

Announcement: Moody's: Singtel's rating unaffected by proposed investments in Intouch and Bharti Telecom

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Hong Kong, August 19, 2016 -- Moody's Investors Service says that Singapore Telecommunications Limited's Aa3 senior unsecured ratings and stable outlook are not immediately affected by its proposed acquisition of stakes in Intouch Holdings PCL (unrated) and Bharti Telecom Limited (BTL, unrated).

On 18 August, Singtel announced that it proposes to acquire shares in Intouch and BTL from its largest shareholder - Temasek Holdings (Private) Limited (Temasek, Aaa stable) - for an aggregate SGD2.47 billion, which will be funded partially through a proposed placement of new Singtel shares to Temasek totaling SGD1.605 billion as well as short-term debt and cash.

The transactions are subject to minority shareholders and other regulatory approvals and all three are required to close simultaneously. Management expects the transactions to close by December 2016.

"Although the proposed transactions will prompt, in the case of Singtel, a modest uptick in net adjusted leverage to around 2.1x in FY2017 from our previous expectation of 2.0x, they are in line with the company's strategy of increasing its interests in valuable regional associates to support continued growth in its mobile business," said Annalisa DiChiara, a Moody's Vice President and Senior Credit Officer.

Intouch is the largest shareholder of Advanced Info Services Public Company Limited (AIS, unrated), Thailand's largest mobile operator by subscribers. Following the proposed acquisition of Intouch shares, Singtel will own around a 21% stake in Intouch and around a 31.8% effective stake in AIS, up from its current 23.3% interest.

BTL, an investment holding company, is the largest shareholder of Bharti Airtel Ltd. (Bharti, Baa3 stable), India's largest telecommunications company. Following the acquisition of 7.39% of BTL's shares, Singtel will own an around 47.17% interest in BTL and an around 36.2% effective interest in Bharti.

"While we view Singtel's increased stake in these associates positively, leverage remains elevated at the top end of our tolerance range for the rating. As a result, we expect the company to reduce its absolute debt levels, such that net adjusted leverage -- based on cash dividends from associates added back to EBITDA - trends below 1.8x over the next 12-15 months," added DiChiara.

A further deterioration in its leverage profile or a prolonged period of leverage at its current high level would lead to downward pressure on the company's underlying credit quality.

On the other hand, Singtel's high leverage continues to be offset by its stable earnings base in Singapore and Australia, a regionally diversified cash flow stream and excellent liquidity profile.

Moody's also expects Singtel to monetize its non-core assets and reduce debt. The deadline for the divestment of NetLink Trust (unrated) -- a trust for infrastructure assets used for the Next Generation Nationwide Broadband Network in Singapore -- is April 2018. NetLink Trust is currently 100% owned by Singtel. Moody's expects Singtel to use a substantial portion of the divestment proceeds to repay debt.

Moody's expects the company's solid financial metrics and liquidity profile to remain supportive of its a2 baseline credit assessment. Singtel's final rating of Aa3 incorporates a two-notch uplift for expected support from its major shareholder, Temasek Holdings (Private) Limited (Aaa stable).

The principal methodology used in this rating was Global Telecommunications Industry published in December 2010. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Singapore Telecommunications Limited is the leading integrated communications services provider in Singapore. It also is the second largest integrated telecommunications operator in Australia, through its wholly owned subsidiary, Singtel Optus. Singtel also has a number of investments in cellular operators throughout the region, which give it a regional footprint in 23 countries and 613 million mobile subscribers.

Singtel is 51%-owned by Temasek Holdings, which is wholly owned by the Singapore government.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

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