Media Statement on Moody's Announcement

Singtel refers to the announcement by Moody's Investors Service dated 5 Mar 2019 (as attached).

Singtel remains financially disciplined and committed to maintaining our investment-grade credit ratings.

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Rating Action: Moody's revises Singtel's outlook to negative

05 Mar 2019

Singapore, March 05, 2019 -- Moody's Investors Service has revised Singapore Telecommunications Limited's (Singtel) and Singtel Group Treasury Pte. Ltd.'s ratings outlook to negative from stable.

At the same time, Moody's has affirmed the company's senior unsecured ratings of A1. Moody's has also affirmed the (P)A1 rating on the Euro Medium Term Notes programme as well as the A1 rating on all notes issued by Singtel Group Treasury Pte. Ltd., under the unconditional and irrevocable guarantee from Singtel.

RATINGS RATIONALE

Singtel's leverage -- as measured by net debt/EBITDA -- has progressively increased to 2.03x for the 12 months ended December 2018, reflecting a weakening operating and financial profile amid intensifying competition in Singtel's core markets of Singapore and Australia. These markets contributed 37.0% and 43.3%, respectively, of the group's post-tax profit (based on the sum of its core EBITDA from Singapore, Australia, other overseas subsidiaries, including Amobee and Trustwave, and the share of its associates' post-tax profit) during the same period.

"Moody's does not expect a meaningful improvement in Singtel's underlying EBITDA over the next 12-18 months, as intense price competition in Singapore and Australia is leading to lower average revenue per user (ARPU) and profitability in both markets," says Nidhi Dhruv, a Moody's Vice President and Senior Analyst.

In addition, Moody's expects Singtel will partially or fully subscribe to its portion of the INR250 billion ($3.5 billion) rights issue announced by Bharti Airtel Ltd. (Ba1 negative), Singtel's 39.5% associate in India.

"If Singtel predominantly debt-funds this additional equity injection into Bharti, it would further weaken its metrics and keep net leverage above our tolerance for the rating, absent any capital restructuring initiatives," adds Dhruv, also Moody's Lead Analyst for Singtel.

Post investments in Bharti, Moody's expects Singtel's gross leverage (under the dividend method) to increase to around 2.3x-2.5x. With cash balances of around SGD400-450 million, net leverage will be around 2.2x-2.4x, which is not within Moody's expectations for Singtel's current A1 rating.

"We expect Singtel will explore alternative funding options -- including sale of non-core assets, listing some of its new businesses, and potentially also raising fresh equity to strengthen its capital structure and credit profile. However, the timing and execution of these initiatives will be driven by market dynamics, and will be subject to regulatory and shareholder approvals," adds Dhruv.

Nonetheless, the affirmation of Singtel's A1 rating continues to reflect the company's leading market positions and regionally diversified cash flow stream from its ownership in various Asian mobile associates, although Moody's remains cautious about its operating performance over the next 12-18 months. The rating also incorporates the unrealized value of investments that could potentially be monetized to reduce leverage.

Singtel's A1 rating continues to combine: a) its BCA of a3, reflecting the company's underlying strength, derived from its well-established and geographically diversified business platform; and b) the credit support that Moody believes Temasek Holdings (Private) Limited (Aaa, stable), which owns 52% of Singtel, is likely to provide in a distress situation, which results in a 2-notch uplift.

The negative outlook reflects Singtel's weak credit metrics for the A1 rating level, with limited potential for near-term improvement in the company's underlying profitability. The negative outlook also reflects the uncertainties with regard to timing and execution of potential capital restructuring plans.

The rating could be downgraded if Singtel's operating and financial profile continues to remain weak, such that adjusted net debt/EBITDA (based on cash dividends being added back to core EBITDA) remains in excess of 2.0x, or EBITDA margin remains below 30% on a sustained basis.

Downward pressure could also result if the company undertakes further material capital returns in the near term, especially in conjunction with a cash/debt-funded acquisition, or if there is evidence of prospective weakness in the operating results of the company's core operations or in the cash dividends it receives from its overseas associates.

In addition to the factors listed above, Singtel's rating may also be hurt by material changes in the ratings of its support provider, Temasek, or if Temasek reduces its shareholding in Singtel to below 50%. At the same time, industry developments that materially undermine Singtel's relationship with the government could also strain the ratings.

Given the negative outlook, upward pressure on the rating is unlikely. Nevertheless, Moody's could change the outlook to stable if Singtel's overall profitability improves coupled with an absolute reduction in borrowings, such that its adjusted net debt/EBITDA (based on cash dividends being added back to core EBITDA) falls below 2.0x on a consistent basis, and adjusted EBITDA margin remains within the 30%-35% range.

The methodologies used in these ratings were Telecommunications Service Providers published in January 2017, and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Singapore Telecommunications Limited (Singtel) is the leading integrated communications services provider in Singapore. It is also the second largest integrated telecommunications operator in Australia through its wholly owned subsidiary, Singtel Optus Pty Limited.

Singtel also has a number of investments in cellular operators throughout the region, which give it a regional footprint across 21 countries, covering around 677 million mobile subscribers as of 31 December 2018. Singtel is 52%-owned by Temasek, which is wholly owned by the Singapore government.

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