



# **FY20 Financial Results Presentation**

**For the financial year ended 31 March 2020**

**Chua Sock Koong, Group CEO**

**28 May 2020**





## Forward looking statement – important note

The following presentation contains forward-looking statements by the management of Singapore Telecommunications Limited ("Singtel"), relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward-looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of Singtel.

"S\$" means Singapore dollars, "A\$" means Australian dollars and "US\$" means United States dollars. Any discrepancies between individual amounts and totals are due to rounding.



# Agenda

Overview • Business units • Focus FY21 • Supplementary information

# Change to half yearly reporting

- Following amendments to Rule 705 of the Singapore Exchange Securities Trading Limited Listing Rules, Singtel will be adopting half-yearly announcement of its financial results with effect from the financial year starting 1 April 2020 (FY2021)
- To help investors assess the Group's performance between the half-yearly results, Singtel will be providing quarterly business updates for its key businesses
- Singtel will also continue to keep shareholders informed of material developments relating to the Singtel group

# Our response to COVID-19

## Our priorities



### Staff safety & well-being

- Protect our staff with enhanced work arrangements



### Network resilience

- Expand network capacity
- Support critical services & dormitories<sup>1</sup>



### Limit disruption

- Deploy mobile technology
- Push digital channels



### Enterprise & SME digitalisation

- Equip businesses with digital tools



### COVID-19 relief

- Free mobile data & TV content
- Donation in cash & in-kind
- Training & job opportunities

- **Critical infrastructure**
- **Connect the nation**
- **Enable digital solutions**

**For businesses:** Empowering trade, virtual health consultations, e-commerce & remote working

**For education:** Home-based learning & online tuition

**For entertainment:** OTT video, games, concerts & fitness

1. Foreign worker dormitories in Singapore.

# Our response to COVID-19

## Impact of COVID-19

- Severe reduction in roaming
- Lower prepaid volumes
- Lower equipment sales & supply chain disruption
- Reduced enterprise spend
- Slower payments from customers
- Decline in advertising spend
- Likely global slowdown

## Accelerated digitalisation



Digital channels & services (eg, remittance, payments, service apps)



Cyber security



E-commerce



Cloud



Remote working

Scaleable, reliable & highly secure solutions & technology for enterprise customers



Artificial intelligence



Data analytics



Digital services



Agile workforce

Re-skilling staff for the digital age

# FY20: Year in review



Continued investment in network despite industry structural challenges

Strong commitment to 5G

NCS delivered strong growth

Optus recognised as strongest brand in Australia<sup>2</sup>

Achieved cost transformation & digitalisation targets

Stronger HFC-to-NBN migrations drove higher NBN migration revenue but low fixed margins

Strong data growth across Associates & turnaround starting in India

**S\$1.0b**  
in mobile capex in FY20<sup>1</sup>



**S\$3.2b**  
NCS order book



**S\$444m**  
cost savings for FY20

**A\$607m**  
NBN migration  
revenue in FY20



1. Mobile capex in Singapore & Australia.  
2. Brand Finance Australia 100 2020 Report.



# FY20: Financial overview<sup>1</sup>

	S\$m		
Operating Revenue	16,542	▼5% (▼2% <sup>2</sup> )	<ul style="list-style-type: none"> <li>Declines in mobile service &amp; equipment sales</li> <li>Weaker Australian dollar</li> </ul>
EBITDA	4,541	▼3% (Stable <sup>2</sup> )	<ul style="list-style-type: none"> <li>Weaker performance in Australia, mitigated by higher NBN migration revenue</li> <li>Low margins on equipment sales &amp; NBN resale in Australia</li> </ul>
EBIT (excluding associates)	1,961	▼21% (▼19% <sup>2</sup> )	
Regional Associates' PBT <sup>3</sup>	1,642	▲15% (▲10% <sup>2</sup> )	<ul style="list-style-type: none"> <li>Lower pre-tax losses from Airtel</li> <li>Higher D&amp;A from network &amp; spectrum investments</li> </ul>
Underlying NPAT	2,457	▼13% (▼14% <sup>2</sup> )	<ul style="list-style-type: none"> <li>Decline in core earnings</li> <li>Exceptional losses of S\$1.4b, mainly to provide for Airtel's regulatory demands on license fees &amp; spectrum charges</li> <li>Ex-Airtel, net profit &amp; underlying NPAT down 21% &amp; 11% respectively</li> </ul>
Net profit after tax	1,075	▼65% (▼66% <sup>2</sup> )	
	<i>Ex Airtel</i> 2,416	▼21% (▼22% <sup>2</sup> )	

- Financial figures reflect the implementation of Singapore Financial Reporting Standards (International) 16 ("SFRS(I) 16") with effect from 1 April 2019. The effects of adoption results in lower operating lease expenses, which are largely offset by increases in depreciation & interest expense.
- Constant currency - assuming constant exchange rates from FY2019.
- Excludes exceptional items.



# Financial position

## Balance sheet<sup>1</sup>

**S\$12.5b** net debt<sup>2</sup>

**31.8%** Net debt gearing<sup>3</sup>

**2.0x** Net debt: EBITDA & share of associates' pre-tax profits

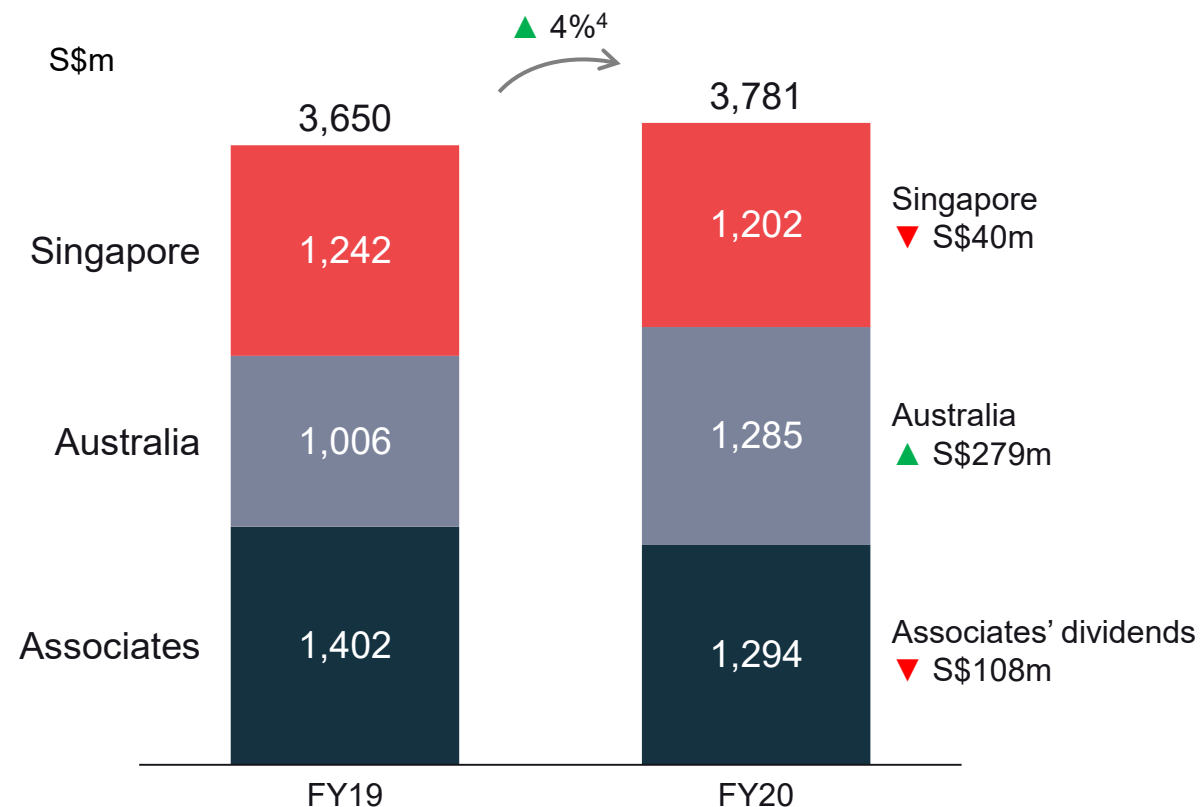
## Strong credit ratings

**A** S&P

**A1** Moody's

## Free cash flow<sup>1</sup>

**S\$3.8b**



1. With adoption of SFRS(I) 16 with effect from 1 April 2019, net debt includes lease liabilities representing the Group's obligations to make lease payments. Lease payments are classified as financing cash flows in the cash flow statement.

2. Gross debt less cash and bank balances adjusted for related hedging balances.

3. The ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt, shareholders' funds and minority interests.

4. Excluding impact of new accounting standards, free cash flow would have decreased 8%.

# FY20 performance within guidance

	Guidance <sup>1</sup>	Actual <sup>2</sup>
<b>Revenue</b> (excluding NBN migration revenue)	Decline mid-single digit	▼ 5%
<b>EBITDA</b> (excluding NBN migration revenue)	Decline by low teens	▼ 9%
<b>Free Cash Flow</b> (excluding spectrum payments & dividends from associates)	~ S\$2.3b	S\$2.5b
<b>Capital Expenditure</b>	~ S\$2.1b	S\$2.1b
<b>Dividends</b> from Regional Associates	~ S\$1.3b	S\$1.3b

1. Guidance as at Feb 2020.

2. Assuming constant exchange rates from FY2019.

# Dividend

## FY20:

**Proposed final dividend**  
(Payable in Aug 2020)

**5.45 cents**

**Interim dividend**  
(Paid in Jan 2020)

**6.8 cents**

**Total dividend**

**12.25 cents**

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**% of underlying net profit**

**81%**

### Conserve financial headroom:

- Uncertainties in the current COVID-19 operating environment
- Capacity to invest in 5G

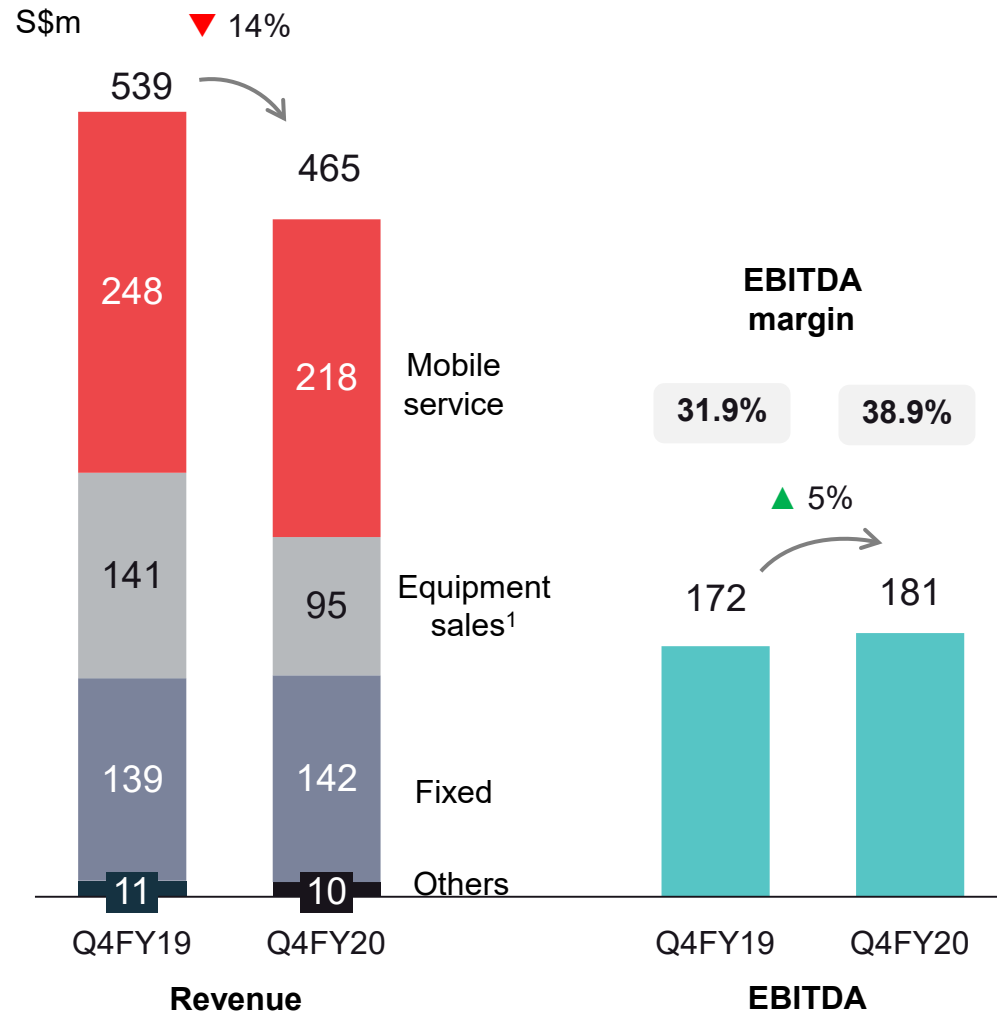




# Agenda

- Overview
- **Business units**
- Focus FY21
- Supplementary information

# Singapore Consumer



## Mobile service revenue down 12%

- Roaming decline from travel restrictions
- Continued voice erosion
- Prepaid decline due to lower foreign workers & tourist arrivals

## Equipment sales<sup>1</sup> down 33%

- Handset supply disruptions & lower consumer spend

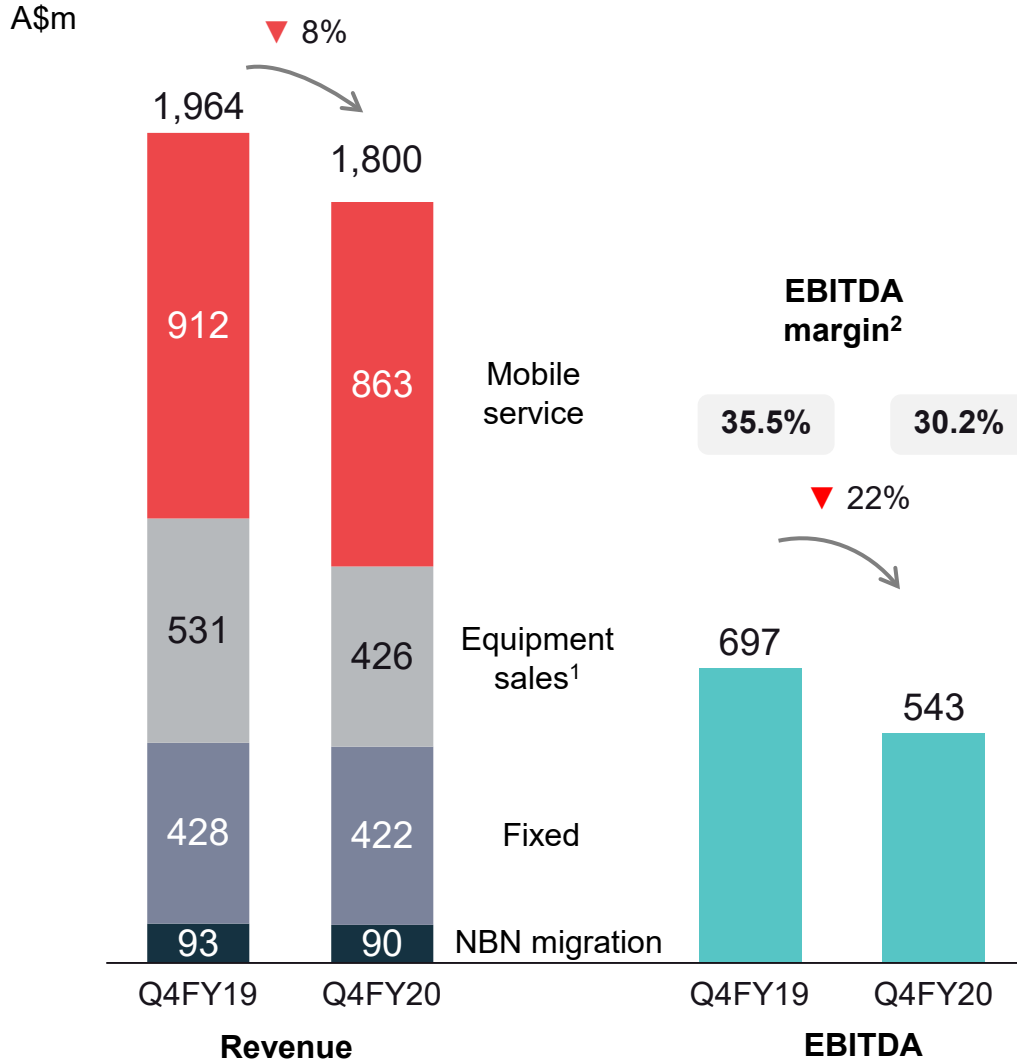
## Fixed revenue up 2%

- Continued growth in broadband & TV

## EBITDA up 5%

- Tighter cost control & wage credits

1. Equipment sales includes leasing.



## Revenue down 8%

- Lower equipment sales volume & increased mix of lower-margin devices
- Mobile service revenue declined on increased SIM-only customer mix, lower data breakage & early impacts of COVID-19

## Mobile customers

- Postpaid down 6k QoQ<sup>3,4</sup>
- Prepaid down 122k QoQ<sup>4</sup>
- Mobile Broadband up 33k QoQ

## Retail fixed

- NBN broadband customers up 45k QoQ; adverse margin impact

## EBITDA down 22%

- Adverse margin impact from NBN resale
- Lower handset volume & margin

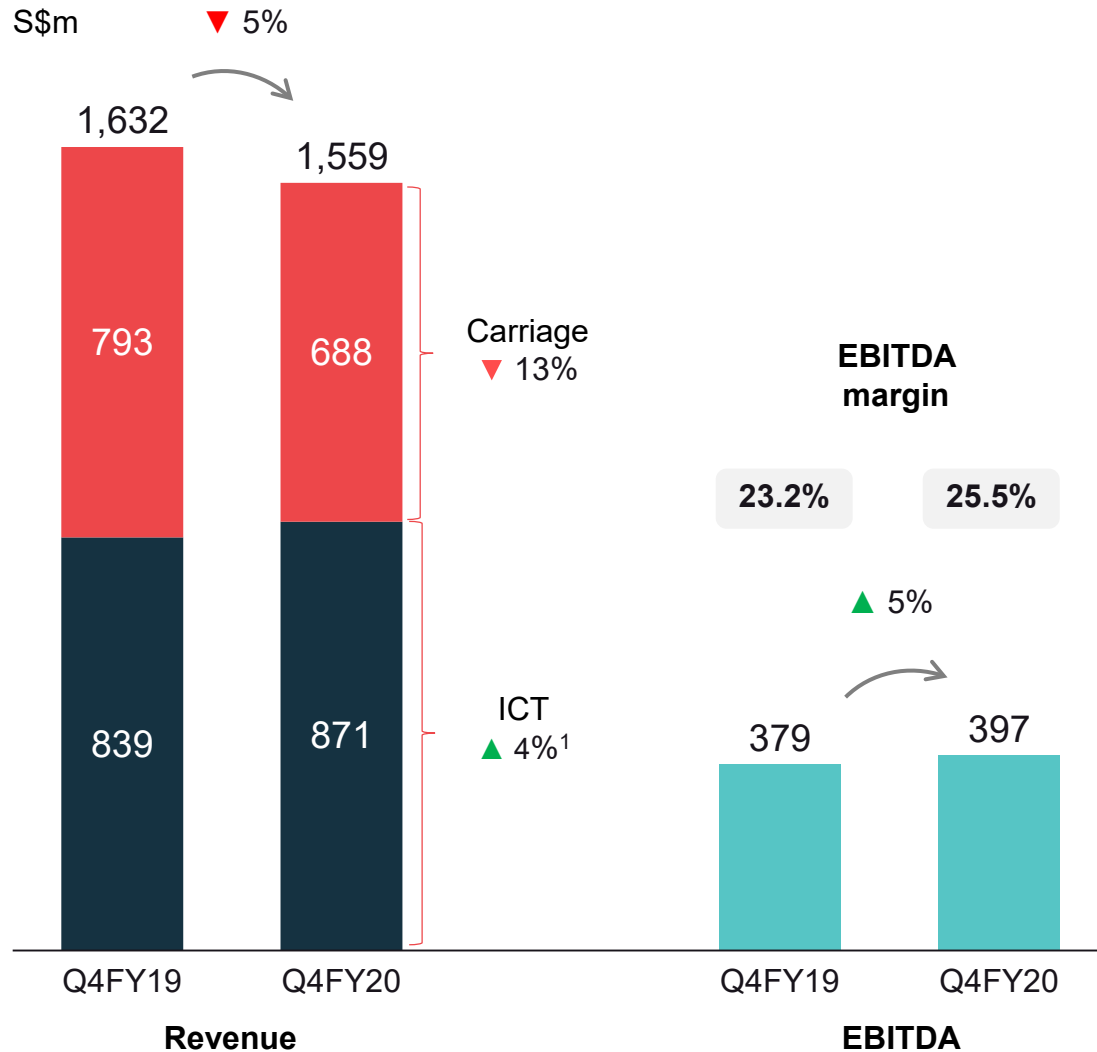
1. Equipment sales includes leasing.

2. Excluding NBN migration, EBITDA margin was 32.3% in Q4FY19 and 26.5% in Q4FY20. On this basis, EBITDA was down 25.0%.

3. Branded postpaid customer base down 11k QoQ.

4. Impacted by a one off clean out of inactive customers.





## Revenue down 5%

- Continued carriage erosion
- Declines in roaming & equipment sales exacerbated by COVID-19

## ICT up 4%<sup>1</sup>

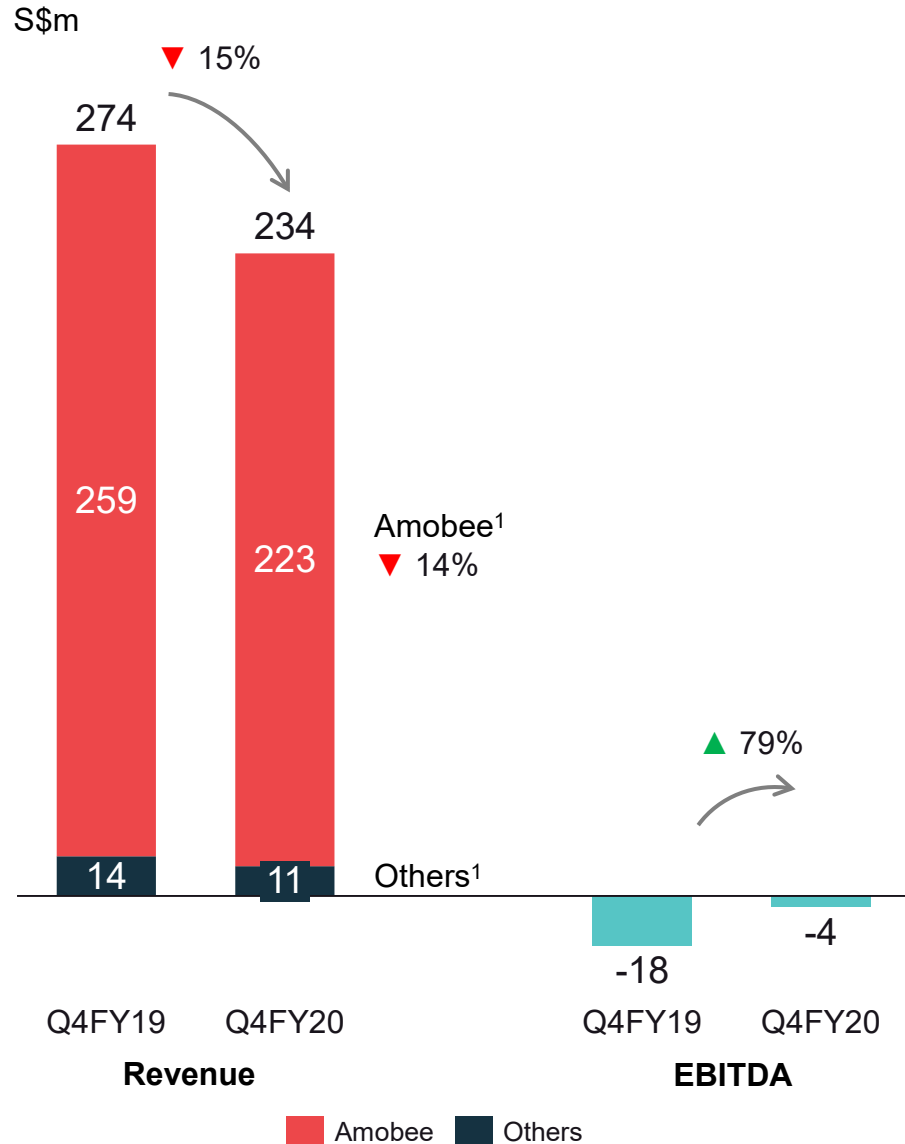
- Strong NCS growth & data centre sales
- Higher cyber security revenues in Asia & the US offset weakness in Australia
- Optus Business posted second consecutive QoQ improvement in revenue

## EBITDA up 5%<sup>1</sup>

- Strong ICT growth, wage credits & lower staff incentive accruals offset weakness in Australia

1. Excluding Australia, ICT revenue and EBITDA were up 8% and 15% respectively.

# Group Digital Life



## Amobee revenue down 14%

- Continued declines in managed media & social advertising
- iTV technology contract revenue in Q4FY19
- Steep decline in advertising revenues from March

## EBITDA up 79%

- Cost savings from Amobee
- Cessation of HOOQ operations

1. Post-elimination figures in SGD.  
 2. Includes revenues from HOOQ and DataSpark.

# Regional Associates



Quarter March 2020	PBT <sup>1</sup> (S\$m)	% Change (S\$)	% Change (constant ccy)	Highlights
<b>Regional Associates</b>	500	29%	25%	<ul style="list-style-type: none"> <li>Narrower Airtel pre-tax losses</li> </ul>
<b>Ex-Airtel</b>	541	2%	Stable	
<b>Telkomsel</b>	310	5%	3%	<ul style="list-style-type: none"> <li>Competition outside Java &amp; pressures on legacy business</li> </ul>
<b>Airtel<sup>2</sup></b>	(42)	(71%)	(71%)	<ul style="list-style-type: none"> <li>India: Strong growth in 4G customers &amp; tariff improvement</li> <li>Africa: Sustained momentum across voice, data &amp; mobile money</li> </ul>
<b>AIS</b>	84	(8%)	(11%)	<ul style="list-style-type: none"> <li>Weakness in service revenue from competition &amp; travel restrictions</li> </ul>
<b>Intouch</b>	24	(4%)	(7%)	<ul style="list-style-type: none"> <li>Higher depreciation &amp; amortisation from network &amp; spectrum investments</li> </ul>
<b>Globe</b>	123	3%	(2%)	<ul style="list-style-type: none"> <li>Higher depreciation from network investments offset healthy revenue growth</li> </ul>

1. Excludes exceptional items.

2. Includes BTL. Share of Airtel's pre-tax losses was S\$143m in the prior comparative period.





# Agenda

Overview • Business units • **Focus FY21** • Supplementary information

# Focus FY21: Positioning our business for the longer term



Lead with 5G



Drive digital & enterprise growth with associates



Scale digital ICT services & cyber security



Transform operating model

**FY21 financial outlook to be provided when there is greater clarity in the operating environment**





# Agenda

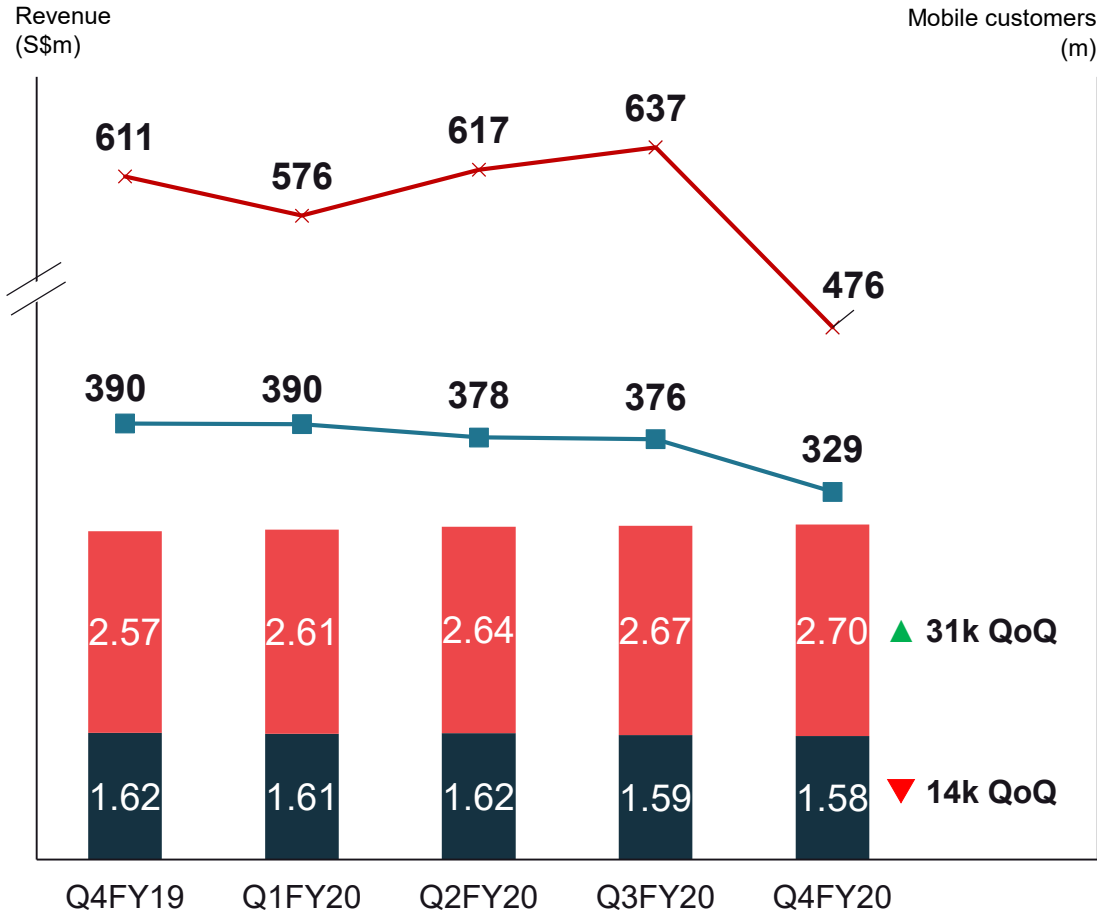
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# Singapore Mobile

## Mobile revenue

**S\$476m**



■ Prepaid customers

■ Postpaid customers

■ Mobile service

—x— Mobile revenue

(incl mobile service, equipment sales & leasing)

### Average quarterly smartphone data usage

**7.0GB**

- 4.7GB in Mar 2019 quarter
- 6.4GB in Dec 2019 quarter

### Postpaid ARPU down 19%

**S\$33**

- Roaming revenue down 36%
- Decline in voice usage & higher amortisation of handset subsidy

### Prepaid ARPU down 15%

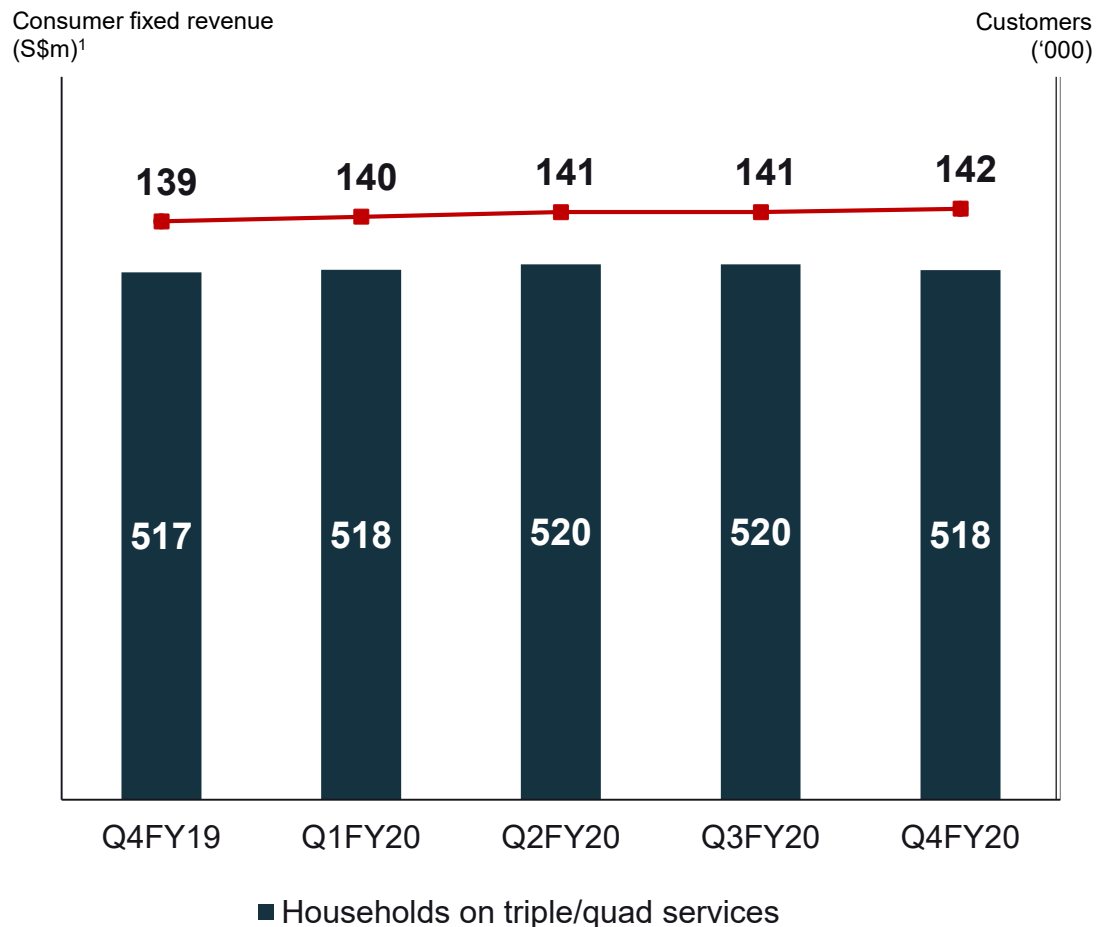
**S\$14**

- Decline in tourist SIMs & foreigners
- Lower voice & data usage

# Singapore Fixed

## Consumer fixed revenue<sup>1</sup>

**S\$142m**



### Singtel TV

- Revenue up 1%
- Customer base stable QoQ

**S\$55m**  
**382k**

### Singtel OTT services (CAST & Singtel TV GO)

- Users grew 22k QoQ

**215k**

### Residential fixed broadband

- Revenue up 3%
- Customer base up 2k QoQ

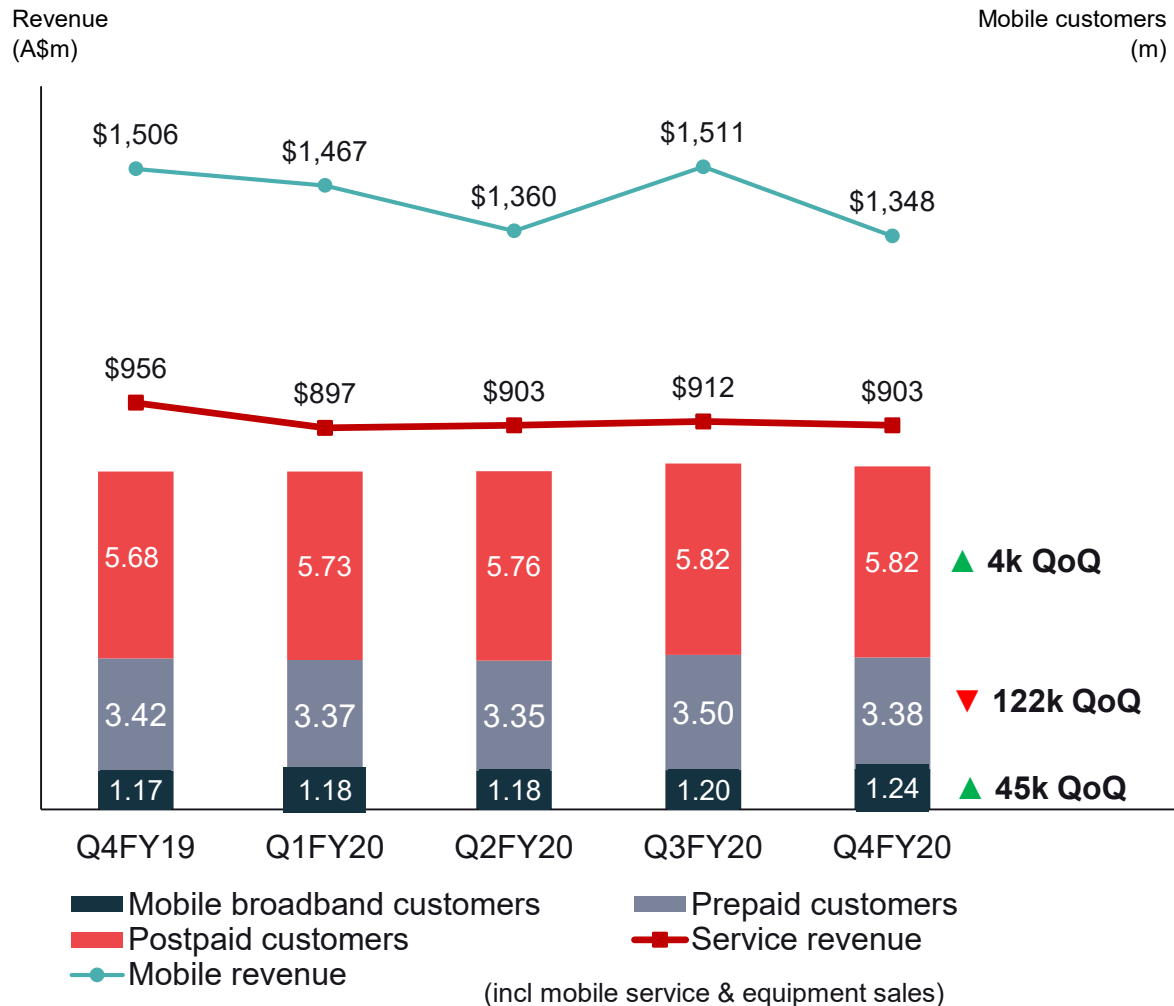
**S\$64m**  
**642k**

1. Comprises of fixed broadband, fixed voice, Singtel TV and broadband and Smart Home equipment in the residential segment only and does not include mobile.

# Australia Mobile

## Mobile revenue

**A\$1,348m**



### Postpaid

- ARPU **A\$37**  
- Down 11% YoY
- Churn **1.4%**  
- Down 0.1ppt YoY & stable QoQ

### Prepaid

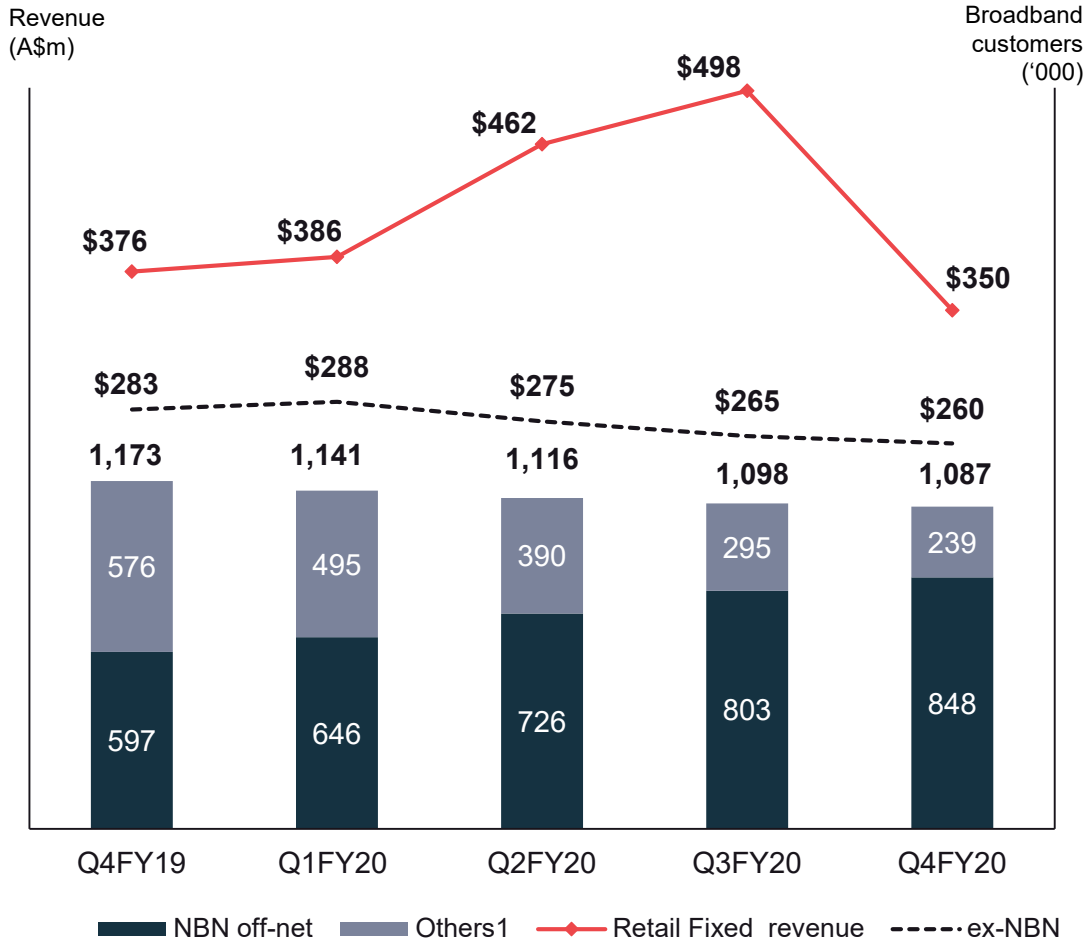
- ARPU **A\$18**  
- Down 1% YoY

### Mobile Broadband

- ARPU **A\$20**  
- Up 2% YoY

## Retail Fixed revenue

**A\$350m**



### Retail Fixed ARPU

**A\$75**

- Up 1.6% YoY

### NBN Customers

**848k**

- Up 45k QoQ

### TV Customers

**391k**

- Down 8k QoQ

### Optus Sport Customers

**821k**

- Stable QoQ

1. Others – mainly on-net BB customers.

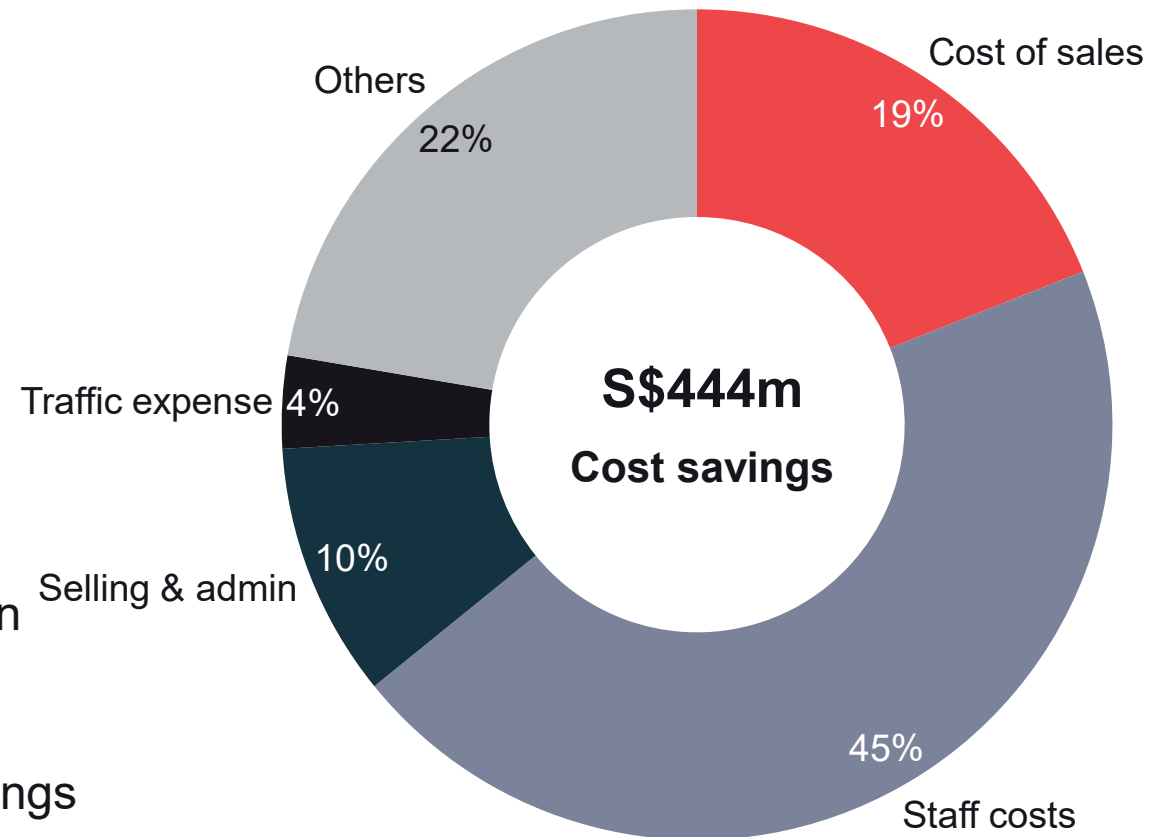
# FY20: Cost savings

## Customer experience

- Increased adoption of self-service channels
- Integrate online & offline sales channels
- Optimise customer acquisition costs
- Renegotiation of content costs

## Network & operations

- Process re-engineering, digitalisation & automation
- Headcount optimisation
- Leverage Group scale to deliver procurement savings
- Shut-down of legacy networks and systems











# Summary Income Statement



(S\$m)	Quarter			Financial Year		
	Mar 20	Mar 19	YoY %	Mar 20	Mar 19	YoY %
Operating revenue	3,899	4,342	(10%)	16,542	17,372	(5%)
EBITDA	1,032	1,166	(12%)	4,541	4,692	(3%)
- margin	26.5%	26.9%	-	27.5%	27.0%	-
EBIT (ex-associates)	371	605	(39%)	1,961	2,470	(21%)
Associates pre-tax earnings <sup>1</sup>	523	419	25%	1,744	1,536	14%
Depreciation & amortisation	(662)	(561)	18%	(2,580)	(2,222)	16%
Net finance expense	(93)	(93)	Stable	(282)	(355)	(21%)
Tax	(209)	(241)	(13%)	(988)	(850)	16%
Underlying net profit	594	697	(15%)	2,457	2,825	(13%)
Exceptional Items (post tax) <sup>2</sup>	(19)	76	N.M.	(1,382)	270	N.M.
Net profit after tax	574	773	(26%)	1,075	3,095	(65%)

1. Excludes exceptional items. 2. Includes exceptional losses from Airtel for provisions for regulatory demands following an adverse Indian Supreme Court ruling.  
N.M. – not meaningful

# Foreign exchange movements

(S\$)		Quarter <sup>1</sup>			Financial Year <sup>1</sup>	
		Mar 20	YoY	QoQ	Mar 20	YoY
	1 Australian Dollar <sup>2</sup>	0.9106	(5.6%)	(2.3%)	0.9351	(5.5%)
	1 United States Dollar <sup>3</sup>	1.3878	2.5%	1.7%	1.3717	1.0%
	Indonesian Rupiah	10,309	1.0%	Stable	10,309	2.1%
	Indian Rupee	52.4	(0.6%)	Stable	51.5	Stable
	Thai Baht	22.6	3.4%	(1.8%)	22.6	5.0%
	Philippine Peso	36.6	5.2%	2.4%	37.5	3.6%

1. Average exchange rates for the quarter and financial year ended 31 March 2020. Percentage denotes appreciation/ (depreciation) against the Singapore dollar.

2. Average A\$ rate for translation of Optus' operating revenue.

3. Average US\$ rate for translation of Trustwave, Amobee and HOOQ's operating revenue.

# Trends in constant currency terms<sup>1</sup>



Quarter March 2020	Q4FY20 (reported S\$m)	YoY % Change (reported S\$)	YoY % Change (at constant currency S\$)
Group revenue	3,899	(10.2%)	(7.7%)
Group reported NPAT	574	(25.7%)	(27.7%)
Group underlying NPAT	594	(14.8%)	(16.1%)
Optus revenue	1,916	(13.8%)	(8.7%)
Regional associates pre-tax earnings <sup>2</sup>	500	28.6%	24.5%

Financial Year March 2020	FY20 (reported S\$m)	YoY % Change (reported S\$)	YoY % Change (at constant currency S\$)
Group revenue	16,542	(4.8%)	(2.0%)
Group reported NPAT	1,075	(65.3%)	(65.8%)
Group underlying NPAT	2,457	(13.0%)	(14.0%)
Optus revenue	8,374	(7.0%)	(1.5%)
Regional associates pre-tax earnings <sup>2</sup>	1,642	15.3%	10.3%

1. Assuming constant exchange rates from corresponding periods in FY2019.

2. The Group's share of associates' earnings before exceptionals.

