Singtel

News Release

Singtel's FY23 net profit up 14% to S$2.23 billion

Financial year ended 31 March 2023

- Underlying net profit up 7% to S$2.05 billion; up 11% on a constant currency basis
- Strong mobile core and robust ICT demand contributed to S$168 million in EBIT growth from core businesses[1]
- Regional associates' pre-tax contributions up 10% to S$2.27 billion
- Proposed final dividend per share of 5.3 cents; total dividend per share of 14.9 cents

Singapore, 25 May 2023 – Singtel's net profit for the full year was up 14% to S$2.23 billion as its core businesses performed strongly, underpinned by robust mobile growth and price uplifts as international travel and roaming recovered, rising 5G adoption and an increase in demand for ICT services. Airtel benefitted from broad-based mobile growth, helping drive regional associates' pre-tax contributions up by 10% to S$2.27 billion. Excluding adverse currency effects and the absence of revenue from NBN migration and Amobee which has been sold, operating revenue rose 5% to S$14.62 billion from mobile and ICT services growth. EBITDA and EBIT also increased 3% and 8% respectively, with cost savings contributing to improved margins. As a result, underlying net profit was 7% higher at S$2.05 billion, and would have risen 11% on a constant currency basis.

Mr Yuen Kuan Moon, Singtel Group CEO, said, "Our solid financial performance in the second year of our strategic reset reflects the tangible progress we have made against our business priorities in spite of the uncertain macroeconomic environment. Our 5G leadership, differentiated product offerings, roaming recovery and focus on cost is reinvigorating the core businesses which saw a 15% increase in EBIT. Optus produced a strong result and recovered well from last year's cyber attack. In our growth engines, our regional data centre business expanded its footprint to Indonesia and Thailand with new projects that will more than double our capacity in the next three years. NCS' inroads into Australia and the enterprise space have allowed us to diversify our ICT business geographically and across customer segments. Our capital recycling programme continued to unlock value this year with more than S$2.8 billion raised largely from Airtel, allowing us to strengthen our balance sheet and deliver greater returns for shareholders."

The regional associates' pre-tax profit contributions grew 10% to S$2.27 billion despite currency headwinds. Adjusting for the strength of the Singapore Dollar relative to these currencies, their contributions would have increased 15% on the back of Airtel's sustained growth momentum. Airtel in India delivered double-digit increases in operating revenue and EBITDA mainly from higher mobile ARPU. Telkomsel recorded good data growth but faced pressure from declining legacy services. AIS' results were affected by intense mobile competition which eased in the second half amid market consolidation.

Mr Yuen said, "Our regional associates have also benefitted from the rebound in mobile services post-COVID, and Airtel delivered yet another year of solid growth. With the rapid broadband adoption in their markets, our regional associates are investing heavily in this underpenetrated space as they focus on fixed broadband as their next engine of growth. We are confident they can capture this opportunity with their sizeable mobile base providing unique cross-selling and cost synergies."

[1] Comprising Optus (ex-NBN migration), Group Enterprise and Singapore Consumer businesses.

Singtel's financial position remains robust. Net debt fell to S$8.3 billion, from S$10.1 billion a year ago, with cash generated from capital recycling used to reduce gearing. The sizeable cash and bank balances of S$3.2 billion built up over the past two years puts the Group in good stead as it continues executing on its strategy and investing for growth.

"With the actions we have been taking to evolve our operating model, enhance our capabilities and mitigate inflationary pressures, we are well-positioned to capture substantial growth and value from the accelerated pace of digitalisation in the region. In the new financial year, we're going a step further with the synergistic integration of our consumer and enterprise businesses in both Singapore and Australia to make them more agile, competitive and compelling when bringing solutions to market. We will also continue to drive profitability and identify monetisation opportunities to boost shareholder returns," he added.

OPTUS

Optus' operating revenue was up 3%. Excluding NBN migration revenues which have come to an end, operating revenue would have risen 4%. During the year, Optus added 425,000 subscribers to its mobile customer base, led by growth in prepaid, postpaid and connected devices. The strong net connections, increasing postpaid ARPU and migration to Choice plans, coupled with disciplined cost management, underpinned EBITDA and EBIT which grew 4% and doubled respectively, excluding NBN migration revenue.

SINGAPORE CONSUMER

Singapore Consumer's operating revenue increased 3% as it built on its strong mobile growth momentum. Mobile service revenue rose 11%, mainly from higher roaming, increased 5G adoption and prepaid sales. The 5G customer base has grown to over 760,000 from around 480,000 a year ago. Fixed broadband revenue also grew on the back of higher speed broadband plans. Pay-TV revenue fell but the decline was more than offset by content savings. EBITDA and EBIT rose 13% and 18% respectively due to improved business performance as well as robust cost management.

GROUP ENTERPRISE

Group Enterprise's operating revenue was up 1% as ICT growth, together with the recovery in roaming and demand for network connectivity services, offset pressures on traditional carriage services. ICT revenue was 15% higher, mainly lifted by solid, broad-based growth in data centres, 5G services and cyber security. As a result, EBITDA was largely stable.

NCS

NCS' operating revenue grew 18%[2] driven by the expansion of its enterprise business and contributions from its Australian acquisitions. However, EBIT was down 35%, largely from planned post-acquisition costs for these Australian subsidiaries as well as higher staff costs from investments in digital capabilities to support business growth. Excluding these acquisition costs, EBIT declined 14% year on year. NCS has taken proactive steps to improve margins through increased cost discipline which has led to sequential quarterly improvements in EBIT. With sales bookings of S$3.2 billion for the full year, NCS has set a firm foundation for the next financial year.

[2] Excludes Singtel-originated revenue.

DIVIDEND

The Board has proposed a final ordinary dividend of 5.3 cents per share. Including the interim dividend of 4.6 cents per share, the total ordinary dividends would be 9.9 cents per share, representing a payout ratio of 80% of underlying net profit.

Together with the two-tranche dividend of 5.0 cents per share from the Group's asset recycling initiatives announced during the half-year results, the aggregate dividends for the current financial year ended 31 March 2023 would increase 60% to 14.9 cents per share.

OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2024

The Group's businesses have seen a healthy recovery, capitalising on the reopening of economies and the resumption of international travel. However, the Group is mindful of the uncertain macroeconomic environment with elevated inflation and high interest rates. Continued currency headwinds are also expected from the strong Singapore Dollar relative to the Australian Dollar and regional currencies.

Building on the good momentum established in the past year, the Group will continue executing to its strategy of improving margins in the core business, scaling growth engines such as NCS and the regional data centre business, and continuing its capital recycling programme to fund growth.

Singtel's disciplined and prudent capital management approach ensures it has a robust balance sheet to navigate current market conditions and take advantage of future opportunities.

Dividends from the regional associates are expected to be approximately S$1.3 billion. The Group's core capital expenditure is expected to be around S$2.1 billion, comprising A$1.6 billion (S$1.4 billion) for Optus and S$0.7 billion for the rest of the Group[3]. This reflects the Group's multi-year investments in 5G networks in Australia as well as cyber security, green and digital transformation initiatives. The Group will also invest approximately S$0.5 billion in data centres and satellites, including a satellite to replace ST-2 by 2028[4] in the next financial year.

DIVIDEND POLICY AND CAPITAL MANAGEMENT

Singtel is committed to a sustainable dividend policy in line with earnings and cash flow generation. Barring unforeseen circumstances, it plans to pay ordinary dividends at between 60% and 80% of underlying net profit.

The Group assesses returns to shareholders in a holistic manner, with payouts funded by operating cashflow[5] and any excess proceeds from capital recycling after funding growth initiatives and repaying debt.

This policy will be reviewed regularly to reflect the progress of the Group's transformation.

Singtel is also committed to an optimal capital structure, which enables investments for growth, while maintaining financial flexibility and investment-grade credit ratings.

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[3] Excluding acquisitions and disposals.
[4] This investment will be fully funded by customers' receipts ahead of milestone payments to vendors.
[5] Including dividends from associates.

About Singtel

Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, 5G and technology services to infotainment to both consumers and businesses. The Group has presence in Asia, Australia and Africa and reaches over 770 million mobile customers in 21 countries. Its infrastructure and technology services for businesses span 21 countries, with more than 428 direct points of presence in 362 cities.

For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber security capabilities.

Singtel is dedicated to continuous innovation, harnessing technology to create new and exciting customer experiences and shape a more sustainable, digital future.

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Appendix 1

Financial Highlights for the Year Ended 31 March 2023

	FY2023 (S$m)	FY2022 (S$m)	YOY Change	YOY Change Constant Currency[6]
Group revenue	14,624	15,339	(4.7%)	(1.7%)
EBITDA	3,686	3,767	(2.2%)	1.0%
EBIT excluding associates	1,112	1,045	6.4%	8.1%
Regional associates pre-tax earnings[7]	2,267	2,067	9.7%	15.3%
Underlying net profit[8]	2,053	1,923	6.8%	11.2%
Exceptional items (post-tax)	172	25	@	@
Net profit	2,225	1,949	14.2%	18.7%
Free cash flow	2,613	3,081	(15.2%)	NM

NM denotes not meaningful.
@ denotes more than 500%.

[6] Assuming constant exchange rates from FY2022.
[7] Excludes exceptional items.
[8] Defined as net profit before exceptional items.