

# GCEO Review

## STAYING RESILIENT AMID TRANSFORMATION

Most people shun change. It's uncomfortable and requires serious effort and commitment. For us at Singtel, change has been an unwavering principle over the last four years. As the advent of the digital economy brought with it an explosion in data usage, we didn't just keep up with the times but strived instead to stay ahead of the curve. To do this, we had to pay fresh heed to the changing needs and wants of our customers. For the past four years, we have been driving a transformation across all our businesses as customer habits in communication and media consumption radically altered and companies too, adjusted how they operated. At the close of the 2016 financial year, I'm pleased to report that our business has stayed resilient in the face of this transformation.

Our net profit for FY 2016 was up 2% to S\$3.87 billion and would have been up 6% on a constant currency basis. These results have been achieved despite our continuous investments in network and spectrum, crucial for network capacity and speed, and losses from digital and cyber security ventures as we scale these businesses. In terms of Total Returns to Shareholders, we have been disciplined with our dividend payout and outperformed the STI index over the past four years. All this bears testimony to our restructuring efforts, our focus on execution and our financial strength.

## DIFFERENTIATING OUR CORE CONSUMER BUSINESS

Our core consumer businesses in Singapore and Australia performed well in FY 2016 with Singtel extending its overall revenue market leadership by differentiating our products and services. Having made substantial network investments over the years to provide the foundation of superior 4G coverage across both markets, our priority was to come up with innovative products and services that would create customer loyalty.

A host of flexible data plans, marquee content and bundled offers was rolled out to woo customers with increasingly data-centric lifestyles and more demands for video entertainment on the go. Standalone data plans, value-for-money double data add-ons and 10Gbps options for heavy data users were introduced much to the delight of customers. Zero-rated music streaming services were a hit with the music fans. Both Optus

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and Singtel also struck significant partnerships and offered a range of exciting sports and entertainment content, including the English Premier League, Cricket Australia and Netflix.

This differentiated approach saw Optus retain and win more subscribers, repositioning it as more than just a mobile company in the eyes of the customer. In Singapore, the strategy mitigated declines in voice and pricing pressures, helping the business defend its turf.

## DIVERSIFICATION KEEPS US STRONG

Our Group results were strongly bolstered by our geographical diversification across Asia's fastest growing economies. Together with our regional mobile associates, all leading players in their respective markets, we reach over 600 million mobile subscribers across the region. Our associates put in another strong showing in 2016, also thanks to substantial growth in mobile data. As their increasingly affluent populations upgraded to more affordable smart devices, spurring mobile





internet usage, our associates began to harness the benefits of extensive investments in 3G and 4G networks and services.

Telkomsel was the standout performer, with pre-tax earnings for the year jumping 15% to S\$1.1 billion on the back of increased voice and data usage. They also saw a significant increase in 3G and 4G subscribers who now make up 42% of its total customer base. In Thailand, AIS continued with its migration of 2G customers to 3G or 4G networks, against an accelerated network rollout with the 1800MHz spectrum acquired last year. Airtel has secured pan-Indian spectrum for its 4G services, which allows it to provide seamless data services across the country. Globe in the Philippines continues to take share, thanks to increased network investment and innovative offerings.

Having made our own earlier transition from mobile telephony to mobile internet, the Group continues to work with our associates

to navigate and monetise this shift from voice to data. We remain confident that emerging market growth and increased digital adoption will continue to see our associates contribute positively to our Group.

### **NEW GROWTH ON THE ENTERPRISE HORIZON**

Our Group Enterprise business proved robust for the year despite slower economic growth and more cautious business spending. Our new ICT businesses in cloud and cyber security gave us that extra edge, helping us maintain our leadership in Singapore while strengthening our position in the Asia Pacific region.

Cloud revenues grew as businesses and organisations moved rapidly from legacy on-premise IT systems to flexible cloud-based storage to manage costs and drive productivity. We were well-positioned to capture this shift, having invested in a suite of cloud migration and delivery capabilities over the past two years.

Besides having to host and manage these services, we also had to secure them. This is where our investments in cyber security are also starting to pay off, supported by our ability to monitor traffic flows through our networks, and our trusted relationships with existing enterprise customers. In September 2015, we made a strategic move in acquiring Trustwave, a leading independent cyber security player with business in the US and around the world. A key priority for us this year is to leverage this Trustwave acquisition to create a global platform that can provide managed security services – 24/7.

Our move into Smart Nation solutions also made headway. This year, we secured a significant contract from the Singapore government to build the Land Transport Authority's next-generation Electronic Road Pricing or ERP project. Leading a consortium, we will build a system that will harness satellite tracking and our 4G network to collect and disseminate real-time traffic information. This will be the first time in the world that these capabilities will be implemented nationwide in an urban environment.

As Singapore moves towards becoming a Smart Nation, the majority of our customers are already on fibre broadband, enjoying ultra-high speeds and more competitive pricing levels. We have, in past years, enabled this nationwide fibre rollout through NetLink Trust, which owns our passive fibre infrastructure but operates as an independently managed business trust. This nationwide fibre network which now passes all homes in Singapore forms the backbone of the Singapore government's Smart Nation initiative. For regulatory reasons, we will progress plans to divest our stake in NetLink Trust to less than 25% by April 2018.

## REFINING OUR DIGITAL STRATEGIES

Over the past four years, we have refined our digital strategy to focus on areas that contribute back to our core business and best leverage our telecom assets: digital marketing, OTT video and data analytics.

Amobee, our global digital marketing business, recorded strong growth in FY 2016 as it gained further traction among brands looking to increase the efficiency and effectiveness of their

advertising spend across new and multiple media platforms, be it social, mobile, video or email.

HOOQ, our OTT video joint venture with Sony Pictures Television and Warner Bros. Entertainment, is now available across Asia's most populous countries: India, Indonesia, the Philippines and Thailand, steadily adding more video streaming subscribers.

DataSpark, our advanced analytics start-up, is scoring more contracts from both public and private sector companies, which are using anonymised and aggregated telco data to gain insights that sharpen their business and operations planning.

While the results so far have been encouraging, it will be some time before all these businesses can ramp up to global scale and contribute meaningfully to our bottom line. We will continually review the progress of these investments.

Meanwhile, Singtel Innov8, our corporate venture fund, will continue to identify the latest innovations, products and technologies – giving the Group first dibs into monetisable new businesses that will augment our core business or further build on our digital strategy.

## STRENGTHENING OUR TEAM

Our people are the foundation of our success. And I truly believe we have the right people and leadership with the necessary instincts for collaborating and innovating our way forward. Even so, we continue to develop the right talent and capabilities to help grow our company.

We have put in place long-term initiatives to attract and develop necessary talent in cyber security, cloud and analytics, having identified these as new growth areas for the business. Our employee engagement score for FY 2016 has improved further, and is quickly closing the gap with the benchmarks for top Global High Performing Companies. We have an energised team, excited about our future, and ready and willing to drive our necessary transformations.

## CONTRIBUTING TO OUR COMMUNITIES

Our operations touch millions of lives in the region and it is important for us to give

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back to the communities that support us and our businesses. Our CSR activities focus on safeguarding the well-being of internet users, particularly vulnerable children and youth, as well as helping persons with disabilities find gainful employment by providing the necessary training in new technologies.

We have a strong volunteerism programme across both Singapore and Australia. In Optus, this centres on mentoring youth through the Australian Business and Community Network. In Singapore, we are heartened to see a 15% increase in the number of volunteering hours committed by staff. This, as we mark the 15<sup>th</sup> anniversary of our corporate philanthropy programme, the Singtel Touching Lives Fund. Since we started, we have raised over S\$33 million to help children and young people with special needs. We are celebrating this important milestone with our staff, and encouraging more of them to get involved in our future initiatives.


#### **WINNING IN A DIGITAL WORLD**

It’s not been business as usual at Singtel given the plethora of technological and business disruptions thrown our way by the digital economy. But we have learned much about how to handle continuous change while maintaining a strong financial performance.

I would like to thank the Board for their guidance, and our management and staff who have applied the best of themselves to the job at hand, knowing that nothing worth having comes easy. To our partners, thank you for staying the course with us.

I’m confident that the changes we have made put us in a far stronger position today to evolve our large and complex business, to answer further challenges so that we can continue to create value for you, our shareholders.

Yours sincerely,



**Chua Sock Koong**  
Group Chief Executive Officer