H1 FY22 Results Q&A Session
11 November 2021

CORPORATE PARTICIPANTS

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Mr Arthur Lang – *Group CFO*
Ms Kelly Bayer Rosmarin – *CEO, Optus*
Ms Anna Yip - *CEO, Consumer Singapore*
Mr Bill Chang – *CEO, Group Enterprise*
Mr Ng Kuo Pin – *CEO, NCS*
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CONFERENCE CALL PARTICIPANTS

Mr Piyush Choudhary – *HSBC Securities*
Mr Neel Sinha – *CLSA*
Mr Eric Choi - *Barrenjoey Capital*
Mr Arthur Pineda – *Citigroup*
Mr Entcho Raykovski – *Credit Suisse*

Start of Transcript

A warm welcome to all analysts and investors. Thank you for joining Singtel's Earnings Call for the half year ended 30 September 2021. My name is Sin Yang Fong and let me introduce senior management on the call. We have Mr Yuen Kuan Moon, Group CEO. We have Mr Arthur Lang, Group CFO, Ms Kelly Bayer Rosmarin, CEO, Optus. Joining us virtually we also have Ms Anna Yip, CEO Consumer Singapore, Mr Bill Chang, CEO Group Enterprise and Mr Ng Kuo Pin, CEO, NCS.

Before we start taking questions, I would like to invite Moon to share some highlights from this set of results. Moon, please.

Mr Yuen Kuan Moon – *Group CEO*

Thank you, Yang Fong. Good morning and welcome to Singtel's financial results announcement for half year ended 30 September 2021. The Group's performance improved with underlying net profit increasing 17%, reflecting the strength and resilience of our portfolio. Net profit more than doubled to S$954 million against last year's results which included exceptional provisions for regulatory demands in India.

The Board has approved an interim dividend of S$0.045 cents per share representing approximately 76% of underlying net profit for the half year. Barring unforeseen circumstances, we expect to pay dividends at the upper half of our dividend policy range of between 60% and 80% of underlying profit for the financial year.

Revenue increased 3% despite continued COVID headwinds and structural challenges in the industry. Mobile services rose in Australia, reflecting a positive price trajectory. Our ICT business continued its positive momentum as NCS and our data centre business leverage increasing digitalisation to grow. We took the first step in our review of Trustwave divesting the legacy compliance business. Certain Trustwave assets that are complementary to the Group's telco and system integration business in Asia Pacific will move into Singtel, NCS and Optus enabling each local business to better focus on their core competencies. We also hired a financial advisor to help us with Amobee's strategic review.

On an underlying basis, EBITDA grew a robust 16%, underpinned by Optus margin expansion from mobile repricing and strong cost control. Including the Singapore government wage support measures and higher NBN migration revenue in Australia in the prior year, EBITDA still improved.

NCS delivered revenue growth spurred by higher demand for digital services while Amobee and Trustwave posted improvements. Our regional associates recorded a resilient performance against a backdrop of intense competition and COVID challenges. Airtel India returned to profitability for the first time in 13 quarters driven by mobile customer growth and 4G upgrades, resulting in market leading ARPUs and double-digit revenue growth.

Airtel India is also set to benefit from improving regulatory environment and market structure. In Africa, its performance remains solid across voice, data and Airtel money. Telkomsel delivered strong growth in data and digital services which offset the decline in legacy voice services. AIS and Globe benefited from robust demand for its broadband services, but gains were offset by higher network and spectrum investments.

Globe's GCash payment service, Mynt, raised over US$300 million in funding, solidifying its status as Philippines' first unicorn with a valuation of over US$2 billion. Free cash flows rose 4% as Australia's improved performance and higher dividends from associates offset reductions in NBN revenue and government wage support. This also reduced our net debt.

Crucially, 87% of our debt has been locked into fixed rates which coupled with strong interest rate cover, mitigates the impact of rising interest rates. That said, we continue to diversify our funding sources and last month, became the first telco in Asia Pacific to launch a sustainability-linked bond framework. The framework allows us to issue sustainability linked bonds and gives transparency to investors on how we intend to achieve our mid to long term sustainability targets.

By executing to our strategic reset, the Singapore and Australian operations have delivered an increase in underlying free cash flow in the first half. We have also affirmed guidance of at least S$1.3 billion of dividend from regional associates and approximately S$2.4 billion of Capex for the year.

The interim dividend of $0.045 represents 76% of our first half underlying net profit, while the payout ratio for the full year dividend is expected to be in the upper half of our 60% to 80% dividend policy range. Over the medium to long term, we will leverage our portfolio of quality assets to unlock another S$2 billion of value.

We will also look into introducing third party capital partners to co-invest with us. This will help us achieve a good balance between investing for growth and delivering sustainable shareholder returns. We continue to lead the market in 5G. We are the speed leaders in Singapore and Australia, as affirmed by Ookla. Our customers can experience true 5G capabilities via unique experiences such as remote racing or 4K live streaming of the S.E.A aquarium.

Our 5G networks serve over 200,000 customers in Singapore and about 1.5 million 5G capable device customers in Australia. We are also partnering with corporates, tertiary institutes and government agencies to develop new use cases. 5G@Sentosa is a good example of such collaboration. The Sentosa Island will serve as a testbed for promising public sector use cases that could be rolled out to the mainland in the next five years.

The trials make use of drones for remote construction site inspections, mixed reality technology to guide installation works and autonomous vehicle movements. Similarly, in Australia, Optus is partnering with Australian National University to develop a national defense system for early detection and extinguishing of bushfires.

Customer experience and advocacy have improved with well-designed and user-friendly digital channels. Such channels account for 45% and 75% of sales and service transactions in Singapore and 29% and 83% in Australia.

The introduction of unique products and services further sets us apart. Optus continues to strengthen its Living Network with the launch of Call Translate, Optus Pause, Optus Sidekick, catering to customers who wish to have more flexibility and control over their network and services. Optus also

launched SubHub, which simplifies content subscriptions and memberships by putting them in one place while allowing customers to save money and discover new content options. In Singapore, Dash, our mobile wallet, continues to gain scale and annualised transaction value reaching S$900 million, driven by strong usage of its remittance and insurance services.

NCS made strong progress towards its goal to become Asia's B2B digital services champion. In the first half, digital services rose 36%, and now makes up 48% of its total revenue. It is focused on growing its cloud specialist practice in Australia. Recent acquisitions have strengthened its cloud capabilities and complement the launch of its Melbourne Cloud Centre of Excellence. NCS also acquired data analytics consultancies ClayOPS and Velocity and bolstered its ranks with more than 1,200 talents across the region to ride the uptake in digital services.

We are building a regional data centre platform with an initial focus on key ASEAN markets. We are in discussions with strategic partners to build new DCs in Thailand, Indonesia and the region. As one of the largest data centre operators in Singapore, we are well positioned to capture the growing demand for critical infrastructure driven by rapid digitalisation. Our DCs deliver more than S$250 million in annual revenue and at attractive margins.

Having planned early and engaged the authorities since 2018, we have secured a site next to our existing Tuas cable landing station for an integrated cable landing and data centre facility. This will be ready in three to four years' time and will add 30 to 40 MW in data centre capacity and we will leverage cutting edge green technology for energy efficiency and environmental performance.

We are also making headway in other strategic priorities, including unlocking the value of our infrastructure assets with the partial divestment of Optus towers. While COVID-19 uncertainties linger, we remain focused on extending our leadership in 5G to drive growth across our core new business by taking advantage of emerging technologies and continued disruption. These initiatives put us in a unique position to capture growth opportunities as economies open further and travel gradually resumes.

We are laser-focused on improving our ROIC, which will be the backbone for profitable growth and sustainable dividends. With this, I conclude my presentation. Thank you and back to you Yang Fong.

Ms Sin Yang Fong – *Vice President, IR*

Thank you Moon. We will now invite questions from participants. If you are interested to ask a question, please click on the raise hand symbol of your gadget and I will call your name. We have the first question from Piyush Choudhary from HSBC. Piyush, do you want to turn on your video and ask you question? Thank you very much.

Mr Piyush Choudhary – *HSBC Securities*

Hey and good morning. Thanks for the presentation and congratulations on a strong underlying performance. Two questions. You have shared mid to long term capital targets - capital recycling of S$2 billion. Can you share like what areas you're looking to unlock the value? Also, the broad split of capital investment into the three areas of NCS, data centre and the Digibank?

Second question is on NCS. You have recently done two acquisitions; how does it improve your competitive position and are there any other areas that you are looking to bolt on further capabilities to improve the position of NCS?

Mr Yuen Kuan Moon – *Group CEO*

Maybe Arthur can take care of the $2 billion of unlocking value and also on the other areas of investment including NCS, DC and Digibank. Then KP you maybe comment on your other areas of focus. I think on the area of NCS NEXT so Arthur first.

Mr Arthur Lang – *Group CFO*

Sure, okay thank you Moon. Piyush thanks for the question. I think in terms of the $2 billion asset recycling we have - it's very similar to what we did with regards to the Optus tower divestment, you know, where we brought in a very well-regarded, high pedigree capital partner in the form of Australian Super. We took 70% realised value but at the same time we have still skin in the game with a very credible partner.

So, this is something we - if we look at the assets that we have today there's a lot of assets that sit on our balance sheet today that are still booked at book value and have not been marked to market. This is an area where we potentially believe that we can recycle.

Now when I talk about assets it can be infrastructure assets, it can be stakes in certain companies, it can also be - if you look at our fixed assets there are many of them right, across whether it's infrastructure or properties or various data centres as we've talked about. So I think we like to - we have a plan of how we're going to recycle this capital and $2 billion is the number that we believe we can deliver in the medium term.

On the second question with regards to investments, recycling capital is great. We unlock value. We can take that capital and reinvest in the growth opportunities. We can take it to enhance and make sure our stakeholders are taken care of as well. But if you look at the new businesses we are going into, one key focus is really on returns on capital - ROIC.

So, we need to - it needs to be reallocated to businesses and areas where we see there's a potential of delivering and beating our medium to long term ROIC targets, which at this point in time we have not given formal guidance but it has to be better than our current mid-single digit ROIC numbers that we have. So that's really the thinking in terms of investing.

The three potential businesses that we have laid out in the strategic reset as mentioned by Moon, NCS - KP will talk about the more strategic rationale of some of the acquisitions that he has made and the type of acquisitions that we continue to look at. The area of data centres, I think we have shared that quite a bit.

It is a very exciting segment to be in. We do believe that we have the right to play in this whether it's our relationships with the large enterprises and hyperscalers, the quality of the assets that we have around the region and the partnerships that we have as well.

In the third area is really the digital companies, we are encouraging all our associates to go into that space. We ourselves, as you know we have entered into this joint venture with Grab. It is one of the - I would say if you look at digital ASEAN, all the - it's all pointing in the right direction in terms of this area of growth over the next few years.

Whether it is low penetration in mobile financial services right now and the potential for growth across the ASEAN region, if you look at the ecosystems that both the Singtel Group has as well as

Grab, I think it is very exciting where we can leverage on that customer ecosystem and really leverage on that to actually grow financial services across ASEAN.

So, this is a sector that is actually getting a lot of attention. I would say a lot of smart money capital is moving in as well. We are leveraging on that.

Mr Yuen Kuan Moon – *Group CEO*

Before I hand over to KP to talk about NCS, the strategy especially in the area of growing his digital businesses and which are the capabilities that he's building up, after KP I will invite Bill to talk about some of our uniqueness in how we look at our data centre business in Singapore and how we can capture the - both the customers, hyperscalers as well as enterprise customers in Singapore and especially with this new introduction of the Tuas cable landing site and data centre. KP first and then Bill.

Mr Ng Kuo Pin – *CEO, NCS*

Thanks Moon. Hi Piyush. I think you asked a question about acquisitions. So let me share a bit why we are doing this. So, I think for NCS there are really two major reasons. One is we are really, as we shared, we are trying to become an impactful digital services provider in Asia Pacific. To achieve that objective, just trying to grow organically will not be sufficient. We will need to enable ourselves to have a diverse set of digital capabilities and assets. That's also the reason why we look specifically around companies that can offer very unique niche cloud and digital capabilities. So this is the first reason.

The second reason is as we shared in the past, regionalisation is very important to our growth. We are already the largest player in South East Asia which is great. But we are aggressively trying to get into markets like Australia and Greater China region like Hong Kong and mainland China. If you think about that, this objective will necessitate us to have market access to the clients in those markets. Again, acquisitions will contribute to that.

So if you look at the four companies that we have acquired over the last few months we did two in Australia. Both are cloud service providers. Riley, which specialises on the Google Cloud platform. Then we have Eighty20 that specialises on the Microsoft Azure platform. So very niche but very much sought-after expertise that we saw in those companies.

Then we have ClayOPS in Singapore as well as Velocity Business Solutions in Hong Kong. These two specialise on data analytics, helping clients make the best sense of data that they have and make very good business decisions. So, if you think about those four acquisitions, they are deliberately sought across the regions that we want to grow. They are very key to the way we enrich our digital capabilities so that together NCS has a very strong proposition to our clients.

Increasingly, again due to COVID, the pandemic happening around us, it helped us to deliver our services to our clients and our teams sitting in Australia, in Hong Kong, in Singapore, kind of collaborating very well together.

Mr Yuen Kuan Moon – *Group CEO*

Thank you. Bill?

Mr Bill Chang – *CEO, Group Enterprise*

Thanks Moon. Good morning everyone. So in the data centre I think our unique value proposition I would classify in three key areas. One, we've been building one of the most efficient data centres - this is over the last few data centres we've built. We've been building them with the lowest BUE at that point in time for the data centres whether it's Kim Chuan, whether it's DC West, we continue to look at ways to enhance that and make them around the sustainability angle.

Obviously with the new integrated cable landing station and data centre that Moon announced, we'll be obviously doing the same. This is such an important thing given that more and more of our clients are looking at this. Very importantly, hyperscalers have been a very key part of our customer base over the last three or four years.

The second point beyond looking at green technologies, design in the building - the second area is actually we've got very unique relationships with many of these hyperscalers as a service provider. It is very broad and deep and a number of these we have then structured both hyperscalers in the US weapon (unclear) ecosystem and also that of the Chinese.

The uniqueness we have is actually we are firstly a customer of theirs. We use their technology in our infrastructure, IT networks to transform. So, we are a very key and big customer of them across the Group.

Secondly, we are also a very big go-to market partner with them whether in telco business, whether it's NCS - so they see us as a channel for them working with us.

Thirdly we are developing very rapidly our edge cloud capabilities that goes along with 5G. As we roll that out we roll this out across the regions. So again, a very big customer and partner with them. Obviously with this we also want to be a big provider of infrastructure to them whether it's data centre or networks internationally and domestically.

Again, we invest a lot not just in data centres but networks. So you think about this. We have actually been garnering our fair share of the big hyperscalers as our customer base. So this is the second point of our broad and deep relationships.

Thirdly, we have in this new data centre an integrated cable landing station. The uniqueness is that there is cable landing into this data centre that's built as part of this infrastructure. Why this is so important is when you imagine the cable lands directly into the data centre you obviously have a lot of this access to cables and it's open access.

The customers would have the latency and all these things that are being addressed. Because what's more is the data centre doesn't go into one hub somewhere and then it comes into another hub and the cost-plus latency. It goes directly into this data centre that we have committed to bring quite a few new cable systems into that.

So, I think the hyperscalers love that. Obviously with the combination of the other two reasons I think we are nicely placed to really deepen them. We are already in discussions with a number of them looking to this front with us in this new asset base. Thank you.

Ms Sin Yang Fong – *Vice President, IR*

Thanks Bill, thanks Piyush. We have the next question from Neel Sinha, CLSA. Neel do you want to put on your camera?

Neel Sinha – *CLSA*

Yes.

Ms Sin Yang Fong – *Vice President, IR*

Thank you so much.

Mr Neel Sinha – *CLSA*

Hold on, yes, sorry for the scruffy look. It's work from home today. A few questions from me. The first is on the consolidated ops. That was a great result I thought. But I am sorry Moon, I missed the Australia 5G adoption numbers. So if you could just repeat that?

The second thing on the consolidated ops as it associates to the monetisation program is, what is your thinking on the satellites? Is there still a problem because the Australian military still has a lot circuits on the satellites? Or at some point you will think of letting that go? That's on the consolidated ops.

The second question is on the associates. I think that was the area of disappointment for the market if you look at consensus numbers. Bharti of course has done very well it's coming out of a loss situation. Where do you think the pain points are for the rest of the associates over the next two or three quarters? Some insight into that would be great.

Third question is on Amobee. It's obviously now doing reasonably well. Is it still an asset for disposal or monetisation at some point?

Fourth question is on cost outlook into 2022. Some guidance on that front would be great.

My last question is, do you have any insights to share on your Grab-Singtel digital bank? Thank you.

Mr Yuen Kuan Moon – *Group CEO*

Okay. Wow Neel you've got quite a few questions. Let me see - okay I will ask Kelly to take care of the 5G adoption and Australia satellite question. Maybe I - then Arthur- later on can talk about a bit of the outlook and Grab Singtel digital bank. I will cover the Amobee questions and the associated question first and we'll see whether we need more information and Arthur can chime in on the associates later, all right?

Mr Neel Sinha – *CLSA*

Sorry. Thanks, Moon.

Mr Yuen Kuan Moon - *Group CEO*

So maybe firstly on your third question on Amobee, we have seen an improved in performance of Amobee. Primarily, I think we've seen advertising returning after a very weak 2020 year in US where they were impacted by COVID. But having said that, we are still doing our strategic review on Amobee and we have recently appointed a financial advisor to help us in that aspect.

We have always said that digital advertising is not a core business for Singtel, and we are definitely looking at how we can position Amobee in a stronger position than what it is today and we are looking for partners who can complement the strength of Amobee to ensure that they can actually do better and to be a scaled player in the US.

So, in the associates - I think yes, Airtel performance has improved significantly over last year. This is probably the first time in 13 quarters they have turned into a profit in India. So we are very - I say optimistic about the environment in India, firstly, because of the market conditions and the improved regulatory environment in India as well. That bodes well for I would say a stronger growth that we are going to expect from Airtel India in the remaining half year.

Obviously with three players in the market, it is actually well positioned to ride the Digital India economy growth wave. I think to that end, you've seen the strong growth in - beyond just mobile but also in the fixed business and the other businesses of Airtel.

In - I think in the other associates' market, we are still feeling the impact of the pandemic because the pandemic is still creating a drag on many of the economies in Indonesia, in Thailand and especially where - economies where it is very much dependent on tourists. The tourists have not returned into Thailand, Indonesia and even in Philippines. So I think with the improvement of vaccination and living with the COVID as an endemic situation, we are also cautiously optimistic that this will turn around for our associates market.

Many of our associates' markets are also beginning to deploy 5G and we see that this will have a bit more capital intensity as they start to deploy 5G. I think we are all very cautious in terms of how we - and to ensure that we deploy 5G in a sensible manner to capture some of the new potential of 5G and in particular in the 5G enterprise space.

That is where we are sharing a lot of our - I would say development in the 5G mobile edge computing platform we have developed here in Singapore and this has been adopted in many of our associates' markets as well.

So, I would say in general we are seeing improvement over last year. There is still competition that is happening. Of course, in Indonesia, the other big market, we are also seeing some market consolidation that is happening. Indosat and Hutch have confirmed, and the regulator have approved their merger and so that is a good sign. Any time you see a market consolidation, it is always good. You're reducing capacity in the industry and this also looks to be a healthier industry structure as well.

So, I think some of these are positive trends that we are observing. We will have to track them closely and also take advantage of the digital ecosystem that is growing. That is why I mentioned earlier on, on Globe's, the Mynt investment and with the recent round of US$300 million of capital raise, Mynt has become the first unicorn in Philippines worth US$2 billion.

So you know, that is the digital ecosystem that is being developed in many of the markets and Indonesia, if you have tracked, yesterday I believe they have also launched their new digital service,

Fita and continuous launch about six months ago. You see some of this digital - I would say businesses are being developed and emerging and we are seeing some positive momentum in that space.

Mr Neel Sinha – *CLSA*

Moon, can I have a quick follow up on that? On the associates' space, what is the one that keeps you awake at night? In terms of there are different market dynamics going on in the various markets, right? So, what's the one that concerns you over the next two or three quarters? I suppose that's where I was driving at and then that's where I think consensus has generally missed.

Mr Yuen Kuan Moon *-Group CEO*

Yes, I think in - not just in the next few quarters, in any of our mobile markets, including our associates and especially the associates, we always look at competition in each of the markets. I think if you look at the mobile business, we are always investing for the long-term.

If the competition or the players in the market are looking at short-term competition, and that can be negative in the short-term for returns for profitability in that one, two quarters or even half a year, depending on the market competition or I would say irrational competition. Irrational pricing which leads to irrational competition.

So that is probably the most important thing if you look across all our mobile markets but of course with market consolidation, we've focused on operators looking at returns of investment and I think this all bodes well for the future as we see fewer players in each of the markets that we operate.

Mr Neel Sinha – *CLSA*

Thanks very much.

Mr Yuen Kuan Moon - *Group CEO*

Okay, Kelly on the 5G customers and satellite.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Thank you. So in terms of 5G adoption in Australia, we have 1.5 million 5G capable devices that are signed up. The way that we've priced in 5G is not as an add-on, but we've included 5G with all our plans and raised the pricing on all our plans. So, anyone with a 5G-capable device can enjoy our fastest 5G.

I also just want to remind everybody that we also are monetising 5G through FWA and we've seen good growth in the FWA 5G adoption as well. Actually, we were the first to market and have been in market for well over a year and in the last few months, both TPG and Telstra have just launched their

FWA 5G propositions as well. I will also just mention that we won 5G fixed wireless operator of the year at the Broadband World Forum, so that's a global recognition of our 5G FWA.

In terms of satellites, thanks for asking the question. We actually have a very unique capability within Australia. We are the pre-eminent satellite provider. We do have local capabilities that are very unique and as such, we do work closely with the Government and Defence on their satellite programs as well as we even fly the two NBN Sky Muster satellites on their behalf.

So, we have the largest market share of satellites by far and we also announced that we were launching Optus 11, which we are working on at the moment which will be the first software-defined satellite that will be launched in this region. So we're very excited about that program.

We've also announced that there's a big Defence contract that is currently in tender and we announced that Optus is as a prime, leading a response to that tender in partnership with Thales and Raytheon, leveraging the very unique capabilities that we have. So we continue to see a lot of potential in our satellite business.

To answer the second half of your question, if there's a partner out there with great capital that wants to participate in that, I think we will be open to it but we continue to focus on the opportunities in front of us.

Mr Neel Sinha – *CLSA*

Thanks, Kelly.

Mr Yuen Kuan Moon - *Group CEO*

Okay, Arthur?

Mr Arthur Lang - *Group CFO*

Neel, on that digital bank, just a quick update. I mean, we - I think a few things. Number one, there's been a good team that has been hired to execute and build the digital bank. You know we don't disclose the numbers but if you look at the - you look at LinkedIn, I think there are more and more people who are ex-bankers from very prominent banks as well as tech companies as well as from both shareholders who have been staffed up at the Bank. I think there are over 200 employees now that is over the digital bank which is called GXS BANK.

Second, I think there's been a few collaboration workstreams that have been already set up, leveraging on the ecosystems that both shareholders can provide as well as building out the product itself. I think it's very exciting. It's undergoing a lot of new product development and building out the tech platform.

I think from a regional perspective, you have seen that we have submitted an application for the Malaysia Digital Bank. We continue to look around the region to expand. So you know, it's really everyone's hunkered down and hoping to launch sometime next year.

Mr Neel Sinha – *CLSA*

Thanks, Arthur. Thanks Yang Fong. Thank you.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Thanks, Neel.

Mr Yuen Kuan Moon - *Group CEO*

Thank you.

Ms Sin Yang Fong – *Vice President, IR*

We have a next question from Eric Choi from Barrenjoey Capital, Sydney. Eric? Eric, you're on mute, I think.

Mr Eric Choi - *Barrenjoey Capital*

Sorry about that. Thanks, I just had a few questions on Australia. The first one, I just wanted to pick up the point around ROIC and for Optus, I'm calculating your ROIC's reached a turning point. It's gone from negative to probably low single digit this period, which is great. My question is, where are we hoping to improve this ROIC to?

Second question, just picking up on the FWA, Kelly. What's the uptake on these 4G and 5G home internet plans now? Would a potential RBS levy impact your strategy here?

Then just on the last question, on mobile competition, all your KPIs are trending in the right direction, which is great. I just noticed Vodafone is discounting a little more recently, so I'm just interested, Kelly, in your view, whether you still think we're in a rational part of the cycle? Thanks.

Mr Yuen Kuan Moon - *Group CEO*

Yes, before I hand over to Kelly, first of all, obviously we are happy that Optus have gone from negative ROIC to positive ROIC but it's definitely not where we are just happy with that. We definitely want to improve on the ROIC, not just for Optus but also for the overall Singtel perspective. So, Kelly, you can talk about the rest of the questions.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Yes, thanks, Eric. Some great questions there. So, I've been speaking for a while about sustainable profitable growth and that's what we're looking for. So, our goal is to continuously improve that ROIC and deliver value to all our stakeholders. So hopefully you'll see that trend continue.

On FWA, we've seen the dynamic of our 5G FWA growing strongly but 4G diminishing. I think that's also a function of the very strict lockdowns that have been in Australia, so people have been switching to NBN and to 5G, which gives them that performance and security peace of mind.

So in terms of your question about the levy that people have been talking about, we absolutely would not support that. Customers already pay, included in their monthly NBN charges, a levy. You're talking about the levy for regional, right? Eric? The regional…

Mr Eric Choi - *Barrenjoey Capital*

Yes.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

The regional NBN levy? Yes.

Mr Eric Choi - *Barrenjoey Capital*

Correct.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

It's already part of the NBN charges and so we do not think that it should be applied over mobile. We would strongly resist that. It's also not in customer's best interests because it entrenches and locks in regional connectivity that's based on certain technologies when actually, there's new and emerging options like satellite, like 5G, that should be explored. So definitely not in favor of that at all.

Your third question on mobile competition. It is a very competitive market. I think it should be very clear through our results that we are operating with enormous pricing discipline and even though we're very forward-thinking and innovative in what we're offering our customers, we're also very old-fashioned in one respect, that we think if we want customers to pay more that we should give them more value.

And so, we really have been focused on differentiating ourselves with Living Network features, with the fastest 5G, with Optus Sport, so truly adding value to our customers so in turn they value our services and are willing to pay more. But the competition is fierce. There's a lot of MVNOs with discounted offerings.

As you pointed out, Vodafone has done some very interesting price discounting. They've tried to introduce unlimited plans, and even Telstra talks a good game but has some of the most aggressive offers through their JB Hi-Fi channel where at the moment they're giving A$1,200 in cash vouchers in JB Hi-Fi for a switcher. You can work out for yourselves just how long the payback on that is going to be if those customers even stay.

So, we have to be nimble, we have to adapt the market, and instead of focusing on the competition, we're really focusing on customers and adding real value to them which drives sustainable uplift in our ARPU.

Mr Eric Choi - *Barrenjoey Capital*

Thanks, Kelly. Really well done on that ROIC inflection.

Ms Sin Yang Fong – *Vice President, IR*

Thanks, Eric. We have the next question from Arthur Pineda, Citi.

Mr Arthur Pineda – *Citigroup*

Hi. Thanks for the opportunity. Just three questions, please. Firstly, on 5G adoption. When I look at what you're adding, you're saying you have around 200,000 subs. It seems like it's only around 7% of postpaid, even after a year of launching the service.

What do you think is slowing the subscriber adoption for 5G? If we look at other markets like Korea, for instance, the 5G benefit seems to be far more tangible. I'm just wondering why Singapore has been far slower on this side.

Second question is on 5G enterprise. I know you've mentioned this on the slides in terms of all of these opportunities and the beta (unclear) site and all. How significant and how quickly do you see this is materializing on the revenue line? Are you already signing contracts to monetise on these or it's still mostly conceptual at this stage?

Last question I had is with regard to Dash I'm just wondering what's the growth that you're seeing on the ATV and how has this actually taken off in terms of the take rates? Is this a business that you think you can actually monetise, or will a lot of these functions be folded into the Digibank when it launches?

Mr Yuen Kuan Moon – *Group CEO*

Thank you, Arthur. I think maybe I will cover a little bit of 5G enterprise, and I'll hand over to Bill to talk about it later.

On the 5G adoption in Singapore, as well as Dash, Anna can take those questions. I think first of all, 5G is still on the enterprise space, is still very early. We are doing a lot of trials, pilots, to develop new use cases. Bill can talk a bit more about our 5G@Sentosa experience in terms of creating a very nice test bed for the public sector to try some of the new enterprise and public use cases of 5G.

With this, you will see that the use of the 5G MEC platform will be tested as well to take advantage of the 5G capabilities of network slicing, low latency, and high bandwidth to develop new applications for companies, enterprises, and public agencies to create new use cases to change their way of operations.

But this will all take time, and we will probably move into a phase where there will be a lot of paid trials, paid, I would say, development of new use cases, and subsequently then we can move into commercial, a full-scale commercial experience on the enterprise space. This is one aspect which Bill can talk about.

The other aspect would be really on the applications, design side on 5G, and this is where NCS can come in to look at helping enterprises to create solutions that will help them take advantage of the 5G MEC platform. This space will be a bit more immediate as they would have to start to invest in 5G applications before the whole ecosystem is being built up.

Maybe, Anna, you can - Bill first, you talk about 5G enterprise use cases, and then Anna can take care of the other two questions.

Mr Bill Chang – *CEO, Group Enterprise*

Yes. The development is - with 5G@Sentosa, there are quite a number of trials. It is a paid infrastructure with our government agencies and it's a sort of commercial but it's still a trial, because there are a lot of things to be tested out with autonomous vehicles, tele-operations of vehicles, robotics, drones, XR, VR, so they obviously together with us are trying to assemble the ecosystem and making sure that the chipsets, the IoT devices are ready. But it's a paid commercial activity that we have there, so it's still small.

We've got also a number of other commercial engagements with other enterprises. However - and the key thing is to start as many of these and to really make sure that they create value for our customers as part of that digitalisation and also create opportunities that NCS can partake in to help with the applications and some of this system integration work.

So, as we organise the ecosystems, the platform that we have is actually aggregating not just the 5G software-defined network but also an Edge cloud. Obviously, our play is not just in Singapore. We are also exporting that across to Optus and also to our associates and monetising that and ensuring that carriers all, our partner carriers, can have access to that Edge cloud, and to be able to create hopefully a regional and someday with our partners in the US and Europe and create a global Edge syndication platform that allows Enterprise to deploy factories, big manufacturing firms and different global clients also.

That's something that we are working steadily on and just making sure we are building this, and whilst organising the ecosystem to be read with their chipsets and devices to be ready for this. Okay? Thank you.

Ms Anna Yip - *CEO, Consumer Singapore*

Hello, hi. This is Anna here. Thank you very much for your questions.

Let me just take the 5G subscribers' question and the Dash question. I think first of all, I think the numbers you have in terms of subscribers is the overall mobile, which consists of different plans, for example postpaid and prepaid. Actually, we think the momentum of 5G migration is very healthy here.

So, all these 200,000 subscribers are paying roughly about S$10 more in terms of ARPU, which really helps a lot in uplifting the revenue sign, ARPU uplift for the postpaid and also help to offset some of the declines that are coming from the legacy business, such as voice. That is very, very important for us.

Compared to last year when we are looking at more than three times in terms of the subscription to 5G in the coming year versus last year. So, this is definitely a momentum we want to keep going, and very, very important to keep the ARPU uplift.

Now, another thing that I want to highlight on the Dash side is a good question you raised regarding our strategy. As mentioned in the presentation, we are pushing towards the S$1 billion in transaction volume, and a very important part of the Dash business - apart from the payment which a lot of us are familiar with in Singapore - is actually also the remittance business. That has a very strong synergy with some of our segments, for example the prepaid segment and the foreign worker population here.

The mobile side of the remittance business has really taken off very strongly and we are looking at more than 40% growth year-on-year, and we will continue to push on that because on all the corridors, for example major corridors such as Philippines, Indonesia, India, we have continuously enhanced our capabilities.

Right now you can use Dash. You can also use hiApp, for example, to do remittance at your fingertips, and we have just announced a new partnership with Western Union to enhance the pick-up point in terms of the cash collection for corridors such as India. That is a very important business for us and continue to push.

Just one note on how does it liaise or link in with the collaboration with Grab. Grab bank, as Arthur mentioned earlier, is ongoing in terms of our development and it will be first of all primarily focused on the market, for example zoom in on the (unclear) Singapore population first, while we're looking at the other development opportunities, before the whole business of, for example, remittance that Dash is driving will continue to drive it full force and we will see how it will link up with the Grab over time, but not as an immediate angle. Hope that answers your question.

Mr Arthur Lang – *Group CFO*

To be clear, the bank app will be embedded into the two shareholder apps.

Mr Arthur Pineda – *Citigroup*

Understood. Thank you very much.

Ms Sin Yang Fong – *Vice President, IR*

Thanks, Arthur. We have a question I missed earlier that's from Entcho Raykovski from Credit Suisse. Entcho.

Mr Entcho Raykovski – *Credit Suisse*

Thank you. I've got a couple of Australia-related questions for Kelly. Firstly, you're seeing pretty good growth in Optus postpaid subs over the last couple of quarters. Can you perhaps comment on the price point for the new subs? I presume it's accretive to ARPU given some of the plans you've got in

market, and perhaps if you can also comment on whether the price increase at the start of May is now flowing through to some of those plans which are taken up, and even through the reported ARPU as well.

Then secondly, if I look at those subs trends and if I look at some of the recent results from competitors, it looks like Optus is gaining some share in the postpaid market, particularly over the last couple of quarters. Can you perhaps talk about what in your view is driving this and whether you think of those some of those share trends get impacted by the reopening?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Thanks, Entcho. In terms of the price point for postpaid subs, what I can say is that you'll see our ARPU has lifted by 13% in this period, and unlike our major competitor we did not re-price our existing customers. I think that gives you a very strong idea of the take-up of the new price points that we've put into market and our price discipline in the growth that we're seeing.

In terms of gaining share in postpaid, I think we're - the reason we're gaining share, and we're gaining share across all segments, or gaining subs across all segments including Optus Enterprise, in small and medium business as well as in our consumer segment. I think that's - sorry, and also in our wholesale segment. But the reason that I think we're gaining share is that we've been investing in the areas that customers care about to make sure we have a really strong proposition in market.

So, if you take a plan from Optus, it's 20% cheaper than Telstra's on average, plus it includes Optus Sport and Optus Sport Fitness. It also gives our customers access to the Living Network, our leading app that has all these great Living Network features and excellent service in the market. So, I think we have a very, very strong value proposition that is resonating with consumers.

Mr Entcho Raykovski – *Credit Suisse*

Given the reopening that's underway, do you see that as a positive for Optus or is there some danger, particularly as borders are open, that someone like Vodafone could start gaining share on a relative basis?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Actually, we see the reopening as very positive, both the domestic reopening - our stores performed very strongly, and they've been closed for the last four months and five months in the two biggest states in Australia. We see that as very positive. Actually, during lockdowns there's a lower propensity for people to switch and the switching pool is diminished.

In terms of international reopening, we see that as a positive as well because we've been achieving this ARPU growth without any roaming revenue, and we tend to do very well and have a good proportion of market share when it comes to inbound travelers purchasing prepaid sims as well as immigrants and students coming into Australia. So, on all fronts we see the reopening as potentially very positive for Optus.

Mr Entcho Raykovski – *Credit Suisse*

Okay, great. Thank you.

Ms Sin Yang Fong – *Vice President, IR*

Thanks, Entcho. I think we probably have time for a last question. I see Piyush back on the queue. Piyush, would you like to ask your question?

Mr Piyush Choudhary - *HSBC Securities*

Hi. Thanks. Just on the - I observed fiscal '22 dividend you have raised guidance to upper half of 60% to 80%, so I just want to understand what is driving that change and is it a reflection of your long-term outlook for the dividend payout ratio?

Secondly, going back again to NCS where bookings are up 43% year-on-year, in this backdrop how should we think about the sustainable EBITDA and EBIT margin? Because a lot of manpower investments have been done upfront in NCS. Thanks.

Mr Yuen Kuan Moon – *Group CEO*

Piyush, I think firstly the NCS margin is actually quite stable. I don't think there's a significant change on a year-on-year basis. And obviously, while KP is pursuing a growth in the region then there may be some investment needed in those regional areas, but I think in Singapore we are well placed to capture some of the digital growth that is fueling the entire I would say digital ecosystem and digitalisation of all industries.

In the dividend, I think first of all we are not deviating from our dividend guiding principle of 60% to 80%. That is really our current guidance for now, for this year, and even for the next year. I think what we are trying to give an indication is the first year - the first half our dividend at S$0.045 is really already representing 76% of the underlying profits.

So, we are affirming our guidance in terms of the dividend that is coming in from our associates which is at least S$1.3 billion. That gives us confidence that we can continue with this payout ratio in the upper range of the 60% to 80% - upper half of the 60% to 80% range for this financial year.

Mr Piyush Choudhary - *HSBC Securities*

Thanks, Moon. Thanks. Very clear.

Ms Sin Yang Fong – *Vice President, IR*

Okay. Thanks, everyone. I think we have - we are right on the hour. We may still have questions that we'll need to get back to analysts whom we haven't been able to cover, but with all these questions we really thank you very much. We hope to see your reports and we will speak again in the next quarter - the next half year. Thank you so much. Take care, bye-bye.

End of Transcript