Singtel

News Release

Singtel's 1H results resilient despite headwinds

Half year ended 30 September 2018

- Operating revenue stable and up 3% in constant currency terms to S$8.40 billion
- Net profit down 60% due to a S$2 billion gain last year from partial divestment of NetLink Trust stake
- Underlying net profit down 21% to S$1.45 billion, due mainly to lower contributions from associates and a stronger Singapore dollar against regional and Australian currencies
- Interim dividend at 6.8 cents per share

Singapore, 8 November 2018 – Singtel delivered resilient results for the first half, with operating revenue up 3% in constant currency terms to S$8.40 billion, underpinned by strong postpaid mobile customer growth and higher equipment sales across Singapore and Australia. EBITDA decreased 3% in constant currency terms with lower NBN migration revenues in Australia, lower voice revenue, as well as investments in the Group's digital businesses. Net profit was down 60% from the same period last year to S$1.50 billion, due largely to an exceptional gain from the partial divestment of NetLink Trust. Excluding the one-off items, underlying net profit fell 21% due mainly to lower contributions from Airtel and Telkomsel, and a stronger Singapore dollar against the regional and Australian currencies.

Ms Chua Sock Koong, Singtel Group CEO, said, "Our industry continued to face various headwinds and intense competition. Notwithstanding these challenges, the half-year results reflect the resilience of our business with continued focus on networks, differentiated content, unique capabilities and innovative plans. We continued to add postpaid mobile customers across both Singapore and Australia and improved our customer retention rate. We affirm our full-year guidance despite a more challenging economic outlook. While ICT revenue was lower in the first half of the year with the completion of a major infrastructure project last year, our order book is strong and we expect ICT to grow in the second half."

In the regional associates' markets, mobile data remained the key growth driver. Strong performances from Globe in the Philippines and Airtel Africa mitigated lower contributions from Airtel in India and Telkomsel in Indonesia. Airtel's results were negatively affected by intense competition and mandated cuts in mobile termination rates in India, although ARPU was stable on a sequential quarter basis. In October, Airtel Africa raised US$1.25 billion in new equity from global investors including US$250 million from Singtel, ahead of an intended Initial Public Offering. Telkomsel's earnings were impacted by lower voice and SMS revenues, as well as intense data price competition during the mandatory prepaid SIM card registration period. Following the completion of this exercise, Telkomsel implemented price increases in selected areas, which helped drive a 22% growth in sequential quarter earnings. In Thailand, AIS' earnings were impacted by higher depreciation from 4G network expansion.

Ms Chua said, "We remain positive about our regional associates which continue to benefit from the growing demand for data and have executed well against the challenges and competition. Our recent investment into Airtel Africa together with other global investors show confidence in the long-term growth potential of the continent with smartphone penetration and adoption of mobile payments set to rise even further. We have made strides in building an ecosystem of digital services to leverage the Group's strengths and unlock the value of our mobile customer base of more than 700 million across Asia. We are focused on capturing the high-growth but fragmented e-payments market, as well as the nascent esports and gaming scene in the region – areas where we have the opportunity to lead and accelerate growth."

In October, the Singtel Group launched VIA, the region's first cross-border mobile payment alliance with AIS and Kasikornbank, Thailand's largest digital bank, enabling QR code-based mobile payments through mobile wallets across both Singapore and Thailand. This alliance will be progressively expanded to include other regional associates and non-telco partners. That same month, the inaugural PVP Esports Championship, a multi-title and regional league, played to a sold out crowd of more than 3,000 in Singapore over three days, and more critically, drew over 13 million global viewers through the Group's content platforms and content partners.

The Group's cash position remains healthy. Free cash flow rose 7% to S$2.14 billion for the half year on higher dividend receipts from associates and lower capital expenditure.

The Board approved an interim dividend of 6.8 cents per share, representing a payout ratio of 77% of underlying net profit for the half year ended 30 September 2018.

GROUP CONSUMER

In Australia, consumer revenue rose 8% for the quarter with growth in postpaid mobile customers and higher equipment sales offsetting lower NBN migration revenues from the temporary suspension of the NBN HFC connections. NBN Co, the national broadband operator, is progressively lifting this suspension. Excluding NBN migration revenues, EBITDA grew a solid 4% on strong cost management. Mobile service revenue dipped 2% due to the increased mix of SIM-only plans and data price competition. 87,000 postpaid handset customers were added in the quarter. However, prepaid handset customers decreased by 120,000 as a result of seasonality and intense competition. Mass market fixed revenue was down 7% and would have risen 2% excluding NBN migration revenues.

Optus successfully concluded "live" 5G network trials in Sydney, paving the way for the commercial launch of fixed wireless access services in Canberra and Brisbane in January 2019, and other capital cities by March 2019.

On the content front, Optus cemented its status as the home of elite football in Australia as it added the UEFA Champions League and UEFA Nations League to Optus Sport content, which already includes the Premier League.

In Singapore, consumer revenue rose 5% for the quarter. Mobile revenue increased 7% on strong equipment sales as premium handset launches were used to drive customer acquisition and retention. Singtel added 41,000 postpaid mobile customers – the strongest in six quarters, and churn was reduced. Mobile service revenue continued to be impacted by the erosion in voice revenue although this was partially mitigated by the growth in data and digital lifestyle services. EBITDA was down 7%, due mainly to lower voice revenue and the cessation of a Premier League sub-licensing agreement last year.

Home service revenue rose 4% boosted by the 2018 FIFA World Cup. A new Chinese entertainment and lifestyle channel called e-Le was launched and offered to Singtel customers. The advertising-driven channel has been well received, attracting over 470,000 viewers in the one month since its launch.

GROUP ENTERPRISE

Group Enterprise revenue was down 4% for the quarter, reflecting the price erosion in carriage services and the lumpy nature of ICT projects. On the cyber security front, revenue was stable in constant currency terms, with strong growth in managed security and technology services in Asia Pacific which offset the decline of the payment card industry compliance business in the US. EBITDA was lower while margins were stable due to cost optimisation initiatives.

Group Enterprise continued to invest in strengthening its suite of cyber security services. This included the launch of Trustwave SpiderLabs Fusion Centre which enhances its global cyber threat identification and elimination capabilities, and the acquisition of Hivint, an award-winning cyber security consulting business in Australia.

Group Enterprise continued to demonstrate its market leadership, winning Asia Pacific Telecom Group and Managed Cloud Services Provider of the Year from Frost and Sullivan.

GROUP DIGITAL LIFE

Group Digital Life's revenue rose 10% for the quarter, driven by growth in digital marketing arm Amobee's programmatic platform and email businesses. Amobee's results included first-time contributions from Videology, a software provider for the high-growth segments of advanced TV and video advertising, following the completion of its acquisition on 22 August 2018. Mobile streaming service HOOQ showed positive momentum, doubling revenue from a year ago by leveraging new distribution partnerships in India and Indonesia. EBITDA for Group Digital Life was lower due to increased investments to build scale and an accrual for stock-based option costs at Amobee.

Amobee continued to gain recognition and win industry accolades including Best Mobile: Integration Cross Platform and Best Video: Single Execution categories at the MediaPost OMMA Awards for its innovative marketing campaign with Southwest Airlines. It also won the Digiday Technology Awards for Best Data Management Platform and Best Marketing Dashboard Software.

HOOQ strengthened its content suite with the release of its first original Indonesian series, crime thriller Brata, which was well received.

Outlook for the current financial year ending 31 March 2019

For the Group's guidance for the financial year ending 31 March 2019, please refer to Appendix 2.

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About Singtel
Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, technology services to infotainment to both consumers and businesses. 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. The Group has presence in Asia, Australia and Africa and reaches over 700 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.

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Appendix 1

Financial Highlights for the Half Year Ended 30 September 2018[1]

	FY2019 (S$m)	FY2018 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	8,404	8,423	*	3%
EBITDA	2,336	2,489	(6%)	(3%)
Regional associates pre-tax earnings[3]	694	1,292	(46%)	(43%)
EBITDA and share of associates' pre-tax earnings	3,081	3,878	(21%)	(18%)
Underlying net profit[4]	1,448	1,823	(21%)	(17%)
Exceptional items (post-tax)	51	1,921	(97%)	(98%)
Net profit	1,499	3,744	(60%)	(59%)
Free cash flow	2,142	2,011	7%	nm

Financial Highlights for the Quarter Ended 30 September 2018[1]

	FY2019 (S$m)	FY2018 (S$m)	YOY Change	YOY Change Constant Currency[2]
Group revenue	4,270	4,268	*	4%
EBITDA	1,129	1,249	(10%)	(6%)
Regional associates pre-tax earnings[3]	303	620	(51%)	(49%)
EBITDA and share of associates' pre-tax earnings	1,459	1,908	(24%)	(20%)
Underlying net profit[4]	715	915	(22%)	(18%)
Exceptional items (post-tax)	(48)	1,940	nm	nm
Net profit	667	2,854	(77%)	(76%)
Free cash flow	676	718	(6%)	nm

* denotes less than +/- 0.05%
nm denotes not meaningful

[1] With effect from 1 April 2018, the Group has adopted all applicable Singapore Financial Reporting Standards (International) and also restated results of prior periods for comparison. The new standards do not have a material impact on the Group's net results.
[2] Assuming constant exchange rates from the corresponding periods in FY 2018.
[3] Excludes exceptional items.
[4] Defined as net profit before exceptional items.

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Appendix 2

OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2019

- Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar, United States Dollar and regional currencies. The Group's outlook for the current financial year is based on the following average exchange rates during FY2018:

Australian Dollar	AUD 1	SGD 1.0489
United States Dollar	USD 1	SGD 1.3565
Indonesian Rupiah	SGD 1	IDR 9,901
Indian Rupee	SGD 1	INR 47.6
Thailand Baht	SGD 1	THB 24.3
Philippine Peso	SGD 1	PHP 37.5

- Operating revenue[5] from the Core Business (comprising Group Consumer and Group Enterprise) to grow by low single digit and EBITDA[5] to be stable.

- Mobile service revenue from Australia to grow by low single digit.

- Mobile service revenue from Singapore to decline by mid-single digit.

- Group ICT revenue (comprising Managed Services and Business Solutions) to increase by mid-single digit. This includes Cyber security revenue, which is expected to increase by high single digit.

- Excluding acquisitions, operating revenue (including intragroup revenue) at Amobee Group to grow by high single digit and its EBITDA to be positive.

- Excluding acquisitions, consolidated revenue[5] for the Group to grow by low single digit and EBITDA[5] to be stable.

- Cash capital expenditure and accrued capital expenditure for the Group are expected to approximate S$2.2 billion each, with A$1.4 billion for Optus and S$0.8 billion for the rest of Singtel Group.

- Group free cash flow (excluding spectrum payments and dividends from associates) to be approximately S$1.9 billion.

- Dividends from the regional associates are expected to be around S$1.4 billion.

[5] Excluding the impact of NBN migration revenues in Australia for both FY2018 and FY2019.