



News Release

Singtel posts stable Q3 revenue amid industry headwinds

Quarter ended 31 December 2018

- Operating revenue stable, up 4% in constant currency terms to S\$4.63 billion
- Results impacted by Airtel although signs of market stabilisation in India
- Underlying net profit fell 28% to S\$680 million due to lower associates' contributions, NBN migration revenue and margin erosion in carriage
- Net profit down 14% to S\$823 million, down 12% in constant currency terms

Singapore, 14 February 2019 – Singtel's third quarter operating revenue was up 4% in constant currency terms to S\$4.63 billion, lifted by growth in ICT, digital services and higher equipment sales. However, intense competition in India, higher depreciation and amortisation from network and spectrum investments by the regional associates, the increased shift from voice to data, margin erosion in traditional carriage services and lower NBN migration revenue in Australia impacted the Group's results. Net profit declined 14% to S\$823 million and would have been down 12% in constant currency terms.

Ms Chua Sock Koong, Singtel Group CEO, said, "We have stayed the course despite heightened competition and challenging market and economic conditions. We've continued to add postpaid mobile customers across our core business in both Singapore and Australia while making positive strides in the ICT and digital space. We remain focused on investing in networks and building our digital capabilities – areas that are important to our customers and our future success. We will also step up on managing costs, growing revenues and driving efficiencies through increased digitalisation efforts."

The regional associates drove data usage with continued network and spectrum investments. Despite posting another strong quarter in revenue and profits in Africa, Airtel's earnings in India remained under sustained pricing pressures although ARPU rose and mobile revenue stabilised on a sequential quarter basis. Amid the competition, Airtel added 11 million new 4G customers. In January, Airtel Africa received an additional US\$200 million investment from the Qatar Investment Authority. The total amount of US\$1.45 billion in new equity raised to date for Airtel Africa will go towards reducing its existing debt. In Indonesia, Telkomsel's revenue was stable year on year but grew on a sequential quarter basis after the completion of the SIM card registration exercise. Its performance continues to improve. In Thailand, AIS' revenue improved but profit fell on higher marketing costs and network investments while in the Philippines, Globe's earnings rose due to strong data revenue growth in mobile and broadband as well as cost management.

"Our long-term view on our regional associates remains positive as they continue to ride the growth in data and execute well against the challenges and competition. We expect the regional markets to revert to more sustainable market structures and deliver long-term profitable growth. Meanwhile, we are working closely with them to build a regional ecosystem of digital services that leverages the Group's strengths and unlocks the value of our joint mobile customer base of over 675 million," added Ms Chua.



The Group's cash position remains healthy. Free cash flow was S\$2.53 billion for the nine months, down 10% due to lower operational performance and timing of ICT milestone-based receipts, partly offset by lower capital expenditure.

GROUP CONSUMER

In Australia, revenue rose 6% with growth in postpaid handset customers of 126,000 and higher equipment sales offsetting lower NBN migration revenues. The temporary suspension of NBN connections has been lifted and HFC connections have progressively resumed. Optus has recently agreed with NBN Co to make migration payments based on an agreed rollout plan. Excluding NBN migration revenues and a one-off item in the prior period, EBITDA would have risen 3%. Mobile service revenue declined 4% due to intense competition in the prepaid segment. Postpaid ARPU was impacted by data price competition and the increasing mix of SIM-only plans. Mass market fixed revenue was down 9% and would have been stable excluding NBN migration revenues.

In January, Optus launched Australia's first commercial 5G service in Sydney and Canberra. Its 5G network will cover 1,200 sites by March 2020 as it leverages an unparalleled 5G spectrum holdings nationally.

In Singapore, revenue was down 6% as continued voice to data substitution dampened mobile service revenues while rising handset costs saw higher amortisation of handset subsidies. This was mitigated by growing data usage and EBITDA declined by a smaller 3% from stringent cost management. The number of postpaid customers rose by another 36,000 this quarter while equipment sales were lower on weaker demand for key handset models.

On the home services front, broadband revenue growth was offset by declines in voice and TV.

To enhance its customer proposition, Singtel continued to review its price plans and secure rights to content offerings such as HBO and Premier League. In addition, Singtel entered the electricity market through Singtel Power in January, offering a one-stop shop for consumers' power and communication needs.

Singtel also expanded the capabilities and reach of mobile financial service Dash. Through strategic partnerships with Visa and Apple Pay, Dash customers can make payments online and in-store at millions of merchants globally. By March 2019, Dash will offer remittance services to Myanmar, adding to the five countries that it already serves.

GROUP ENTERPRISE

Group Enterprise revenue was up 1%, with 9% growth in ICT services. Enterprise revenue growth was moderated by the continued decline in carriage services and a more cautious business environment. On the cyber security front, revenue grew 10% due to double-digit growth in Asia Pacific. Overall EBITDA declined 9% as a result of the higher mix of ICT revenue and margin impact from the erosion in voice and increased competition.



In Singapore, Singtel secured a major data centre multi-year service contract worth up to S\$850 million.

Group Enterprise continued to demonstrate its market leadership, winning Frost & Sullivan's 2018 Singapore and Southeast Asia Managed Security Service Provider of the Year.

GROUP DIGITAL LIFE

Group Digital Life's revenue rose 17%, boosted by Amobee's programmatic advertising business and contributions from Videology. Mobile streaming service HOOQ maintained positive momentum, doubling its revenue from a year ago, as it grew its paying subscriber base in Southeast Asia and built on new distribution partnerships in India. Overall EBITDA was impacted by losses from Videology, which was acquired in August 2018, and lower contributions from the high-margin managed business as customers shifted their spend from managed media to self-service programmatic platforms.

Amobee continued to enhance its programmatic capabilities through data and channel partnerships, and won key customers including Mastercard and Boeing.

HOOQ partnered with Grab to bring its premium streaming service to the ride-hailing app, starting with Indonesia and Singapore as the first launch markets.

Outlook for the current financial year ending 31 March 2019

The Group has updated its outlook issued in November 2018. 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 675 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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Financial Highlights for the Quarter Ended 31 December 2018¹

	FY2019 (S\$m)	FY2018 (S\$m)	YOY Change	YOY Change Constant Currency²
Group revenue	4,626	4,583	1%	4%
EBITDA	1,190	1,331	(11%)	(8%)
Regional associates pre-tax earnings ³	342	523	(35%)	(33%)
EBITDA and share of associates' pre-tax earnings	1,561	1,884	(17%)	(15%)
Underlying net profit ⁴	680	950	(28%)	(27%)
Exceptional items (post-tax)	143	10	nm	nm
Net profit	823	959	(14%)	(12%)
Free cash flow	387	795	(51%)	nm

Financial Highlights for the Nine Months Ended 31 December 2018¹

	FY2019 (S\$m)	FY2018 (S\$m)	YOY Change	YOY Change Constant Currency²
Group revenue	13,030	13,006	-	3%
EBITDA	3,526	3,820	(8%)	(5%)
Regional associates pre-tax earnings ³	1,035	1,816	(43%)	(41%)
EBITDA and share of associates' pre-tax earnings	4,642	5,762	(19%)	(17%)
Underlying net profit ⁴	2,128	2,773	(23%)	(21%)
Exceptional items (post-tax)	194	1,931	(90%)	(90%)
Net profit	2,322	4,703	(51%)	(49%)
Free cash flow	2,530	2,806	(10%)	nm

nm denotes not meaningful

¹ 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.

² Assuming constant exchange rates from the corresponding periods in FY 2018.

³ Excludes exceptional items.

⁴ Defined as net profit before exceptional items.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2019

- Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar, United States Dollar and regional currencies. The Group's outlook for the current financial year is based on the following average exchange rates during FY2018:

Australian Dollar	AUD 1	SGD 1.0489
United States Dollar	USD 1	SGD 1.3565
Indonesian Rupiah	SGD 1	IDR 9,901
Indian Rupee	SGD 1	INR 47.6
Thailand Baht	SGD 1	THB 24.3
Philippine Peso	SGD 1	PHP 37.5

- Operating revenue⁵ from the Core Business (comprising Group Consumer and Group Enterprise) to grow by low single digit and EBITDA⁵ to decline by low single digit.
- Mobile service revenue from Australia to be stable.
- Mobile service revenue from Singapore to decline by mid single digit.
- Group ICT revenue (comprising Managed Services and Business Solutions) to increase by low single digit. This includes cyber security revenue, which is expected to increase by high single digit.
- Operating revenue⁶ (including intragroup revenue) at Amobee Group to grow by low teens and its EBITDA⁶ to be slightly negative.
- Consolidated revenue⁷ for the Group to grow by low single digit and EBITDA⁷ to decline by low single digit.
- Cash capital expenditure and accrued capital expenditure for the Group are expected to approximate S\$2.2 billion each, with A\$1.4 billion for Optus and S\$0.8 billion for the rest of Singtel Group.
- Group free cash flow (excluding spectrum payments and dividends from associates) to be approximately S\$1.9 billion.
- Dividends from the regional associates are expected to be around S\$1.4 billion.

⁵ Excluding NBN migration revenues in Australia for both FY2018 and FY2019.

⁶ Including the impact of Videology.

⁷ Including the impact of Videology but excluding NBN migration revenues in Australia for both FY2018 and FY2019.