



News Release

## Singtel delivers stable Q4 net profit amid a challenging year

### Quarter ended 31 March 2019

- Strong revenue performance in consumer and digital businesses
- Robust growth in ICT, digital services and equipment sales
- Operating revenue up 2% to S\$4.34 billion; up 6% in constant currency terms
- Net profit stable at S\$773 million; up 2% in constant currency terms

### Financial year ended 31 March 2019

- Operating revenue stable at S\$17.37 billion; up 4% in constant currency terms
- Full-year net profit down 44% to S\$3.10 billion due to lower associates' contributions, and gain last year from 75% divestment of NetLink Trust
- Free cash flow up 1% to S\$3.65 billion
- Proposed final dividend per share of 10.7 cents; total dividend per share maintained at 17.5 cents

**Singapore, 15 May 2019** – Singtel ended the financial year with good performances in the fourth quarter from its resilient consumer business and growing digital businesses. Operating revenue for the quarter rose 2% to S\$4.34 billion and was up 6% in constant currency terms. Pre-tax profits for the regional associates declined 20% to S\$389 million due to Airtel's<sup>1</sup> results which was impacted by competitive pressures, and the associates' higher depreciation, spectrum amortisation and network costs from the continued expansion of their respective 4G networks. Net profit, which included exceptional gains from Airtel, was stable at S\$773 million.

In constant currency terms, operating revenue for the full year was up 4% to S\$17.37 billion driven by growth in ICT, digital services and higher equipment sales from mobile connections across Singapore and Australia. However, net profit fell 44% to S\$3.10 billion mainly due to an exceptional gain last year from the divestment of approximately 75% of NetLink Trust (NLT), and underlying net profit declined 21% on losses from Airtel, lower contributions from Telkomsel, erosion of carriage services, lower NLT contributions with the reduced stake as well as currency headwinds.

Ms Chua Sock Koong, Singtel Group CEO said, "We have executed well to our strategy amid tougher industry, business and economic conditions. The fundamentals of our core business remained strong. We gained market share in mobile across both Singapore and Australia led by our product innovations, content and services that were well-received by customers. Our digital businesses Amobee and Trustwave continued to deepen their capabilities and to scale. Looking ahead, we will accelerate our digitalisation efforts to drive better customer experience and improve productivity and cost structure by transforming our processes."

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<sup>1</sup> On 3 May 2019, Airtel launched a rights issue which will close on 17 May 2019 and is expected to complete in early June 2019. In view of regulatory restrictions in India, limited information on Airtel is provided in this document.



The regional associates continued to monetise the growth in data as smartphone adoption increases. Competitive pressure in Indonesia has eased and Telkomsel returned to revenue growth year on year, reversing declines during the SIM card registration exercise. In India, Airtel's results were affected by intense price competition. The competition has forced a sweeping market consolidation, and resulted in a reduced number of operators in India. Airtel is currently in the process of raising up to US\$4.5 billion, including US\$3.5 billion through a rights issue. In Thailand, AIS' earnings were impacted by higher network depreciation and spectrum amortisation. In the Philippines, Globe delivered another solid quarter of revenue and earnings growth from both mobile and broadband.

Ms Chua added, "Intense competition has affected the markets in India and Indonesia this past year. Airtel is strengthening its balance sheet with capital raising now in progress, and has also announced an intended IPO for Airtel Africa. We continue to be optimistic about the growth potential of our associates' markets, with the rate of data usage growth and the plethora of digital content and services available and carried over the mobile networks. As a Group, we are committed to deliver a superior digital experience for our more than 650 million customers across the region. Our associates will continue to lead with the best network in their markets."

The Group is fostering a vibrant 5G ecosystem, and working with industry partners on developing 5G use cases. It achieved a milestone with the world's first cross-border 5G video call made between Singtel and Optus with augmented reality to demonstrate the potential of 5G. Optus has started to commercially roll out a 5G fixed wireless access network.

In line with its digital ecosystem strategy, VIA, the Group's cross-border mobile payment service, expanded its reach with new partnerships that will enable users of mobile wallets on VIA to make payments through their home wallets when travelling to Japan and Malaysia, in addition to Thailand and Singapore.

The Group's financial position and cash flow generation remain strong. Free cash flow for the year was up 1% to S\$3.65 billion.

## **GROUP CONSUMER**

In Australia, revenue and EBITDA both increased a strong 10% for the quarter led mainly by higher NBN migration payments. Mobile service revenue was stable amid aggressive data price competition. Postpaid handset customers increased 121,000 while prepaid customers declined by 109,000, due to a clean-up of inactive subscribers by a wholesale customer. Mass market fixed revenue grew 19% with higher NBN migration payments. Direct costs such as cost of sales and traffic expenses increased due to higher equipment sales and NBN services, while other operating expenses decreased 8% as a result of strong cost control.

Optus continued to deliver world-class entertainment to customers, launching its improved National Geographic app which features Only in OZ, an original series co-produced with National Geographic.



In Singapore, revenue was up 1% while EBITDA rose 5% on cost management. Mobile revenue grew 4% as strong equipment sales offset the impact of lower prepaid voice usage and revenue. Postpaid customer growth increased by another 32,000 this quarter. Fixed services fell due to lower voice usage, but this was mitigated by the growth in broadband services.

Singtel launched innovative products such as GOMO, a digital-only mobile product to give customers greater convenience, flexibility and value. It also partnered with HBO GO and Amazon Prime to bundle exciting content with mobile and home plans, and with GOJEK and AIA for lifestyle perks and rewards.

## **GROUP ENTERPRISE**

Group Enterprise's revenue declined 3% for the quarter, or 1% in constant currency terms, as a result of lower carriage revenue. ICT services rose 4% led by NCS while cyber security revenue was up 11%, driven by strong growth in Asia Pacific. ICT now contributes 51% of Group Enterprise revenue, up from 48% in the same quarter last year. EBITDA was down 16% with the increased ICT revenue mix, voice services decline, and pricing pressures on major public sector ICT contracts that were renewed.

Group Enterprise strengthened its IoT capabilities and signed partnerships with Microsoft and China Mobile which will enable enterprise customers to deploy their IoT devices across networks seamlessly.

Cyber security arm Trustwave continued to demonstrate its leadership in managed services. It was recognised once again in Gartner's recently published 2019 Leaders Quadrant<sup>2</sup> and won Best Managed Security Service in the annual SC Awards.

## **GROUP DIGITAL LIFE**

Group Digital Life's revenue rose 33% for the quarter from digital marketing arm Amobee's programmatic advertising business, and contributions from Videology, which was acquired in August 2018. Excluding Videology, Group Digital Life's revenue increased 17%. Mobile streaming service HOOQ had another strong quarter, boosted by growth in revenue-generating customers in ASEAN and India.

Amobee's strategy is to unify digital, social and TV advertising, with brand and data analytics on a single platform. It signed technology licensing agreements with UK's biggest commercial TV broadcaster ITV and with US-based TV network Univision for the broadcasters to use and deploy the Amobee technology platform for their advertising businesses.

Amobee's EBITDA improved on higher contributions from its platform business, which mitigated the decline in its managed media business.

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<sup>2</sup> Source: Gartner, "Magic Quadrant for Managed Security Services, Worldwide" by Toby Bussa, Kelly Kavanagh, Sid Deshpande, Pete Shoard, May 2, 2019.



Corporate venture fund Singtel Innov8 invested in regional digital healthcare start-ups Halodoc and CXA Group, which gives the Group access to the fast-growing segment in Asia.

## **DIVIDENDS**

The Board is recommending a final ordinary dividend per share of 10.7 cents. This brings the total ordinary dividend per share for the year to 17.5 cents and represents a payout of approximately S\$2.86 billion.

For the Group's guidance for the financial year ending 31 March 2020, 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 650 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](http://www.singtel.com).

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**Financial Highlights for the Quarter Ended 31 March 2019<sup>3</sup>**

	FY2019 (S\$m)	FY2018 (S\$m)	YOY Change	YOY Change Constant Currency <sup>4</sup>
Group revenue	4,342	4,262	2%	6%
EBITDA	1,166	1,230	(5%)	(1%)
Regional associates pre-tax earnings <sup>5</sup>	389	488	(20%)	(23%)
EBITDA and share of associates' pre-tax earnings	1,586	1,750	(9%)	(7%)
Underlying net profit <sup>6</sup>	697	821	(15%)	(14%)
Exceptional items (post-tax)	76	(51)	nm	nm
Net profit	773	770	Stable	2%
Free cash flow	1,120	800	40%	nm

**Financial Highlights for the Full Year Ended 31 March 2019<sup>3</sup>**

	FY2019 (S\$m)	FY2018 (S\$m)	YOY Change	YOY Change Constant Currency <sup>4</sup>
Group revenue	17,372	17,268	1%	4%
EBITDA	4,692	5,051	(7%)	(4%)
Regional associates pre-tax earnings <sup>5</sup>	1,424	2,304	(38%)	(37%)
EBITDA and share of associates' pre-tax earnings	6,228	7,511	(17%)	(15%)
Underlying net profit <sup>6</sup>	2,825	3,593	(21%)	(19%)
Exceptional items (post-tax)	270	1,880	(86%)	(85%)
Net profit	3,095	5,473	(44%)	(42%)
Free cash flow	3,650	3,606	1%	nm

nm denotes not meaningful

<sup>3</sup> 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.

<sup>4</sup> Assuming constant exchange rates from the corresponding periods in FY 2018.

<sup>5</sup> Excludes exceptional items.

<sup>6</sup> Defined as net profit before exceptional items.

**OUTLOOK FOR THE NEXT FINANCIAL YEAR ENDING 31 MARCH 2020**
**Macro-economic environment and currency**

The guidance for FY2020 is based on the following economic growth projections and average exchange rates for the financial year ended 31 March 2019:

<b>GDP growth<sup>7</sup></b>	<b>2019</b>
Singapore	1.5% to 3.5%
Australia	2.75%
United States	2.5%
India	7.5%
Indonesia	5.2%
Philippines	6.5%
Thailand	3.8%
Airtel's key countries in Africa	2% to 7%

<b>Average exchange rates</b>		<b>FY2019</b>
Australian Dollar	AUD 1	SGD 0.9898
United States Dollar	USD 1	SGD 1.3580
Indonesian Rupiah	SGD 1	IDR 10,526
Indian Rupee	SGD 1	INR 51.5
Thailand Baht	SGD 1	THB 23.8
Philippine Peso	SGD 1	PHP 38.9

**Strategic Focus**

Singtel is focused on creating sustainable shareholder value through strategic transformation of its core business and growth in its global digital businesses.

**Strengthening the core**

The Group continues to invest in networks, spectrum, technology and content to create sustainable competitive advantages. In Australia, Optus gained market share in mobile and is set to enhance its market position through network and product differentiation, including the recent introduction of fixed wireless services on 5G. In Singapore, the Group will consolidate its leadership position through continued innovation in product, content and services.

The Group continues to drive digitalisation and automation to improve customer experience and achieve a leaner cost structure. For FY2020, the Group expects these initiatives to deliver cost savings and avoidance of around S\$490 million.

<sup>7</sup> Singapore's GDP is based on Ministry of Trade and Industry (February 2019). Australia's GDP is based on Reserve Bank of Australia (May 2019) and the rest are based on World Bank (January 2019). The GDP growth for Australia is based on fiscal year ending June 2020 and for United States is based on fiscal year ending September 2019.



## Focus on Digital

The Group is well-positioned in the digital space as a key enabler of smart cities and digital enterprises. Trustwave, the Group's global cyber security unit, is a leading global managed security services provider and will continue to leverage rising opportunities in cyber security. As a leading ICT services provider in Asia Pacific, NCS will continue to progress its digital capabilities and expand its footprint across the region.

Group Digital Life is focused on increasing scale and profitability in digital marketing, data analytics and premium video services. Amobee is expected to accelerate its growth in programmatic advertising, led by the convergence of TV and digital marketing, while HOOQ targets to grow its customer base by expanding its distribution and content.

The Group is harnessing its scale to build digital ecosystems in payments, gaming and esports and create future revenue streams.

## Outlook

The following outlook is based on the Group's structure and accounting standards as at 31 March 2019.

### Group<sup>8</sup>

- Consolidated revenue<sup>9</sup> for the Group is expected to grow by mid single digit and consolidated EBITDA<sup>9</sup> to be stable.
- Capital expenditure is expected to approximate S\$2.2 billion, comprising A\$1.4 billion for Optus and S\$0.8 billion for the rest of the Group.
- Free cash flow, excluding spectrum payments and dividends from associates, is projected to be around S\$2.1 billion.
- Dividends from the regional associates are expected to be approximately S\$1.2 billion, reflecting Telkomsel's lower earnings for its financial year ended 31 December 2018.

### ICT and digital businesses

- Revenue from ICT services is expected to grow by low single digit.
- Cyber security revenue is projected to increase by low teens.
- Amobee operating revenue<sup>10</sup> is expected to grow by high single digit and its EBITDA to improve.

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<sup>8</sup> Excluding acquisitions.

<sup>9</sup> Excluding the impact of NBN migration revenues in Australia for FY2019 and FY2020.

<sup>10</sup> Including intra-group revenue.



## **Dividend Policy**

Singtel is committed to delivering dividends that increase over time with growth in underlying earnings, while maintaining an optimal capital structure and investment grade credit ratings.

Barring unforeseen circumstances, it expects to maintain its ordinary dividends at 17.5 cents per share for the next financial year ending 31 March 2020.