



News Release

## Singtel posts S\$627 million Q3 net profit

Quarter ended 31 December 2019

- Net profit down 24% to S\$627 million due mainly to lower enterprise contributions and exceptional gains
- Operating revenue down 5% on weak business sentiment, traditional carriage erosion and lower equipment sales
- Regional associates' pre-tax profits up 15%; Airtel narrows losses on improved performance in India and Africa
- Free cash flow for the nine months was up 8% at S\$2.74 billion

**Singapore, 13 February 2020** – Singtel's third quarter net profit declined 24% to S\$627 million due mainly to weakness in the enterprise business, the impact of the final settlement of a gain on the Airtel Africa pre-IPO investment and lower exceptional gains. Operating revenue was S\$4.38 billion, down 5% on lower equipment sales, weak business sentiment and spending, continued price erosion in carriage services and heightened market competition. EBITDA was S\$1.16 billion or up 1% in constant currency terms, lifted by an increase in NBN migration revenue in Australia and cost management initiatives. Excluding exceptional items, underlying net profit declined 19%.

Ms Chua Sock Koong, Singtel Group CEO, said, "It's been a challenging quarter. Weak macroeconomic conditions have weighed on our enterprise business and Optus saw eroding margins in its fixed retail business with the higher mix of NBN customers. However, we continue to execute to our longer term growth strategy. NCS and Trustwave saw higher order books and our data centre services also saw positive growth." She added, "As Australia battled deadly bushfires that have devastated large parts of the country, I'm proud of how the Optus team has worked long hours in difficult circumstances to restore connectivity to affected areas while supporting families and businesses through this crisis. While we are also dealing with the threat of the coronavirus which could see business sentiment subdued further, we remain focused on supporting our staff and customers while continuing to enhance our networks to shift our core and digital businesses to the 5G world."

In Australia, Optus has rolled out over 400 5G fixed wireless sites while in Singapore, Singtel will submit its 5G proposal to the government later this month. A joint application with consortium partner, Grab, for a digital full bank licence in Singapore has also been submitted in December 2019.

The regional associates' pre-tax contributions for the quarter rose 15% driven by strong data growth across all markets. Airtel's losses narrowed, on the back of strong 4G customer growth, customer upgrades and price increases in India. Its African operations also saw growth momentum in carriage and mobile money services. The stronger operating performances mitigated higher costs and depreciation from its network expansion. Airtel is awaiting the outcome of a modification application to the Indian courts relating to the adjusted gross revenue matter. In January this year, Airtel successfully raised US\$3 billion through a share



placement and convertible bond issue. Globe in the Philippines maintained strong growth momentum in mobile and broadband services. In Thailand, AIS' revenue rose on device sales and subscriber gains but was offset by higher marketing expenses and depreciation and amortisation charges. In Indonesia, Telkomsel's results were impacted by competition in the region outside Java.

Ms Chua said, "Our associates' contributions grew on the back of strong results from Globe and an improved performance from Airtel. Indonesia saw intense competitive pricing action as operators rolled out their networks in the region beyond Java. Telkomsel's management is focused on defending and growing revenue with differentiation and superior network quality. We are also encouraged that Airtel is turning the corner amid an industry-wide price recovery and can push forward with a strategy that will deliver a firmer turnaround and improved earnings contributions from our regional associates."

The Group's financial position remains healthy. Net debt stood at S\$12.45 billion including S\$2.25 billion of lease liabilities recognised under the new accounting standards. Free cash flow was S\$2.74 billion for the nine months, up 8% as a result of favourable working capital movements, increased NBN migration revenue and lower tax payments.

## **GROUP CONSUMER**

In Australia, revenue rose 1% as higher NBN migration revenue was partially offset by lower equipment sales and price competition. Mobile service revenue declined due to a higher mix of SIM-only customers and data price competition. However, ARPU was stable for a second consecutive quarter. The number of postpaid customers rose by 52,000 while the prepaid customer base increased by 157,000 with the addition of a new mobile virtual network operator. EBITDA increased 10% mainly from higher NBN migration revenue. Excluding NBN migration revenue, EBITDA declined 22%, reflecting lower margins from both handset sales and retail fixed business, with the increased NBN access costs and higher mix of NBN customers.

In Singapore, mobile revenue was lower due to the timing of handset launches, lower voice usage and data price competition. Revenue from fixed services was up 1% on steady growth in broadband while pay-TV revenue was up 1%. Although overall revenue was down 5%, EBITDA was stable as a result of digitalisation initiatives and content cost management.

## **GROUP ENTERPRISE**

Group Enterprise's revenue this quarter was down 4% and EBITDA declined 11%. Its performance was impacted by weakness in Australia, cautious business sentiment and continued erosion in traditional carriage services. In Australia, competition from new entrants reselling NBN has impacted revenue and EBITDA for Optus Business. On a sequential quarter basis, Optus Business' revenue and EBITDA have improved with measures taken to stabilise the business. Excluding Australia, Group Enterprise revenue would have been stable and EBITDA down by 5%, while ICT revenue rose 5% on strong growth from NCS and cyber security arm Trustwave as well as data centre services.

Group Digital Life's revenue for the quarter was down 15% due to spending cuts by Amobee's major clients and declines in the digital marketing arm's managed media and social businesses. However, overall EBITDA improved 49% as Amobee delivered a significant contract milestone for ITV, UK's biggest commercial TV broadcaster, and strengthened cost management. Amobee saw an increased mix of programmatic revenue as it continues to scale its programmatic platform to offset declines in its legacy managed media advertising business.

### **Outlook for the current financial year ending 31 March 2020**

The Group's operations will continue to face intense competition and carriage declines amid weak business and consumer sentiment.

Increases in mobile market pricing and unbundling of handsets from mobile service plans in Australia have moderated customer additions and equipment sales. We expect lower equipment sales and more sales of lower margin devices to continue into the fourth quarter.

Taking into account the results for the nine months ended 31 December 2019 and the above factors, the Group expects the following for the current financial year:

- Group revenue to be stable and EBITDA to decrease by low single digit. Excluding NBN migration revenues in Australia, Group revenue is expected to decline by mid single digit and EBITDA is expected to decline by low teens.
- Capital expenditure to approximate S\$2.1 billion, comprising A\$1.3 billion for Optus and S\$0.8 billion for the rest of the Group.
- Free cash flow (excluding spectrum payments and dividends from associates) to be around S\$2.3 billion.
- Dividends from the regional associates to be around S\$1.3 billion.
- Revenue from ICT services to grow by low single digit.
- Cyber security revenue to increase by mid single digit.
- Amobee's operating revenue to decline by mid single digit and EBITDA to improve.

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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 710 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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**Financial Highlights for the Quarter Ended 31 December 2019**

	<b>FY2020 (S\$m)</b>	<b>FY2019 (S\$m)</b>	<b>YOY Change</b>	<b>YOY Change Constant Currency<sup>1</sup></b>
Group revenue	4,378	4,626	(5%)	(3%)
EBITDA	1,164	1,190	(2%)	1%
Regional associates pre-tax earnings <sup>2</sup>	393	342	15%	9%
EBITDA and share of associates' pre-tax earnings	1,584	1,561	2%	3%
Underlying net profit <sup>3</sup>	551	680	(19%)	(20%)
Exceptional items (post-tax)	76	143	(47%)	(47%)
Net profit	627	823	(24%)	(25%)
Free cash flow	746	387	93%	nm

**Financial Highlights for the Nine Months Ended 31 December 2019**

	<b>FY2020 (S\$m)</b>	<b>FY2019 (S\$m)</b>	<b>YOY Change</b>	<b>YOY Change Constant Currency<sup>1</sup></b>
Group revenue	12,643	13,030	(3%)	Stable
EBITDA	3,509	3,526	Stable	3%
Regional associates pre-tax earnings <sup>2</sup>	1,142	1,035	10%	5%
EBITDA and share of associates' pre-tax earnings	4,731	4,642	2%	3%
Underlying net profit <sup>3</sup>	1,863	2,128	(12%)	(13%)
Exceptional items (post-tax)	(1,363)	194	nm	nm
Net profit	500	2,322	(79%)	(79%)
Free cash flow	2,738	2,530	8%	nm

nm denotes not meaningful

<sup>1</sup> Assuming constant exchange rates from the corresponding period in FY2019.

<sup>2</sup> Excludes exceptional items.

<sup>3</sup> Defined as net profit before exceptional items.