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Mr Arthur Lang – *Group CFO*
Ms Kelly Bayer Rosmarin – *CEO, Optus*
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Ms Anna Yip – *CEO, Consumer Singapore*
Mr Bill Chang – *CEO, Group Enterprise & Regional Data Centre Business*
Ms Sin Yang Fong – *Vice President, IR*

CONFERENCE CALL PARTICIPANTS

Mr Piyush Choudhary – *HSBC*
Mr Ranjan Sharma – *JP Morgan*
Mr Neel Sinha – *CLSA*
Mr Sachin Mittal – *DBS*
Mr Eric Choi – *Barrenjoey Capital*

Start of Transcript

Ms Sin Yang Fong – *Vice President, IR*

Good morning, ladies and gentlemen. Welcome to Singtel's results briefing for the half year ended 30 September 2022. My name is Sin Yang Fong. I'm the Vice President for Singtel Investor Relations. A warm welcome again.

Addressing us very shortly will be Mr. Yuen Kuan Moon, our Group CEO, who will make a short presentation from a couple of slides highlighting this set of results. He will be, after that, joined by his management team for a Q&A session, where we will take questions both from the audience here, as well as participants on our dial-in via Zoom. So without further ado, let me invite Moon.

Mr Yuen Kuan Moon – *Group CEO*

Thank you, Yang Fong. Good morning, everyone, and thank you for joining us here in person and good to see you and also welcome for those people who are joining us virtually. I can't see you, but thank you for joining us as well. I'll start with an overview of our performance and then followed by updates on our strategic reset, and then we'll open up the session for Q&As with the rest of my management team.

Let me begin with some of the key highlights for the half year. There's a major rebound on our core business, particularly in mobile, riding on roaming recovery and as well as higher adoption of 5G services. Airtel also outperformed as we see 4G upgrades and tariff rates hikes lifted ARPU with strong demand for its enterprise and home broadband solutions added to the overall growth momentum.

At the same time, we continue to scale our growth engines to capitalize on rapid digitalisation. NCS, our ICT business, posted sizeable bookings of S\$1.3 billion and has expanded its presence in Australia through our recent acquisitions.

Our data centre business is doubling its capacity in Singapore and making inroads into the Thai market as well. Our financial position is solid, underpinned by a proven capital recycling model and strong cash flow generation. This allowed us to raise ordinary dividends and to fund our growth initiatives and as well as return surplus cash to our shareholders.

Now, excluding forex movement, NBN migration revenues and Amobee, revenue actually rose 4% primarily on healthy mobile service and ICT growth. EBIT and EBITDA would have grown with margin improvements due to roaming recovery, price uplifts, as well as tighter cost controls.

Including a higher profit contribution from Airtel, the Group delivered a 2% increase in underlying net profit. Net profit increased 23%, as we recorded a gain of S\$165 million from a number of exceptional items. With exceptionals, we saw a couple of large items, which I'll explain later.

We recorded a substantial gain from a divestment of a partial stake in Airtel and a dilution gain from the Google investment. This helped offset a non-cash charge for Optus goodwill, which reflects the steep rise in interest rates, as well as a weaker Australian dollar and the impact of weaker consumer and business sentiments with rising inflation.

This impairment does not affect the Group's cash flow or its ability to pay dividends, nor does it impact Optus' operational performance. More details on the rest of the exceptionals can be found in our MD &A.

Let us now take a closer look at each of the business units. Excluding the impact of NBN migration revenues, which have tapered off, Optus revenue increased 2%, with growth across its mobile and fixed business. The positive performance was led by a strong rebound in travel and uplift in prices and subscriber growth. With better margins and strong cost management, it recorded proportionally better EBITDA and EBIT.

Looking ahead, despite macro headwinds and weakening consumer sentiment, we are optimistic that the post-COVID recovery and travel rebound will continue to lift mobile service growth. Optus will continue to differentiate through its unique service proposition, while capturing synergies from the integration of consumer and enterprise businesses.

We remain deeply disappointed that Optus was the target of a cyberattack. Our main priority has been to protect our customers. Optus notified customers immediately and has been working relentlessly to support them in managing any potential data risks. This involves working closely with multiple federal and state government agencies and offices to support affected customers, as well as providing customers with complimentary credit monitoring services as an extra precaution. Regrettably, the recent cyberattack has interrupted Optus' momentum at the end of its half year. We saw a spike in churn in the immediate aftermath of the attack, but levels have since stabilised.

Meanwhile, the Group has made a provision of S\$142 million to cover the cost of a number of activities to support customers, including commissioning an external independent review, credit monitoring services provided to affected customers and also replacement of impacted customers' identity documents where needed.

While the recent cyberattack on Optus is expected to impact near-term performance, we are focused on rebuilding trust in Optus and are confident that it will rebound given its strong business fundamentals.

The Singapore consumer business, on the other hand, saw improvement – improved performance led by strong mobile growth, roaming revenue, as well as strong 5G take-up. TV revenues were affected by the cessation of Premier League. However margins improved on the back of content cost savings and muted churn. As a result, we saw robust improvements in both EBITDA and EBIT.

We see further upside in mobile with roaming revenues at about 60% of pre-pandemic levels and especially rising 5G adoption and particularly we have now rolled out 5G to the prepaid segment as well. That said, competition remains very intense and we are focused on leading the market in quality and in customer experience, but we continue to keep a tight rein on costs, through rationalisation of our content portfolio, our increased digitalisation and improvement on productivity.

Revenue growth in the enterprise segment was driven again by roaming recovery, as well as robust ICT sales from data centres. Despite rising inflationary pressures, operating costs were prudently managed, resulting in stable EBITDA and EBIT.

We expect the momentum in roaming services to remain strong as business travel continues to gain pace, while ongoing digitalisation helped boost our cyber security, unified comms, SD-WAN services. Another key focus is in increasing partnerships with enterprise to deploy 5G applications, which I'll touch on later.

NCS continued to ride the wave of digitalisation by governments and enterprises, with digital revenue rising to half of total revenues. Global business revenues also increased to 16% of total revenue, supported by S\$161 million of contribution from acquisitions in Australia. This momentum is expected to continue into the second half, given its strong bookings and pipeline of local and regional projects.

However, margins are expected to be under pressure from post-acquisition costs, as well as increase in wages and investments in digital capabilities. To alleviate margin pressures, NCS is repricing for the increased costs of talent and optimising its onshore-offshore staff mix by leveraging on its global delivery network. It is also focused on driving operational synergies and cost savings, particularly with these new acquisitions in Australia and Singapore.

Contributions from our regional associates grew strongly on Airtel's continued outperformance in the market in India. Other associates posted higher revenues from robust data demand and reopening of their economies, despite intense competition pressures - competitive pressures. However, Telkomsel and Globe's profit contributions were impacted by higher depreciation, as well as investments in 5G and fibre, while Thai Baht and Philippine Peso depreciated sharply during the period.

Looking ahead, inflation and interest rate hikes are key concerns for our regional associates, although post-COVID reopening of economies will benefit their mobile business. There is also opportunity to lift prices as markets consolidate and 5G adoption increases. Our associates are also laying the foundation for future fixed broadband and enterprise growth by investing in fixed network and enterprise networks.

Our financial position remains robust. We generated over S\$4 billion of cash in the last six months, reducing our net debt by S\$3.4 billion. At the same time, we increased our proportion of fixed rate debt to 93%, stretched average maturities to over six years. This puts us in a good position to ride the volatile macro environment ahead.

With better business performance and robust financial standing, we've raised our interim dividend to S\$0.046 or 76% of our underlying net profit, which is in line with our dividend policy of paying out between 60% and 80% of our underlying earnings.

As we have fully funded our growth initiatives and investment needs, we're also paying a special dividend of 5 cents from excess cash generated from our asset recycling initiatives. This capital management approach allows shareholders to share in the benefit of our asset recycling program, in-line with our strategic reset.

We are committed to a sustainable dividend policy without sacrificing growth. Our annual operating cash flow of approximately S\$5 billion funds our regular network capex, our spectrum, interest, as well as ordinary dividends. Since last April, we have also announced close to S\$6 billion from our asset recycling programme, which will fund our 5G capex and growth initiatives. As explained earlier, excess cash from capital recycling can be used to pay down debt, fund future growth or returned to shareholders as special dividends.

Let me briefly now cover key highlights from each pillar of the strategic reset. First, we continued to lead in 5G with our differentiated set of products and services driving strong 5G take-up. We have

close to 600,000 5G customers in Singapore and almost three million 5G connected devices in Australia. For enterprises, our focus is driving 5G – new 5G-use cases, be it through incubation programs or partnerships with various enterprises.

Moving on to our growth engines. We are rapidly scaling our data centre capacity, doubling Singapore's capacity to 120MW and adding another 20MW in Thailand, all by 2025. Our third pillar is on reallocating capital and unlocking value. We illuminated the sizeable value in our associates by selling a partial stake in Airtel. We also sold Globe's towers, as well as completed the divestment of Optus insurance and Amobee. These initiatives will help increase our return on invested capital and enhanced total shareholder returns.

Lastly, on championing people and sustainability. We are deploying energy-efficient radio cells to decarbonise our network, investing heavily to keep building a future-ready workforce, actively supporting our customers whose lives were impacted by the recent unfortunate floods in Australia.

With this, I end my presentation. Thank you.

Ms Sin Yang Fong – *Vice President, IR*

We'll now take a moment to just get setup for question and answer. So can I get helpers to help me with that? Online audience, please stay on the line and for everybody who's joined us, please be informed that I forgot to mention this earlier, the whole session is being recorded for playback and for transcription purposes.

All right. We are going to commence our question and answer session. We will first take questions from the audience from the floor here. So if you're – if you – let me call your name, okay, and then please tell us which company you represent and then your questions. I saw Piyush's hand. Can we – yes, on mic. Thank you.

Mr Piyush Choudhary – *HSBC*

Hi, hello. Thanks. This is Piyush from HSBC. Congrats on the dividends, especially on the dividends. So my first is actually on that. Can you discuss the framework which you will be using to decide on special dividend? So let's say, in future you do further value unlocking, then what would be the framework used for special dividend? Because if I just simply see you have paid 33% of Airtel proceeds as special dividend. So your thoughts over there?

Secondly, on Optus, can you give us an update on steps taken after cyberattack to control the churn and how have been the subscriber drains in the month of October and November month to date?

Mr Yuen Kuan Moon – *Group CEO*

Okay. So maybe I will ask Arthur to talk about the special dividend. I think, suffice to say, you probably have recalled during our Investor Day, Arthur talked about the two pots of cash. You know, I'm sure he will explain how we look at – the use of funds and how we deploy our capital and then I will hand over to Kelly to talk about the Optus business environment. Kelly is online and she'll come in later. So, Arthur, maybe over to you to talk about our special dividend and how we look at cash.

Mr Arthur Lang – *Group CFO*

Sure. Okay. Thank you Moon. Sachin, thanks for the question. Maybe just back--

Mr Yuen Kuan Moon – *Group CEO*

Piyush. Piyush.

Mr Arthur Lang – *Group CFO*

Sorry, Piyush. Sorry. I saw Sachin there. Okay. So thank you for the question. The – maybe to backtrack, you remember the beginning, when we came out with a dividend policy about 18 months ago. It was focused on ensuring that our dividend, our core dividend, was sustainable on an ongoing basis and it's based on core operations.

We did not want to comingle that cash with all our 5G and our growth needs. So we created this asset recycling model, which was very much very integral to our strategic reset. So, at that time, we started first. First and foremost, that was very important, top priority, to fund our growth, to fund our 5G, so we can keep that pot one intact and untouched.

Now that pot two has shown that over 18 months we were able to effectively recycle, and this model was proven in terms of – and is proven by the fact that we've raised S\$6 billion, we felt that it was important then now – make sure we are fully funded from a growth perspective and then – now you layer on the volatile environment. We wanted to make sure that we have sufficient, I would say, cash to pay down any debt – expensive debt, that we have over the next two years at least. And then we had some excess.

We thought, okay, at the end of the day, we would like to reward or allow shareholders to share the benefits of this recycling with us. The way to share the benefits is in the form of this special dividend, where we pay excess cash over and above all the needs that we talked about in pot two.

Again, we do not want to comingle it with pot one. We do have expectations that we'd like, because it is part of our strategic reset. We will continue to recycle our assets, but the cash will still remain in pot two and we'd like to have the discipline that if there's any excess cash, after meeting all the needs that we need to fund our growth, any excess we return to shareholders, because we want shareholders to benefit from this as well.

So – but we want to maintain that discipline to keep it separate, because at the end of the day we don't want to go back to some of the things we did in the past and then we've got pressures when things take a turn for the worst. So that's the rationale behind that. And so what we have done, maybe just to elaborate a bit more, is we have announced a special dividend of 5 cents per share but it's split into two tranches. So not a one-time thing. So, the first record date I think is coming up and

we're paying the interim in December. 2.5 cents will be paid out together with the 4.6. The other 2.5 will be if you are - if shareholders still remain a shareholder end of financial year, I think in the record date in - I think...

Ms Sin Yang Fong – *Vice President, IR*

August.

Mr Arthur Lang – *Group CFO*

...where we pay out in August, we will pay out the 2.5 cents. So, it's effectively two special dividends which we announced today but a total of 5 cents. We want to allay some of the mindset that this special dividend is a one-off thing. So, we want to space it out and to be frank, at the end of the day, we want to allow our loyal shareholders to stick with us to benefit from this. That's why we space it out. Thank you and then Kelly.

Mr Yuen Kuan Moon – *Group CEO*

Kelly?

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Thank you. Thanks for your question, Piyush. As you'd expect, in the month of October, in the aftermath of the attack and while we were still communicating with customers about the impact, our churn was elevated. It was up about 50% on what it normally is and in addition, our new connections were down about 25%, acknowledging that even through the whole cyber aftermath, there were still tens of thousands of customers choosing Optus every week.

I have to acknowledge our part in those numbers because we decided as a Company to be completely focused on minimizing harm to our customers and in order to do that, we pivoted the whole Company to that objective, which meant that we paused our marketing activities, including our base management activities that relate to communicating with our current customers about retention, renewal and cross-sell.

What that means is that in a net connection basis, we have seen a small loss in customers in the low tens of thousands in the context of a customer base of 10 million. Importantly, it's on an improving trajectory every week.

Today, we are launching an open letter to customers with seven clear committed actions that we are taking to rebuild trust in the brand and ensure that our customers understand that we're focused on taking the right actions to secure them in the future. Those actions are designed around helping customers, making an impact in the community and also strengthening further, Optus' cyber posture.

I hope that helps answer the question, Piyush.

Mr Piyush Choudhary - *HSBC Securities*

Thanks, Kelly. Can I just confirm, have you restarted or resumed your marketing activities which you had taken a pause in the initial month?

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Yes, we have restarted those activities but we haven't gone back to the levels prior to the cyberattack. We're restarting them slowly and prudently and we will be spending the next couple of months also communicating on our cyber response to rebuild that trust and confidence in the brand.

Mr Piyush Choudhary - *HSBC Securities*

Thank you.

Ms Sin Yang Fong - *Vice President, IR*

Ranjan, please. It's on.

Mr Ranjan Sharma - *JP Morgan*

It's on?

Ms Sin Yang Fong - *Vice President, IR*

Yes.

Mr Ranjan Sharma - *JP Morgan*

Thank you, Management Team. It's Ranjan from JP Morgan. Two questions, firstly can you help us understand, what are the steps required to turn around the profits of NCS and when we should expect that to come through because I think it's one of the main growth drivers for you.

Second is on your digital banking initiatives. Is there any revisions to those plans considering what's happening in the global fintech companies? Thank you.

Mr Yuen Kuan Moon - *Group CEO*

So, I'll give a bit of comments and then I'll ask Kuo Pin to maybe explain a bit more on NCS business trajectory and what he's going to do. I think overall, if you look at as I explained earlier in my presentation, there is actually a lot of demand for IT services. Especially when enterprises digitalise

and move to the cloud, there's a lot of demand and you can see that with our high revenue growth and high bookings in this space.

Obviously, we are going through the integration of newly acquired companies in Australia. I'm sure Kuo Pin will talk a bit more about how and how much effort we're going to do on that end. As well as some of these IT services, you can see that it takes time for us to build in a price increase of services because these are all contracts-basis and inflation has been relatively low in the past in Singapore if you look at it.

So that sudden surge of high inflation with high wage cost has not been fully passed on yet and that will take a bit more time for Kuo Pin to move some of those contracts into a higher rate which is expected because the whole market is facing inflationary pressure.

So that, that is NCS and then Arthur maybe come back and talk about digital bank later, on the new project which they have made their disclosure as well, GXS. So maybe Kuo Pin, you can come in first?

Mr Ng Kuo Pin - CEO, NCS

Yes, so I think thanks for the question, Ranjan. So maybe a bit of a recap about NCS growth strategy. I think some of you may have heard me share that before. We are really trying to grow across three dimensions. One is growing outside of Singapore which is why we decided on a Pan-APAC strategy.

The second is besides our stronghold in government sector, we are also expanding into enterprises and the third is doing a lot more digitalisation work which is really what the market is asking for. If you look at our results, we are growing revenue by 20%. So again, it's not a small, insignificant number and that number reflects all those three dimensions of growth.

Out of that 20%, a significant portion of it is due to our acquisitions in Australia, which now contribute in the first half, S\$161 million. Out of those - that 20%, there's also expansion into the enterprise space and just to give you a sense, the enterprise sector plus telco sector now accounts for about 30% of our overall revenue. In the past, it was in the 20s range.

Finally, we just hit about 50% of all our projects being digital-led which is a very important milestone for NCS. So, if you look at all those indicators, we are actually very upbeat. We are executing well to the strategy that we shared with you six months, 12 months ago.

Now, the downside to this is, as you pointed out Ranjan, the cost pressure. The margin pressure. There are three parts that drive - the three reasons that drive it. Firstly, it's the acquisition costs and here, I'm relating to the acquisition cost due to amortisation to intangibles because of the assets that we acquired as well as the earn-outs and the retention bonus that we set aside. So, this is something that drives the acquisition cost that hits our bottom line.

The second is increased talent costs in the IT digital market which I think we are all very much aware. Now, obviously this landscape is changing as we speak. I think if you look at the recent sentiment, I think it is a lot more muted. But six months ago, nine months ago, there's a heightened competition for talent which is obviously something that NCS went through.

A third reason for the cost is the restructuring and investments that NCS is doing to turn ourselves from a very Singapore-centric IT player to a Pan-APAC globalised company. So those are the three factors that are driving the cost increase that's creating pressure on the bottom line.

I would say the first and third are something that we have always expected. Acquisitions, restructuring and investment. So, it's not something that we were not prepared for and the key one though is the increased talent cost which we were reacting over the last six months or so and what we are doing

now as what Moon just said, we are looking - we have already increased our rate cards to our clients because we do need to pass on the cost to our clients.

We are also looking at optimising our cost to serve. We have - some of you may remember that we are investing to build our India delivery centre. We have also announced recently - two months ago, about our strategic delivery centre in Vietnam. So those initiatives will help to lower our costs to serve.

Finally, we will of course need to have disciplined cost management which will be something that we will continue to work on. So all in all, I think we remain very positive about the growth trajectory for NCS and we'll continue to do what is necessary to better our top line as well as our bottom line.

Mr Arthur Lang – *Group CFO*

On the digital bank, I think a few points. One is with what we're seeing in the current environment, both Grab and us, we have always done so but the shift has been a more disciplined approach to not go crazy and be a very - to deliver and execute in a very measured way. So, we have come out and actually said that the bank would turn breakeven earlier than what we had originally factored into the MAS base case. So now, in 2025, the bank will breakeven and that is about a two-year acceleration on that. So that's the first point.

The second point is that we - under the current rules, the MAS in any case has certain speed bumps that as the digital bank grows, there will a certain stage where they will review and if we are okay, they will then graduate the bank to another level. This prevents excessive cash burn and cost, and allows for more cost - more decent cost management. So, I think that's the second point.

The third point is at the end of the day when you see what we are doing, what we have done at the bank is to focus on products and services that matter to both shareholder ecosystems. So we, unlike a traditional bank like you know, I mean there was another digital bank that just got launched. They're offering a whole gamut of services at one shop, right? For us, we're a new player. We're a challenger. We focus on the ones where we think we can make money. We don't need to offer everything because that is not the expectation of a startup digital bank.

So, in the next few months, we are going to officially launch, leveraging on the customer base of both shareholder ecosystems, which is large, right? The Singtel customer base and employee base and then the Grab employee and customer base. I think the first thing that we are focused on is to offer of course deposits and all that but we're offering flexi-loans.

From a Singtel perspective, we are able to bundle, for example, devices and it could be bundled with certain plans. Then you can offer a flexi-loan on the next iPhone or the iPhone 14 or something like that. So, it's a bit like a buy now pay later but the cost of capital is a lot lower than a typical buy now pay later company because we are all - we basically leverage on the customer of both shareholders which means that the acquisition cost is lower. We don't need to offer a whole gamut, we can just focus on this and we continue to leverage on this and go deeper. So that's the advantage.

Finally, I think we mentioned this before, in terms of the capital commitments, it's been quite measured over the years so we are seeing basically for Singtel's contribution, it's S\$80 million to S\$100 million a year.

Mr Ranjan Sharma - *JP Morgan*

Thanks.

Ms Sin Yang Fong – *Vice President, IR*

I think Neel had a question earlier?

Mr Neel Sinha - *CLSA*

Hello?

Mr Yuen Kuan Moon - *Group CEO*

Yes, it's on.

Mr Neel Sinha - *CLSA*

Neel from CLSA. I had a couple of questions. One is on Optus. The S\$142 million provision, can you give us the basis for coming up with that number? I presume some of it is to do with an estimate of ID replacements and regulatory fines but just wanted to clarify it doesn't include any class action event, right?

The second was on associates. Moon, of your portfolio, what is it that concerns you the most from the various markets because they're all - they were all moving kind of aligned two quarters ago, now they seem to be directionally and slightly different areas in terms of competitive intensity.

The third, back to you, Arthur, on GXS. I'm still struggling to understand how is your cost of funding cheaper in this environment? I understand the yields, the asset yields would be higher on kind of BNPL-type plans so what are your thoughts on cost of funding because with wholesale markets what they are and you know what the Singapore Treasury bills are doing so for the next two years, I think it's quite a challenged environment on the funding cost side. Thank you.

Mr Yuen Kuan Moon - *Group CEO*

Maybe you take the GXS question first and then I...

Mr Arthur Lang – *Group CFO*

Okay. I think on that, first of all we're not going to rely on wholesale funding at GXS so it will be customer deposits. We will pay a certain interest rate and it has to be - I guess it has to be high enough to attract that deposit base. But again, we don't need to go all out to attract customer deposits. Just between our two shareholder - two customer ecosystems, plus the limits that the MAS has placed on this digital bank.

We don't need to go all out and attract over X billion dollars of deposits. All we need is a certain amount and if you look at the market today, I think the size of the pie, it's about S\$50 billion worth

of deposits if I recall. These are not deposits in fixed deposits, these are deposits in your CASA accounts which are generating nothing. That's all there, all we need is a sliver of that because we cannot go beyond what the MAS is allowing us.

So, all we need is to just capture that. We do not need to pay too much for that so that's why we feel that the cost of funding is lower and on top of that, the acquisition costs of a customer is lower because again, it's through the Singtel and the Grab ecosystems. Very soon you will see on the Grab app, on the Dash app and subsequently the Singtel apps, you will see GXS all over the place.

We're leveraging on the GrabCars, we're leveraging on the Singtel TV channels, where these are opportunities for us to go out and market and promote the bank without incurring the costs as a typical third-party bank would.

So, these are the various cost advantages and this is how we're going to prosecute it. We don't need again to offer a whole bunch of services at day one. So that's how we manage it.

Mr Yuen Kuan Moon - Group CEO

So, Neel, maybe let - all right, let me cover the two questions. The first question on S\$142 million, that is the total amount, Sing dollar, S\$142 million. It covers Australia Optus, A\$140 million for Optus and then the balance, about \$10 million is between Singtel and NCS Dialog in Australia.

So, the costs are primarily on a few things. First is to cover the cost of our independent external review, the cost of providing credit monitoring service to some of our impacted customers if they choose to sign up, and also primarily the cost of some of the ID replacement cost that we may have to incur, and these are all estimates and projections that we think are realistic and we have baked that in. Therefore, the total of S\$142 million.

It doesn't include any other additional or potential new costs that we incur. We have made disclosures on our contingent liability that there are two investigations in Optus that's ongoing. One from the OAIC and the ACMA but we are working collaboratively with them in the investigation. We do obviously work towards a scenario where a positive outcome out of those investigations.

Of course, to date while there has been media reports on class action, we have not received any formal notification yet so that's why we have disclosed it in the contingent liability and not made any provisions for it.

In the associates I think that's a very long question, if I were to go down all the associates but maybe I'll just cover - I'll cover in general. I think if you look at the Airtel strength, the outperformance in India, it's many factors. Firstly, you've got to understand that Airtel has come from a negative position two years ago. So, you're seeing them rebounding and back into a more sustainable profitable operation. That is on a context of behind a backdrop of market consolidation.

You have now three players in the market and it's not just Airtel, you see the other major operator there is also performing better. That's on the back of a few rounds of price ups, and if you look deeper into Airtel numbers, it's not just mobile. It is also their growth in enterprise, their growth in fixed broadband, that is driving that momentum. So that's one part of it.

Then you look at the other markets whether it is Indonesia, Thailand, Philippines, you will see a slightly different scenario because they have always been performing and delivering profitable growth and giving us good returns. So, they are at a different place to start off on a year-on-year basis, right? That's the first thing.

Secondly, if you look at their primary driver or revenue business driver are primarily in mobile. But if you look at their current strategy forward, Thailand, in AIS is already investing in fixed broadband in the 3BB acquisition and they are getting into fixed business, enterprise business. Telkomsel have announced that the FMC potential consolidation with Telkom and they're getting into the fixed business as well, the fixed broadband business.

In Philippines in Globe, Kuo Pin is on the Board, he will tell you that he is working with Globe to look at growing the enterprise business and Globe is also investing in fibre fixed business.

If you look at the market - these Southeast Asian markets, they are all pivoting to a new growth which is more fixed broadband, enterprise-led sort of a growth momentum while keeping the stable mobile business because mobile business is still bread and butter for many of them. It's still a good business, good margins, good returns, it's just that they may not be giving us the type of growth like before.

So, what is growing? What is growing is actually fixed business, enterprise business, digital business, and data centre and that's why you see AIS and Gulf, our partner is investing with data centre with us. Telkom is looking at investing in data centre.

So, we are pursuing growth together with our associates, and if they play that growth, right on that growth engine, it will be very similar to Airtel where they are growing not just in mobile but also in fixed, broadband, and enterprise business.

Ms Sin Yang Fong – *Vice President, IR*

I think Sachin had a question but maybe after Sachin we'll move to some of the online participants as well. Sachin, could you speak into the mic?

Mr Sachin Mittal – *DBS*

Thanks for the opportunity. Two questions. Firstly, now so many disinvestments have been done, or recycling have been done, could you share what is the new target in the medium term for you? Most have been done and less is left? Some clarity will be very helpful in terms of medium-term targets and what kind of assets we're looking at.

Secondly, the bookkeeping question. You had finance cost increased due to derivative losses. If I am not wrong, there was a big rise in finance cost and that was not captured as part of the normalised income. Are we expecting those - what kind of derivatives are those and are we expecting those market values to bounce back or to fluctuate with the market? Thank you.

Mr Yuen Kuan Moon – *Group CEO*

Okay. I'll cover the first part of the question and then Arthur can talk about some of the financing costs and derivatives. If you look at our strategic reset, that was announced only about 18 months ago. We are just executing to the plan. While a lot has been done, especially in the capital recycle

and asset illumination of the value of our assets, you've seen a lot, but a lot is not done yet. In the area of core business, the growth, not just in mobile 5G but also in fixed broadband business in our regional markets, the enterprise growth business is just starting. NCS has just started to embark on, Bill on regional data centre, is just starting.

So, while a strategy has been articulated, it is not done. In the medium term, short-to-medium term, we look at ROIC, improving our ROIC, because that has been very tightly coupled with the Singtel share price if you look back at the last 20 years. So, the operating unit from Anna, from Kelly, from Kuo Pin, and Bill, they all look at how within their business, how to improve their business return on invested capital.

In the medium term and short term, I think you attended our investor day, I said we want to move from last year 5.4% to high-single digit in the short-to-medium term and then going forward we want to break into double-digit in the longer term on our ROIC. Because we believe that will actually better reflect the value of Singtel through its share price, because that's what we are working on. So, there will be a riding a wave of growth of fixed broadband, in terms of initiatives, riding on enterprise growth. We will be doing it ourselves, we'll also be doing it with our associates, partners. So, it's not new, no new news, but work is not done.

Mr Sachin Mittal – DBS

How about the disinvestment or recycling targets after the Airtel has been done? I think you had mentioned S\$3 billion last time. What is a new number you can throw at us now?

Mr Yuen Kuan Moon – Group CEO

We are not giving any new numbers now because I think we still have got close to about S\$1 billion yet to come from the Comcentre redevelopment which will come in 18, 24 months' time. There are a still a lot more assets that we will look at, for example the data centre business that you are building, so there are. We will review it at an appropriate time.

Mr Arthur Lang – Group CFO

Yes. On that, it's always good to keep the market guessing on what is the next asset to be recycled. It's really at the end of the day to the benefit of the shareholders. If today I say XYZ we're going to sell this, guess what, we're not going to get full price on it because everybody knows we are willing to sell it, right. I think it's important to do that, to get maximum value. But this capital recycling model is here to stay. It's not a one-off thing, everybody sit back and don't do anything. We are consistently looking to really illuminate value on our balance sheet because we still have the gap, the SOTP gap that we talked about.

On your question on derivatives, the cost, this related to some derivatives we had entered into on some inorganic transaction which we were involved in last year. I would say that has significantly been cleared out. There's a little bit left and I think we are - basically, in the next few weeks and months we'll be closing that out. So, you will not see the impact either way, positive or negative, as too much of that going forward. Yes.

Mr Yuen Kuan Moon – *Group CEO*

I think maybe you should ask some questions on data centre and the good Singapore consumer business momentum, especially with the backdrop of the whole market conditions. You see some very positives...

Mr Arthur Lang – *Group CFO*

Best half ever since the beginning of the pandemic, yes.

Ms Sin Yang Fong – *Vice President, IR*

Meanwhile, while everyone's bringing up questions on the core business, maybe we should move to some of the questions from the online audience. Okay. Entcho, I saw you online. Your hand has been raised. Do you want to - yes, thank you for showing yourself - please ask your question.

Mr Entcho Raykovski – *Credit Suisse*

Thank you. Entcho Raykovski here from Credit Suisse. I had a couple of questions for Kelly. The first one was just a follow-up on Optus in terms of the net connections losses, Kelly, that you mentioned since the start of October. Can you give us a little bit more colour on whether that's been on the consumer or the business enterprise side and whether it's skewed towards mobile or broadband? If it's more pronounced in any one area it would be just useful to understand.

Then in relation to the cyberattack, is the biggest risk that you see subs losses from here, or is it any additional costs on top of the \$140 million already provisioned?

Mr Yuen Kuan Moon – *Group CEO*

Kelly, do you want to take that question?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Yes. Thanks for those questions. On the net connections, I think it's mostly been on consumer and small businesses. As we mentioned at the time, enterprise customers and medium business customers were not impacted by the cyberattack and so of course it's been more skewed towards the customer base that was affected. I don't have a breakdown across mobile and fixed. To us a customer is a customer and we don't want to see a single customer leave us, so each one is a regretted loss.

From the cyberattack on your second question, these are the holistic best assessment we can make of the costs that will be associated with it. We obviously hope to now rebuild trust in the brand and resume the very positive and strong momentum we had as we continue to deliver great services to our customers at great value.

As Moon mentioned though, there are regulatory reviews underway, and whilst we expect that they will assess the totality of our cyber environment, our extensive investment, everything that we do in that area, and so we're hoping for positive outcomes from those reviews, we can't predict what happens, but we don't anticipate that there will be further costs to come.

Mr Entcho Raykovski – *Credit Suisse*

Okay, great. Thanks, Kelly. If I can just ask one follow-up, and this is specific to NBN broadband revenue. It's all really good growth in the first half, both subs and ARPU. Can you talk about whether you're seeing any step change in the market? I note some other operators have also been increasing price - or whether the market, the NBN market is still highly competitive? Does this change in any way the way you're viewing NBN economics? Thank you.

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Thanks. I think we see the market as very competitive and for every competitor who has tried to raise price, there's one who's lowered it considerably, and of course the market is also very competitive when it comes to alternatives to NBN such as fixed wireless access, where we've seen incredibly aggressive pricing. It remains a very competitive market.

I don't think that we've seen anything that I'd characterise as a step change, and we continue to advocate strongly on behalf of customers for a new undertaking from NBN that includes commitments to improved customer service and customer outcomes that will drive lower costs and better service across the industry.

Mr Entcho Raykovski – *Credit Suisse*

Okay, and so how do you - not what you attribute it to but how do you explain the strong growth that you've been seeing? Is it success of your particular products that you've got in the market?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Yes. I think we've been very focused on delivering differentiated propositions to our customers, things like the Optus Living Network that actually spans across mobile and home customers. Features like Optus Pause applies to both product areas. We've also done a lot of work to tidy up our portfolio so that we have a simple product offering that's priced in the right way and that we continue to deliver great value to our customers and give them as good a service as is possible.

Mr Entcho Raykovski – *Credit Suisse*

Okay, great. Thank you.

Ms Sin Yang Fong – *Vice President, IR*

Thanks, Entcho. We probably have time for just another one more question.

Eric, would you like to ask your question? Eric Choi from Barrenjoey Capital.

Mr Eric Choi – *Barrenjoey Capital*

Thanks, team. Just trying to turn on my video. Thanks for the question. I just have a couple for Kelly as well. Just a follow-up on Entcho's question around the enterprise risk from the data breach, just wondering, going forward how do we think about any major contract renewals or any significant enterprise contracts that might be up for - I guess at risk? I appreciate they're not impacted directly but I'm just thinking about impacts to your brand that might impact your renewal rates.

Then just a second question, sub losses. In terms of those tens of thousands that you've lost, I wonder if you've got some idea from the porting data where they've gone to, because obviously that speaks to which part of the market consumers speak and think of Optus sitting in.

Then we probably don't have time for this but no one has asked you about the ACCC process either, and I know you guys said there's a real commercial likelihood that you guys would do some sort of a deal with TPG in the event that the deal with Telstra was blocked. If we had time, I'd love to get your thoughts, Kelly, on what that - the form of any such deal could look like.

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Thanks, Eric. Yes, firstly on contract renewals. I would say that we've actually had a lot of support, understanding, and curiosity from our enterprise clients. I think most businesses in Australia understand that all of us are vulnerable to cyberattacks and increased cyber activity. So, most have leaned in offering support, understanding, and wanting us to share the lessons learned with them. We actually see this as an opportunity to get closer to our enterprise customers to share learnings with them and to help strengthen the entire market when it comes to cyber posture.

In terms of subscriber losses, I would say the main beneficiary is Telstra. That's what you would expect to see; customers of ours still want quality but there's a perception of flight to safety when people do want to move and so that's what we see in the port data.

Finally, on the ACCC process. That has been extended out for a decision to 22 December. We've been very active and clear in our submissions to that process that we see the potential regional merger of TPG and Telstra networks as negative for competition and negative for consumers, and we are expecting to see an outcome from that when it's concluded on the 22nd.

We have submitted, as you are supposed to, a counterfactual that suggests that number 2 and number 3 coming together to compete more effectively with number 1 provides a better competitive outcome than a dominant number 1 and number 3 coming together to compete with number 2. We think that there are sound economics and rationale behind a proposal like that and it is certainly something that we would strongly consider, and we believe TPG would as well. It's hard to elaborate on details. I think that that would be a logical next step once the outcome of the ACCC decision is known.

Mr Eric Choi – *Barrenjoey Capital*

Appreciate it. Thanks, Kelly.

Ms Sin Yang Fong – *Vice President, IR*

Thanks, Eric. We promised you time earlier to have questions for our core business as well, so any...

Mr Yuen Kuan Moon – *Group CEO*

Maybe instead of asking questions, I'll ask Anna to highlight a bit of the Singapore consumer performance, just a short bit, where we have seen the rebound and also Bill, maybe one or two sentences on how do we see the data centre growth. Because I think to answer some of the earlier questions on where do we see new growth or new investment, this is probably another area. So Anna, over to you.

Ms Anna Yip - *CEO, Consumer Singapore*

Sure. Hello, everybody. I think the key highlights for the consumer business are really two things - three things, I would say. One is clearly roaming, the return of roaming; the second one is the continuous strong migration, and we tried to accelerate it actually in terms of 5G, that I would like to touch on; and third thing is really the resilience of the home business including TV.

First thing on roaming, a very good rebound. We are looking at about 60% of the pre-COVID level travels but our rebound actually is a bit more than that, because we see that actually the penetration of the roaming products among travellers has gone up compared to pre-COVID. I think people see the benefits of staying on the roaming of your own MNOs rather than just picking up a random SIM when you arrive in a destination.

Of course, in the early stage of recovery, the business travellers also are over-indexed, so I think that contributes to the penetration as well. But we do see that consumers are seeing the benefit of taking the roaming products that are secure and very, very guaranteed in terms of the quality, they see the benefit of that. We see with Japan opening up as a corridor, major, major destination for Singaporeans, and we see more runway in terms of the growth path there.

Number two, don't forget our 5G. We are the first SA nationwide coverage in terms of coverage of the whole country. This is actually the first the world. I think Singaporeans really take to that very well. Since we last met up, we also extended 5G not only to the postpaid, but also the prepaid segment, so extended for example to those workers in the dormitory on the prepaid segment, and this is very important.

Because normally we are looking at a relatively low ARPU for those segments. But for those who are looking at a lot of data coverage and high speed, ultra-high speed, they are willing to pay even more than \$30 for their packs. So, you can see that the ARPU uplift is very important. Now, having said that, I think the competitive pressure on the prepaid is still very much there and we would like to see a lot more rationalisation there.

Third one just to touch on is of course for those football fans, we don't carry the PL any more, but the churn rate has been much lower than what we were budgeting for, and of course this is thanks to a lot of actions we have done to hold onto the customers.

At the same time, we see that the hybrid working mode still drives a lot of interest among our customers to upgrade their home. For example, if you look at our WiFi 6 and 2Gbps plan, it is well over 50% of our new acquisition already. So, we see that momentum continuing still. Thank you.

Mr Yuen Kuan Moon – *Group CEO*

Maybe just one more point to add on Anna's point is while we lost some TV revenue, but that is actually more than compensated with the content cost savings. You look at the overall underlying TV business actually has improved, the business model has improved, the margins have improved and therefore you see a better EBITDA and EBIT performance at the Consumer Singapore level. Bill, do you want to talk a bit about data centre?

Mr Bill Chang – *CEO, Group Enterprise & Regional Data Centre Business*

Thanks, Moon. Yes. Good afternoon, everyone. Data centre, obviously this is our pillar number 2, very important growth engine in a regional format. To just give you some context, we are already the largest player here and about 60-plus MW in Singapore. We have now set out plans to build the greenest and the most sustainable and also the largest data centre in this region, somewhere in the west of Singapore, that will come onstream in 2025. This will double our capacity to about 120MW. Of course, there is a CFA going on, we have to be part of that process to bid for more, but this next 60MW will come onstream.

We are also working with Gulf and AIS in Thailand. We have identified a site and are in the midst of preparing the procurement activities and tenders for a site that would take 20MW times 2. We'll start with 20MW and then expandable to 40MW. In Indonesia, we're working with Telkom with a site in Batam and are preparing for that as well.

Obviously, we are very conscious of where supply and demand situations are. In Singapore, it is a case of overdemand-limited supply because of the moratorium that happened two years ago, and the need to build the greenest data centre defined as less than 1.3 PUE. We are going to get there, below that 1.3 PUE and that will give us the, the knowledge, the IP and knowhow on how to build this really green DCs in this region.

That's valuable not because of Singapore, it's going to be valuable as we move out in the region to build not necessarily the 1.3 and below but the greenest DC across this region as well, because we know the blueprint and the knowhow. That's important because our clients would really want in their own ESG goals to think about working with players who are rock solid and they have experienced that and understand and can meet the ESG goals.

Now, beyond Singapore the situation may not be overdemand-limited supply. It may be a huge supply and demand may probably be lacking a bit in some of the countries, so differentiation becomes very important. This is where we are not just only building the greenest and most sustainable DCs but also playing to our strength as a connectivity provider and also with our local partners like AIS and Telkom to bring our capabilities in international subsea cables to domestic capabilities such that the greenest DC with the richest interconnectivity value proposition is very important.

The third element that is very important to DCs is green energy, beyond designing green and operating green capabilities, it's the energy. We are working with energy providers like Gulf in Thailand and we are also sorting this out in the region to ensure that part of that brown-to-green electrons transformation is being thought through as we want to be providing that.

Now, the other very important differentiation that is going to be positioning this to come, it's on 5G. As you know, 5G and edge cloud are going to be synonymous, bringing connect and compute capabilities, low latency, and this edge cloud will be growing rapidly, we are starting to see that in Singapore. This edge cloud will be a very key component adding onto traditional enterprise hyperscaler government hosting, it's a new phenomenon that we'll see.

We're positioning our DCs not just with rich interconnectivity but also to be an 5G edge cloud-ready kind of environment with our Paragon platform to be included in it. If you think about this in a case where supply exceeds demand, differentiation becomes key in how we're positioning with all these factors beyond just being a DC provider. That's going to be our blueprint of execution in this region. Thank you.

Ms Sin Yang Fong – *Vice President, IR*

Thank you. So, with that, we come to the end of the conference. To participants online, whose questions we have not answered, we will follow up separately with that. Thank you very much for your participation. See you again next May.

End of Transcript
