Singtel

News Release

Singtel sees improved first half profit of S$954 million

Half year ended 30 September 2021

- Net profit more than doubles to S$954 million
- Underlying net profit (excluding exceptionals) up 17% to S$983 million
- Optus makes gains while NCS and data centres see strong ICT growth
- Airtel turnaround lifts regional associates with pre-tax profits up 21% to S$1 billion
- Interim dividend at 4.5 cents; targets upper half of dividend policy range of 60-80% for FY2022

Singapore, 11 November 2021 – Singtel's profits improved for the first half-year as its underlying business grew on the back of accelerated digitalisation and a resumption in economic and business activity across the region. Underlying net profit increased 17% to S$983 million, driven mainly by Airtel's robust turnaround. With lower exceptional losses, net profit more than doubled from the same period last year to S$954 million. Operating revenue grew 3% to S$7.65 billion, lifted by higher mobile service revenue in Australia and strong ICT growth from higher digital services revenue for NCS and also data centre revenue.

Mr Yuen Kuan Moon, Singtel Group CEO, said, "Despite continued COVID-19 uncertainty and structural challenges in the industry, we've entered an improved period of recovery that's seen business activity return. Our resilient set of results attest to this as well as reflect the strength of our diversified portfolio. Optus continued making steady gains in its mobile business while positive momentum is building across NCS and our data centre services as enterprises accelerate their digital transformation efforts." Mr Yuen added, "This first half performance underscores our ongoing strategic reset to develop new growth engines in ICT and digital services. The pandemic has provided tailwinds of digitalisation that we are leveraging to rebuild our business during this crisis and we continue executing to this strategy by enhancing NCS' digital capabilities in cloud and data and growing our digital infrastructure to innovate our way through this disruption."

NCS has changed its revenue mix significantly in the first half, growing its digital revenue by 36%, which now contributes 48% to total revenue. In October, Singtel announced plans to create a regional data centre business and is in discussions with partners to build out new data centres in Thailand, Indonesia and the region to capture the growing demand for critical infrastructure. In Singapore, it has since secured a site next to its existing Tuas cable landing station for a new integrated cable landing and data centre facility, which will be ready in three to four years and add 30-40 MW in capacity. This new facility will leverage cutting-edge green technology for energy efficiency and environmental performance.

"We are making headway in our other strategic priorities, including the rollout of commercial 5G services and unlocking the value of our infrastructure assets with the partial divestment of Australia Tower Network which operates Optus' passive telecommunications tower infrastructure. While COVID-19 uncertainties linger, we remain focused on extending our leadership in 5G to drive growth across our core and new business by taking advantage of emerging technologies and continued disruption. These initiatives put us in a unique position to capture growth opportunities as economies open further and travel gradually resumes," added Mr Yuen.

The Group built on its 5G leadership with both Singtel and Optus rated speed leaders in independent tests and benchmarks in Singapore and Australia. 5G adoption is also growing in tandem with over 200,000 5G customers in Singapore and about 1.5 million 5G-capable device customers in Australia. The Group is also co-creating new applications with enterprises with its multi-access edge compute (MEC) platform and is set to commercially deploy MEC for security firm AETOS' security operations. It is collaborating with the Government Technology Agency and the Sentosa Development Corporation through the 5G@Sentosa programme to trial use cases with government agencies that improve operational effectiveness and deliver citizen-centric services.

The regional associates delivered a resilient performance despite intense competition and a resurgence of COVID-19 in their markets with a 21% increase in pre-tax contributions to S$1 billion. This was due mainly to the solid turnaround in Airtel with double-digit increases in operating revenue led by robust mobile growth in India from customer growth and 4G upgrades. Airtel also delivered significant improvements in its African business. In Indonesia, Telkomsel saw good growth in data and digital services which partially offset weakness in its legacy business. AIS in Thailand and Globe in the Philippines benefited from improved demand for broadband services although these gains were offset by higher network and spectrum investments.

Mr Yuen said, "The prospects in the region remain bright as the demand for digital services continues to grow. We're pleased to see Airtel turn the corner, executing strongly in both India and Africa to deliver a profit turnaround. Airtel is set to benefit from the Indian government's latest reforms to ensure the healthy growth of the industry and support India's digital ambitions. This positions Airtel to contribute sustainably to Singtel and our recent participation in Airtel's rights offering demonstrates our confidence in its long-term growth potential."

The Group's cash position remains healthy. Free cash flow rose 4% to S$1.77 billion for the half year mainly on higher dividends from the associates.

AUSTRALIA CONSUMER

In Australia, Optus reported a positive set of results, with EBITDA up 5%, driven by continued momentum in the mobile business. NBN migration revenue fell to A$51 million from A$209 million in the last corresponding half year as the migrations neared completion. Excluding NBN migration revenue, operating revenue was up 1%. The increase was due to growth in mobile service revenue of 10%, reflecting the impact of the Optus Choice plans which more than offset lower roaming and prepaid mobile revenues amid ongoing travel restrictions. Equipment sales revenue fell 4% on a slowdown in shipments due to global supply shortages and lower retail footfall.

SINGAPORE CONSUMER

In Singapore, operating revenue declined 1%, mainly due to a contraction in mobile equipment sales as a result of supply disruptions caused by global chipset shortages. Mobile service revenue was stable as the growth in 5G adoption was offset by lower voice and the decline in prepaid from a smaller population of foreign workers. Roaming revenue remained muted. Fixed broadband revenue rose 4% due to an expanded customer base, increased take-up of higher speed fibre plans and higher WiFi mesh equipment sales. Excluding Jobs Support Scheme credits, EBITDA improved 2% with strong cost management.

GROUP ENTERPRISE

Group Enterprise's operating revenue was stable year on year. ICT revenue grew 10%, mainly driven by higher demand for data centres and cyber security services. Carriage services revenue, however, declined 3% as a result of a decline in fixed voice revenue from lower voice usage and switched voice business. Data and Internet revenue fell 2% due to competitive pricing pressure while mobile revenue remained stable. Excluding Jobs Support Scheme credits, EBITDA was stable.

NCS

NCS put in a positive performance with an increase of 9%[1] in operating revenue. Digital, cloud, platforms and cyber revenue contributed 48% of total operating revenue, up from 37% in the same period last year as more enterprises accelerated their digital transformation. Strong bookings of S$1.1 billion was recorded in the first half of the year on the back of new wins and contract renewals from the public and enterprise sectors. Excluding Jobs Support Scheme credits and other related government reliefs, EBITDA was up 5%.

DIVIDEND

The Board approved an interim ordinary dividend of 4.5 cents per share for the half year ended 30 September 2021, totalling S$743 million which represents approximately 76% of the Group's underlying net profit for the first half year.

Barring unforeseen circumstances, the Group expects to pay dividends at the upper half of its dividend policy range of between 60% and 80% of underlying net profit for the financial year ending 31 March 2022.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2022

COVID-19 continues to weigh on Singapore, Australia and the regional economies. However, as vaccination rates improve, border restrictions are easing and cross border travel is gradually resuming.

Amid the pandemic and structural headwinds in the telecoms industry, the Group has stayed focused and executed to its strategic reset, including delivering market-leading 5G services in Singapore and Australia, driving NCS' expansion and unlocking significant value from the divestment of towers in Australia.

The Group affirms the guidance issued in May 2021. Dividends from the regional associates are expected to be at least S$1.3 billion. Capital expenditure including 5G networks, will be around S$2.4 billion, comprising A$1.5 billion for Optus and S$800 million for the rest of the Group[2].

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[1] Excluding revenue from Singtel-originated contracts.
[2] Excluding acquisitions and disposals.

About Singtel
Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, 5G and technology services to infotainment to both consumers and businesses. The Group has presence in Asia, Australia and Africa and reaches over 750 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 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.

Singtel is dedicated to continuous innovation, harnessing next-generation technologies to create new and exciting customer experiences as we shape a more sustainable, digital future.

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Appendix 1

Financial Highlights for the Half Year Ended 30 September 2021

	FY2022 (S$m)	FY2021 (S$m)	YOY Change	YOY Change Constant Currency[3]
Group revenue	7,653	7,425	3%	0.4%
EBITDA	1,929	1,903	1%	(2%)
EBIT excluding associates	572	596	(4%)	(6%)
Regional associates pre-tax earnings[4]	1,009	833	21%	24%
Underlying net profit[5]	983	837	17%	19%
Exceptional items (post-tax)	(29)	(371)	(92%)	(92%)
Net profit	954	466	105%	108%
Free cash flow	1,771	1,705	4%	N.M.

N.M. denotes not meaningful

[3] Assuming constant exchange rates from the corresponding period in FY2021.
[4] Excludes exceptional items.
[5] Defined as net profit before exceptional items.