

# Myanmar game not lost for SingTel, Yoma

**T**HE failure of Singapore Telecommunications (SingTel) and Yoma Strategic Holdings to win highly coveted mobile licences in Myanmar may not be a complete loss for the Singapore-listed companies.

Although an enticing opportunity may have slipped through their fingers, the two companies have also been spared the costs and risks of first movers, who will have to spend heavily to build a market from the ground up. And the doors to the Myanmar mobile market are unlikely to be completely shut now that they have just been opened.

Late last month, Myanmar authorities announced they would award two mobile licences to Norway's Telenor and Qatar's Ooredoo, with the France-Japan alliance of Orange and Marubeni in a reserve position in case negotiations with the two winners fall through.

The Singapore players were noticeably shut out, which was a disappointment for many investors who had expected SingTel's or Yoma's consortiums to clinch at least one of the licences.

Missing out on the licences clearly represents the loss of a golden opportunity. With a population of about 50 million people and woefully thin mobile penetration rates, Myanmar is a land of incredible upside for telcos. There just are not that many pristine markets of such size, and situated in a relatively stable and fast-growing neighbourhood, opening up anytime soon in any other part of the world.

But existing shareholders of SingTel and Yoma can now take comfort in the fact that their companies will now be free from what could be steep set-up costs.

SingTel's consortium had been estimated by analysts to possibly be looking at spending US\$1-2 billion for the first few years. Digicel, one of Yoma's consortium partners, had announced plans to invest US\$6.6 billion directly in Myanmar for its network. Ooredoo is believed to be budgeting about US\$15 billion.

And all that for a market that DBS Vickers has estimated will be worth only US\$2 billion a year in the next few years.

There also remains highly variable policy



**Mobile market opening up:** Myanmar could still offer licences in the future, and SingTel or Yoma could take another shot – and benefit from the groundwork laid by others. FILE PHOTO

risk for Telenor and Ooredoo. Compliance costs and taxes are major unknowns that could eat into the bottom line for the first movers.

So maybe it's not that great to be the first movers, but at least they have the market all to themselves, right?

Well, maybe not. Yoma, especially, could still have a foot in the door.

Digicel, which has already been operating in Myanmar for a while, could still be a potential business partner for Yoma. And because Yoma is not a telco in its own right, it could potentially still bid for outsourced work from the licence winners.

Now that Myanmar's mobile market has been opened, it is also unlikely that it will be shut again. Myanmar could still offer licences in the future, and SingTel or Yoma could take another shot. And if they do win in future attempts, they will presumably be able to benefit from some of the groundwork laid by the first wave.

The miss on the licences has affected Yoma more than it has SingTel – which is understandable given that SingTel, Singapore's largest stock by market capitalisation, is many times bigger than Yoma. Any foregone upside from a licence would have affected the telco's valuations much less than it would have the smaller Yoma, a Myanmar property developer.

The day after the licence results were announced, Yoma shed 5.2 per cent, or 5 cents per share, to close at 91 cents. SingTel shares actually rose 5 cents, or 1.3 per cent, to close at \$3.77.

Yoma's share price reaction should be seen as mostly sentiment-driven. Because details of Yoma's involvement were lacking, there was little concrete basis for the correction (or the previous rally in anticipation of a licence win).

Digicel has said it is still looking at its options. Yoma has kept mum on its plans for the telco sector. Investors might want to keep an eye on this space, because it could yet be harbouring another catalyst.

**HOCK LOCK SIEW**

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