

FINANCIAL REVIEW

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OPERATING REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Operating revenue			
Mobile telecommunications	640.0	667.7	-4.2%
International call services	61.3	68.7	-10.8%
Fixed services	104.2	85.9	21.4%
Total service revenue	805.5	822.3	-2.0%
Handset sales	255.4	334.9	-23.7%
Total	1,060.9	1,157.2	-8.3%

For 2016, operating revenue decreased 8.3% to S\$1,060.9 million, mainly due to lower handset sales volume. Service revenue decreased 2.0% to S\$805.5 million, due to lower international call services and roaming revenues.

MOBILE TELECOMMUNICATIONS REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Mobile telecommunications revenue			
Postpaid	569.7	590.8	-3.6%
Prepaid	70.3	76.9	-8.6%
Total	640.0	667.7	-4.2%
Average revenue per user (ARPU, S\$ per month)			
Postpaid (excludes Data Plan)	S\$58.0	S\$61.7	-6.0%
Postpaid (excludes Data Plan and adjusted) ¹	S\$50.3	S\$54.2	-7.2%
Data plan	S\$14.8	S\$17.1	-13.5%
Prepaid	S\$12.2	S\$14.7	-17.0%
Fibre Broadband	S\$45.1	S\$46.7	-3.4%
Mobile data as a % of service revenue	54.0%	46.3%	

¹ After adjustment for ARPU allocated to handset sales

Mobile telecommunications revenue decreased 4.2% to S\$640.0 million. Segmentally, postpaid revenue decreased 3.6% to S\$569.7 million due to lower voice and roaming revenues. Prepaid revenue at S\$70.3 million was 8.6% lower year-on-year due to lower voice traffic.

Mobile data revenue continued to grow with average smartphone data usage increasing to 3.6GB per month in the fourth quarter of 2016 from 3.3GB per month a year ago. Accordingly, mobile data revenue increased 7.7 percentage points year-on-year to 54.0% of service revenue.

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INTERNATIONAL CALL SERVICES REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
International call services revenue			
Retail revenue	42.5	53.0	-19.7%
Wholesale and bilateral revenue	18.8	15.8	19.2%
Total	61.3	68.7	-10.8%
Total international retail minutes (in millions)	696	813	-14.3%

International retail minutes decreased 14.3% to 696 million minutes, mainly due to decline in usage to low value destinations. Accordingly, international call services revenue decreased 10.8% to S\$61.3 million.

HANDSET SALES

Handset sales decreased 23.7% to S\$255.4 million as a result of lower sales volume and selling price.

OPERATING EXPENSES

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Cost of sales	461.5	530.8	-13.1%
Staff costs	115.0	118.2	-2.7%
Advertising and promotion expenses	22.1	24.3	-9.0%
Depreciation and amortisation	126.8	118.4	7.0%
Allowance for doubtful debts	8.4	8.9	-6.1%
Facilities expenses	86.4	82.1	5.3%
Leased circuit costs	31.5	31.7	-0.6%
Other general and administrative expenses	29.3	25.6	14.3%
Total	880.9	940.0	-6.3%

Operating expenses decreased 6.3% to S\$880.9 million, mainly due to lower cost of sales.



COST OF SALES

	Year Ended 31 December		
	2016 S\$m	2015 S\$m	YoY Change
Handset costs	343.9	419.1	-17.9%
Traffic expenses	39.2	39.4	-0.5%
Wholesale costs of fixed services	45.1	38.4	17.5%
Other costs	33.3	34.0	-2.0%
Total	461.5	530.8	-13.1%

Cost of sales decreased 13.1% to S\$461.5 million, driven mainly by lower handset costs. Handset costs decreased 17.9% to S\$343.9 million due to lower sales volume and average unit cost. Wholesale costs of fixed services increased 17.5% to S\$45.1 million as a result of a larger base of fibre customers.

STAFF COSTS

Staff costs decreased 2.7% to S\$115.0 million, due to lower variable performance-based incentive.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses decreased 9.0% to S\$22.1 million, due to lower marketing activities.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased 7.0% to S\$126.8 million as a result of higher fixed asset base.

ALLOWANCE FOR DOUBTFUL DEBTS

Allowance for doubtful debts decreased 6.1% to S\$8.4 million, due to improved collection.

FACILITIES EXPENSES

Facilities expenses increased 5.3% to S\$86.4 million, driven mainly by higher network maintenance expenses.

LEASED CIRCUIT COSTS

Leased circuit costs at S\$31.5 million was stable year-on-year.

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OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses increased 14.3% to S\$29.3 million, mainly due to higher licence fees provisions.

FINANCE COSTS

Finance costs increased 37.2% to S\$6.7 million, due to higher borrowings and interest rate.

TAXATION

Provision for taxation decreased 27.7% to S\$28.9 million, due to lower profit before tax and overprovision in prior year.

NET PROFIT AFTER TAX

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Net profit after tax	149.7	178.5	-16.1%
Net profit after tax margin (on service revenue)	18.6%	21.7%	

Net profit after tax at S\$149.7 million was 16.1% lower and net profit after tax margin declined to 18.6% of service revenue.

EBITDA

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
EBITDA	312.1	341.8	-8.7%
EBITDA margin (on service revenue)	38.7%	41.6%	

EBITDA decreased 8.7% to S\$312.1 million.

EBITDA margin as a percentage of service revenue, was lower at 38.7%.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure incurred for 2016 increased by S\$7.0 million to S\$140.5 million, mainly due to expansion of fibre infrastructure.

Capital commitment as at 31 December 2016 was S\$40.5 million.



LIQUIDITY AND CAPITAL RESOURCES

	Year Ended 31 December		
	2016 S\$m	2015 S\$m	YoY Change
Profit before tax	178.6	218.4	-18.2%
Non-cash item and net interest expense adjustments	95.0	80.8	17.6%
Net change in working capital	61.3	(60.1)	-202.0%
Net cash provided by operating activities	334.9	239.1	40.0%
Net cash used in investing activities	(220.2)	(141.8)	-55.2%
Net cash used in financing activities	(113.7)	(110.1)	-3.2%
Net change in cash and cash equivalents	1.0	(12.8)	108.1%
Cash and cash equivalents at beginning of financial year	10.0	22.8	-56.2%
Cash and cash equivalents at end of financial year	11.0	10.0	10.5%
Free cash flow ¹	129.6	105.7	22.6%

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 increased 40.0% to S\$334.9 million. Accordingly, free cash flow was 22.6% higher at S\$129.6 million.

FINANCIAL LEVERAGE

As at 31 December 2016, gearing ratio was 1.0 time compared to 0.8 times as at 31 December 2015. Interest coverage ratio (EBITDA/Interest) was 46.2 times for 2016 compared to 69.5 times for 2015.