H1 FY26 Results
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Mr Michael Venter – *CFO, Optus*

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Mr Piyush Choudhary – *HSBC*

Mr Ranjan Sharma – *J.P. Morgan*

Mr Arthur Pineda – *Citi*

Mr Sachin Mittal – *DBS*

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Ms Sukriti Bansal – *BofA*

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Start of Transcript

Ms Lian Pek, VP of Group Corporate Affairs and IR

Good morning everybody. Welcome to Singtel's results briefing for the half year ended 30th September 2025. I'm Lian, I'm VP of Group Corporate Affairs and IR here at Singtel. A warm welcome to everyone joining us in person as well as online.

Let me begin by introducing our management present here today. We have of course Mr. Yuen Kuan Moon - Group CEO, Mr. Arthur Lang - Group CFO, Mr. Bill Chang - CEO Digital Infraco, Mr. Ng Tien Chong - CEO Singtel Singapore, Mr. Ng Kuo Pin - CEO NCS, and Mr. Michael Venter - CFO Optus.

We will start today's briefing with a short presentation by Moon before opening up for Q&A. I'll now invite Moon to share some highlights of the results and how we are delivering to our Singtel28 growth plan.

Mr Yuen Kuan Moon, Group CEO

Thank you, Lian. Good morning everyone. Thank you for joining us today. Let me begin by taking you through the key takeaways from our first half performance.

We continue to execute to our Singtel28 growth plan, delivering a 14% increase in underlying net profit, from which our core dividend is based, in the first half year.

Underlying net profit will have grown a stronger 22% if we exclude forex fluctuations and Intouch, whose contribution ceased after its merger with Gulf Energy. This was built on OpCo EBIT growth of 13%, with NCS and Optus the key drivers.

Our regional associates also delivered solid results led by Airtel in India and AIS in Thailand.

In May, we unlocked S$2 billion from a partial stake sale in Airtel. With the improved performance, we have announced an interim dividend of 8.2 cents and increase of 17% over last year.

Most of these key financial highlights were covered earlier. Let me just zoom in on net profit, which jumped 176%. This was mainly driven by an exceptional gain from the sale of a partial stake in Airtel and the Intouch-Gulf Energy merger.

Now for a closer look at the performances of our various OpCos. Optus saw better mobile service revenue, which helped maintain its positive EBITDA and EBIT trajectory. That said, we are expecting operating cost pressures in the second half as we respond to September's Triple Zero outage, which I'll elaborate on in a while.

Singtel Singapore revenue remained resilient in the face of intense competition in the consumer space as growth in SME and enterprise connectivity helped blunt most of the impact. Overall, EBIT was stable from cost discipline and lower depreciation.

As you know, in September, Optus experienced a serious outage that impacted emergency services and investigations into the outage are currently ongoing. Australians rightly expect to be able to connect to emergency services when they most need them, and we are deeply sorry for the outage.

We will continue to fully support the Optus board and management as they work through this incident and accelerate the changes needed to strengthen Optus operational resilience and improve the reliability of critical services.

Let me update you on the steps taken so far. Firstly Dr. Kerry Schott's independent review into the outage is progressing well and expected to conclude by year end. With the findings shared, with the regulators and publicly, subsequently.

Kearney has also been appointed to bring independent oversight and quality assurance of processes. At the same time, Optus is accelerating its transformation with an emphasis on risk management, resilience and process excellence. We are also strengthening capabilities by adding 300 call centre roles in Australia, and repatriating network support services back to Australia.

Secondly, we have been reinforcing Optus financial standing. Optus has invested over A$30 billion in capex and spectrum since 2001, and will continue to invest to improve network resilience and coverage for customers. This, despite the fact that Optus has the lowest ROIC amongst our various businesses. Optus also benefits from a credit rating uplift from being part of the Singtel Group, allowing it to issue bonds at a more preferential rate and achieve tangible reduction in interest costs.

Moving on to our growth engines, NCS maintained its positive revenue trajectory. EBIT increased by 29% due to balanced contributions across all three Strategic Business Groups, excluding a one-off credit from a subcontractor. This momentum is set to continue with a strong book-to-bill ratio of 1.2.

Digital InfraCo's EBIT was up 6% year-on-year driven by Nxera's healthy customer demand and renewals, as well as contributions from RE:AI, our GPU-as-a-service. Excluding a non-recurring reservation fee recorded in the previous year, EBIT would have been up 68%. Revenue was down a marginal 2%, also mainly due to the absence of this reservation fee.

Let's turn to our business highlights. Singtel Singapore deepened its leadership position through priority network access, which offers faster speeds and better reliability during peak periods, as well as new offerings like the global-first 5G latency slicing for Tencent game.

Optus further rationalised its business assigning the rights of Premier League and FA cup to Stan, and selling towers to Waveconn. It also progressing well with its plans to strengthen customer focus.

As for growth engines, Nxera DC Tuas has pre-sold 54% of capacity, ahead of the expected commencement in early 2026. Nxera is also preparing to build its second 38MW data centre in Thailand, which is already more than 25% pre-sold. NCS delivered a broad-based EBIT growth of 41% and recorded S$1.8 billion in bookings.

On the sustainability front, we maintained an 'A' rating for supplier engagement by CDP. We also celebrated 10 years of our Singtel Group Future Makers programme. which supports social enterprises and start-ups that want to expand in the region.

Let's turn our attention to regional associates. Profit after tax rose by 12%, mainly driven by strong mobile and broadband growth by AIS in Thailand, as well as Airtel's mobile strength in both India and Africa. Excluding the impact of forex movements, regional associates' profits after tax would have risen 16%. Our associates are largely seeing benign mobile market conditions, and good demand for broadband services.

We continue to maintain a robust balance sheet. Our cash balance stood at $3.4 billion, boosted by proceeds from partial divestment of our Airtel stake. This helped lower our net debt to $8.7 billion and improved gearing ratios. 86% of debt is hedged at fixed rates, with average maturity of around four years. All foreign currency debt is hedged.

The group generated $3.7 billion of cash, driven by stronger cash flow from the free cash flow and recycling proceeds $2.3 billion.

We have declared an interim dividend of 8.2 cents, up 17% from last year. This comprises a core dividend of 6.4 cents, and a Value Realisation Dividend of 1.8 cents. Overall, our core payout ratio stood at 78% of H1 FY26 underlying NPAT.

We have been steadily raising dividends since FY21, and will continue to grow dividends on a sustainable basis. In addition, we have yet to execute on our S$2 billion share buyback programme announced in May this year.

Last week we unlocked another S$1.5 billion sale of 0.8% of direct stake in Airtel. The resultant gain from the sale is estimated to be S$1.1 billion. This will help fund investment in our growth engines and for capital returns.

Moving on to our FY26 outlook. Taking into consideration the strong first half growth, and Optus Triple Zero outage uncertainties, we are revising our FY26 OpCo EBIT growth outlook to between high single digits and low double digits. We are also raising our regional associates dividend outlook for the year to $1.1 billion, while reaffirming the rest of outlook.

Let me conclude with our focus areas for the rest of the year. Optus will prioritise building operational resilience and customer trust, as it collaborates with regulators and industry partners to ensure resilience of the Triple Zero ecosystem.

Singtel Singapore will double down on service differentiation and best for market consolidation.
It will also build on its enterprise momentum, as it looks to secure new wins both domestically and internationally.

Our growth engines will continue to scale. Nxera is expected to maintain an over 20% EBITDA, CAGR to FY29 as new capacity comes online, while RE:AI is expanding to meet strong sovereign AI demand. We are also open to accelerate data centres growth through inorganic means should opportunities arise.

NCS revenue momentum is set to continue and it looks to capture more upside by investing in AI capabilities.

Our regional associates are set to ride the tailwinds of better mobile pricing and broadband demand.

Lastly, shareholders can look forward to a healthy dividend per share CAGR, as we build on our three-pronged approach to shareholder returns.

Thank you. I'll hand over meeting back to Lian for Q&A.

Ms Lian Pek, VP of Group Corporate Affairs and IR

Thank you very much, Moon. I will now be taking questions for those here in the room. Do raise your hand to indicate your interest.

If you want to ask a question, our online friends can also use the raise hand function to indicate your interest. In both cases, I appreciate it if you can leave your name to be called out before asking questions. May we also ask that participants keep to a limit of two questions, and then we'll double back with some clarifications, if necessary. So, our first question…

Mr Sachin Mittal, DBS

I'm Sachin Mittal from DBS. Congrats on a good set of numbers. Two questions. Firstly, on the STT Global Data Centres who have footprint in many markets outside Asia, and Singtel has always said that you don't want to limit yourself to the core area, because you know, the area you understand very well, right? The Asian region. So how do we gel together that it is moving beyond your area of influence in Asia? That's, and you know, on that strategic rationale, even the much bigger assets that they have? That's question number one.

And number two, NCS actually delivered very good numbers. So, what do we think of those margins? You know, is there more room for those margins? How do we benchmark the margins of NCS, versus some of the similar peers? Is there a large gap, if you think this now or no, we have achieved largely those margins?

And lastly, the last question is on Optus. We saw some revenue decline in this quarter. So is that something cyclical kind of stuff which we saw, or you know it's something, and the ARPU hike cycle continues. So, no issue there? Just want to confirm that.

Mr Yuen Kuan Moon, Group CEO

That's three questions, Sachin. Okay, maybe just the Optus question. I think the revenue continues to grow at 2%. I think the ARPU improvement continues. This was, of course, prior to the Triple Zero outage incident in the first half results. But we're a bit more cautious on the second half because we'll be investing a bit more on the expenses to build resilience. And I've mentioned that there are actually investments in bringing, adding call centre roles into Australia, and also accelerating the relocation of the network operations back into Australia as well. This will increase our expenses in Optus. But besides the cost part which we will increase, we are also seeing continued momentum on the ARPU improvement and mobile revenue trends. So that has not changed.

I will just cover a little bit on the first question and then I'll hand over to Arthur to talk a bit more about it. And the second question, on margins, I'll hand over to Kuo Pin to explain what it is.

First of all, the market speculation about our investment in STT GDC, we have come out last week on 7th of November to clarify that Singtel regularly explores and reviews business opportunities, projects and proposals relating to all our businesses. We have confirmed that as part of a consortium, we are in discussions with STT GDC. It's still at discussion stage. Nothing is definitive at this stage, nor do we have any binding agreement at this stage. If there is, we will obviously provide the necessary disclosure and announcement.

But having said that, we have also said that data centre is a growth engine for us, and we are keen to explore both organically through Nxera, and inorganically if the opportunity arises. So this is consistent with our strategy that was announced three years ago when we talked about data centres. So, it's just playing it out and you look at opportunities. Definitely premature to talk about the STT GDC assets and where is it from. As I said in our announcement, it's part of a consortium. It is not just Singtel looking at it and I think you would understand how that play out. Maybe Arthur, you want to comment on that?

Mr Arthur Lang, Group CFO

To add on to what Moon said, yes, we are in discussions, right? But no certainty of any deal. Why are we exploring? We've been very clear, as Moon said, we're pivoting away from communication services towards digital infrastructure and digital services. We've also said that as we expand in digital infrastructure, Nxera will be our platform to actually grow organically. We've made land acquisitions in Thailand, Indonesia and Malaysia. And I think we have also talked about establishing an entity in Japan to explore. So we've said all that and that's really organic.

But we had also said that we are open to inorganic. And inorganic included something which we did about 18 months ago, where together with KKR, we invested through a preferred share structure into GDC where if fully diluted, it would be roughly 17-18% stake, where if you split that up, is 14% KKR, 4% Singtel. Whether or not it's this transaction or other transactions, we are open to inorganic.

The third point, we acknowledge that data centres is a very capital-intensive business, and that was why three years ago, we brought KKR in for 20% stake of Nxera, right? Because we need a capital partner who also understand the digital infrastructure space, but also very returns-driven, to ensure that we are all aligned, right? And there's complementarity in the operations and this is joint venture because they bring in capital, they bring in the global network, we bring in our hyper-scaler relationships, we bring in the operating expertise through the team in Nxera, right?

So, aligned with all that we would look at something, but it is again we acknowledge it's a very capital intensive business, right? We are open to capital partners and that's how we manage.

We have also set our ST28 plans, right? Whatever it is, we have reiterated every time we meet you all at Investor Day, we will continue to grow our dividends on a sustainable basis, and that will not change. So whether or not there's any deal that's coming out, read between the lines. You know, in the past what we've held and all that, you kind of can arrive at some conclusion, right?

Then on your very specific question on beyond Asia, actually that comment was more focused on the telco business, where there was no point of acquiring, let’s say, British Telecom or some European telco. The data centre business will still be predominantly Asia, right? Not exclusively Asia. Now for all intents and purposes, if in certain situations whereas part of a consortium, we buy an asset and they happen to have some presence in Europe, there's always the ability to decide. . So I think we want to keep an open mind because in the data centre business, scale and platform, value is very important.

Mr Yuen Kuan Moon, Group CEO

And I think if you look at Nxera's performance so far, you see the way we have grown it, is very disciplined. When we commit to building a data centre, we already know that there are potential customers; and if you look at the Tuas DC, we have not turned operational yet. It's going to be available in early 2026, you know, and we already 54% pre-sold and the pipeline will come. Bill has a target to load it up before operation.

Similar to the first Thai DC, the GSA pre-sold, before we turned operational, we were around 80% pre-sold. And now we are starting the second data centre in Thailand, GSA, before we even start building it, it is 25% pre-sold. So, it's a very disciplined approach that we know that there's demand and then we get into it and put in capital, and then start to build it, correct? So this is the approach that we are taking, and obviously because of the demand for high quality data centres, especially the one that is equipped to run GPUs for the hyper-scalers, is in high demand. And therefore, you know, looking at assets in the region that provide this platform and provide the capacity is part of our growth strategy. Double down on group strategy.

Don't forget, you know, when we say we recycle capital, after talking about S$9 billion of capital that we target in the medium term, you know. So far, we have already delivered S$5.6 billion. Part of the proceeds of this recycling is to invest in growth. Second, of course, is to make sure we return capital through VRD and also VRSB. So if you look at it, the VRSB of S$2 billion will be part of that. We have not started, it's part of that proceeds. The VRD of 3-6 cents in a year adds up to S$500 million to S$1 billion a year. So we have the cash for it. So you'll be assured. We have in fact the capital assured of VRD for the next few years.

We talked about it the last time. So it's important that regardless of our acquisition, we will make sure that we meet our commitment that we have explained before on ST28.

Mr Arthur Lang, Group CFO

Sorry, there's one more point at Investor Day we talked about was about shifting and changing the complexion of Singtel, where we are moving away and pivoting away from communication services into more digital services and digital infra. So this inorganic move will also allow for that. And it's along the same things that we have been talking about.

Mr Yuen Kuan Moon, Group CEO

I would say the mix of the profile of the Singtel group will change. It's not that we are de-prioritising connectivity growth, because it's still growing and you can see Airtel, Thailand still growing very well. Optus, before the network Triple Zero outage, is actually growing well. So if you look at the situation, connectivity is going to be important. It's just that the other new businesses are growing faster. So that's all, the mix has changed.

With regards to NCS, first of all, I think if you look at the 6%, we have a 6% revenue growth and at the same time we have got a EBITDA growth and the EBIT growth of 41%, but you minus away the one-off the underlying EBIT growth was 29%. So, margin has expanded. You will see, in a big cluster of customers coming from NCS, it is really about the delivery of your clients to make sure that you are delivering it on time, on budget, and that will improve your margins. Because any miss in the delivery time or the specs, you will overrun the cost and that squeezes your margin. So the discipline in execution is actually important which resulted in the margin expansion. Taking away the one off which is not part of the project, you've got to be very careful but we also riding on some of the new demand that comes through AI and this is where I will ask Kuo Pin to talk a little bit about that.

Mr Ng Kuo Pin, CEO NCS

Thanks Moon. So, Moon rightly pointed out the two levers to the margin expansion. One is revenue growth, the second is margin expansion per project. To give you a sense, we do on average about 4,000 plus projects at any one point in time. Every one of those projects if we sell a little bit higher, or deliver a little bit better, that improves our margin. So that's just context. In order to do this, we clearly need to make sure that we are providing services that add value to our clients. As Moon pointed out, AI is a major part of it. And AI in terms of the kind of service offering that we have is increasingly being asked for by the market.

So for about a good 2 years, NCS has been already working on this area, especially in markets out of our core businesses, such as enterprise, such as our regional markets in Australia, in Southeast Asia and Greater China.

And some of you may recall that we've announced S$130 million investments over the next three years just on AI, to invest into our assets, into our people, as well as into our projects. I'm pleased to share that a lot of those investments are now starting to bear fruit. We are clearer and sharper in terms of what we can do for clients, and what we can do for different industries. In the past when we started with this kind of experimenting, but now we're very clear which industries are the ones that clients would like to have AI, to more than just augment their business, but to use AI to transform their businesses. And these are actually the reason why the interest in AI, plus the associated digital resilience capabilities that they need, plus the integration to their legacy system created a lot of demand for NCS.

I would like to say that this actually helps NCS in terms of the ability to increase our margins, again back to revenue improvement, as well as the margin expansion project. I hope I give you good sensing. Thank you.

Mr Piyush Choudhary, HSBC

Thanks. Firstly, asset monetization, you have already now done S$5.6 billion. You still have 5% stake in Bharti to equalise the stake. So any update on the revised target because it's still 3-4 years. And use of proceeds, we saw you have upped your stake in AIS this quarter. So is it likely that you will continue to buy more associate stakes where you see opportunities, or any kind of colour on the use of proceeds in the short term, and what milestones we should watch for share buybacks to start, like you talked about since May, right? That's first.

Second, on Australia after the outage, any colour you can give on the customer trends, churn, discussions with regulator, any provisions you have already made? And what's the mid-term to long term margin outlook with, with now the new kind of investments that you have talked about, you're making in the second half?

Mr Yuen Kuan Moon, Group CEO

I will talk about Optus first, and then recycled capital, I'll ask Arthur to chime in and the share buyback at the same time, right? First of all, Optus, the Triple Zero outage is very unfortunate and

Optus has to take accountability for it and it has been very transparent and you see the activities that we have announced so far is really to build resilience.

In the second half, Optus will have to incur higher costs, and that is already factored in the outlook. Because if you look at the first half momentum, we delivered 14% EBIT growth. In the second half, we revised our outlook to say it is now from high single digits to low double digits. And that has factored in some of the operating expenses that Optus will incur.

We have also taken a look at the additional costs incurred, not operationally but in terms of hiring consultants like Kearney, commissioning the independent review by Dr. Kerry Schott, these are all additional costs, and that has been factored into our costs. So this will be part and parcel of Optus. Maybe Michael can add on what else are we getting ready for the second half. Of course not forgetting, we have announced some rationalisation of businesses. For example, the Premier League transaction that we have done with Stan, that will be fully reflected in the second half, that will have some cost savings coming through, as well as the Waveconn sale that will also have some benefits coming through as well. Michael?

Mr Michael Venter, CFO Optus

The only thing I might add Moon would be around the churn impact has been quite muted actually.

Mr Piyush Choudhary, HSBC

…just on the margin like longer term trajectory. I know 2H is some of the…

Mr Yuen Kuan Moon, Group CEO

If you look at the margins in the first half, Optus EBITDA margin has actually moved from 27% to 29%. It's actually on the right trajectory. Revenue grew 2%, EBITDA up higher 7%, and that flows through to the margin.

In general, the whole of Australia, if you look at all the three telcos, ARPU has been improving, pricing has been more rational. It's unfortunate that we had a network Triple Zero outage which we will have to work on. And, of course, it will take time and we will be waiting for Dr. Kerry Schott's independent report coming out before the end of the year. Then we'll have to take actions from that.

So on capital recycling, and share buyback maybe Arthur, you can chime in.

Mr Arthur Lang, Group CFO

Piyush, to your question about our recycling target. So the S$9 billion remains. Just to remind you all, it was only in April or May that we revised it from S$6 billion to S$9 billion so it has been less than a year. So I think we'll keep it at S$9 billion. We have said very clearly, as Moon talked about, is S$5 billion for VRD, S$2 billion for VRSB and the other S$2 billion for growth opportunities, and that remains. Now then the question is in terms of reaching that target and how long it would take. Given that we have already done S$5.6 billion, I would expect probably, we've got enough firepower whether to fund the VRD or to fund a share buyback or fund growth. So I think at this point, I think we do not expect a further increase of the S$5.6 billion unless there's a screaming opportunity that is put to us.

To your question about buying AIS. We are not religious in terms of stakes that we hold, but we give direction to the market. So the only direction we have given to the market with regards to our holdings in our associates, is Airtel. Where we said in the medium to long term, we will look to equalise. And that is really, there's no time pressure or anything to do that. We will do it opportunistically.

And maybe to give you some colour on why we did this. Today, if we sell 1%, I'm giving hypothetically, today's price of Airtel. If we lose 1% of underlying profit contribution to us, right? I've done a quick calculation, S$37 billion using today's exchange rate. If we take the proceeds that we raised, placing it now at today's price and do a put at 2.5% return, and that's the general return on our cash that we get. That number is S$44 million. So it's actually an accretive transaction. So it is not underlying NPAT dilutive, it is actually accretive. And the reason is because of where the price of Airtel is at, right? So where the earnings yield is lower than our dividend yield, right? And if you factor in the Rupee and Sing Dollar exchange rate it is an even more compelling opportunity. Now, I'm not saying this, is not saying that next week we'll do another 1% placement because again, we own 27.5%. Even if we sell 1% at no discount, or we scan the market, our hold, the value of our remaining 26% plus goes down, right? So we will do it properly and responsibly.

When we did the placement last week, it was really, as I said, to bulk up that S$5.6 billion. If there are growth opportunities, if there's a VRSB we want to execute, if there's a VRD we want to pay, the investors will have no doubt that we can do this, because we've got S$5 billion plus of firepower. Having said all that, the associates continue to remain very important to us and when we see there is opportunity we would do something like increasing our stake in AIS.

For AIS, I think the rationale is, the yield is very positive, very strong and is actually on a strong growth momentum. We do think that market repair has benefits and we're starting to see that. TRUE, the competitor has paid its first dividend, I think you all know, last week. So I think we're moving in the right direction in the market. So we do believe in the longer term prospects of Thailand, and that's why we thought when there was an opportunity and at a good price we went in to increase. So that's how we think about it.

On buyback. We want to keep the market guessing. That's really the best bang for your buck, right? And just bear in mind it's S$2 billion in three years. We are now only in May, right? So that's about six months ago. So you know, in time, in due time. Yes, we will do something.

Mr Ranjan Sharma, JP Morgan

Two questions, first on the data centre side, Singapore seems to be building as or planning for a 700MW data centre park. How do you see the opportunity for Singtel?

Second question is on tax. We see a big increase in taxes, especially for the associates. Can you help us understand the tax implications that you are seeing?

Mr Yuen Kuan Moon, Group CEO

So, I think the 700MW that you're referring to is probably with the CFA2 that the government is issuing that proposal soon. I think this is something that obviously Bill and the entire team are closely watching. I'll ask Bill to talk about it and then Arthur can take a look at the tax.

Mr Bill Chang, CEO Digital Infraco

So, 700MW was what Minister Tan See Leng announced, but that's over a long term plan with the entire DC campus. The first batch in the CFA2 is not at 700MW because obviously you need to energise the grid, bring in support there. So the first batch is more like in the 200MW range. So over time they add up, but they have set up a whole real estate there to cater for that. So obviously this is a very important exercise for us to participate in and to acquire more energy. Obviously you know, looking at what we will bring together, it's AI, plus AI data centres, plus connectivity. And the CFA has got a lot of important requirements, how we value add to the country, and we definitely demonstrate that, you know bringing AI workloads, demonstrating AI and helping to transform the industry infrastructure to support it, the connectivity infrastructure, to wire up the island and to you know connect and make Singapore as a digital connectivity hub.

So we will bring all those capabilities to bear, it will certainly be a spin of that and it's a very important element given this CFA2 will mean the new capacity will come on board 2028/2029 time frame. DC Tuas as Moon has shared, is already filling up pretty strongly and we believe before operational, we'll fill up most of it, which means once we fill up, the customers turn on and then growth will be there. We'll need this platform in Jurong island to sustain the growth. But more importantly, we believe we have a very strong proposition to help enable Singapore's AI transformation and digital needs in the future.

Mr Arthur Lang, Group CFO

Ranjan, on the tax issue, any, anything specific…?

Mr Ranjan Sharma, JP Morgan

You see that in your tax expense disclosure, share of associates tax expense has gone up.

Mr Arthur Lang, Group CFO

…share of associates for tax?

Okay. I think it's BTL, correct. Is that because dividend tax is quite high.. So last year Airtel increased the dividends so the tax that BTL has to pay on that extra dividend is higher, year on year. So that is largely from BTL.

Mr Ranjan Sharma, JP Morgan

If BTL was to pay a dividend, would you be taxed on that as well?

Mr Arthur Lang, Group CFO

No, we're not. It's Airtel to BTL, and then BTL up. And then okay, at the Singapore level, maybe there are some withholding tax, but at the India level is just 1.

Ms Sukriti Bansal, BofA

So firstly, on the value realisation dividend, we of course have cash, enough cash to pay at the higher end of the range. So how could we think about dividends going forward? I know you mentioned that they'll gradually keep improving but how should we think about that?

Mr Yuen Kuan Moon, Group CEO

Well, the interim we have declared 1.8 cents of VRD, it is already an increase from the last year's 1.4 cents. So we will look at it from that perspective and it will remain total full year 3 to 6 cents. It will not exceed that range.

Over the longer term, you need to see the contribution from the non-connectivity business. We've announced that Nxera is looking at EBITDA CAGR growth more than 20% in the next four years. So when that CAGR starts to kick in on EBITDA, the contribution from Nxera data centre will grow, and NCS will continue its momentum of growing revenue and margin improvement. You will see the contribution from NCS also growing.

So you then look at the underlying profit from Singtel. You will start to get significant contribution coming from data centres, coming from digital services, or from NCS. So that will increase our core underlying profit of which our core dividend is being paid out - you know the 70% to 90% payout ratio.

The first half we only paid at 78%. So if you see that in the longer term when all the new profits comes in from different services, and obviously Optus continues to improve, Singtel Singapore with market consolidation improves, Airtel, Thailand and etc, so when that grow and we pay 70% to 90%, that will help us ease off the dependency on VRD.

And when Airtel starts to pay more dividends, the flow-through will be quite big. They already increasing you see, and over time they will continue with the cash generation, it will also continue to increase. So the plan is intact right? We said over the medium term we will pay VRD but in the longer term we will ease off because the underlying profit is growing big enough to support that payout ratio in absolute terms, in absolute sense.

Mr Arthur Lang, Group CFO

But the commitment we have made on VRD is 3 to 6 cents up to FY30. But as Moon said, it doesn't mean after FY30 it just falls off the cliff right. Hopefully by then the underlying profits will be big enough at an 80% to 85% payout.

Mr Yuen Kuan Moon, Group CEO

We do have some flexibility, 70% to 90% payout. So far the last couple of years we're paying about 81%, 82%. We're not even at the maximum rate yet, and this first half we're paying at 78% so we do have more room to adjust in that sense.

Ms Sukriti Bansal, BofA

Just quickly one more on Optus, we haven't taken any official provision on a potential penalty on the outage although we have taken some provisions. Otherwise, this quarter how should we think about that? And also on the margins, understand that second half might be slightly impacted which is why we are being a little more conservative on the EBIT growth. But is there anything we can share on what could be the extent of impact?

Mr Yuen Kuan Moon, Group CEO

It's very early to look at any provisions or the impact of the Triple Zero outage. Firstly, the independent review report is not out. Secondly, I think Optus is still going through the Senate inquiry. And there will be times where, post that with the Senate inquiry report coming out sometime in February. And so that will play its course and we have to see what are the findings and the decision that the regulator will take in time to come.

For example, you recall, we only last year settled some of the penalties from ACCC on the mis-selling case, as well as the network outage in 2023, right? So those were only settled two years afterwards. And in fact we are still going through some of the legal proceedings on the cyber incident 2022. So, some of this will take time. We just have to work on it. But our priority is not just looking at the fines or potential fines but really looking at how do we do better network resiliency, and really getting the customer focus and paying attention to processes, and improvement in the whole overall reliability, resiliency of the Optus network.

Mr Arthur Pineda, Citi

Just have a question with regard to the domestic business, when you look at the portfolio, everything has been pretty much growing except for maybe Singapore consumer. Wondering what needs to be done with regard to that side in order for it to start growing again. What's your outlook with regard to consolidation? Do you think that will actually help speed up things, or as your competitor seems to think, it could actually escalate competition as well. I'm just wondering what your thoughts are.

Mr Yuen Kuan Moon, Group CEO

First of all, the consolidation has just been proposed, so it's not been approved, and not started yet, right? It's going through regulatory consultation now, and we'll know the decision from the regulator soon. But suffice to say, you know, we look at the industry structure.

I've always maintained the position that four mobile network operators is too many, and it's not sustainable, and is bad for the industry. I have not changed that position since ten years ago. We believe the market will have to consolidate, and this is now happening.

In the short term, there will be some uncertainty. But I think we are very clear in Singtel Singapore, and here I'm going to ask Tian Chong to chime in on how do we look at our customers and how do we differentiate ourselves.

I think we have done quite a fair bit in enterprise and consumer, differentiating our network on 5G slice. And how do we provide enhanced or superior service for our customers, both in terms of availability, in terms of coverage, in terms of security, to differentiate ourselves. So maybe Tian Chong, you can add on a bit more colour on how we differentiate our services, and how do you see the market consolidation?

Mr Ng Tian Chong, CEO Singtel Singapore

Sure, happy to add. Thanks for the question, Arthur.

So if you've been following us, you know that since early this year, we're very focused on playing our own game, and we know that what we are good at is our network. We have a superior 5G SA network which we want to leverage to differentiate in the mobile space. So, like Moon said, what we have been doing is the following. Number one, we deployed the 700MHz spectrum in February. In May, we unlocked some of these slicing capabilities to the consumer mass market and created a differentiated service level.

So like the airline analogy, on the same network, the same aircraft, we created a first, business class and economy class by curating a superior package of performance at the higher end ARPU products, where we are giving access to the slice. This means priority access, four times faster speed, giving cyber protection, as well as priority care and all that. So it's the total view of how we view our customer. And the good news is, on our high ARPU plans, more than one third of high value customers are now on the slice. We see a really good take up rate, and in fact we see a more than 10% year-on-year growth on some of our high ARPU plans.

So I see that, and we will continue to roll out differentiation in not just 5G+ priority but what we call the Enhanced segment as well, which is just below the priority, and we continue to do that.

What I see in the industry, Arthur, is that like Moon said, right? The results you see that the mobile services down first half of the year was largely because, the two buyer, one seller environment, created a lot of jostling before the M&A announcement. So a lot of aggressive pricing especially at the low end of the market. So, for Singtel, we had to compete and yet differentiate. So you will see that we help our subscribers share and yet curated the upper end and we held the top end.

What I see, although it's early days, is that the market is showing some small green shoots, like the other camp for the consolidation has actually made a public statement that they will hold $10 to $12 plans for two years, which is good news because then it sends signals that $10 could be the new floor, whereas now the floor is at $7 to $8, for example. And we see now some of our operators now focusing more in the $12-$15 segments. And at Singtel we are well-poised to differentiate and yet compete all across these segments.

So looking ahead, cautiously optimistic that like what Moon said, three is better than four as we see everywhere else in terms of that dynamics and yet we are continuing to play our own game to differentiate our superior network and our superior service.

Ms Lian Pek, VP of Group Corporate Affairs and IR

I think we'll throw the floor open maybe to our online participants? If you can turn on your camera if you have a question for us and also identify yourself and the organisation you're from. Any questions…to raise your hand.

Mr Ong Li Wee, DBS

On Singtel Singapore, the revenue drop is not so much the ARPU drop, it is more like, the roaming revenue drop.

Mr Ng Tian Chong, CEO Singtel Singapore

It’s both, right? Basically in the consumer space, what's happening is one, because of the aggressive jostling at the low end of the market, the ARPUs have come down. So that's one part. The roaming drop is also because in the industry now, a lot of roaming is bundled into the plans. So the combination of the two has caused this pressure.

Mr Ong Li Wee, DBS

It’s not going to be like for this quarter, next quarter is still going to be, or next half.

Mr Ng Tian Chong, CEO Singtel Singapore

I mean near term, like we said right, the merger is not finalised yet. All the operators are still focused on trying to pull share while waiting for the news. Like I said earlier, we see some early green shoots. So I guess my answer is cautiously optimistic. We still see some near-term pressure, right? But the market is, yeah, there's a lot of pressure which is causing this dynamic.

Mr Ong Li Wee, DBS

But the worst case will be revenue drop to pre-covid level? Or will it not get there?

Mr Yuen Kuan Moon, Group CEO

Firstly, if you look at roaming, it's a bit of a plan rationalisation. In the past, people buy roaming packages when they travel, and that gives us the incremental revenue. Margins will always be there for roaming. Over time, if you look at the pricing packages, many of the pricing packages now comes bundled with roaming. So when you then take those pricing packages bundled with roaming you don't have to buy. So there's a bit of an erosion of roaming revenue from that perspective.

Then secondly even within the local packages there are also self-optimisation. Customers are saying "Hey maybe I don't need so much data now". You know, there are also a lot of plans that are available that give me sufficient data which is giving me cheaper monthly subscription. So I'm spinning down to optimise myself.

And thirdly, if you look at the handset replacement cycle, people are now saying I don't need to change my phone every year, I may want to change it once in three years or two years. So, when they say I want to change my phones later, then the price plan that comes bundled with handset, demand also comes down. So you look at a combination of these three things, you see that there's some erosion of ARPU.

But overall, Tian Chong already mentioned that the customer base is stable. So it means we're looking after our customer, we're looking at the movements. We are then giving them more revenue by providing them a premium, first class service if they want, or a business class service if they want. And what is embedded in the first class and business class is beyond connectivity. Then it's the priority of speed, priority of security, priority of coverage with 700Mhz.

So then our customers will now say oh I may not need to buy roaming but I like to have the priority of coverage, because now I'm going into you know, buildings with no windows and I've got coverage and it's only available to Singtel because we use that 700Mhz and no one else is using, right? And then, you said "Oh, now with all the risk on scams and security, I want more protection on my phone, the security layer that comes in, that is available". So, people are now considering things differently. They no longer say I want bits and bites, but I also want beyond bits and bites, and this is where the differentiation kicks in.

Mr Ng Tian Chong, CEO Singtel Singapore

This differentiation is actually very attractive because literally everybody's getting hundreds of gig, whereas the average usage could be anywhere from 15 to 17 GB, even at the top end.

So, really it's just a marketing thing. Whereas what we're talking about like the cyber, is not just local. We're doing a deep packet inspection at the network level which means that when Singtel customers go overseas and roam with us, their coverage for roaming is also protected by the same cyber protection, not just local. So it gives them peace of mind. And then of course like Moon said, the coverage is a big topic because when we deployed the 700Mhz, our coverage improved by more than 40% islandwide overnight when we put the spectrum in.

So these are things which our business class onwards customers, they really value, you know these things a lot and we're seeing good traction in that.

Ms Lian Pek, VP of Group Corporate Affairs and IR

Okay, we have a question from online. I think it's Hussaini from Maybank.

Mr Hussaini Saifee, Maybank

Hi, good afternoon. Two questions. Firstly, on the inorganic growth on the data centre side and a pivot towards digital. Just wanted to understand that if you, if Singtel goes inorganic growth, what kind of data centre assets you would be looking at? Like you know, in terms of power density and things like that. If the power density is low for a bit old data centre, will you still be open to acquiring it? That's question number one.

The second question is on Optus, and I'm not sure if that question has already been answered and apologies for that, that you know it's around 1.5 months or more than that since the outage. What kind of impact do we had seen on customer churn, and the momentum on the Optus side, also on the enterprise side as well as on the employee churn as well. If you can comment on that, have you seen the churn on the employee side as well increase on the back of the outage? Thanks.

Mr Yuen Kuan Moon, Group CEO

Well, thank you, Hussaini. Maybe I'll cover a bit of the Optus question and I'll hand over to Michael to talk a bit about the churn situation, and then I'll double back on the data centre organic-inorganic focus.

First of all, Optus, obviously we are concerned with the Optus business and our focus is to make sure that we build a more resilient network and operate a more reliable and resilient network in Australia. And that is the primary focus of the Optus board and management team. Obviously, employees are concerned and you know, rightly so. This is something that we will have to address in the longer term. No different from regaining and rebuilding trust from our customers. Employees are human too, and they will be impacted. But on the business trading, Michael mentioned earlier on, but I will hand over to him to talk about the impact on churn on customers and what we are seeing in the trend of the first few weeks.

Mr Michael Venter, CFO Optus

Thank you Moon. As I mentioned earlier, what we are seeing is that there's definitely been a recovery in the churn, an improvement in the churn rate, and especially over the last two or three weeks things have really come back quite well for us, not quite yet at the level that we want it to be obviously, but that's going to be expected just given the impact on the brand in the near term.

What we are seeing on the enterprise side is that, some of the enterprise customers that were up for review or re-signs, they've deferred their decision. So they haven't walked away but they've sort of kicked it down the road a little bit. So I'm expecting a slight slowdown in the enterprise business over the next little while. But it's not that customers are leaving us. And then on the employee churn, there's nothing really to call out on that, other than what you've mentioned.

Mr Yuen Kuan Moon, Group CEO

Thanks Michael. From the data centre organic growth, of course if you look at Nxera, they are focus on building new capacity and with the new capacity built, these are purpose-built data centres that can cater to the demand of the new specs of the hyper-scalers. that are running GPUs, and high-power density data centres, 200kW per rack type of data centres. So I don't think, you know, and of course the older data centres we are having very high renewal rates because of the demand as well.

For inorganic opportunities, we have to look at what are the assets available. And here what we disclosed, yes, we are in conversation with STT GDC as we disclosed on 7th of November through a consortium, and we are looking at that type of assets and it's a mixed bag. I mean you look, look at STT GDC, they have got some older data centres, but they also have got a pipeline of new data centres in the region which is very similar to what Nxera is doing. So it's really depending on the assets that you look at. There's no specifically, you know, we choose that we only go after one type of assets because sometimes we also have to look at the target opportunity, whether there are also willing to sell.

Mr Bill Chang, CEO Digital Infraco

Can I add something? I think there's a very important point or question.

Essentially, Nxera and our RE:AI unit have a capability of deploying GPUs in brand new built 200kW per rack like DC Tuas and all the stuff that's new. But we, together with RE:AI, have ability to also retrofit old DCs in a very cost-effective manner to carry GPUs that are liquid-cooled as well. That's what we're developing now.

So for example, we're running each 200kW soon in an old DC, we're testing that. You can retrofit that and re-engineer that to cater for that. So that whether it's a new DC, greenfield build, or old brownfield DC, we will find means to go and show that cost effectively. So that's the key question to make sure that whether we buy whatever assets we have the means to try and customise it to a GPU kind of environment. It may not be a GB200 like a brand new build DC, like we run in one of our facilities, but certainly you can run the Hopper series, which is equally powerful. Thanks.

Ms Lian Pek, VP of Group Corporate Affairs and IR

Thanks Bill. So with that we're two minutes past 12. I think we probably need to wrap, unless we can take one more. I think we got to go. Okay.

So, send us your questions and we can take it after. Please feel free to reach out to IR team in regards to your questions. A transcript of today's call will be uploaded to the website by end of day tomorrow. On behalf of management and the Singtel IR team, a big thank you for joining us. Thank you.

End of Transcript