News Release

Singtel posts S$466 million H1 net profit

Half year ended 30 September 2020

- Operating revenue down 10% to S$7.43 billion; underlying net profit down 36% to S$837 million due mainly to weakness in Australia and COVID-19
- Regional associates' pre-tax profits up 11% to S$833 million on Airtel's improved performance
- Strong half-year performance in ICT driven by NCS, cloud and cyber security services

Singapore, 12 November 2020 – Singtel's performance for the first half of the year reflected weakness in our Australia fixed line business amid structural challenges in the industry, the impact from COVID-19 and soft economic conditions. Operating revenue was S$7.43 billion, down 10% on lower equipment sales, roaming and prepaid mobile revenue. EBITDA was S$1.90 billion, down 19% with lower NBN migration revenue, margin pressure from NBN resale in Australia as well as lower equipment margin and roaming services. Excluding exceptional items, underlying net profit declined 36%. With lower exceptional losses, primarily due to significant regulatory losses from Airtel's provision for the adjusted gross revenue matter, the Group recorded a net profit of S$466 million for the first half compared to a net loss in the last corresponding period.

Ms Chua Sock Koong, Singtel Group CEO, said, "The impact of COVID-19 was felt across the Group with significant reductions in roaming and prepaid revenues and weaker customer spend. The weak performance was further compounded by the structural challenges of the fixed line business in Australia, with the low margin NBN resale. However, ICT was the bright spot with strong growth from NCS and our cloud and cyber security services in Asia Pacific as more enterprises adopted and accelerated digitalisation. While the challenging operating environment is expected to continue as uncertainties from the pandemic persist, we are seeing encouraging signs of modest recovery across our businesses with sequential quarter revenue growth of 10% in the second quarter, as lockdown measures ease and customer spending returns. We recognise that the services we provide are critical to keeping customers connected and productive and as economies reopen in phases, we remain committed to supporting them to eventual business and economic recovery."

Pre-tax contributions from the regional associates rose 11% for the half year as improved performance from Airtel offset the impact of COVID-19 and price pressures in other associates' markets. Airtel's losses narrowed with robust revenue growth in India, boosted by strong 4G net adds and customers upgrading to 4G services as it used its network advantage to gain high value customers. Its African operations also recorded strong operating momentum with sustained growth across voice, data and Airtel Money by leveraging its increased rural distribution and wider network coverage to support customers through the pandemic. In Indonesia, Telkomsel continued to face competitive pricing pressure and saw declines in its legacy business although this was mitigated by cost controls. AIS and Globe's performances were affected by cuts to business and consumer spending and reduced roaming as a result of COVID-19. AIS also recorded higher depreciation from increased network investment and amortisation of 5G spectrum.

“While COVID-19 cast a shadow over most of our regional associates, Airtel executed strongly in India and Africa, and we expect its strong operating momentum to keep driving its recovery,” added Ms Chua. “Across the Group, digitalisation remains central as we move customers to our digital channels and platforms and transform our operating model and processes. We are also making significant investments in 5G and building capabilities, which will serve to create new revenue streams and deliver returns in the mid to long term.”

The rollout of 5G mobile networks across Singapore and Australia has been progressing steadily. In Singapore, the first 5G trial network for enterprises was launched while the debut of the 5G commercial trial for consumers received an overwhelming response. Optus has rolled out over 920 5G sites, broke the Australian record for commercial 5G speeds last month, clocking over 2.5Gbps for downloads, and committed to roll out ultra-fast 5G sites across Sydney and Melbourne. Besides bringing ultra-fast connectivity and exciting new experiences to customers, the Group will leverage 5G to co-create new applications and use cases with enterprises.

The Group’s financial position remains healthy. Net debt was S$12.7 billion, an increase of S$200 million since the start of the financial year, primarily due to a stronger Australian dollar. Free cash flow declined by 14% to S$1.7 billion, mainly due to higher capital expenditure in Australia.

The Board has approved an interim dividend at 5.1 cents per share for the half year ended 30 September 2020, totalling S$833 million which represents approximately 100% of the Group’s underlying net profit for the period. The Board also approved the adoption of a scrip dividend scheme and the application of this scheme to the interim dividend.

GROUP CONSUMER

In Australia, Optus’ operating revenue in the first half of the year was affected by COVID-19 and the tapering of NBN migration revenue as the NBN network rollout neared completion. The COVID-19 shutdowns and travel restrictions impacted customer growth and equipment sales as well as roaming and prepaid revenues from inbound travelers and foreign students. This was partially mitigated by increases in mobile price plans and reduced subsidies. Operating revenue was also lower from customer support measures including late payment fee waivers for customers and free credits given to healthcare workers. EBITDA fell 31% on lower revenue as well as lower margins on equipment sales and Optus’ NBN resale business.

On a sequential quarter basis, mobile services in the second quarter regained momentum. The growing demand for Optus Choice plans, launched in November 2019, drove higher ARPU through increased customer value. However, the growth in mobile services was tempered by continued competition in the fixed business and lower equipment sales as consumer spending weakened and customers bought lower-priced devices.

Earlier this month, Optus entered into a conditional agreement to acquire Australia's leading MVNO amaysim and also announced the launch of an all-digital mobile offering GOMO, which builds on the success of Singtel's GOMO in Singapore and by.U in Indonesia, with the aim of offering greater choice for value-seeking customers.

In Singapore, operating revenue declined 19%, exacerbated by the impact of the pandemic. Roaming and prepaid usage dropped from the fall in the number of tourists and foreign workers with the curbs on travel and movement. Equipment sales fell with lower consumer spend, movement restrictions and the timing of popular handset launches. EBITDA was down 14%, on the lower operating revenue, particularly from higher margin roaming services.

Operating revenue improved in the second quarter compared to the first quarter, mainly from higher equipment sales following the phased reopening of the economy. On a sequential quarter basis, prepaid revenue rose as foreign workers made top-ups as they returned to work while equipment sales rose on higher demand. EBITDA increased 10%, excluding government wage credits.

GROUP ENTERPRISE

Group Enterprise saw strong growth in ICT services which was up 8% for the half year, accounting for 53% of overall revenue. This was driven by NCS' strong performance as it leveraged the digitalisation push by both government and enterprises. Strong growth was also recorded in cyber security and cloud services in Asia Pacific while demand for data centres increased. Mobile service revenue was lower with steep declines in roaming and voice while equipment sales declined from lower mobile connections. Overall EBITDA fell on lower roaming and carriage price erosion, partly offset by wage credits.

On a sequential quarter basis, ICT services strengthened in both Singapore and Australia. Optus also supported work-from-home arrangements with its collaboration tools and equipment. EBITDA rose 7% on higher revenue and would have increased 16% excluding wage credits.

GROUP DIGITAL LIFE

Group Digital Life's revenue was down 30% for the half year as a result of significant cuts in advertising budgets by brands and advertisers due to COVID-19 and lower revenue from ITV, UK's biggest commercial TV broadcaster, following the licensing of digital marketing arm Amobee's technology platform to ITV last year. Overall EBITDA losses narrowed with the deconsolidation of mobile streaming service HOOQ.

On a sequential quarter basis, Amobee's revenue in the second quarter increased as economic activity gradually resumed and positive EBITDA was recorded.

Amobee recently won recognition as a "Leader" in Gartner's Magic Quadrant for ad tech, further validating its competitive strengths in the industry.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2021

In view of the continued uncertainty in the economic environment, the Group will not provide guidance on the outlook except that dividends from the regional associates will be approximately S$1.3 billion and that the Group's capital expenditure including for 5G networks, will be around S$2.2 billion, comprising A$1.5 billion for Optus and S$700 million for the rest of the Group.

Singtel is committed to its investment grade credit ratings and will review its dividend policy at the end of the financial year when there is more clarity on the impact of the COVID-19 pandemic on the Group's businesses. It is expected that total dividends for the full year will not exceed the Group's underlying net profit.

###

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.

For more information, visit www.singtel.com.
Follow us on Twitter at www.twitter.com/SingtelNews.

Media Contacts

Lian Pek
Vice President, Group Strategic Communications and Brand
Phone: +65 94882696
Email: lianpek@singtel.com

Marian Boon
Director, Group Strategic Communications and Brand
Phone: +65 88761753
Email: marian@singtel.com

Appendix 1

Financial Highlights for the Half Year Ended 30 September 2020

	FY2021 (S$m)	FY2020 (S$m)	YOY Change	YOY Change Constant Currency[1]
Group revenue	7,425	8,265	(10%)	(11%)
EBITDA	1,903	2,345	(19%)	(19%)
EBIT excluding associates	596	1,060	(44%)	(44%)
Regional associates pre-tax earnings[2]	833	749	11%	11%
Underlying net profit[3]	837	1,312	(36%)	(37%)
Exceptional items (post-tax)	(371)	(1,439)	74%	70%
Net profit/(loss)	466	(127)	N.M.	N.M.
Free cash flow	1,705	1,993	(14%)	-

N.M. denotes not meaningful

[1] Assuming constant exchange rates from the corresponding period in FY 2020.
[2] Excludes exceptional items.
[3] Defined as net profit before exceptional items.