ 0.98	US\$ 1.10	12.2%	Buy	17.0	15.1	13.8	12.5	4.9%	9.4	8.4	8.0	7.8	6%
MobileTeleSystems	US\$ 9.45	US\$ 10.10	6.9%	Buy	11.3	10.9	10.3	9.3	1.6%	11.4	11.2	11.3	11.4	0%
MTN	ZAR 135.69	ZAR 130.00	-4.2%	Buy	14.9	12.7	11.2	9.9	9.8%	17.9	14.1	11.8	10.1	21%
Safaricom	KES 42.95	KES36.5	-15.0%	Neutral	20.5	17.7	15.1	12.6	10.5%	22.2	19.8	17.7	16.0	12%
Turkcell	US\$ 15.84	US\$ 16.90	6.7%	Buy	6.8	5.8	4.8	3.7	6.7%	6.0	6.2	5.8	5.5	3%
VEON	US\$ 2.3	US\$ 2.6	15.0%	Neutral	12.0	11.1	10.5	10.7	0.5%	20.6	19.5	19.2	17.4	5.8%
Vodacom	ZAR 137.0	ZAR 140.0	2.2%	Neutral	11.6	10.3	9.3	11.3	3.8%	13.2	12.3	11.8	11.5	4.7%
Agg. EMEA Cellular					13.3	11.9	10.7	10.2	5.5%	14.0	12.7	11.8	11.0	8.3%
Entel	CLP 3,400	CLP 6,400	88.2%	Buy	21.6	16.8	12.2	9.6	23.3%	9.4	7.6	6.2	5.2	22%
Millicom	US\$ 36.5	US\$ 45.0	23.4%	Neutral	13.4	12.2	11.2	10.3	5.5%	43.9	13.0	7.9	6.2	92%
TIM Participacoes	BRL 11.77	BRL 22.00	86.9%	Buy	9.5	9.0	8.4	7.7	-1.9%	17.8	15.0	13.4	12.1	13.8%
Agg. LatAm Cellular					12.7	11.6	10.5	9.5	4.7%	19.8	12.8	9.7	8.2	34.1%
AIS	THB 188.0	THB 285.0	51.6%	Buy	12.2	9.3	7.9	6.6	4.6%	15.2	13.7	12.4	11.4	9.9%
Axiata	MYR 4.00	MYR 5.70	42.5%	Buy	17.9	16.5	13.5	10.7	11.8%	138.5	59.9	40.4	35.5	57.4%
Bharti Airtel	INR 694	INR 1100	58.4%	Buy	21.1	18.7	16.4	13.7	16.2%	96.1	40.8	26.5	18.6	73.0%
China Mobile	HK\$ 49.0	HK\$ 105.0	114.5%	Buy	2.6	1.2	-0.1	-1.1	18.4%	7.4	6.8	6.2	5.9	8.1%
DiGi.com	MYR 4.3	MYR 6.0	38.6%	Buy	23.9	20.7	19.0	17.0	6.5%	27.1	25.5	24.4	22.6	6.3%
Far EasTone	TWD 61.5	TWD 64.0	4.1%	Neutral	17.4	15.9	13.7	12.4	6.2%	15.5	15.9	15.7	14.9	1.2%
IDEA Cellular	INR 10.3	INR 3.0	-70.7%	Reduce	29.3	25.5	22.0	20.1	17.8%	-1.3	-2.0	-2.3	-2.6	-20.6%
Indosat	IDR 7,175	IDR 8,250	15.0%	Buy	21.4	20.0	16.6	14.7	27.1%	62.3	21.8	13.7	9.8	111.6%
LG Uplus	KRW 14,850	KRW 18,380	23.8%	Buy	15.1	8.7	7.4	6.7	16.3%	9.2	9.9	8.2	7.9	5.4%
Maxis	MYR 4.78	MYR 5.60	17.2%	Buy	24.5	21.4	19.4	17.3	7.0%	27.0	26.1	24.5	22.5	6.2%
SK Telecom	KRW 312,000	KRW 390,000	25.0%	Buy	12.0	9.1	7.5	6.6	8.0%	9.2	8.0	7.1	6.3	14.0%
Taiwan Mobile	TWD 98.4	TWD 103.0	4.7%	Neutral	21.4	17.0	14.4	12.0	14.1%	27.4	31.4	21.7	18.5	14.0%
Total Access	THB 39.8	THB 50.0	25.8%	Buy	13.3	13.8	13.3	12.7	-4.4%	34	31.3	26.7	22.4	15%
True Corp	THB 4.1	THB 4.8	17.6%	Buy	37.3	31.2	27.3	23.7	13.3%	-48.6	42.6	20.1	13.4	-253.5%
XL Axiata	IDR 3,110	IDR 5,000	60.8%	Buy	14.9	12.8	11.3	9.5	11.6%	-45.7	-61.9	-88.9	1198.0	-133.7%
Agg. Emerging Asia Cellular					10.6	8.5	6.3	5.0	15.2%	13.5	11.4	9.9	9.0	14.8%
Agg. Emerging Cellular					11.2	9.3	7.2	6.0	12.9%	13.7	11.6	10.2	9.3	14.1%
Megacable	MXN65.19	MXN74.00	13.5%	Neutral	28.1	18.8	12.6	10.2	30.5%	10.8	10.2	9.5	8.9	6.7%
LiLAC	USD12.25	USD18.00	47.0%	Buy	16.2	15.0	14.1	13.2	3.8%	378.4	21.4	15.2	11.2	223.0%
Agg. Emerging LatAm Altnets & Cable					17.8	15.7	13.7	12.5	8.3%	18.7	13.2	11.3	9.8	24.1%

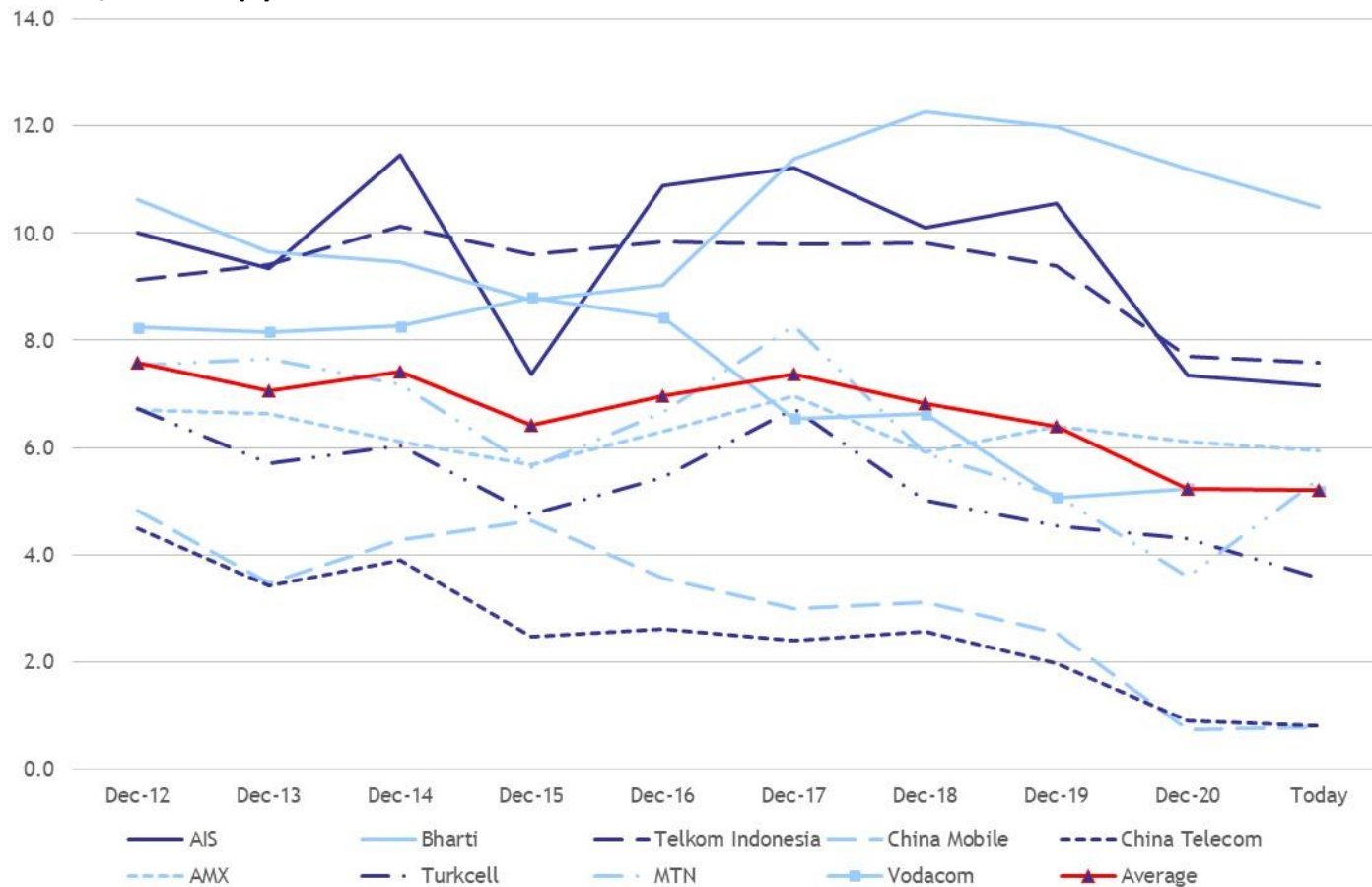
Valuation 3: Yield

	Price	Target	Upside	Rating															
Telkom SA	ZAR 47.5	ZAR 56.0	17.8%	Buy		7.1%	9.1%	9.2%	9.2%	9.2%		9.7%	12.5%	12.6%	12.6%	9.2%			
Turk Telekom	TRY 7.52	TRY 9.10	21.0%	Buy		13.2%	16.8%	18.8%	21.3%	17.2%		16.1%	18.8%	20.8%	23.3%	13.2%			
Agg. EMEA Incumbent						10.9%	14.0%	15.2%	16.8%	15.4%		13.7%	16.5%	17.7%	19.3%	12.1%			
America Movil	US\$ 17.5	US\$ 18.5	5.9%	Neutral		2.6%	3.1%	3.5%	3.9%	5.9%		5.4%	6.7%	8.3%	9.9%	15.1%			
Oi	BRL 1.61	BRL 1.80	11.8%	Neutral		0.0%	0.0%	0.0%	0.0%	nm		-90.0%	-83.4%	-51.5%	-32.5%	-28.8%			
Telecom Argentina	US\$ 212.8	US\$ UR	-	UR		2.8%	2.8%	2.8%	2.8%	0.0%		0.8%	4.8%	7.9%	10.4%	133.8%			
Telefonica Brasil	BRL 44.82	BRL 58.00	29.4%	Buy		6.5%	6.7%	6.8%	7.0%	2.5%		9.9%	10.5%	10.6%	11.1%	3.9%			
Televisa	US\$ 11.7	US\$ 12.0	2.9%	Neutral		0.7%	0.7%	0.7%	0.7%	0.0%		1.7%	3.2%	4.5%	5.5%	48.7%			
Agg. LatAm Incumbent						3.1%	3.5%	3.8%	4.1%	4.4%		4.4%	5.8%	7.6%	9.2%	22.2%			
China Telecom	HK\$ 2.81	HK\$ 7.40	163.3%	Buy		6.6%	8.5%	11.1%	13.3%	26.1%		13.0%	15.4%	19.1%	21.2%	18%			
China Unicom	HK\$ 4.08	HK\$ 11.10	172.1%	Buy		6.7%	9.5%	11.7%	14.8%	30.0%		26.2%	28.2%	27.7%	26.8%	1%			
Chunghwa Telecom	TWD 111.50	TWD 87.00	-22.0%	Reduce		3.5%	3.9%	4.1%	4.3%	6.6%		4.1%	4.3%	4.9%	5.4%	9.8%			
KT Corp	KRW 13	KRW 17	24.9%	Buy		4.4%	4.7%	4.9%	5.1%	5.0%		8.2%	10.7%	10.9%	10.9%	10.1%			
PT Telkom	IDR 3,870	IDR 7,450	92.5%	Buy		4.7%	5.8%	6.8%	7.7%	17.7%		6.2%	15.4%	8.2%	9.2%	14%			
Agg. Emerging Asia Incumbent						5.0%	6.3%	7.6%	9.0%	21.8%		10.7%	14.1%	13.5%	14.5%	10.6%			
Agg. Emerging Incumbent						4.3%	5.3%	6.3%	7.3%	16.8%		7.9%	10.5%	11.1%	12.4%	13.8%			
Airtel Africa	US\$ 0.98	US\$ 1.10	12.2%	Buy		-2.6%	-3.1%	-3.4%	-3.7%	12.3%		6.6%	8.5%	8.0%	8.5%	8%			
MobileTeleSystems	US\$ 9.45	US\$ 10.10	6.9%	Buy		8.4%	8.6%	8.8%	8.9%	2.1%		7.1%	6.9%	7.0%	7.9%	4%			
MTN	ZAR 135.69	ZAR 130.00	-4.2%	Buy		1.9%	2.2%	2.4%	2.7%	11.8%		5.0%	6.5%	7.7%	8.9%	21%			
Safaricom	KES 42.95	KES36.5	-15.0%	Neutral		4.1%	4.5%	5.1%	5.6%	11.6%		4.5%	4.9%	5.5%	6.2%	11%			
Turkcell	US\$ 15.84	US\$ 16.90	6.7%	Buy		11.4%	10.8%	11.5%	12.2%	2.4%		15.2%	16.5%	17.4%	19.3%	8%			
VEON	US\$ 2.3	US\$ 2.6	15.0%	Neutral		9.7%	11.4%	11.9%	12.5%	9.1%		5.7%	7.4%	7.6%	4.7%	-6.4%			
Vodacom	ZAR 137.0	ZAR 140.0	2.2%	Neutral		6.4%	7.1%	7.4%	7.7%	6.2%		5.9%	6.2%	6.4%	6.8%	4.6%			
Agg. EMEA Cellular						4.9%	5.3%	5.6%	5.9%	6.5%		6.5%	7.4%	7.9%	8.5%	9.3%			
Entel	CLP 3,400	CLP 6,400	88.2%	Buy		1.9%	2.2%	2.5%	2.8%	13.3%		2.7%	5.6%	10.3%	13.3%	78%			
Millicom	US\$ 36.5	US\$ 45.0	23.4%	Neutral		0.0%	0.0%	0.0%	0.0%	nm		7.4%	8.9%	9.9%	11.7%	17%			
TIM Participacoes	BRL 11.77	BRL 22.00	86.9%	Buy		3.4%	3.7%	3.9%	4.1%	6.6%		8.5%	8.7%	8.8%	8.7%	0.8%			
Agg. LatAm Cellular						2.0%	2.3%	2.4%	2.5%	7.4%		7.4%	8.4%	9.4%	10.3%	12.3%			
AIS	THB 188.0	THB 285.0	51.6%	Buy		3.9%	4.5%	5.0%	5.5%	11.4%		9.6%	10.4%	10.8%	11.3%	5.6%			
Axiata	MYR 4.00	MYR 5.70	42.5%	Buy		2.4%	5.5%	8.1%	9.3%	57.4%		8.2%	9.3%	11.2%	13.9%	19.1%			
Bharti Airtel	INR 694	INR 1100	58.4%	Buy		0.7%	1.4%	1.9%	1.9%	37.5%		3.5%	4.9%	6.0%	7.3%	27.5%			
China Mobile	HK\$ 49.0	HK\$ 105.0	114.5%	Buy		7.5%	8.6%	9.7%	11.0%	13.5%		3.4%	5.5%	10.7%	12.5%	54.0%			
DiGi.com	MYR 4.3	MYR 6.0	38.6%	Buy		3.7%	3.9%	4.1%	4.4%	6.3%		4.3%	4.9%	5.1%	5.5%	8.6%			
Far EasTone	TWD 61.5	TWD 64.0	4.1%	Neutral		5.2%	5.3%	5.4%	5.6%	2.5%		6.6%	7.0%	8.0%	8.3%	8.1%			
IDEA Cellular	INR 10.3	INR 3.0	-70.7%	Reduce		0.0%	0.0%	0.0%	0.0%	nm		-8.2%	-16.7%	-14.9%	-13.7%	18.5%			
Indosat	IDR 7,175	IDR 8,250	15.0%	Buy		0.0%	0.0%	0.0%	4.1%	nm		1.2%	2.7%	3.5%	4.6%	77.6%			
LG Uplus	KRW 14,850	KRW 18,380	23.8%	Buy		3.0%	3.0%	3.6%	3.8%	7.9%		2.6%	12.0%	13.8%	13.5%	73.5%			
Maxis	MYR 4.78	MYR 5.60	17.2%	Buy		3.8%	4.2%	4.2%	4.2%	3.6%		4.3%	4.8%	5.1%	5.5%	8.9%			
SK Telecom	KRW 312,000	KRW 390,000	25.0%	Buy		3.2%	3.4%	3.5%	3.7%	5.1%		4.8%	6.9%	7.6%	8.4%	21.0%			
Taiwan Mobile	TWD 98.4	TWD 103.0	4.7%	Neutral		5.5%	5.5%	5.5%	5.5%	0.0%		5.4%	6.9%	7.5%	8.4%	15.8%			
Total Access	THB 39.8	THB 50.0	25.8%	Buy		1.8%	1.9%	2.3%	2.7%	14.7%		6.0%	5.4%	5.5%	5.7%	-2%			
True Corp	THB 4.1	THB 4.8	17.6%	Buy		0.0%	0.0%	0.0%	2.5%	nm		7.5%	9.8%	12.5%	15.3%	26.8%			
XL Axiata	IDR 3,110	IDR 5,000	60.8%	Buy		0.0%	0.0%	0.0%	0.7%	nm		8.7%	11.0%	13.0%	15.8%	22.0%			
Agg. Emerging Asia Cellular						4.8%	5.5%	6.3%	7.0%	13.5%		4.3%	5.9%	8.7%	10.1%	32.8%			
Agg. Emerging Cellular						4.7%	5.4%	6.0%	6.7%	12.1%		4.8%	6.2%	8.6%	9.8%	27.1%			
Megacable	MXN65.19	MXN74.00	13.5%	Neutral		4.0%	4.4%	4.8%	5.3%	10.0%		2.7%	4.8%	7.7%	8.4%	45.5%			
LILAC	USD12.25	USD18.00	47.0%	Buy		0.0%	0.0%	0.0%	0.0%	nm		8.3%	11.1%	11.9%	13.1%	16.5%			
Agg. Emerging LatAm Altnets & Cable						2.3%	2.5%	2.7%	3.0%	10.0%		9.1%	13.3%	16.8%	18.5%	26.6%			

Valuation 4: Gradual de-rating over time

- Over 10 years, the LTM EV/EBITDA multiple for core liquid EM telcos has de-rated from 7.6x to 5.2x. A re-rating to historic levels would imply a 50% move in EV/EBITDA which, for companies with 1-2x net debt/EBITDA implies a 70-100% increase in equity value.

LTM EV/EBITDA (x)



Section 3: Relevant research links

Relevant research links

- [EM Towers: Which are the best EM Towercos in the world?](#)
- [Indus Towers - Nearly pricing in VIL recovery; cut to Reduce](#)
- [IHS Towers IPO: Our view on the key debates so far; lease rates, Nigeria, multiple vs Helios](#)
- [IHS Towers IPO: Questions for management, valuation and outlook](#)
- [Indonesian Telcos - Heading towards the final mobile deal?](#)
- [Thai Telcos: Duopoly would be a game changer + Enterprise upside; AIS pt to THB 285](#)
- [Indonesian Telcos: Enterprise drives upgrades, Telekom Indonesia new GEM Telco top pick](#)
- [Malaysian Telcos - After 10 years we turn bullish as Enterprise drives inflection in growth](#)
- [Chinese Telcos - Enterprise revenues to double in 6 years](#)
- [Indian Telcos - Bharti's Enterprise revenues to match current consumer business by 2030?](#)
- [EM Telcos - Modelling the Enterprise S Curve](#)
- [Indonesian Mobile - Improving environment and Enterprise opportunity; Q2 21 review](#)
- [Thai Mobile - Decent quarter but Covid not over, potential for consolidation; Q2 21 review](#)
- [Asian Tower Trends: Good quarter overall, stay Bullish on Indonesian towers; CY 2Q21 review](#)
- [Malaysian Mobile - Continued improvements and Enterprise opportunity; Q2 21 review](#)
- [Chinese telecoms - Strong quarter, driven by Enterprise, stay Buyers; Q2 21 review](#)
- [Indian Mobile: Busy times for the sector, stay bullish on Bharti and cautious on VIL; Q1FY22 review](#)
- [Malaysian Mobile - Continued improvements and Enterprise opportunity; Q2 21 review](#)
- [Indian mobile: VIL - Likely maximum capital raise would delay/not avoid the inevitable](#)
- [Indian Mobile: Relief package announced, probably not enough to save VIL](#)
- [EM Telcos: Are leading EM Telcos "bad businesses"?](#)
- [Indian Mobile: Bharti/Google deal could imply INR 800 - 1,000/share for Bharti](#)
- [Indian Mobile - Bharti capital raise suggests all-in for 5G](#)
- [Indian Mobile: What's Bharti worth if VI files for bankruptcy](#)
- [Chinese Telcos: Improving growth outlook; Upgrade all 3 telcos to Buy](#)
- [Chinese Telcos: Double digit revenue growth in Q2](#)
- [Chinese Telcos: How big could buybacks be?](#)
- [After 10 years, it is finally time to OWN the Chinese Telcos. Large price target upgrades on all 3](#)
- [China Mobile \(Buy\) - Feedback from small group call with IR](#)
- [Chinese Telcos: US investment banned by Executive Order](#)
- [Chinese Telcos: Major news; CBN raises \\$14.5bn to build 4th 5G network](#)

Disclosures

12 month historical recommendation changes are available on request

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