

## IN DIALOGUE WITH GCEO

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**CHUA SOCK KOONG**  
Group Chief Executive Officer



**Q:** SINGTEL IS IMPLEMENTING A TRANSFORMATION STRATEGY TO REMAIN AT THE FOREFRONT OF A RAPIDLY CHANGING MARKET. WHAT HAS BEEN THE PROGRESS?

**A:** FY2013 was a significant year for us, marking the beginning of a multi-year transformation of our business. Our transformation will help us tackle the challenges and seize new opportunities brought about by industry changes.

Let me recap the profound changes we are seeing in the industry. Massive improvements in mobile technology have led to dramatic changes in the way we use mobile devices. No longer just for phone calls and text messages, these devices have also become gateways to information, entertainment and transactions for our customers. Telcos that do nothing to address these changes will end up as just providers of “dumb pipes” or network connection, which is a low value-add and undifferentiated service.

On the other hand, global players, including device manufacturers, search engines, social media operators and companies with internet-based service models, continue to vie for customer attention and spend with a myriad of services and content that ride on telcos’ networks. For example, phone calls and text messages, the traditional bread and butter of telcos,

are increasingly being replaced by third party mobile applications. These applications allow customers to do the same things and even more, putting pressure on the telcos’ networks. This has led to higher capital intensity and lower returns for many operators of “dumb pipes”.

At the heart of our transformation, we are deepening our relationship with our customers, through new and exciting services to stay at the forefront of changes. This involves twin tracks of confident investments in new markets and the digital space, as well as a sharpened focus on increasing profitability of our core business. We have set ourselves progressive milestones, and in FY2013, met many of them.

In our core business, we have combined procurement, network and IT capabilities across Australia and Singapore to improve productivity and cost efficiencies. We have also reviewed our sales and distribution channels as well as centralised product, delivery and service capabilities. For our enterprise business, we integrated various businesses across Asia Pacific. In Australia, to provide better end-to-end customer experience, we started restructuring our sales and distribution channels by exiting non-branded distribution and investing in Optus-branded channels.

Group Digital Life, our newly created business unit, has assembled growth platforms with key strategic acquisitions including Amobee, Adjitsu, HungryGoWhere, Pixable and Eatability. These investments help us gain capabilities that complement our strengths, putting us in a better position to make a real difference in the digital space. At the same time, we have also grown our suite of digital services aimed at customers' everything-on-mobile lifestyle.

**Q: DESCRIBE SINGTEL'S FINANCIAL PERFORMANCE IN FY2013.**

**A:** We delivered resilient results across Singapore, Australia and the regional mobile associates in a year marked by significant industry changes, adverse currency movements and our investment in new services to transform to drive long-term growth.

Excluding exceptional and one-off items, underlying net profit declined 2% to S\$3.61 billion. In constant currency terms, underlying net profit would have been stable. Including the exceptional items, net profit declined 12% to S\$3.51 billion. This was largely due to a one-time loss of S\$225 million from the divestment of Warid Pakistan.

Our core business remains robust and provides a strong foundation for sustainable profitability. It also lends support to our ambitions to grow in the digital space. In FY2013, the Group continued to generate strong free cash flow, which increased 9% to S\$3.76 billion.

The Group's EBITDA was stable at S\$5.2 billion, reflecting the Group's strong cost management. Revenue fell 3% due to lower contribution from Australia. Earnings from our regional mobile associates grew 5%, mainly from strong performances by AIS and Telkomsel, which were partially offset by lower contributions from Airtel and the strength of the Singapore Dollar.

The Group and its regional mobile associates continued to grow its mobile customer base. At the end of 31 March 2013, the Group had 468 million mobile customers in Asia and Africa, an increase of 9%, or 36.5 million.

**Q: HOW IS SINGTEL RESPONDING TO THE SURGE IN MOBILE DATA CONSUMPTION?**

**A:** It is important for us to continue to invest in our networks, spectrum and new technologies such as Long Term Evolution

(LTE) or 4G to ensure we deliver a superior customer experience and capture growth from mobile data usage.

Our customers in Singapore already enjoy nationwide 4G coverage, and in Australia, we have rolled out 4G to the capital cities, and will extend it to cover 70% of Australia's metropolitan population by the middle of 2014.

At the same time, we introduced tiered mobile data plans in Singapore and Australia. These plans are gaining good traction among our customers. Tiered price plans go hand in hand with network investments; this combination helps ensure sustainable returns on our networks, while promoting better customer experience and usage growth. In the next financial year, we have allocated S\$2.5 billion for network investments.

With our experience in Singapore and Australia, we are well-positioned to work with our associates as their markets evolve from a voice-centric to a data-centric world. In the emerging markets of Indonesia, India, Thailand and the Philippines, voice revenue is already slowing. Our associates recognise the importance of building capabilities to succeed in this data-centric world.

We are sharing our insights on data network planning, marketing and other aspects of data services. Group Digital Life will also collaborate with the associates to create distinctive global digital products for their local markets that are differentiated from their competitors'. For example, Amobee is working with AIS, Globe and Telkomsel to gather insights from aggregate customer data. With these insights, the associates are able to offer more personalised and targeted mobile advertisements to their customers via Amobee's awarding-winning platform which helps them to maximise the returns on their inventory.

**Q: LOOKING AHEAD, WHAT ARE SINGTEL'S KEY PRIORITIES?**

**A:** To succeed and stay ahead of the competition, we are single-minded about building a high performance core business and creating next generation growth engines in the digital space.

Our transformation strategy comprises four key elements:

1. Raising business performance of the consumer and enterprise operations. This will be achieved by driving profitable revenue growth, operating efficiencies and creating a competitive cost structure.

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2. Lifting customer experience with simplified and compelling value propositions. These are supported by extensive and reliable networks.
3. Leveraging our assets to drive scale benefits. We are establishing deeper collaboration with our associates to bring about synergistic benefits in technology, product development and customer offerings.
4. Creating innovative and differentiated digital services to enhance the core business and deliver new revenue streams.

Transforming our core business remains equally important, if not more important than our digital initiatives. Now more than ever, we must strive for greater operational efficiencies and stronger cost management in our core business.

Meanwhile, our digital services will see our relationships with customers evolve. Our services will broaden beyond phone calls and text messages into areas like e-commerce transactions, advertisements, social interaction and other content. These services will leverage valuable assets we already possess, such as our extensive customer knowledge, touch points and intelligent networks. The scale of the Group's 468 million mobile customers will provide a critical mass for our digital services and a springboard for some of our digital investments to become global leaders.

To spur growth in the digital space, we will allocate up to S\$2 billion over the next three years to pursue strategic acquisitions. We remain financially disciplined in the evaluation of these opportunities. These investments may register losses in the short term, which reflect their investment phase, but we are confident of seeing results in the middle to long term. As such, we have in place appropriate performance measures, such as customer usage, number of active users, cash flow and other relevant market-based metrics. At the right time, we will selectively unlock and monetise the value of our digital investments.

Alongside our new investments in the digital space, we constantly review opportunities in the communications sector. This includes increasing our stakes in the associates and investing in large under-penetrated markets.

### Q: WHAT CHANGES IS SINGTEL MAKING TO COMPLETE THE TRANSFORMATION?

A: We have completed the fundamental changes involving structure and reporting responsibilities to bring about a change in the culture of the company. We are a very different company today than we were a year ago, and much of this is due to our people. They are our key assets and the backbone of our transformation in both the core and digital businesses.

It is important to nurture and encourage the right mindset and equip our staff with the right tools and processes. Key to our success is our people's ability to embrace an innovative and global mindset as our business increasingly goes global. To speed up the flow of work, we are also re-tooling our processes. To us, innovation is not only about changing what we do, but also how we do it.

As we push for culture change deeper within the organisation, we are staying true to the SingTel DNA, represented by our core values of Customer Focus, Challenger Spirit, Teamwork, Integrity and Personal Excellence. These values have successfully guided us through many transformations, and I am sure they will continue to be relevant again.

With the strength of our people, our core values and long-term goals in place, my leadership team and I are confident and excited that SingTel will thrive and continue to lead the market into the future.



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