Singtel FY23 Results Briefing Conference Call

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CORPORATE PARTICIPANTS

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Mr Yuen Kuan Moon – *Group CEO*
Mr Arthur Lang – *Group CFO*
Ms Kelly Bayer Rosmarin – *CEO, Optus*
Mr Bill Chang – *CEO, Group Enterprise & Regional Data Centre*
Ms Anna Yip – *CEO, Consumer Singapore*
Mr Ng Kuo Pin - *CEO, NCS*

CONFERENCE CALL PARTICIPANTS

Mr Piyush Choudhary – *HSBC*
Mr Darren Leung – *Macquarie*
Mr Arthur Pineda – *Citigroup*
Mr Eric Choi - *Barrenjoey*
Mr Ranjan Sharma – *JP Morgan*
Mr Varun Ahuja – *Credit Suisse*

Start of Transcript

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Good morning. A warm welcome to Singtel's results briefing for the full year ended 31 March 2023. I am Adrian, head of Investor Relations at Singtel. Joining us today for the call are Mr Yuen Kuan Moon, Group CEO; Mr Arthur Lang, Group CFO; Ms Kelly Bayer Rosmarin, CEO Optus; Mr Bill Chang, CEO Group Enterprise and Regional Data Centre Business; Ms Anna Yip, CEO Consumer Singapore; 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*

Good morning. Thank you for joining us. I will start with an overview of our performance for 2023 followed by updates on our strategic reset before Arthur talks about our capital management approach.

First, the key highlights. Our core business performed strongly with EBIT up 15%, underpinned by robust mobile growth on roaming recovery, price lifts, and rising 5G adoption and an increasing demand for ICT services.

Regional associates' profits before tax also grew 15% as they benefited from a mobile rebound, particularly in India, for pursuing new fixed broadband opportunities.

The global digitalisation trend continues to be a driver for our growth engines. To that end, we are positioning ourselves for the data boom by scaling our regional data centre portfolio with our entry into Thailand and Indonesia. NCS made further inroads in Australia and enterprise space which saw record sales bookings of $3.2 billion.

We also generated over $5 billion of free cash flow and capital recycled, further strengthening our balance sheet for growth.

Excluding forex movements, NBN migration revenue, and Amobee, revenue increased 5% with sustained growth in mobile and ICT services. EBITDA and EBIT also grew on the same basis as the return of roaming, price uplifts and costs savings boosted margins.

Contributions from regional associates rose sharply with Airtel's continued growth as well as rationalisation of competition in other markets. Taken together, the Group delivered a 7% increase in underlying net profit or 11% in constant currency.

Net profit increased 14% on higher exceptional gains of S$172 million as Airtel disposal gains were largely matched off against an impairment of Optus' goodwill in financial year '23.

We will be paying a total dividend of $0.149, an increase of 60% from last year, representing a 5.8% yield. This is underpinned by higher ordinary dividends of $0.099, of better business performance, and robust financial standing. This represents 80% of our underlying net profit at the high end of our dividend policy. This will be supplemented by the additional payout of $0.05 from our asset recycling initiatives which was announced in our half-year results.

We will continue to take a holistic approach to shareholder returns, with payouts funded by operating cash flow and any excess proceeds from capital recycling, after funding growth initiatives and repaying debt.

Our financial position remains robust. This the second consecutive year we have generated over $5 billion of cash, allowing us to reduce gearing and build up sizable reserves. The majority of our debt is also on fixed rates with tenures of over five years. This places us in good stead as we continue our strategic reset and investments for growth. I will now pass the time to Arthur to share on our capital management approach.

Mr Arthur Lang – *Group CFO*

Thank you, Moon. I will now cover briefly basically how we drive total shareholder returns by looking at the metrics that we use to drive the individual businesses and how we measure the performance of them. I think on the chart on the left, for the core business, which includes the Singapore business, the Optus business in Australia, as well as our regional associates, we will continue to focus on driving profitability to support higher dividends. This will be underpinned by growing revenues, reducing costs and managing the capital intensity of the individual businesses.

For the growth engines, which right now we classify under - we put NCS as well as our data centre businesses under the growth engine category - our key focus will be to improve the IRRs, the internal rates of returns of these businesses, as well as establishing capital partnerships to support our growth and to scale up.

To ensure success, we will keep a close watch over the asset yields of these investments as well as deploy the capital efficiently.

This flows through to our ability to deliver sustainable dividends without sacrificing on growth. On the left, dividends are paid out of operating cash flows which is ringfenced together with CapEx for regular network spectrum and interest payments, and on the right, you'll see growth investments like 5G and data centres will primarily be funded using proceeds from asset recycling as per what you see on the right chart. Now, in the medium term over the next few years we expect to recycle another $6 billion in the midterm to fund these growth initiatives.

Our core CapEx will be stable in fiscal year '24 as you look at our increase – as we increase 5G investments in Australia, but they are offset against the lower network investments in Singapore as we have completed the rollout here in Singapore.

We also have digital infrastructure CapEx of about $500 million for new data centres and satellites which has really been accounted for – if you look at the previous slide we have set aside capital to fund that growth, which is in the Pot 2 cash.

We have set ourselves a low double-digit ROIC target in the midterm. Much of this will be underpinned by improvements in NCS, Optus, and Trustwave. For NCS, we have to focus on growing the international and enterprise businesses and really focus in on optimising our cost to serve.

In the area of Optus, as other telcos in Australia raise prices, we do see opportunities for Optus to ride the market repair wave and the more favorable competitive dynamics and gain customers. The enterprise market in Australia is also ripe for disruption and we intend to double down in that space.

As for Trustwave, we are focused on taking out costs while we continue on our strategic review.

With that, I will end my presentation and open up to Q&A. I will hand it over to Adrian to moderate the Q&A.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Thank you, Arthur, and thank you, Moon. We are now taking questions. Just a reminder to use the raise hand function to indicate your interest and I will call your name shortly. We would also greatly appreciate if you could turn on your video when asking your question.

The first question that I have comes from Piyush Choudhary, HSBC. Piyush, you can ask your question.

Mr Piyush Choudhary – *HSBC*

Hi, good morning. Can you hear me?

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Yes we can, Piyush.

Mr Piyush Choudhary – *HSBC*

Yes, hi. Thanks a lot and congratulations for a good set of results. Two questions. Firstly, Singtel is considering combining the consumer and enterprise business in Singapore, right. Can you share what are the possible cost synergies, targets, what are the milestones we should look for over here?

Second question is on Optus. If I look at fourth quarter '23, mobile service revenue has marginally declined 1% sequentially. What led to such softness? Is it decline in postpaid customers or any other thing which you would point to? What is the outlook for the Australian mobile service revenue, and are there initiatives to increase EBIT and ROIC? Because as Arthur mentioned, this is the key lever to increase ROIC. Thanks.

Mr Yuen Kuan Moon – *Group CEO*

Thanks, Piyush. I'll take the first question and ask Kelly to take care of the second question on Optus mobile service revenue.

Piyush, I think if you look at the strategic reset of Singtel which I announced two years ago, it is not just focusing on reinvigorating the core, the new businesses and the capital recycling, three pillars, and of course people and sustainability being the fourth. It is a series of activities that we have taken in terms of reorganisation.

Firstly, in January '21 we have carved out NCS as an autonomous business unit and to allow it to pursue its growth in the three axis of outside of Singapore into enterprise phase and into the digital businesses. That was done immediately in January 2021. Post that, we created the regional data centre and we carved out the data centre businesses as a growth engine. We started with two growth engines carve-out first.

Subsequently in July 2022, last year, we also integrated the Optus enterprise and Optus consumer business. What we announced recently on the Singapore consumer and enterprise coming together is actually the third step that we are organising ourselves into a more autonomous standalone business unit.

Piyush, if you have been following Singtel long enough in history, back in 2005 to 2012 this is actually how we were organized, by country level and operating to have that synergy at a country level and to deliver customer outcomes looking at it from a country level improvement and optimisation. We spent from 2012 to 2023 organizing into segments, and that was necessary during that time because of the high growth wave back in 2012 of mobile business and we wanted to focus on the segment to ride those growth.

You see, they – many of the telco traditional businesses have actually matured and got into a stable state and now I believe it's good timing for us to consolidate the business at a country level so that we can capture the synergies and synergies can come in a form of support function and the corporate functions at the back, and IT or network or customer service, where we will identify a better way to optimise our operating and to lower our cost to serve.

Of course, on the business side then to capture new customers, there is also potential synergies where we go to market together offering a product that cuts across different segments of the market from consumer to small businesses and to large accounts, offering very similar product sets or product offerings across consumer and enterprise. This is very early; we have just announced that integration and in the following results update we will be able to share more about some of the benefits of the synergies coming together and faster time to market at a country level.

Kelly, do you want to cover the Optus?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Yes, absolutely. First, your question was about mobile service revenue. That for the full year grew 3% and then in the second half grew 3.9%, so even stronger in the second half. I think what you were referring to was the small dip in ARPU and that's a real seasonal impact from the fact that we have very strong growth in prepaid, so it's a bit of a mix shift in Q4, which is the quarter where you have a lot of the students beginning their school year in Australia. Immigration is quite high and travelers so you get a lot of prepaid traveler SIMs. There is a seasonality impact in that Q4.

In terms of the outlook, we have been committed for the entire time that I've been leading Optus to deliver sustainable, profitable growth, and so you'll see continued improvement in our ROIC. We are very focused on EBIT as the core measure of delivering that profitability and so it's very pleasing to be able to report a 100% growth in EBIT this year. We do that by not just focusing on growing the profitable lines of business but also by making sure that we exit unprofitable lines of business as well. So, you see that flow through to the EBIT performance.

For us, it's focusing on delivering great outcomes for customers that they're willing to pay more for, being very disciplined about our cost management and then also being very targeted in the way that we deploy our capital, bearing in mind that we're still in the rollout phase of 5G and that means we have elevated capital needs at this moment in time.

That follows a period of time where Optus invested strongly in closing the coverage gap to Telstra by doing a big investment in 4G. We are happy that we've got the fastest 5G network in Australia and that we are growing our coverage there but we are mindful of watching all elements that go into deliver the ROIC and continuing to deliver steady improvement in ROIC over time. Does that answer your questions, Piyush?

Mr Piyush Choudhary – *HSBC*

Yes. No, thanks a lot. Can I just follow up on outlook for mobile service revenue in Australia, if you can share anything, what initiatives are being done, how is the industry behavior on the pricing side?

Ms Kelly Bayer Rosmarin – *CEO, Optus*

Yes. What we've seen is some moves by competitors to move pricing up, which is pleasing. I think you'll remember that Optus initiated the cycle of price rises in Australia and we've done a lot of the heavy lifting to raise ARPU. It's pleasing to see that that's starting to move. We announced yesterday that we are increasing our prepaid pricing following Telstra and some others increasing their prepaid pricing.

In terms of postpaid, we're very carefully considering the impact on consumers. As the consumer champion in the market, we want to make sure we understand the cost of living pressures that households are experiencing and that we continue to offer the best value in the market in terms of the combination of our great services, our industry-leading innovation, and price. You can see that we have very strong momentum in our customer growth and we intend to continue that strong customer momentum with this great value proposition by being very careful in how we plan our pricing.

Mr Piyush Choudhary – *HSBC*

Got it. Thanks a lot.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Thank you, Piyush. Our next question comes from Darren Leung. Darren, you may ask your question.

Mr Darren Leung – *Macquarie*

Good morning, guys. Thanks for the opportunity to ask questions. I just had three, please. The first – and all of them relate to Optus so maybe direct to you please Kelly. Just the first one please on the pace of postpaid subscriber additions in the fourth quarter.

Can you give us a bit of color as to where they've either churned from or are they new customers due to the pace of immigration in the country there, and just any color you can provide around market share on that piece. Then what does it mean in terms of your postpaid pricing strategy because it looks like based on how fast the country is adding immigration, it looks like it's a little bit of market share losses on that front. That's the first question, please.

The second one was on the ARPU side, and I know you mentioned there was an impact from seasonality, but conceptually if we think about the inputs that we've had, price increases coming through, we've had roaming returning, what are we missing in terms of the ARPU, particularly in postpaid not increasing more than the $41.

Then the third one is just on the capital structure. Just noticed that the debt balance is up about $500 million through the half. Can you tell us a little bit about the capital position for Optus Australia please and what's it mean in the context of that sort of $140 million loan that's been provided to the broader Group? Thanks.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Thanks, Darren. Unfortunately, it was a little bit garbled in your first question so I'm not sure I heard it right but I'll try and answer what I heard. That was the pace of post-paid subscriber growth in Q4. We did have good growth in our subscriber base and I think you asked where it came from, if it was churning from others or new customers? It was a combination of both. We have considerably outperformed in some of our targeted segments which is new Australians, people emigrating, students. We also target families and young people and we've seen good resonance of our value proposition in all of those segments.

In terms of the ARPU, I mentioned the seasonality but you asked what you might be missing. I'll just give you the one factor that you didn't mention that you are missing and that is the sale of our insurance business this financial year. So, we sold that portion of the income stream which means it's a downward adjustment this year and builds back up over time. We of course monetised that in cash up front. So that impact to our ARPU needs to be factored in and I think that will explain the difference there.

I might ask Arthur to talk about the capital structure because we work very closely with the group to put the debt in the right places that make sense for our overall capital management.

Mr Arthur Lang - *Group CFO*

Great, thank you, Kelly. Darren, thanks for the question. I think the short answer is that here you've seen the debt has gone up by a bit. That's really to refinance some debt that's coming due in the coming year. So, we raised some debt and then once the current debt is actually due, we're actually planning to pay it down. So, it's really a refinancing plan and then there's this transition period in terms of a capital structure.

Mr Darren Leung - *Macquarie*

Got you. Just a quick follow up on that…

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Did that answer your question? Yes?

Mr Darren Leung - *Macquarie*

It does and thank you, Kelly, for the first two. Just on the capital structure, does 2.8 times net debt to EBITDA, which is roughly the historical FY23 number for Optus, is that a comfortable level that we should be thinking about? Particularly in the context of where the other Australian telcos are positioned?

Mr Arthur Lang - *Group CFO*

Right, we look at - our approach to the capital structure is done - it's very much managed at the Group level and individual subsidiaries. As you know, Optus is also rated. We will always ensure that the Singtel Group, as well as Optus itself will maintain a comfortable strong credit rating. This is definitely in the strong investment grade credit rating area. So that's how we actually pitch it because there's - you know, depending on the nature of the business, depending on the market environment, these ratios might move around but we really focus on being a strong investment grade rating.

Mr Yuen Kuan Moon - *Group CEO*

Darren, I think we also look at Optus operating performance. I think excluding the NBN migration, revenue EBITDA has grown 4%. So, we will expect Optus to continue to deliver EBITDA growth and that will also improve on the EBITDA - debt ratios as well.

Mr Darren Leung - *Macquarie*

Thank you, guys.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Our next question comes from Arthur Pineda from Citi. Arthur, you may ask your question.

Mr Arthur Pineda - *Citigroup*

Hi, thanks for the opportunity. Several questions, please. Firstly, if I can get some clarification in the guidance for FY24? I understand there are difficulties in giving this amidst COVID but given if we're now in an endemic phase, a lot of the cyclical sectors are able to give out guidance. I'm wondering why Singtel didn't place guidance for this year?

Second question I had is with regard to the InfraCo establishment where you'll put your datacentres, fibre as well as satellite assets. Any initiatives to monetise this as motivation for the carve out?

Third question I had was with regard to NCS given that this has been an investment priority. Just wondering, you're now seeing a second quarter of recovery in terms of EBIT. What are your expectations for this into the subsequent quarters? Are we expected to see this grow year-on-year now given that last year was a reduction? Thank you.

Mr Yuen Kuan Moon - *Group CEO*

Yes, so Arthur, thank you for your questions. I'll ask Arthur to comment a bit on the guidance and I'll come back in to tackle the second and third questions.

Mr Arthur Lang - *Group CFO*

Okay, thanks, Arthur, for the question. With regard to guidance, we have decided to actually stick to the dividends from our associate's guidance. So that is at $1.3 billion as well as our CapEx guidance as a Group and as mentioned earlier, if you look at the core CapEx for our core business, that is actually very much well managed. Flat to slightly down and especially in an inflationary environment. The additional CapEx is really to fund our growth business. Just to be very clear, that's fully funded already as we mentioned. This came from our pot 2 capital recycling proceeds. Just to remind everyone, we've raised about $6 billion in total - or recycled $6 billion in total. That is over and above the operating cashflows.

In the last two years, we still have about $3-plus billion on the balance sheet to date so that will be used to fund some of the growth initiatives. We have another $6 billion of potential capital recycling proceeds that we can raise to fund the growth, particularly in our datacentre businesses, 5G, both CapEx as well as spectrum spending.

So, we focus more on the guidance from that perspective, our pot 1 and pot 2 cash. As you, I think have seen, quite a few times we describe it. Again, the focus is on ensuring that our dividends grow in a sustainable basis. That is our pot 1 cash where we base that off our underlying net profit and then maybe I will segue a bit.

If you look at the underlying net profit, as Moon mentioned in an earlier slide, that core EBIT has actually grown by 15%. If you layer on the performance from our associates, we were hit by the very strong Singapore dollar, right? If you normalise for that, that's actually an additional $140 million coming into the core business. So, if you normalise for all these currency movements and one-off, the core, which you look at our fundamental businesses, including NCS, has actually grown by about 17%.

So, we feel quite strong and bullish about the prospects. I mean we have to continue to execute so that is how we would - we see the business.

Mr Yuen Kuan Moon - *Group CEO*

So Arthur, I think this very nicely you can segue into the InfraCo datacentre question. So, if you look at what we have done, last year we have carved out the datacentre as a standalone business and more recently, we announced putting a digital infrastructure unit or under-build and that is where we will put in the datacentre, the satellite, the submarine business, together with our Paragon platform as a new business into this Digital InfraCo business.

But just focussing on datacentre, the regional datacentre business. When we carve it out, you see that we reported $172 million EBITDA for last year but at the same time, this datacentre business have no debt, right? We have not put in any debt. Obviously when we start to build the new datacentres, the one in Singapore, in 258 megawatt, we will be looking at some debt to do project financing for that, but even then, we are looking at further options available to us as we roll out this big datacentre business in the region.

The demand for datacentre in Singapore, in the region, will escalate because of the push towards digitalisation and more recently with generative AI, the push towards more GPUs will demand for higher datacentre capacity. So, we are very excited with this growth and, at the appropriate time, we will be able to unlock value of the datacentre business. Similarly, if we look at the satellite in a submarine cable, these are all key infrastructure supporting this explosive growth of data in the region.

To NCS, obviously if you look at the focus and the strategy of NCS, I'll ask Kuo Pin to chime in a bit to talk about where will be his focus area coming in the new financial year. If you look at it, it has grown its revenue very credibly at 16% last year. Obviously, we were impacted on the profitability of NCS primarily due to two factors. One is the escalated wage/salaries of the IT sector last year as well as the acquisition cost that we took when we bought the few companies in Australia to expand the geography.

But suffice to say, if you think about the growth of NCS, it will be focussing on expanding outside of Singapore and in particular in Australia where we have now a very strong foothold there with more than 2,000 people running the business in Australia. The second area would be also greater China. In Hong Kong and China there's a second growth area for NCS. Thirdly, to grow outside of the public sector so similar to Singapore into enterprise accounts. So, this would be the three, I would say, main area of growth but I will ask Kuo Pin to highlight a bit more on how the - beyond just focussing on this area, what will be his areas of focus in the new year. Kuo Pin?

Mr Ng Kuo Pin - *CEO, NCS*

Sure. I think just to maybe add more color to what Moon just shared. If you look at our last two quarters and the most challenging part from a cost perspective for NCS was in Q2 last financial year, all right? That was when we delivered $6 million of EBIT. If you look at the last two consecutive quarters, it's grown from $6 million to $23 million in Q3 to $63 million in Q4. All right, now - so that is two consecutive improvement in terms of our EBIT. The last part of that happened because of the cost to serve optimisation initiative that we had internally within NCS.

What that really means is that obviously we have to, in early part of FY, increase the pay of our people to retain the tech talent. Bear in mind that last year this time, the tech landscape is quite different from today. There was at that time, a huge competition for talent. We have to pay to retain good talent. Now, obviously the situation has changed but what really happened over the last two quarters is that we have a relentless focus on looking at the cost to serve increasing the percentage of offshore delivery resources that we can put into our projects.

Some of you may have heard that we've also invested a bit of - built out our delivery centres in Pune, India. We also have a partnership with RPT in Vietnam to enhance our offshore delivery capabilities. So, the cost to serve part of the equation is something that we have been executing to and I'm pleased to say that that has skewed the results in terms of improved EBIT.

At the same time, we are also slowly increasing the pricing. Obviously, that is something that we have to do carefully with our clients. It is important that we demonstrate the value that we are bringing. You know, no difference from many of my competitors but incremental pricing where our value is clear and visible is something that we continue to work on. So, I think with those two quarters and it has given us confidence, I expect that coming quarters we'll continue to work on this. I must say that Q4 last year with $63 million of EBIT was because Q4 usually is a high quarter for NCS. The trajectory will continue into Q1 and Q2. This is something the team is working on.

But beyond just cost, as Moon highlighted, really the way to look at the growth engine is growth, right? Because that's how we are expected to do and the growth in the 3-axis that we have been working on over the last two years, we're really excited about it. From a geography expansion perspective, the first axis, we see ourselves as a challenger in the Australian marketplace, right? We acquired four companies last year. Now we are in the midst of integration to get out One NCS Australia.

We are clearly not a known entity but over the next three to nine months, this is something that we are focussing on, to build the brand of NCS in Australia as One NCS and be a challenger brand in that market and we believe the market is a good market to be in. We're really excited about the growth that we can see there.

The other market is in greater China. Mainland China and Hong Kong. I think with the post-COVID, post zero-COVID world that we are in, there's interest. There's a lot of economic activity, especially in places like the Greater Bay area where NCS has good presence. We intend to capitalise on that to grow our business there.

Finally, for enterprise space, you know, many of you know that we are big in the government sector, especially in Singapore. The last six to 18 months, we have been actively growing our enterprise business. Whether it's banking, whether it's utilities. We're making good progress there and we are excited that we can have that space to grow into.

So overall, I think the 3-axis strategy that NCS has embarked on two years ago, will continue to see that to be positive and we're very determined to continue to execute that. I think as a whole, we should look at positive and a good trending for our EBIT bottom line. I hope I answer your question, Arthur.

Mr Arthur Pineda - *Citigroup*

Very clear. Thank you, very much.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Okay, thank you, Arthur. Our next question comes from Eric Choi. Eric, you may ask your question.

Mr Eric Choi - *Barrenjoey*

Thanks. Thanks, Adrian. Well done on the focus on returns as well, by the way, Team, and increasing your Group ROIC targets. I just had two questions for Kelly. The first one was just on Optus ROICs. Obviously, Telstra and TPG have both set out their ROIC targets as well now and when I compare how the three of you are performing, I just want to be clear because the other telcos both make adjustments to get to their underlying ROICs. So, my question is, I'm probably calculating a 2% ROIC for Optus today based on a 200 NOPAT and an $11.5 billion IC but I'm just wondering if I'm missing any adjustments?

Then just a second question. Just on Optus' mobile ARPUs being down slightly - and I think you called out pre-paid dilution being a partial driver of that. I presume that includes some amaysim and MVNO dilution. So just given your comments on lifting pre-paid ARPUs and I noticed Aldi, through Telstra, lifted prices yesterday as well. So, with that context] wondering if there's any hurdles or impediments stopping you from lifting your tier 2 pricing here as well. Thanks very much.

Mr Yuen Kuan Moon - *Group CEO*

Yes, maybe Eric, maybe I'll ask Arthur to talk about the Optus ROIC and then Kelly can focus on the other two questions.

Mr Arthur Lang - *Group CFO*

Okay, thank you, Moon. Eric, I think you're right. I think your calculations for the ROIC and Optus is thereabouts in the 2% area. That is why you might recall the slide that we put together in our efforts to improve our Group ROIC, we also have to look at the ROICs of the individual businesses. Optus is something that we have identified as a business we want to continue to improve upon. It's a journey that we have to take. The EBIT has doubled as you have heard what Kelly said but we still have a lot of wood to chop and we have to continue to build that ROIC up. Then where we want to be, of course, is all the businesses trading at above WACC.

Clearly, you're familiar with the industry in Australia. It is a tough business given that industry ROICs continue to be under pressure but definitely is something that we do not want to use that as an excuse. We have to focus on number one, making sure that we generate and drive revenues through providing real value and differentiated value to our customers there. Number two is to really focus on cost, right? The cost structure of the Company where - and this is, you know, it can be across the board, right? Really improving on profitable growth.

Finally, focussing on capital intensity, knowing well that we need to continue to maintain the standards of our network but at the same time, can we use our capital more - our CapEx more efficiently? That's something that we do and actually, for that, while I mention these three efforts, it's not just Optus that we're looking at. It's across the board that we need to work on but you know, Optus is as you know, a large business and we have a fair bit of capital that has been allocated there. So, as we improve the ROIC of Optus, hopefully that has quite a meaningful uplift for our Group ROIC as well.

Mr Eric Choi - *Barrenjoey*

Thank you, Arthur, that was really helpful and you made an interesting comment there about ROIC above WACC. If I look at Telstra and TPG, their hurdle rates are probably a 7% to 7.5% WACC. Could we assume something similar for Optus? Is there any reason for it to be very different?

Mr Arthur Lang - *Group CFO*

Okay, on our WACC, we don't disclose our WACC publicly, but we have always guided around kind of - our cost of debt is actually quite low so I think net-net you look at it's probably kind of south of that. Slightly south of that range that you talked about. Yes.

Mr Eric Choi - *Barrenjoey*

Thanks, Arthur.

Ms Kelly Bayer Rosmarin - *CEO, Optus*

Eric, for your second question. So, in terms of the mobile ARPU, I wouldn't exactly call it pre-paid dilution. It's more like out performance in pre-paid with strong performance there in Q4 in particular. Also, through amaysim as you mentioned where they actually exceeded a million customers this year and they've been growing very strongly in the market. So yes, we have to look at the market in its totality. I did note that Aldi raised its prices by a couple of dollars yesterday. You might have also noticed, Eric, that we raised our prepaid prices as well by $5 on average. So, there is movement happening there, which I think you and I have spoken before. It's something we want to see in the market, much stronger movement in the tier 2 segment which is anchoring consumers at a much lower point. So, we hope this is the beginning of price repair in that segment which will overall be very healthy for the entire market. So, we're definitely playing our part in shaping that.

Mr Eric Choi – *Barrenjoey*

That's good. Thanks, Kelly.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Thank you, Eric. The next question comes from Ranjan Sharma. Ranjan, you may ask your question.

Mr Ranjan Sharma – *JP Morgan*

Hi, it's Ranjan from JP Morgan. I have one question each for Bill, Anna and KP. Firstly, on the Digital InfraCo side, if you can share how has the reception been from Enterprises on the Paragon platform. If management can share what the KPIs are for them for the new Digital Infraco. Now, that's the first one.

The second question is on Singapore. Am I right in reading that the market share for Singtel Singapore has been reducing for the wireless business now down to 46%? If management can share what's driving that? Lastly on NCS, I know we talked about margin expansions, but if management can elaborate on what's driving the margins. Is it efforts to reduce the wage bill or better pricing from Enterprises? Thank you.

Mr Yuen Kuan Moon - *Group CEO*

Thanks for that Ranjan. I think I'll cover briefly your three questions and then I'll hand over to Bill and Anna and Kuo Pin to give you a bit more color on each of them. Firstly, on the Paragon business, I think it is really a platform orchestration engine that allows Enterprise customers to take advantage of that 5G capability. In particular, 5G standard loan capability to maximise is used in the area of low latency, high bandwidth transaction.

So, you see some of the Enterprise customers in Singapore, the early adopters are coming through from advanced manufacturing to retail. Now more recently with our partnership with the hospital, you see that the Holomedicine announcement that we made more recently are really driving more industrial applications of 5G, deploying them at a specific area to transform their business operations. So, Paragon have thus enabled us to allow our Enterprise customers to take advantage of the technology. So what Bill is doing is taking this platform outside of just Singtel Singapore, first to our regional associates and then beyond that.

In the area of KPIs, I think we highlighted in the slides, especially in the data centre business, we are focusing on asset yield and the existing data centres in Singapore, we are already delivering a 14.5% of asset yield. Obviously as we build up new data centres, we want to use that as a benchmark to continue to drive high asset yield returns from that perspective.

From the second question on market share, I think Anna will tell you that it is more focusing specifically on quality customer firstly and secondly profitable growth. She'll give you a bit more color of what happened in the Singapore market.

Finally, Kuo Pin, I think he has shown that in the last three sequential quarters of Q2, Q3, and Q4, you've seen that the EBIT contribution have come back very strongly. This is on the back of few areas. Firstly, continue to grow the revenue in the three areas that he talked about. Secondly, to address some of the cost issues; the higher wage cost and inflationary pressure, how we can on-pass some of these costs into newer contracts as we sign up new customers based on the new cost structure.

As well as we are focusing on integration of Australia business where we have acquired four companies there last year and now in the process of integrating into one operating unit, which will then have some synergies when you do that. So, I would say this is just the high-level answers to your questions, but Bill, Anna, and Kuo Pin can give you a bit more color. So, Bill.

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

Okay, thanks. So, on Paragon, obviously we had leveraged it for quite a huge success in Singapore. We currently own a significant part of the 5G enterprise deployments in Singapore, whether they're working with government in Sentosa and also increasingly some of this rolling out in Singapore and in factories like Hyundai, Micron and more factories coming hospitals like NUHS and expanding that further, retail working with Apple and the ecosystem.

So, we're building the ecosystem, we're building more penetration. So, leveraging the success of Paragon, we're actually exporting - we've exported that to AIS in Thailand and Optus and helping them also go to market to capture 5G enterprise wins. This coming year, the main KPI is bookings for telcos outside these three and whether it be telcos in other Singtel Group companies or telcos around the world.

We have seen interest from telcos around the world and are in discussions with us on deployment of Paragon into their environments. We've set up a separate unit and it's in Digital Infraco and basically supporting some of these rollouts with telcos around the world.

The other interesting market with Paragon, it's also 5G enterprise private networks because when the private networks come in, they have their own cloud, whether it's a public cloud or edge cloud, they will need to aggregate and orchestrate between the private networks and those of the clouds reconnect compute and basically we are working with some very large enterprise customers in private network deployments of Paragon beyond just telcos orchestrated for their 5G networks and their edge clouds.

So that's an opportunity that we're incubating and certainly something that is extensible as our telco partners, we want to offer this to Enterprise customers as they build their own private networks around the world. So, the key tracking that is bookings.

Then RDC, coming to that, we basically are in the process of building DCs in the region. Our current DCs in Singapore, as mentioned in the slide, are pretty much full and delivering the EBITDA and the asset yield. The focus now, it's basically building up in the region, building DC Tuas and those in Thailand and Indonesia and optimising the capex as we go.

Also, the other KPI, which we can't share because of sensitivity, we're basically pre-selling our DCs as we go and because of sensitivity of large contracts, our data centres, but that's something that we are focused on preselling so that we can fill the DC and minimize the time where you have it ready on service. Most of them will come ready for service in 2025 as we rush to build up.

Then once we're doing that, we're also engaging our customers to basically monetize them based on bookings as well. So generally, those are the key things we're looking at. For the digital infrastructures KPIs for the next couple of years.

Ms Anna Yip – *CEO, Consumer Singapore*

Thank you, Moon, and good to see you again Ranjan. So, on the Singapore side, on the consumer side, the fact that you noticed the drop in subscriber share was the result of a planned move to remove the lowest pricing tier. So effectively it was a price increase at the low end of the segment in terms of both our post-pay and also part of the more tactical, most of the prepaid.

Now another share number that we will also watch very, very closely is the revenue share. I'm happy to share that the revenue share remains stable and that is not impacted. So, what we have done is really to, like Moon said, is to raise the quality of a certain segment and remove the lowest pricing tiers. So far, I think some of the competitors have followed. Not all, but it is a slow move, and we have to keep trying. After all, we have the inflationary pressure environment, and we have to really raise the quality of our earnings continuously.

So, we will keep looking for opportunities to raise the - optimise our profitability on an ongoing basis. On the other things, apart from the domestic side, I think it's also worth noting that the roaming side also keeps improving. At the closure of our financial year, we are in excess of 60% of recovery and we see it continuously improved.

We have actually improved also our roaming offering to make it more of a better value bundle for our customers and we see the penetration also improving compared to pre-Covid days. Hope that answers your question.

Mr Ng Kuo Pin - *CEO, NCS*

Okay. On the question, I think on the margins, let me answer your question Ranjan contained in two parts. One is what's driving/ what are the factors driving the project on the margins and then talk about the steps, the actions we have taken. Is it okay, I'll just answer from those two angles.

So, what's causing the margin pressure, we had starting Q2 last year is really two reasons, two major reasons. One is actually the acquisition cost that we have incurred because of our acquisition into Australia. The reason for that is clearly the financial treatment in terms of the way we deal with the intangibles, a channel of that actually hits our P&L in terms of what I will just collectively call acquisition cost of it.

The other factor which cause increasing wage cost, which we talked about earlier on, which started towards the end of Q1 last year. So those are the two major factors. If you look at that, the two major factors resulted in overall 35% decline in our EBIT, which was shared in our release. Out of the 139 EBIT, if you take away the acquisition cost, which is a one-off impact. The impact is highest when you look at the first year of the acquisition and then it declines over the second and the subsequent years.

If you take away the acquisition cost, just look at wage cost alone is about 14% decline EBIT. So, what I'm sharing here is that we're taking a hit for the acquisition cost, which by the way was planned.

So, this is something which was in our strategy. We've always planned for that, and we were prepared for that. The wage cost was a reaction due to the heightened competition for talent last year this time, which obviously the core IT market, the whole digitalisation market now is quite different from last year.

So, I think in that sense we got a bit more relief. I want to draw attention to these two factors, and I guess because of the actions that were taken, we were able to deal with these margin pressures. So, what do we do; the actions we have taken, there are three parts to it. One is the earlier mentioned cost to serve.

Yes, we have increased the salary for our people in Singapore, in Australia, in different places but when we look at cost to serve, it's more than just the individual salary of the people in each of these locations. It's actually the cost that we incur when we do a project. So, this is where the onshore/offshore delivery model becomes important.

NCS actually has started to look at creating a global delivery network. Some of you will recall I may have mentioned this even last year, a year before in one of these briefings, we have started to build our delivery centre. We had a centre in India, Pune, and last year we announced a partnership with PT in Vietnam where we actually had a strategic arrangement where we can leverage on their capabilities. With more offshoring of the work that we do in projects, this is a very effective way to lower our cost of self. So, this is one.

The second is pricing for value, which is something which NCS is working on. In the past we tend to just look at a very simple way to charge our clients. Obviously, these days we want to articulate the value we bring along. We try to do it with a good mix of traditional IT and digital capabilities so that we add more value. Pricing for value is something that you'll see more of that.

Obviously tied to that is the pricing to also incorporate the increase in the salaries that we've provided. This is not new to tech services companies. Many of my competitors have the same challenges and clients are beginning to realize that they have - they know that once they recognise the value they are willing to accept that.

The third action we take, which I reckon to be the most important, is really to grow on the foundation that we laid last year, last financial year. This is something which we'll continue to do in the new financial year. This is really the three-axis strategy we had. I'll add more color to what I said earlier.

In terms of geographic expansion, I spoke about Australia earlier, but for the greater China region it's really the Greater Bay area, which is now evolving as an interesting market for us. Some of you may recall, as I said our Shenzhen Innovation Centre about two years ago. A year ago, we set up our Guangzhou Delivery Centre, which is having an offshore delivery resource for the greater China market.

Obviously, we have our core business centres in Beijing, Shanghai, and Hong Kong. So that market is shaping up really well. I think with the emphasis on the Greater Bay area by the Chinese government, Hong Kong government, we expect to see strong economic activities evolving there and hopefully NCS can also reap benefits from it, given that we are ready with our delivery capabilities.

Now the other area of growth is around the Enterprise business. I should share that today, as reported in our results, 33% of our revenue comes from the Enterprise non-government space. Now that figure was 26% last year this time. So, from 26% we've grown to 33%.

It doesn't mean our government sector has declined; it just means that the pie has grown bigger. Enterprise is actually growing well. I want to highlight this because this is really the strategy for NCS.

We believe we are underrepresented in the Enterprise space and we want to grow in that space and that continue to give us the opportunities.

Finally, the other opportunity is around the new technology space. Some of you will know about NCS NEXT. I still believe the cloud, the migration to cloud, even though it's not new, it's been around for a few years, will continue to bring good opportunities for NCS. Just yesterday the Singapore government announced a big investment into cloud to move many of the government applications onto the cloud platform.

I think that trend will continue. At the same time, we have new technologies like generative AI now evolving. Many clients are now asking themselves what can they leverage on such technologies and companies like NCS, I think will benefit from it.

So anyway, Ranjan, in summary, I think the actions depend really getting better cost to serve, pricing for value and then growing from the foundation that we have in the past. I hope I give you your answer

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Mr Ranjan Sharma – *JP Morgan*

Yes, thank you all for the detailed responses.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Thank you Ranjan. Our next question comes from Varun Ahuja from Credit Suisse. Varun, you may ask your question.

Mr Varun Ahuja – *Credit Suisse*

Yes hi, thanks for the opportunity. I've got three questions. First on the - sticking to NCS, glad to see some additional disclosure for revenue by services. On that I notice infrastructure business has declined on a YoY basis in second half. Is it more a pricing thing or a volume? I believe most of the acquisitions have gone into the application side of the business. So, if you can provide more color on that that will be helpful.

Secondly, book to build ratio of around 1.2 seems pretty healthy compared to the peers. Also, if you can provide more color about the book; how much is the tenure of the book, what geographies, anything that you can disclose on the call that will be helpful.

Secondly, Arthur, we continue to see holding company narrowing discount as a strategy. We saw the Airtel divestment during this year. If you can share any additional color on how do you want to reduce this holding company discount as it continues to be a little bit more stickier over the last couple of years.

Lastly, on special dividends. Clearly, we had an event this year, but how should we think about special dividend over the next couple of years, especially in fiscal '24? I understand you're given a $1 billion to $2 billion number for next medium term, but how much can it be realized in next couple of years? Thank you.

Mr Yuen Kuan Moon - *Group CEO*

Yes Varun, thank you. I think I'll ask Kuo Pin to give you a bit more color on NCS but suffice to say some of the growth in NCS is focusing on applications, which is what we want to do. On the infrastructure side, it's actually a low margin business that we are not as focused on unless it is part of a bigger business - or part of a big business contract that we have to take care of both infrastructure as well as applications.

In the area of HoldCo discounts, I think we should be asking you why is there such a HoldCo discount as you see that the underlying core business is actually doing well. There are not many telcos of our size growing core EBIT at 15% year-on-year. This comes from Singapore Australia combining. If you look at the associates, it's also a 15% NPAT growth and that is on reported. If you look at constant currency, if you take away the forex impact, the growth of NPAT on associates is 18%. So, if you combine our core business, which is the Singapore/Australia telco business plus the regional associates, which is primarily the mobile core business, you are seeing very strong growth. That will continue to generate a lot of, I will say, cash into what Arthur described as Pot 1 that we will continue to provide after covering for CapEx and spectrum, we will then deliver the rest in the form of dividend to our shareholders.

Obviously, the growth engine on the RDC is something that I say that it is now debt free. Obviously as we grow and expand, there's definitely a potential capital management there and we will be able to unlock some value at appropriate time in some of these digital infrastructure businesses.

So that will continue to support some of our Pot 2 and as Arthur have identified the $6 billion in the next two years in that area. So, I would think that the businesses are doing well. The core businesses especially. The cashflow generation is strong.

Kuo Pin also talked about addressing the margin challenge that we have seen last year and you know, the last three sequential quarters you've seen improvement, very focused on that. So, I think if you look at it, it is heading in the right direction and I'm sure our investors will look at Singtel overall very closely on our ROIC. I think last year, I show a very tight correlation of ROIC versus our share price and I think if you look Arthur showing that the - you know, the improvement on each of the businesses achieving a double-digit ROIC in the midterm, that will address - I believe that will address the HoldCo discount, narrowing the HoldCo discount that we see today.

Maybe, Kuo Pin, you want to talk about the applications in the Infra business?

Mr Ng Kuo Pin – *CEO, NCS*

Yes Moon, thanks. If I maybe just address in regarding your question in two parts. One is that you're asking about the kind of breakdown of services that we have, right? I would share that if you look at it, the services that are growing the most and doing really well is applications, right? Again, no surprise because this is where a lot of demand is. A lot of digital services demand is actually in applications and last year, we grow 56%.

Now, obviously part of this is the acquisition we had in Australia, right? So, the Australian business is largely application, right? So, relatively, if any, on the Infra side so when we acquired the business, obviously, they come in as applications services. Having said that, even the organic services that we do here primarily in Singapore and the greater China region, Southeast Asia, the biggest growth is in applications. We are very encouraged by that because this is exactly what we want to grow in. So, applications is growing really well.

The other area that grew well was cyber. This is largely in Singapore. It's 7% growth. You know, it's not super fantastic, but it's still a good growth for the kind of business that we are in. So, applications and cyber have grown well.

Infra, as you know, has declined, but in a way, it's not something that overly bothers us. We see Infra as something that complements our application services. It's especially needed for large government agencies, large enterprises who want end-to-end service offerings, right? But not every client would want that. So, but to a degree, it completes our-end to-end offering, we do want to see Infra grow, but if it's not, then it's fine.

Infra in the space of infrastructure, NCS is still the largest infrastructure services provider here. We continue to build the team up to deliver that service. But outside Singapore, we will focus on growing on applications which means in places like Southeast Asia, Australia, greater China, you will be a market that will focus on application services.

So, now, the second part of the question is around book to build ratio. I think you asked a very good question. I see that you've done the computation into our sales number and divided by our revenue. We've 1.2 as a book to build ratio. We are reasonably pleased with that number. I think if you look at the market, I think many of my competitors wouldn't be delivering that kind of numbers. What that really means for the rest of the folks on the call is that we actually have 20% more sales than revenue which means - and if you think about sales as future revenue, I think it bodes well for NCS.

In terms of the tenure of the order books, many of the projects that we do are multi-years. I would say anywhere between - you should see the order books three, four, five years kind of range, but the part of it would be in the immediate year, all right? Immediate one - two years. So, this is the kind of order books that NCS has.

The bulk of that is for Southeast Asia, Singapore and greater China. Australia has very little part in the order books and the reason for that is the nature of the Australian business that we have today which is largely a time immature business given the portfolio of the companies we acquired.

Our strategy is to transform this business, integrate them together so that we do more SI travel business going forward in Australia. Right, multi-year deals and once we have that, then the order books will start to see more Australian representation. So, I thought I would give you a bit of a sense of the kind of services that we have in our order books.

Mr Adrian Seah – *Senior Director, Group Investor Relations*

Thank you, Varun. As we have reached and actually crossed the hour for the briefing, we will have to end the call now to proceed to our next engagement. I do see a couple of hands raised in the room and our IR team will reach out to you all individually to address your questions. For any other questions that anybody wants to ask on the call, please, do feel free to reach out to our IR team as well. A transcript of this call will be posted on our website on Friday.

On behalf of management and our entire team, thank you and goodbye.

End of Transcript