News Release

Singtel posts S$2.46 billion FY20 underlying net profit

Financial year ended 31 March 2020

- Underlying net profit down 13% to S$2.46 billion due mainly to weakness in Australia
- Net profit of S$1.08 billion due to Airtel's exceptional charges of S$1.80 billion mitigated by other gains
- Operating revenue down 2% in constant currency terms
- Proposed final dividend per share of 5.45 cents; total dividend per share at 12.25 cents

Singapore, 28 May 2020 – Singtel's operating revenue for the full year declined 2% in constant currency terms at S$16.54 billion, a result of lower mobile service revenue and equipment sales, aggravated by the onset of COVID-19 this February. Underlying net profit decreased 13%, with pronounced fourth quarter weakness in the Australia business due to continuing data price competition and weak consumer sentiment, and the effects of lower equipment sales and margins and low NBN resale margins. Net profit declined 65% to S$1.08 billion due to Airtel's exceptional charges for regulatory costs, including the adjusted gross revenue matter and a one-time spectrum charge. Singtel took a net exceptional charge of S$302 million this quarter, mainly arising from Airtel's provision for the spectrum charge.

Ms Chua Sock Koong, Singtel Group CEO, said, "This has been a challenging year, given structural shifts in the industry, already soft economic conditions, adverse regulatory outcomes in India and the onset of COVID-19 in the fourth quarter. Travel and movement restrictions have led to significant reductions in roaming and prepaid revenues and slowing economic growth has impacted business spend. Despite these challenges, we remained resilient and gained market share in mobile and fixed services in Singapore. Our enterprise business also defended its market leadership in Singapore and the Asia Pacific, particularly in cyber and cloud, while NCS closed the year with a strong order book."

Singtel's regional associates continued to drive data usage growth, with pre-tax contributions rising 29% to S$500 million this quarter and 15% to S$1.64 billion for the full year. Airtel's performance improved following tariff increases in India last December and strong growth in 4G customers while its African operations recorded double digit revenue growth as well as margin expansion, currency headwinds notwithstanding. In the Philippines, Globe delivered healthy revenue growth but net income fell on higher network depreciation costs. Telkomsel continued to face intense competition outside Java and pressures on its legacy business. In Thailand, AIS' service revenue was impacted by increased competition, as well as lower tourist SIMs and roaming traffic from COVID-19 travel restrictions. It also recorded higher depreciation and amortisation from network expansion.

Ms Chua said, “Our regional associates have performed resiliently against the challenges of their respective operating environments. While the lockdowns introduced across their markets in March may impact results in the upcoming quarter, investments in their network and digital infrastructure are paying off as these are more essential than ever to keeping customers connected during this pandemic. The price war and consolidation in the Indian telecoms market of the last two years has turned the corner into a phase of market repair, with Airtel gaining market share in a three-player market. With the provisioning for Airtel’s spectrum charges and licence fees, we can put those issues behind us and help our associate accelerate its growth momentum.”

Ms Chua added, “It will be some months before the full impact of COVID-19 on our business can be ascertained. However, the lockdown has accelerated unprecedented digital adoption. We have witnessed the accelerated take-up of our digital services by both consumers and enterprises trying to meet business demands under the current circumstances. In recent years, digitalisation has been central to our transformation strategy, moving Consumer and Enterprise customers to digital channels and platforms, to enable more seamless customer interactions and greater efficiencies. These efforts have not only allowed us to respond swiftly to the current crisis, we also see ourselves emerging from COVID-19 better positioned with our core business.”

The Group’s ongoing investments in network quality and resilience across Singapore and Australia, in both fixed and mobile, have contributed towards the continued connectivity and functioning of both economies, even as data traffic surged during the partial lockdowns. In addition, business contingency has proven effective in ensuring that staff supporting essential services and critical frontline functions such as network engineers and retail personnel have been on the ground serving retail and business customers since the start of the pandemic. Importantly, Singtel will continue to invest in growing its digital capabilities, with a multi-year investment to lead in 5G and create new revenue opportunities. Singtel recently won one of two provisional licences to deploy 5G in Singapore and Optus has already started its 5G rollout last year.

The Group’s financial position remains healthy. Net debt stood at S$12.50 billion including S$2.1 billion of lease liabilities recognised under the new accounting standards. Free cash flow rose 4% to S$3.78 billion for the full year with the impact of changes in accounting standards, positive working capital and lower tax payments. The Group has strengthened its liquidity with S$4.2 billion raised through credit facilities last month.

GROUP CONSUMER

In Australia, revenue declined 8% for the quarter. Mobile service revenue was lower due to a higher mix of SIM-only customers, continuing data price competition and COVID-19 on customer spend. Equipment revenue fell on lower sales volumes and higher mix of lower margin devices, with the removal of handset subsidies and weak consumer spending. The NBN broadband customer base rose by 45,000, driving an increase in traffic expense and adverse margin impact. EBITDA fell 22% due to low NBN resale margins, lower margins on equipment sales as well as higher provision for bad debts, reflecting growing economic uncertainties.

In Singapore, mobile service revenue was down 12% for the quarter as roaming and prepaid services were impacted by travel restrictions, fewer tourists and foreign workers respectively as well as continued voice erosion. The supply disruptions for certain handsets and weaker consumer spending also caused a steep decline in equipment sales. Revenue from fixed services rose 2% with the continued growth in broadband and TV. EBITDA was up 5%, a result of tighter cost control and wage credits.

GROUP ENTERPRISE

Group Enterprise revenue was down 5% for the quarter due to the decline in mobile service revenue from roaming, and equipment sales. ICT revenue rose on strong contributions from NCS, which closed the year with an order book of S$3.2 billion following key wins in the public sector, and higher data centre revenues. Cyber security revenue was up 1.9% with growth in Asia and the US offset by weaker performance in Australia where revenue was boosted by a large contract in the same quarter last year. In Australia, Optus Business posted a second straight quarter of revenue improvement although weak economic conditions continued to weigh on the business. Overall EBITDA increased 5% on strong revenue and margin growth in ICT services, wage credits and lower staff incentive accruals, which offset declines in Australia.

GROUP DIGITAL LIFE

Group Digital Life's revenue for the quarter decreased 15% as contributions from digital marketing arm Amobee fell, due mainly to one-off revenue from the delivery of a contract milestone for iTV, UK's biggest commercial TV broadcaster, last year. The cut in advertising budgets by brands and advertisers due to COVID-19 has further impacted Amobee's business from March. Overall negative EBITDA narrowed, with cost management at Amobee and cessation of mobile streaming service HOOQ's operations.

DIVIDENDS

The Board is recommending a final ordinary dividend per share of 5.45 cents. This reduction in dividend payout is prudent to conserve financial headroom to cope with uncertainties in the current COVID-19 operating environment and the capacity to invest in 5G. This brings the total ordinary dividend per share for the year to 12.25 cents and represents a payout of approximately S$2.0 billion.

OUTLOOK FOR THE NEXT FINANCIAL YEAR ENDING 31 MARCH 2021

The COVID-19 pandemic has created unprecedented disruptions to the global business environment as well as in the countries that the Group operates. Given the uncertainty of the impact on economic activity and the Group's business, the Group will not provide guidance for the next financial year ending 31 March 2021.

The Group is focused on investing for longer term growth and ensuring that it has the capacity and financial headroom to weather the industry and economic headwinds. Importantly, the Group will continue its multi-year 5G capital expenditure programme to strengthen its network and market leadership, and to create new revenue opportunities.

The Group continues to review its financial outlook and shareholders' returns. It will update the market when there are material developments or when there is greater clarity in the operating environment.

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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. For more information, visit www.singtel.com.

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Singtel

Appendix 1

Financial Highlights for the Quarter Ended 31 March 2020

	FY2020 (S$m)	FY2019 (S$m)	YOY Change	YOY Change Constant Currency[1]
Group revenue	3,899	4,342	(10%)	(8%)
EBITDA	1,032	1,166	(12%)	(9%)
EBIT excluding associates	371	605	(39%)	(38%)
Regional associates pre-tax earnings[2]	500	389	29%	25%
Underlying net profit[3]	594	697	(15%)	(16%)
Exceptional items (post-tax)	(19)	76	N.M.	N.M.
Net profit	574	773	(26%)	(28%)
Free cash flow	1,042	1,120	(7%)	-

Financial Highlights for the Full Year Ended 31 March 2020

	FY2020 (S$m)	FY2019 (S$m)	YOY Change	YOY Change Constant Currency[1]
Group revenue	16,542	17,372	(5%)	(2%)
EBITDA	4,541	4,692	(3%)	Stable
EBIT excluding associates	1,961	2,470	(21%)	(19%)
Regional associates pre-tax earnings[2]	1,642	1,424	15%	10%
Underlying net profit[3]	2,457	2,825	(13%)	(14%)
Exceptional items (post-tax)	(1,382)	270	N.M.	N.M.
Net profit	1,075	3,095	(65%)	(66%)
Free cash flow	3,781	3,650	4%	-

N.M. denotes not meaningful

[1] Assuming constant exchange rates from the corresponding periods in FY 2019.
[2] Excludes exceptional items.
[3] Defined as net profit before exceptional items.