

Financial Review

OPERATING REVENUE

	Year Ended 31 December		
	2015 S\$'m	2014 S\$'m	Change (%)
Operating revenue			
Mobile telecommunications	667.7	671.1	-0.5
International call services	68.7	89.4	-23.1
Fixed services	85.9	70.6	21.7
Total service revenue	822.3	831.1	-1.1
Handset sales	334.9	245.3	36.6
Total	1,157.2	1,076.3	7.5

For 2015, operating revenue increased 7.5% to S\$1,157.2 million mainly driven by higher handset sales. Service revenue decreased 1.1% to S\$822.3 million, due to lower international call services revenue.

MOBILE TELECOMMUNICATIONS REVENUE

	Year Ended 31 December		
	2015 S\$'m	2014 S\$'m	Change (%)
Mobile telecommunications revenue			
Postpaid	590.8	591.0	0.0
Prepaid	76.9	80.1	-4.0
Total	667.7	671.1	-0.5
Average revenue per user (ARPU, S\$ per month)			
Postpaid	61.7	62.4	-1.1
Postpaid (adjusted) ¹	54.2	55.6	-2.5
Data plan	17.1	18.9	-9.5
Prepaid	14.7	14.5	1.4
Fibre broadband	46.7	43.9	6.4
Mobile data as a % of service revenue	46.3%	35.6%	-

1 After adjustment for ARPU allocated to handset sales

Mobile telecommunications revenue decreased 0.5% to S\$667.7 million due to lower prepaid revenue. Segmentally, postpaid revenue was stable at S\$590.8 million. Prepaid revenue at S\$76.9 million was 4.0% lower year-on-year due to lower voice traffic.

Mobile data revenue continued to grow with average smartphone data usage increasing to 3.3GB per month in the fourth quarter of 2015 from 3.0GB per month a year ago. Accordingly, mobile data contribution increased year-on-year by 10.7 percentage points to 46.3%. Data plan ARPU decreased 9.5% to S\$17.1 due to the bundling with fixed services.

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INTERNATIONAL CALL SERVICES REVENUE

	Year Ended 31 December		Change (%)
	2015 S\$'m	2014 S\$'m	
International call services revenue			
Retail revenue	53.0	75.2	-29.6
Wholesale and bilateral revenue	15.8	14.2	11.3
Total	68.7	89.4	-23.1
Total international retail minutes (in millions)	813	1,131	-28.1

International retail minutes decreased 28.1% to 813 million minutes, mainly due to low usage to low value destinations. Accordingly, international call services revenue decreased 23.1% to S\$68.7 million.

HANDSET SALES

Handset sales increased 36.6% to S\$334.9 million as a result of higher sales volume and selling price.

OPERATING EXPENSES

	Year Ended 31 December		Change (%)
	2015 S\$'m	2014 S\$'m	
Cost of sales	530.8	453.0	17.2
Staff costs	118.2	113.5	4.1
Advertising and promotion expenses	24.3	24.4	-0.4
Depreciation and amortisation	118.4	114.4	3.5
Allowance for doubtful debts	8.9	11.4	-21.7
Facilities expenses	82.1	80.7	1.7
Leased circuit costs	31.7	30.0	5.7
Other general and administrative expenses	25.6	29.7	-13.9
Total	940.0	857.1	9.7

Operating expenses increased 9.7% to S\$940.0 million mainly due to higher cost of sales.

COST OF SALES

	Year Ended 31 December		Change (%)
	2015 S\$m	2014 S\$m	
Handset costs	419.1	330.3	26.9
Traffic expenses	39.4	52.3	-24.8
Wholesale costs of fixed services	38.4	32.6	17.6
Other costs	34.0	37.8	-10.0
Total	530.8	453.0	17.2

Cost of sales increased 17.2% to S\$530.8 million mainly due to higher handset costs. Handset costs increased 26.9% to S\$419.1 million, driven by both higher sales volume and average unit cost. Wholesale costs of fixed services increased 17.6% to S\$38.4 million due to an enlarged fibre customer base.

STAFF COSTS

Staff costs increased 4.1% to S\$118.2 million due to annual increment and higher headcount.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses remained stable at S\$24.3 million.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased 3.5% to S\$118.4 million as a result of higher asset base.

ALLOWANCE FOR DOUBTFUL DEBTS

Doubtful debt allowance decreased 21.7% to S\$8.9 million due to improved collection.

FACILITIES EXPENSES

Facilities expenses increased 1.7% to S\$82.1 million mainly due to higher repair and maintenance expenses.

LEASED CIRCUIT COSTS

Leased circuit costs increased 5.7% to S\$31.7 million to support new base station sites acquired.

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses decreased 13.9% to S\$25.6 million mainly due to one-off expenses incurred in 2014.

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FINANCE COSTS

Finance costs increased 21.7% to S\$4.9 million due to higher borrowings.

TAXATION

Provision for taxation decreased 3.3% to S\$39.9 million mainly due to higher non-tax deductible expenses in 2014.

NET PROFIT AFTER TAX

	Year Ended 31 December		
	2015 S\$'m	2014 S\$'m	Change (%)
Net profit after tax	178.5	175.8	1.5
Net profit after tax margin (on service revenue)	21.7%	21.2%	

Net profit after tax grew 1.5% to S\$178.5 million and net profit after tax margin improved to 21.7% of service revenue.

EBITDA

	Year Ended 31 December		
	2015 S\$'m	2014 S\$'m	Change (%)
EBITDA	341.8	335.5	1.9
EBITDA margin (on service revenue)	41.6%	40.4%	

EBITDA increased 1.9% to S\$341.8 million.

EBITDA margin, as a percentage of service revenue, was higher at 41.6%.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure incurred for 2015 was lower at S\$133.5 million due to the completion of building extension in 2014.

Capital commitment as at 31 December 2015 was S\$77.6 million which included S\$64.0 million commitment for the 4G spectrum rights.

LIQUIDITY AND CAPITAL RESOURCES

	Year Ended 31 December		Change (%)
	2015 S\$'m	2014 S\$'m	
Profit before tax	218.4	217.1	0.6
Non-cash item and net interest expense adjustments	80.8	86.6	-6.8
Net change in working capital	(60.1)	(30.8)	94.9
Net cash provided by operating activities	239.1	272.9	-12.4
Net cash used in investing activities	(141.8)	(178.4)	20.5
Net cash used in financing activities	(110.1)	(126.1)	12.7
Net change in cash and cash equivalents	(12.8)	(31.7)	-59.5
Cash and cash equivalents at beginning of financial year	22.8	54.5	-58.2
Cash and cash equivalents at end of financial year	10.0	22.8	-56.2
Free cash flow ¹	105.7	93.2	13.4

1 Free cash flow refers to net cash provided by operating activities less current year capital expenditure and payment for spectrum rights

Operating cash flow decreased 12.4% to S\$239.1 million. Free cash flow was 13.4% higher at S\$105.7 million.

FINANCIAL LEVERAGE

As at 31 December 2015, gearing ratio was 0.8 times compared to 0.7 times as at 31 December 2014. Interest coverage ratio (EBITDA/Interest) was 69.5 times for 2015, compared to 83.0 times for 2014.