

Overweight

Current Price	S\$0.265
Fair Value	S\$0.305
Up / (downside)	15.1%

Stock Statistics

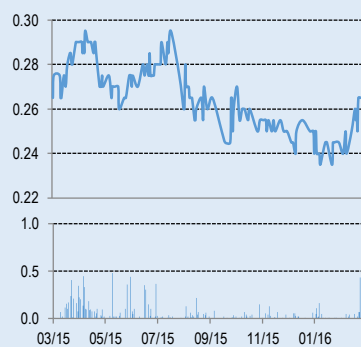
Market cap	S\$120.4m
52-low	S\$0.23
52-high	S\$0.30
Avg daily vol	44,163
No of share	454.4m
Free float	29.5%

Key Indicators

ROE 16F	16.6%
ROA 16F	6.4%
P/BK	1.62x
Net gearing	Net cash

Major Shareholders

Temasek Holdings	50.99%
Lim Shi	19.71%

Historical Chart

Source: Bloomberg

NRA Research

(+65) 6236-6886
research@nracapital.com
www.nracapital.com

Exceeds Expectations with Record Quarter

- **Strongest 4Q results since FY05.** TeleChoice International Ltd's 4Q15 results exceeded our expectations with strong performance across all business segments. Net profit attributable to shareholders grew by 58.3% yoy, on revenue growth of 23.5%. Going forward, we expect TeleChoice to benefit from strong public sector demand with the government raising ICT tenders from S\$1.95bn in 2014 to S\$2.2bn in 2015. The allocation of new mobile telecommunication spectrum among the existing incumbents and a prospective new operator is also expected to generate demand for TeleChoice's network engineering services.
- **PCS segment also did well.** ICT was the strongest performer with revenue growth of 72.7% yoy from S\$24.1m in 4Q14 to S\$41.6m in 4Q15, boosted by both government and enterprise sector projects. The PCS segment's revenue grew at a slower pace of 9% yoy in 4Q15 as higher sales with the appointment as the new master distributor for prepaid cards offset lower channel sales. Earlier in February, TeleChoice has also opened a new 1,500 sq. ft. Starhub shop at Waterway Point to cater to Punggol's 110,000 resident population.
- **Samsung remained the leader in smartphone market.** More importantly, there is potential for the PCS segment to perform better in 1H16. Samsung has led the global smartphone shipments with a market share of 20% to 30% since 2012 and it finished 2015 with shipments of 324.8m smartphones, with Apple trailing at 231.5m smartphones. The Samsung flagship S7 model is expected to be launched within this month, along with the Gear VR. Shipments are expected to surpass the predecessor Galaxy S6 which sold roughly 15.8m units in its first three months of release.
- **Overall outlook promising.** Over the next one to two years, we can expect steady demand for TeleChoice's services given the Singapore government's Smart Nation Initiative and the addition of new spectrum among existing telco operators. The new spectrum will commence in April 2017 and the fourth telco, once confirmed, will have to achieve nationwide outdoor service coverage by October 2018. The tight timeline actually bodes well for service providers such as TeleChoice. However, telco affiliations may limit the scope of service providers in bidding for contracts from any new operator.
- **Upgrade to Overweight with revised valuation of 30.5 cents.** In this update, we revised our valuation to 30.5 cents based on 13.3x (peer average) FY15 earnings. While the upside implied by our valuation is only 15%, we are of the view that the above-expectation performance and positive outlook deserve credit. As such, we raise our rating of TeleChoice to Overweight. Nonetheless, we also highlight that TeleChoice's performance exhibits some seasonality and that its 1H16 results will generally not be comparable to that of 2H15.

Key Financial Data					
(S\$ m, FYE Dec)	2014	2015	2016F	2017F	2018F
Sales	516.8	580.7	611.4	643.8	678.0
Gross Profit	42.5	43.1	47.7	50.2	54.2
Net Profit	9.4	10.3	12.9	13.6	16.0
EPS (cents)	2.1	2.3	2.8	3.0	3.5
EPS growth (%)	(3.1)	9.5	26.0	5.4	17.7
PER (x)	12.9	11.7	9.3	8.8	7.5
NTA/share (cents)	12.8	13.5	14.5	15.8	17.0
DPS (cents)	1.6	1.6	1.8	1.8	2.1
Div Yield (%)	6.0	6.0	6.8	6.8	8.0

Source: Company, NRA Capital forecasts

TeleChoice International Ltd

Results Comparison

FYE Dec (\$\$ m)	4Q15	4Q14	yoy % chg	3Q15	qoq % chg	Prev. 4Q15F	Comments
Revenue	162.3	131.4	23	145.2	12	155.3	In line
Operating costs	(155.4)	(126.5)	23	(142.2)	9	(150.8)	In line
EBITDA	6.9	4.9	40	2.9	135	4.5	Above, above expectation due to higher GPM
EBITDA margin (%)	4.2	3.7	13	2.0	110	2.9	1.3% pts above expectation due to higher GPM from ICT and PCS
Depn & amort.	(0.7)	(0.9)	-23	(0.7)	-10	(0.7)	In line
EBIT	6.2	4.0	53	2.2	185	3.9	
Interest expense	(0.3)	(0.3)	-3	(0.2)	56	(0.2)	
Interest & invt inc	0.4	0.2	148	0.2	158	0.3	
Associates' contrib	0.0	0.0	0	0.0	0	0.0	
Exceptionals	(0.2)	0.0	<i>nm</i>	0.0	<i>nm</i>	0.0	Arising from Tranche 2 payable for acquisition of NxGen
Pretax profit	6.1	3.9	56	2.1	185	4.0	Above due to higher revenue and better GPM
Tax	(0.3)	(0.2)	83	(0.7)	-51	(0.5)	Lower due to less contribution from higher tax overseas entities
Tax rate (%)	5.4	4.6	17	31.6	-83	12.0	
Minority interests	0.0	(0.1)	162	0.1	-55	0.0	
Net profit	5.8	3.7	58	1.5	278	3.5	Above due to higher revenue and better GPM
EPS (cts)	1.3	0.8	58	0.3	278	0.8	

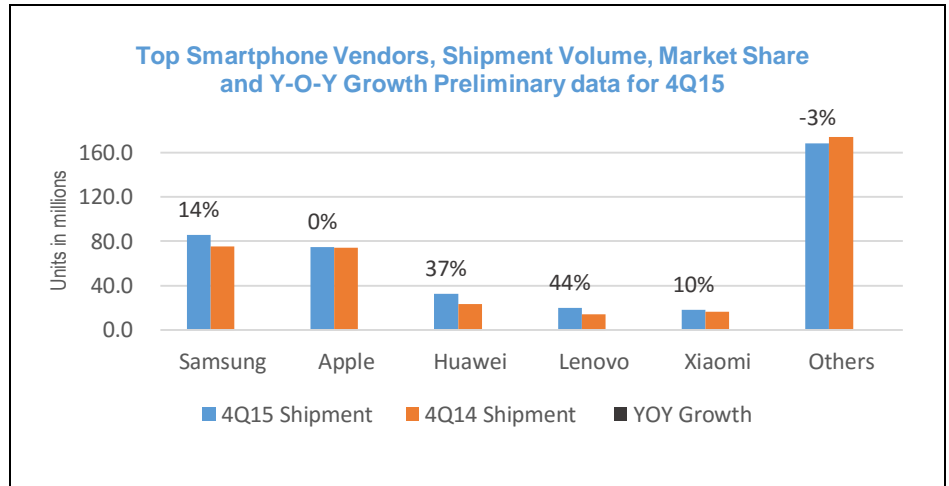
Source: NRA Capital estimates

Industry Comparison

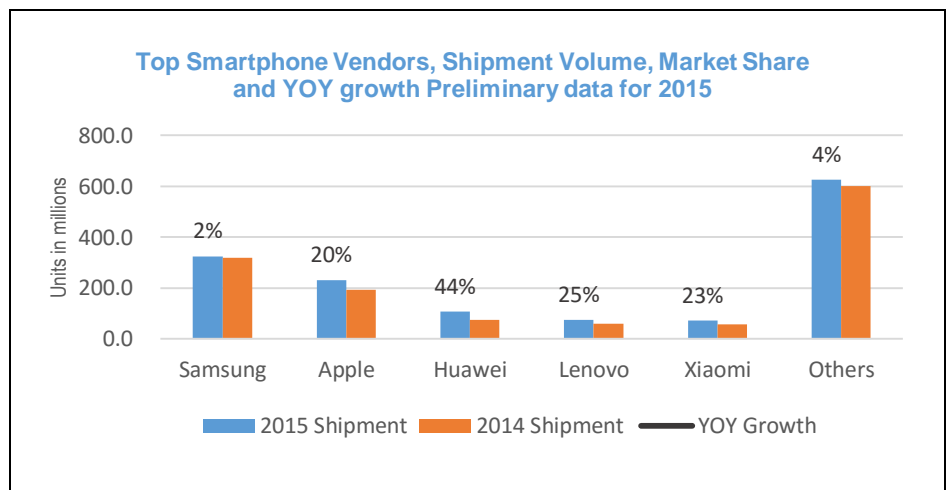
Name	MktCap	Revenue	PER	PBR	EPS Growth	ROE	Net Gearing
	(Local)	(\$\$ m)	(x)	(x)	(%)	(%)	(%)
TeleChoice International Ltd	120.40	580.65	11.70	1.62	16.0	13.8	-33.9
CSE Global Ltd	237.39	412.0	6.9	1.0	-3.1	17.0	-10.6
Nera Telecommunications Ltd	200.85	181.5	15.1	3.9	-18.0	25.3	-33.1
OCC Group Bhd	184.92	112.5	15.1	2.3	39.8	12.1	-5.2
Lantrovision Singapore Ltd	165.08	155.9	22.5	34.67	-42.1	11.0	-72.5
Declout Ltd	112.81	279.5	15.1	1.31	9.4	7.7	39.2
Global Invacom Group Ltd	31.63	177.5	N/A	0.42	N/A	-2.8	-34.2
Captii Ltd	15.98	19.3	5.2	0.51	18.2	9.3	-33.1
CMC Infocomm Ltd	8.06	15.9	N/A	N/A	N/A	-6.9	-15.1
Average	119.59	169.2	13.3	6.3	0.7	9.1	-20.6

Source: Bloomberg

TeleChoice International Ltd



Source: NRA Capital, IDC Worldwide Quarterly Mobile Phone Tracker, January 27, 2016



Source: NRA Capital, IDC Worldwide Quarterly Mobile Phone Tracker, January 27, 2016

TeleChoice International Ltd

Profit & Loss (S\$ m, FYE Dec)	2014	2015	2016F	2017F	2018F
Revenue	516.8	580.7	611.4	643.8	678.0
Operating expenses	(501.8)	(565.1)	(593.7)	(625.3)	(656.6)
EBITDA	15.0	15.5	17.7	18.5	21.4
Depreciation & amortisation	(3.4)	(2.9)	(2.6)	(2.6)	(2.6)
EBIT	11.6	12.6	15.1	15.9	18.8
Net interest & invt income	(0.2)	0.2	0.4	0.4	0.4
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Exceptional items	0.0	(0.6)	0.0	0.0	0.0
Pretax profit	11.4	12.2	15.5	16.3	19.3
Tax	(2.2)	(2.1)	(2.8)	(2.9)	(3.5)
Minority interests	0.2	0.2	0.2	0.2	0.2
Net profit	9.4	10.3	12.9	13.6	16.0
Shares at year-end (m)	454.4	454.4	454.4	454.4	454.4
Balance Sheet (S\$ m, as at Dec)	2014	2015	2016F	2017F	2018F
Fixed assets	3.3	3.7	4.2	4.6	5.1
Intangible assets	14.0	13.0	12.3	11.7	11.1
Other long-term assets	7.0	7.7	8.2	8.6	9.2
Total non-current assets	24.3	24.4	24.7	25.0	25.4
Cash and equivalents	38.0	44.6	45.3	49.1	52.5
Stocks	32.7	51.3	53.8	56.7	59.6
Trade debtors	91.7	73.6	77.5	81.6	85.9
Other current assets	0.0	0.0	0.0	0.0	0.0
Total current assets	162.4	169.5	176.7	187.4	198.0
Trade creditors	85.6	89.3	95.8	100.9	106.0
Short-term borrowings	20.0	14.5	9.2	9.7	10.2
Other current liabilities	5.8	5.8	7.6	7.8	8.3
Total current liabilities	111.4	109.6	112.6	118.3	124.5
Long-term borrowings	0.0	5.0	6.1	6.4	6.8
Other long-term liabilities	3.1	5.1	4.9	4.6	4.4
Total long-term liabilities	3.1	10.1	11.0	11.1	11.2
Shareholders' funds	72.1	74.2	78.0	83.4	88.4
Minority interests	0.2	0.0	(0.2)	(0.5)	(0.7)
NTA/share (S\$)	0.13	0.13	0.14	0.16	0.17
Total Assets	186.7	193.9	201.3	212.4	223.4
Total Liabilities + S'holders' funds	186.7	193.9	201.3	212.4	223.4
Cash Flow (S\$ m, FYE Dec)	2014	2015	2016F	2017F	2018F
Pretax profit	11.4	12.2	15.5	16.3	19.3
Depreciation & non-cash adjustments	1.9	10.2	1.8	3.7	0.9
Working capital changes	(10.0)	3.7	0.4	(1.6)	(1.8)
Cash tax paid	(1.9)	(1.3)	(1.0)	(2.8)	(2.9)
Cash flow from operations	1.4	24.7	16.7	15.7	15.5
Capex	(3.0)	(2.3)	(3.1)	(3.1)	(3.1)
Net investments & sale of FA	0.0	(5.9)	0.0	0.0	0.0
Others	(1.3)	(0.3)	(0.5)	(0.6)	(0.6)
Cash flow from investing	(4.3)	(8.4)	(3.6)	(3.7)	(3.7)
Debt raised/(repaid)	0.1	(0.5)	(4.2)	0.8	0.9
Equity raised/(repaid)	(0.2)	0.0	0.0	0.0	0.0
Dividends paid	(7.3)	(7.3)	(7.3)	(8.2)	(8.2)
Cash interest & others	(0.6)	(1.9)	(0.9)	(0.9)	(1.0)
Cash flow from financing	(8.0)	(9.7)	(12.3)	(8.3)	(8.3)
Change in cash	(10.9)	6.6	0.8	3.7	3.4
Change in net cash/(debt)	(11.0)	7.1	4.9	2.9	2.6
Ending net cash/(debt)	18.0	25.1	30.1	33.0	35.6
KEY RATIOS (FYE Dec)	2014	2015	2016F	2017F	2018F
Revenue growth (%)	(7.1)	12.4	5.3	5.3	5.3
EBITDA growth (%)	2.2	3.7	13.9	4.7	15.8
Pretax margins (%)	2.2	2.1	2.5	2.5	2.8
Net profit margins (%)	1.8	1.8	2.1	2.1	2.4
Effective tax rates (%)	19.3	17.6	18.0	18.0	18.0
Net dividend payout (%)	77.6	70.9	63.3	60.0	60.0
ROE (%)	13.0	13.8	16.6	16.3	18.1
Free cash flow yield (%)	(1.4)	18.6	11.3	10.5	10.3

Source: Company, NRA Capital forecasts

TeleChoice International Ltd

NRA Capital Pte. Ltd ("NRA Capital") has received compensation for this valuation report. This publication is confidential and general in nature. It was prepared from data which NRA Capital believes to be reliable, and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. No representation, express or implied, is made with respect to the accuracy, completeness or reliability of the information or opinions in this publication. Accordingly, neither we nor any of our affiliates nor persons related to us accept any liability whatsoever for any direct, indirect, special or consequential damages or economic loss that may arise from the use of information or opinions in this publication. Opinions expressed are subject to change without notice.

NRA Capital and its related companies, their associates, directors, connected parties and/or employees may own or have positions in any securities mentioned herein or any securities related thereto and may from time to time add or dispose of or may be materially interested in any such securities. NRA Capital and its related companies may from time to time perform advisory, investment or other services for, or solicit such advisory, investment or other services from any entity mentioned in this report. The research professionals who were involved in the preparing of this material may participate in the solicitation of such business. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. You acknowledge that the price of securities traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") are subject to investment risks, can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities traded on the SGX-ST. You are aware of the risk of exchange rate fluctuations which can cause a loss of the principal invested. You also acknowledge that these are risks that you are prepared to accept.

You understand that you should make the decision to invest only after due and careful consideration. You agree that you will not make any orders in reliance on any representation/advice, view, opinion or other statement made by NRA Capital, and you will not hold NRA Capital either directly or indirectly liable for any loss suffered by you in the event you do so rely on them.

You understand that you should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities on the SGX-ST.