



Media Statement on S&P Global Rating's Announcement

Singtel refers to the announcement by S&P Global Ratings dated 5 March 2020 (as attached).

Singtel and Optus' credit ratings are strong and we remain financially disciplined and committed to maintaining our investment-grade credit ratings.

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Singapore Telecommunications Downgraded To 'A/A-1'; Singtel Optus Ratings Lowered To 'A-/A-2'; Outlooks Stable

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- Singapore Telecommunications Ltd. (Singtel) is facing stronger headwinds than we expected from increasing competition in its key markets. The weak performance is likely to be protracted amid weakened economic conditions.
- We expect Singtel's ratio of funds from operations (FFO) to debt to decline to 33%-35%, and the ratio of debt to EBITDA to weaken to 2.3x-2.5x, through fiscal 2022.
- On March 5, 2020, S&P Global Ratings lowered its long-term issuer credit rating on Singtel to 'A' from 'A+'. The outlook is stable. We affirmed the 'A-1' short-term issuer credit rating on the company. At the same time, we lowered the issue rating on Singtel's senior unsecured notes to 'A' from 'A+'.
- We also lowered the issuer credit ratings on Singtel's Australia subsidiary Singtel Optus Pty Ltd. to 'A-/A-2' from 'A/A-1'. The outlook is stable. We also lowered the issue rating on Optus' senior unsecured notes to 'A-' from 'A'.

SINGAPORE (S&P Global Ratings) March 5, 2020--S&P Global Ratings today took the rating actions above. We lowered the rating on Singapore Telecommunications Ltd. (Singtel) because continued competition and high capital expenditure (capex) amid weakened economic conditions will likely keep the company's cash flow adequacy ratios below our downgrade trigger over the next 24 months.

We project Singtel's ratio of FFO to debt will be 33%-35% and the debt-to-EBITDA ratio will weaken to 2.3x-2.5x through fiscal 2022 (year ending March 31, 2022). We anticipated the ratios to be 40%-43% and 2.1x-2.2x for fiscals 2021 and 2022.

Competitive headwinds are likely to persist in Singtel's main operating markets of Singapore and Australia, as well as in the markets of its regional associates. Sluggish economic conditions will also limit the performance upside. We anticipate Singtel's adjusted EBITDA will average Singapore dollar (S\$) 5.5 billion-S\$5.6 billion through fiscal 2022, compared with our previous forecast of slightly more than S\$6 billion.

In Singapore, we expect headwinds in the enterprise business due to more cautious business sentiments amid a weaker economic outlook. We do not anticipate the impending commercial launch of TPG Telecom Pte. Ltd., the fourth licensed player in the market, to significantly hit Singtel's consumer business. That is because tariffs have already fallen substantially across the board in recent years. However, the new entry will further crowd out the market and diminish the market share and tariff upside potential in the near term.

In Australia, we believe there is a structural decline in Optus' earnings following the implementation of the National Broadband Network (NBN). The mandatory migration of customers to the NBN has reduced Optus' margins as a reseller of services. The change to a wholesale model has also led to new entrants reselling NBN services, increasing downward price pressure. We also expect persisting economic headwinds to continue to weigh on Optus' enterprise business. Finally, EBITDA contributions from Optus, in Singapore dollar terms, should be hit by the depreciation of the Australian dollar against the Singapore dollar.

We anticipate Singtel's cash dividends, net of withholding taxes, from regional associates will be S\$1.3 billion-S\$1.4 billion annually through fiscal 2022, largely flat from fiscal 2020. In our view, continued competitive operating conditions and the need to maintain high capital outlay to deploy advanced network will constrain the regional associates' ability to raise dividend payouts.

Similarly, we expect Singtel's capex to remain elevated, such that cash capex will average S\$2.2 billion annually in fiscals 2020 to 2022, up from approximately S\$1.7 billion in fiscal 2019. The increase will be mainly to fund the buildout of 5G networks in Singapore and Australia. We therefore expect adjusted debt to average S\$13.5 billion over the period, up from S\$12.4 billion in fiscal 2019. The reduced EBITDA and higher debt levels drive the weaker credit metrics in the projection period.

Singtel will continue to benefit from its links with the government of Singapore. Temasek Holdings (Private) Limited, an investment holding company for the government, has a majority 52.5% stake in the company. The rating on Singtel is one notch higher than the company's stand-alone credit profile (SACP) due to government support.

We consider Optus to be a core subsidiary of the Singtel group. The company contributes about 50% of Singtel's adjusted revenue and 40% of its adjusted EBITDA. Our assessment of Singtel's group credit profile fully consolidates Optus. We therefore equalize our rating on Optus with our assessment of Singtel's SACP of 'a-'. We do not expect Singtel's benefit as a government-related entity to flow to Optus, given the latter's status as an offshore subsidiary.

The stable outlook on Singtel reflects our expectation that the company will closely manage its financial leverage amid the challenging operating environment, such that its ratio of debt to EBITDA remains below 2.5x over the next 24 months.

We may lower the rating if Singtel's debt-to-EBITDA ratio exceeds 2.5x on a sustained basis. This may happen due to: (1) weakening operating performance in the core markets of Singtel and its affiliates; (2) the group taking on further debt-funded acquisitions, or (3) the company having higher capital spending and dividend payouts than we expect.

We may also lower the rating if we believe Singtel's market position or fundamental earnings quality has eroded.

In addition, we may downgrade Singtel if we believe the company's ties with, and hence potential for extraordinary support from, the Singapore government have weakened.

We may raise the rating on Singtel if its debt-to-EBITDA ratio improves and remains below 2x. However, an upgrade is unlikely in the next 12-24 months due to headwinds in operating markets and expected high capex.

Related Criteria

- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [Criteria | Corporates | Industrials: Key Credit Factors For The Telecommunications And Cable Industry](#), June 22, 2014
- [Criteria | Corporates | General: Corporate Methodology](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings](#), Oct. 24, 2013
- [General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Nov. 13, 2012
- [General Criteria: Use Of CreditWatch And Outlooks](#), Sept. 14, 2009

Ratings List

***** Singapore Telecommunications Ltd. *****		
Downgraded; CreditWatch/Outlook Action		
	To	From
Singtel Optus Pty Ltd.		
Issuer Credit Rating	A-/Stable/A-2	A/Negative/A-1
Downgraded; CreditWatch/Outlook Action; Ratings Affirmed		
	To	From
Singapore Telecommunications Ltd.		
Issuer Credit Rating	A/Stable/A-1	A+/Negative/A-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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