



## News Release

# Singtel delivers resilient full-year earnings

### Quarter ended 31 March 2017

- Broadband, mobile data and ICT drive growth
- Net profit rose 2% to S\$963 million; stable in constant currency terms
- Operating revenue grew 5% to S\$4.31 billion; up 2% in constant currency terms

### Financial year ended 31 March 2017

- Full-year net profit stable at S\$3.85 billion; stable in constant currency terms
- Operating revenue dipped 2% to S\$16.71 billion; down 3% in constant currency terms
- Free cash flow rose 12% to S\$3.05 billion<sup>1</sup> on higher operating cashflows and distributions from associates
- Proposed final dividend per share of 10.7 cents; total dividend per share of 17.5 cents

**Singapore, 18 May 2017** – Singtel ended the financial year on a resilient note. Core earnings for the fourth quarter stayed strong on the back of continued growth in broadband, mobile data and ICT. This, together with Telkomsel's strong performance, mitigated lower contributions from Airtel which is facing intense price competition in India. For the quarter, pre-tax profits for the regional associates declined 6% to S\$658 million. Net profit rose 2% to S\$963 million notwithstanding Airtel's weaker earnings. In constant currency terms, net profit was stable. Operating revenue for the quarter rose 5% led by growth in broadband services in Australia and Enterprise ICT services in Singapore. In constant currency terms, it would have been up 2%.

Ms Chua Sock Koong, Singtel Group CEO said, "We have turned in a strong set of results this quarter despite a challenging business environment. This performance demonstrated the strength of our core businesses and diversified operations, aided by strong cost management. Our investments in networks and spectrum, differentiated content and innovative plans have helped us stand out from the competition and win new customers."

In the emerging markets, mobile data remained the key growth driver for the regional associates. Telkomsel's pre-tax profit contribution rose 17% as it continued to deliver robust growth across voice, data and digital services. Despite better performance in Africa, Airtel's pre-tax profit contribution dropped 51% with its earnings adversely impacted by the entry of a new operator in India which offered free voice and data. Notwithstanding the competition, Airtel strengthened its market leadership in India.

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<sup>1</sup> After payment of S\$142 million to the Australian Tax Office for amended assessments under dispute relating to the acquisition financing of Optus.



In the Enterprise space, Singtel recorded a strong performance for the quarter with growth in cyber security services and new contract wins by NCS. ICT, which includes cloud and cyber security, now comprises 47% of the Enterprise business. Ms Chua added, "With ICT the backbone of the digital economy, the demand for ICT services remains strong. We are strengthening our capabilities in cyber security, data analytics and cloud computing to support businesses and governments in their digital transformation."

In connection with Singtel's undertaking to the Infocomm Media Development Authority (IMDA) to divest its stake in NetLink Trust (NLT) to less than 25% before 22 April 2018, the Group, together with NLT, is making good progress with preparations for an initial public offering for NLT in this financial year.

## **GROUP CONSUMER**

Strong mobile data and broadband growth across the consumer businesses in Singapore and Australia mitigated the decline in voice and roaming services. Both Group Consumer revenue and EBITDA rose 7%.

Consumer Australia recorded its highest quarterly mobile handset customer growth in five years with the addition of 78,000 postpaid customers and 64,000 prepaid handset customers. Optus has successfully differentiated itself with exclusive content and network investments. Its 4G mobile coverage now covers 96.1% of the population. Revenue grew 3%, and EBITDA rose 2% on continued growth in mobile and fixed services, offsetting investment in content. Excluding the impact of service credits from device repayment plans, revenue would have been up 7%. Mass market fixed revenues grew 19% due to an increase in National Broadband Network (NBN) customers and the timing of NBN migration payments. With the increased NBN footprint, Optus strengthened its fixed offerings with the launch of competitive and simplified broadband plans.

Consumer Singapore outperformed the market with growth in mobile data, broadband, TV and equipment sales, and revenue was up 1%. EBITDA rose 5% with ongoing cost management initiatives. Last month, Singtel successfully secured 700 MHz, 900 MHz and 2.5GHz band frequencies at the spectrum auction. This strategic investment will enable Singtel to further



extend its network leadership and support the growth of Internet of Things and 5G initiatives in the future.

On the home front, revenue was boosted by increased demand for higher speed fibre broadband plans and the sub-license of content rights for the Premier League 2016/2017 season.

## **GROUP ENTERPRISE**

Group Enterprise revenue rose 3% as strong growth in ICT services offset continued price declines in carriage services. EBITDA dipped 2% as a result of ongoing investments to build ICT capabilities and competition in Australia.

The Singapore enterprise business recorded revenue growth for the sixth consecutive quarter while in Australia, the enterprise business was impacted by intense price competition and increased doubtful debts.

The Group continued to extend its cyber security services with the launch of Trustwave managed security services in the Philippines in partnership with Globe. Singtel was ranked by IDC as a leading next-generation telecom service provider in Asia Pacific in recognition of advances made in the areas of cyber security and cloud services.

## **GROUP DIGITAL LIFE**

Group Digital Life continued its growth momentum with Amobee's strong performance in social, video and display advertising. Revenue rose 9%<sup>2</sup>. Excluding Amobee's discontinued publisher business, revenue would have grown 18%. EBITDA improved due to lower losses at Amobee but was partially offset by higher content and marketing costs at HOOQ.

In April 2017, Amobee acquired global technology platform provider Turn which strengthens its technological edge and scale, allowing it to offer marketers an independent end-to-end advertising and data management platform across all channels, formats and devices. Amobee is now one of the largest independent digital marketing companies globally.

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<sup>2</sup> Includes intra-group revenue.



Mobile video streaming service HOOQ is gaining traction in the emerging markets through partnerships with the regional associates, as well as in Singapore. HOOQ recently introduced a new pay-per-view service offering the latest Hollywood blockbusters three months after theatre release.

### **Financial Year ended 31 March 2017**

Group net profit was stable at S\$3.85 billion and excluding Airtel, would have risen 2%.

Operating revenue dipped 2% to S\$16.71 billion impacted by the decline in mobile termination rates in Australia. Excluding the rates change, operating revenue would have increased 2%. EBITDA was stable at S\$5.0 billion.

The regional associates' pre-tax earnings contribution rose 4% to S\$2.71 billion led by Telkomsel's strong performance, and excluding Airtel, would have grown 12%.

Free cash flow increased 12% to S\$3.05 billion<sup>3</sup> due to higher operating cashflows and increased distributions from associates.

The Board is recommending a final ordinary dividend per share of 10.7 cents, bringing the total ordinary dividend per share for the year to 17.5 cents, representing a payout of approximately S\$2.86 billion.

For the Group's guidance for the financial year ending 31 March 2018, please refer to Appendix 2.

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<sup>3</sup> After payment of S\$142 million to the Australian Tax Office for amended assessments under dispute relating to the acquisition financing of Optus.



## About Singtel

Singtel is Asia's leading communications and ICT solutions 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 some 640 million mobile customers in 22 countries. Its infrastructure and technology services for businesses spans 21 countries, with more than 200 direct points of presence in 160 cities. For more information, visit [www.singtel.com](http://www.singtel.com).

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**Financial Highlights for the Quarter Ended 31 March 2017**

	<b>FY2017 (S\$m)</b>	<b>FY2016 (S\$m)</b>	<b>YOY Change</b>	<b>YOY Change Constant Currency<sup>4</sup></b>
Group revenue	4,308	4,094	5.2%	2.1%
EBITDA	1,308	1,262	3.7%	0.2%
Regional Associates pre-tax earnings <sup>5</sup>	658	699	(6.0%)	(7.4%)
Ex-Airtel	568	516	10.0%	8.6%
EBITDA and share of associates' pre-tax earnings	2,028	1,983	2.3%	(0.4%)
Underlying net profit <sup>6</sup>	988	981	0.8%	(1.4%)
Exceptional items (post-tax)	(25)	(35)	(28.4%)	nm
Net profit	963	946	1.8%	(0.4%)
Ex-Airtel	933	855	9.1%	6.8%
Free cash flow <sup>7</sup>	764	681	12.1%	nm

**Financial Highlights for the Year Ended 31 March 2017**

	<b>FY2017 (S\$m)</b>	<b>FY2016 (S\$m)</b>	<b>YOY Change</b>	<b>YOY Change Constant Currency<sup>4</sup></b>
Group revenue	16,711	16,961	(1.5%)	(2.6%)
EBITDA	4,998	5,013	(0.3%)	(1.5%)
Regional Associates pre-tax earnings <sup>5</sup>	2,711	2,604	4.1%	4.3%
Ex-Airtel	2,131	1,906	11.8%	11.1%
EBITDA and share of associates' pre-tax earnings	7,939	7,804	1.7%	1.0%
Underlying net profit <sup>6</sup>	3,915	3,805	2.9%	2.3%
Exceptional items (post-tax)	(63)	66	nm	nm
Net profit	3,853	3,871	(0.5%)	(1.0%)
Ex-Airtel	3,571	3,490	2.3%	1.4%
Free cash flow <sup>7,8</sup>	3,197	2,718	17.6%	nm

nm denotes not meaningful

<sup>4</sup> Assuming constant exchange rates from the corresponding quarter/year in FY 2016.

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

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

<sup>7</sup> Excludes spectrum payments.

<sup>8</sup> Excludes payment of S\$142m (A\$134m) to the Australian Tax Office (ATO) for amended assessments under dispute.



Appendix 1 (continued)

Foreign Exchange Movements

Currency	Quarter Ended 31 March 2017			Year Ended 31 March 2017	
	Exchange Rate	Increase/(Decrease) Against S\$		Exchange Rate	Increase/(Decrease) Against S\$
		YOY	QOQ		YOY
1 AUD	S\$1.074	6.0%	1.6%	S\$1.043	2.2%
1 USD	S\$1.418	1.1%	0.6%	S\$1.384	(0.1%)
IDR	9,435	1.9%	(0.3%)	9,591	2.2%
INR	47.2	1.9%	1.3%	48.6	(3.0%)
PHP	35.3	(4.7%)	(1.4%)	34.8	(4.2%)
THB	24.8	2.4%	1.2%	25.4	(0.8%)



## OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018

### Macro-economic environment and currency

The guidance for FY2018 is based on the following economic growth projections, and average exchange rates for the financial year ended 31 March 2017:

GDP growth <sup>9</sup>	2017
Singapore	1% to 3%
Australia	2.5% to 3%
United States	2%
India	8%
Indonesia	5%
Philippines	7%
Thailand	3%
Airtel's key countries in Africa	1% to 7%

Average exchange rates		FY 2017
Australian Dollar	AUD 1	SGD 1.0426
United States Dollar	USD 1	SGD 1.3841
Indonesian Rupiah	SGD 1	IDR 9,591
Indian Rupee	SGD 1	INR 48.7
Thailand Baht	SGD 1	THB 25.4
Philippine Peso	SGD 1	PHP 34.8

### Strategic Focus

Singtel aims to drive sustainable growth from its core business in Singapore and Australia by capturing the rising demand for data services and accelerating growth in ICT services, including cyber security, cloud computing and smart cities solutions. It continues to invest in networks, spectrum, technology and content to enhance customer experience and drive differentiation in the market. With its scale and operating experience, the Group is well-placed to compete and win.

Group Digital Life will leverage global opportunities in digital marketing, data analytics and premium video services. Amobee is expected to grow strongly in video, mobile and social marketing, while HOOQ continues to enhance its content and distribution.

Singtel has given an undertaking to IMDA to divest its stake in NetLink Trust to less than 25% ownership by 22 April 2018. Singtel does not have effective control over NetLink Trust and equity accounts for NetLink Trust in the Group's results. For the financial year ended 31 March

<sup>9</sup> Singapore's GDP is based on Ministry of Trade and Industry (February 2017). Australia's GDP is based on Reserve Bank of Australia (May 2017) and the rest are based on World Bank (January 2017). The GDP growth for Australia is based on fiscal year ending June 2018 and for United States is based on fiscal year ending March 2018.



2017, NetLink Trust contributed S\$130 million (including S\$57 million of amortised gain arising from deferred gain on disposal of assets and business) or 3% to the Group's underlying net profit. NetLink Trust does not contribute materially to the Group's earnings. The financial impact from divestment of NetLink Trust will be recorded as an exceptional item of the Group.

## **Group<sup>10</sup>**

Consolidated revenue for the Group is expected to grow by mid-single digit and EBITDA to grow by low single digit.

Capital expenditure is expected to approximate S\$2.6 billion. This reflects the Group's multi-year investments in unified billing and customer care systems which incorporate advanced analytics to drive better customer experience as well as continued strategic investments in mobile network and ICT. In Australia, Optus continues to expand its regional 4G coverage and deepen its network for seamless delivery of videos and other bandwidth-intensive content.

Cash capital expenditure is expected to be around S\$2.4 billion, with A\$1.5 billion for Optus and S\$0.8 billion for the rest of Singtel Group.

Free cash flow, excluding spectrum payments and dividends from associates, is projected to be around S\$1.8 billion.

Spectrum payments in Singapore and Australia are expected to be approximately S\$1.0 billion.

Dividends from the regional associates are expected to be around S\$1.4 billion, with first time inclusion of dividends from Intouch and expected lower payout from AIS.

## **Key Business Units**

### **Core Business (comprising Group Consumer and Group Enterprise)**

- In the Core Business, both operating revenue and EBITDA are expected to grow by low single digit.
- Mobile service revenue from Australia is projected to grow by low single digit.
- Mobile Communications revenue from Singapore is expected to decline by low single digit.
- Group ICT revenue (comprising Managed Services and Business Solutions) is projected to increase by mid-single digit. This includes cyber security revenue of S\$550 million to S\$650 million.

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<sup>10</sup> Including contribution from Turn, Inc. from 1 April 2017 and excluding any other new acquisition.



### **Group Digital Life<sup>10</sup>**

- Amobee Group is expected to contribute S\$1.2 billion to S\$1.3 billion in operating revenue<sup>11</sup> and targets breakeven in EBITDA.
- Negative EBITDA from Group Digital Life is expected to reduce to approximately S\$100 million.

### **Dividend Policy**

Singtel's dividend payout ratio is between 60% and 75% of underlying net profit. The dividend payout is influenced by the Group's cash flow generation, including dividends from associates.

The Group remains committed to an optimal capital structure and investment grade credit ratings, while maintaining financial flexibility to pursue growth.

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<sup>11</sup> Includes intragroup revenue.