Singtel

News Release

Singtel posts net profit of S$1.17 billion for H1 FY23

Half year ended 30 September 2022

- Net profit up 23% to S$1.17 billion, including net exceptional gain on divestment of 3.3% stake in Airtel
- Underlying net profit up 2% to S$1.01 billion
- Regional associates' pre-tax contributions rose 15% to S$1.16 billion due to Airtel's performance
- Interim dividend per share of 4.6 cents; special dividend per share of 5.0 cents in two tranches of 2.5 cents each to share benefits of asset recycling initiatives

Singapore, 10 November 2022 – Singtel's first half net profit rose 23% to S$1.17 billion, boosted by a net exceptional gain from the Group's partial divestment of its stake in Airtel compared to a net exceptional loss the previous year. Operating revenue was down 5% to S$7.26 billion due to adverse currency effects and the absence of revenue from NBN migration and Amobee. On an underlying and constant currency basis[1], EBITDA and EBIT would have increased 3% and 8% respectively. The core telco business saw margin improvements, driven by mobile services with the continued roaming recovery from the rebound in travel. Underlying net profit was up 2% to S$1.01 billion, and would have risen 5% on a constant currency basis.

Mr Yuen Kuan Moon, Singtel Group CEO, said, "Our strong results underscore the progress we've made executing to our reset as economies reopen. There was a major rebound in our core business as the resumption in travel lifted roaming revenues across both our consumer and enterprise businesses. NCS capitalised on the digitalisation trend to add new bookings of S$1.3 billion to deliver an order book of S$3.5 billion. With the S$2.5 billion we've raised from partially divesting our direct stake in Airtel, we've recycled some S$6 billion in the past 18 months since setting out to proactively monetise our assets to achieve better capital efficiency. We've also reduced our net debt by nearly a third from a year ago to buttress our balance sheet in these uncertain times. As testament to our proven asset recycling model, we are sharing the benefits by returning excess cash to our shareholders after setting aside capital for our growth initiatives."

The regional associates' pre-tax profit contributions rose 15% to S$1.16 billion. This was due to Airtel's standout performance in India as it grew ARPU through higher usage and tariff hikes. Airtel also saw strong demand for its enterprise and home broadband solutions. Other associates posted higher revenues from robust data demand and a reopening of their economies despite intense competitive pressures. However, their profit contributions, with the exception of AIS, were impacted by higher depreciation from investments in 5G and fibre. In addition, AIS and Globe were affected by a sharp depreciation in the Thai baht and Philippine peso. The associates' pre-tax contributions would have grown by 18% had the regional currencies remained stable from the same period last year.

In Australia, rapid and successive interest rate hikes, a weaker Australian dollar and softer consumer and business sentiment due to a slowing economy have resulted in a non-cash impairment charge of S$1 billion on Optus' goodwill. This impairment does not affect the Group's cashflow or its ability to pay dividends, nor does it impact Optus' operational performance. The overall effect on net profit remains positive with the Airtel stake sale.

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[1] Excluding contributions from NBN migration revenue and Amobee.

Mr Yuen said, “We’ve made good progress towards our goals and remain confident in Optus’ strong fundamentals and long-term growth prospects but we’re also facing stronger macroeconomic headwinds which we expect to persist into 2023. In addition to exercising prudence across our businesses through cost discipline and operational efficiencies, our strong balance sheet will allow us to better navigate this challenging environment. We remain committed to investing in our people and capabilities to create sustainable value over the longer term.”

OPTUS

Optus’ operating revenue was up 1% as growth across its mobile and fixed businesses offset the absence of NBN migration revenue. Excluding NBN migration revenue, operating revenue grew 2.3%. Mobile service revenue rose 2%, driven by a price uplift, mobile customer growth and stronger roaming from the continued rebound in international travel. Equipment sales grew from higher sales of high-end devices. Excluding NBN migration revenue, EBITDA increased 8% on better margins and strong cost management.

Following the cyber attack on Optus in September 2022, a provision of A$140 million has been made and recorded as an exceptional expense for a programme of customer actions, including an external independent review, third-party credit monitoring services and the replacement of identification documents where needed.

“We know there is much work to be done to regain the trust and confidence of our customers in Australia in the wake of the cyber attack. We view this matter very seriously as cyber security and the protection of our customers’ information is of critical importance to the Singtel Group. While the cyber attack has regrettably interrupted Optus’ momentum at the end of the first half, we expect Optus to come back stronger,” Mr Yuen added.

SINGAPORE CONSUMER

Singapore Consumer’s operating revenue was up 1% as higher revenues from mobile service and broadband were partially offset by lower equipment sales and pay-TV revenues. Mobile service revenue growth was a robust 10%, lifted by roaming recovery and increased 5G adoption. TV revenues were affected by the cessation of Premier League. However, margins improved on the back of content cost savings and muted churn. EBITDA improved by 10% due to revenue growth as well as tight cost control.

GROUP ENTERPRISE

Group Enterprise’s operating revenue rose 2%, driven by continued momentum in roaming from more business travel, and demand for ICT and cyber security services which mitigated the decline in carriage services. Despite rising inflationary pressures, EBITDA was stable as operating costs were well managed.

The Group is growing its data centre capacity which is expected to double to 120 MW with the completion of its new facility in Tuas, Singapore. It will also be building its first data centre with a capacity of 20 MW in Thailand with partners Gulf Energy and AIS. Both data centres will begin operations in 2025.

NCS

During the reporting period, NCS adjusted its operating models as it grows into a regional IT services provider. With digitalisation by governments and enterprises continuing to drive broad-based growth across all its business segments, it delivered a 20%[2] increase in operating revenue in the first half. Its global business crossed the S$200 million mark to account for 16% of revenue, supported by contributions from recently acquired Australian IT and digital services companies. However, EBITDA was down 26% as a result of post-acquisition costs relating to its new Australian subsidiaries as well as higher staff costs from investments in digital capabilities to support business growth.

DIVIDEND

The Board has approved an interim ordinary dividend of 4.6 cents per share for the half year ended 30 September 2022, totalling S$760 million. This represents 76% of the Group's underlying net profit for the first half of the year.

A special dividend of 5.0 cents per share, totalling S$826 million, was also approved to share the benefits of the Group's asset recycling initiatives with shareholders. It will be paid in two tranches of 2.5 cents each, together with the ordinary dividends[3].

OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2023

The macroeconomic outlook has become more challenging with persistently high inflation and rising interest rates likely to continue curbing economic growth.

However, the Group is well-positioned to weather the headwinds given its robust financial position and cash generation. Its disciplined and focused asset recycling programme has reduced its net debt by S$3.4 billion or nearly a third from a year ago, with more than 90% of remaining debt locked into fixed interest rates.

The Group remains focused on executing to its strategic reset, including growing 5G market share, expanding the footprint of its new digital businesses and scaling up NCS, the Group's ICT arm, as it transforms itself into a leading technology services firm in Asia Pacific.

While the recent cyber attack on Optus is expected to impact near-term performance, Singtel is confident it will rebound given its strong business fundamentals. Optus has taken concerted action to support its customers and rebuild trust.

Dividends from the regional associates are expected to be approximately S$1.4 billion and the Group's capital expenditure to be around S$2.6 billion, comprising A$1.7 billion for Optus and S$0.9 billion for the rest of the Group[4]. This reflects the Group's multi-year growth investments in 5G networks, data centres and satellites, as well as digital transformation initiatives to enhance customer experience and efficiency.

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[2] Excluding Singtel-originated revenue.

[3] Payable together with the ordinary dividends in December 2022 and August 2023, to shareholders on Singtel's register at each respective record date.

[4] 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 770 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 technology to create new and exciting customer experiences and shape a more sustainable, digital future.

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Appendix 1

Financial Highlights for the Half Year Ended 30 September

	FY2023 (S$m)	FY2022 (S$m)	YOY Change	YOY Change Constant Currency[5]
Group revenue	7,259	7,653	(5%)	(3%)
EBITDA	1,878	1,929	(3%)	(0.3%)
EBIT excluding associates	579	572	1%	3%
Regional associates pre-tax earnings[6]	1,155	1,009	15%	18%
Underlying net profit[7]	1,005	983	2%	5%
Exceptional items (post-tax)	165	(29)	NM	NM
Net profit	1,170	954	23%	25%
Free cash flow	1,595	1,771	(10%)	NM

NM denotes not meaningful

[5] Assuming constant exchange rates from FY2022.
[6] Excludes exceptional items.
[7] Defined as net profit before exceptional items.