

FINANCIAL REVIEW

OPERATING REVENUE

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Operating Revenue			
Mobile telecommunication services	642.5	640.0	0.4%
International call services	55.9	61.3	-8.9%
Fixed services	129.7	104.2	24.5%
Total service revenue	828.1	805.5	2.8%
Handset sales	243.0	255.4	-4.9%
Total	1,071.1	1,060.9	1.0%

For 2017, service revenue increased 2.8% to S\$828.1 million, driven by higher Fixed Services revenue. Handset sales were 4.9% lower due to lower sales volume. Accordingly, operating revenue was 1.0% higher at S\$1,071.1 million for FY2017.

MOBILE TELECOMMUNICATIONS REVENUE

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Mobile telecommunications revenue			
Postpaid	582.3	569.7	2.2%
Prepaid	60.2	70.3	-14.3%
Total	642.5	640.0	0.4%
ARPU (per month)			
Postpaid (excludes Data Plan)	55.8	58.0	-3.8%
Postpaid (excludes Data Plan and adjusted) ¹	48.7	50.3	-3.2%
Data plan	12.7	14.8	-14.2%
Prepaid	10.7	12.2	-12.3%
Fibre Broadband	43.5	45.1	-3.5%
Mobile data contribution as a % of service revenue	55.7%	54.0%	

¹ After adjustment for ARPU allocated to handset sales

Mobile telecommunications revenue increased 0.4% to S\$642.5 million. On a segmental basis, postpaid revenue increased 2.2% to S\$582.3 million due to increased subscription revenue from take-up of higher-end plans and wholesale revenue contribution from MVNO. Prepaid revenue at S\$60.2 million was 14.3% lower year-on-year due to lower voice traffic.

Mobile data usage continued to grow with average smartphone data usage increasing to 4.3GB per month in the fourth quarter of 2017 from 3.6GB per month a year ago. Accordingly, mobile data revenue increased 1.7 percentage points to 55.7% of service revenue.

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INTERNATIONAL CALL SERVICES REVENUE

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
International call services			
Retail revenue	36.0	42.5	-15.4%
Wholesale and bilateral revenue	19.9	18.8	5.9%
Total	55.9	61.3	-8.9%
Total international retail minutes (in millions)	631	696	-9.4%

International retail minutes decreased 9.4% to 631 million minutes, due to decline in usage. Accordingly, international call services revenue decreased 8.9% to S\$55.9 million.

HANDSET SALES

Handset sales decreased 4.9% to S\$243.0 million as a result of lower sales volume and selling price.

OPERATING EXPENSES

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Cost of sales	471.5	461.5	2.2%
Staff costs	122.5	115.0	6.6%
Advertising and promotion expenses	19.4	22.1	-12.2%
Depreciation and amortisation	129.9	126.8	2.5%
Allowance for doubtful debts	9.0	8.4	8.1%
Facilities expenses	86.4	86.4	-0.1%
Leased circuit costs	32.8	31.5	4.1%
Licence fees	3.8	4.2	-9.8%
Other general and administrative expenses	24.5	25.0	-2.1%
Foreign exchange (gain)/loss	0.1	(*)	@
Total	899.9	880.9	2.2%

* Denotes less than S\$0.05 million

@ Denotes more than +/-300%

Operating expenses increased 2.2% to S\$899.9 million mainly due to higher cost of sales and staff costs.

COST OF SALES

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Handset costs	339.7	343.9	-1.2%
Traffic expenses	38.7	39.2	-1.2%
Wholesale costs of fixed services	56.1	45.1	24.4%
Other costs	36.9	33.3	10.9%
Total	471.5	461.5	2.2%

Cost of sales at S\$471.5 million for FY2017 was 2.2% higher year-on-year mainly due to higher wholesale costs of fixed services. Handset costs decreased 1.2% to S\$339.7 million due to lower sales volume and average unit costs. Wholesale costs of fixed services increased 24.4% to S\$56.1 million as a result of a larger fibre customer base.

STAFF COSTS

Staff costs increased 6.6% to S\$122.5 million due to salary increment and bonus pay-outs.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses decreased 12.2% to S\$19.4 million, due to lower marketing activities.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased 2.5% to S\$129.9 million mainly due to higher fixed asset base.

ALLOWANCE FOR BAD AND DOUBTFUL DEBT

Allowance for bad and doubtful debt increased 8.1% to S\$9.0 million.

FACILITIES EXPENSES

Facilities expenses at S\$86.4 million were stable year-on-year.

LEASED CIRCUIT COSTS

Leased circuit costs at S\$32.8 million for FY2017 were 4.1% higher year-on-year.

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses decreased 2.1% to S\$24.5 million.

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FINANCE COSTS

Finance costs increased 46.5% to S\$9.9 million for FY2017 due to higher borrowings and interest rate.

TAXATION

Provision for taxation increased 4.2% to S\$30.1 million for FY2017. FY2016 benefited from a write-back of overprovision for tax.

NET PROFIT AFTER TAX

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Net profit after tax	132.5	149.7	-11.5%
Net profit after tax margin (on service revenue)	16.0%	18.6%	

Net profit after tax at S\$132.5 million for FY2017 was 11.5% lower and net profit after tax margin was 16.0% of service revenue.

EBITDA

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
EBITDA	302.4	312.1	-3.1%
EBITDA margin (on service revenue)	36.5%	38.7%	

EBITDA decreased 3.1% to S\$302.4 million.

EBITDA margin, as a percentage of service revenue, was lower at 36.5%.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure incurred for FY2017 was S\$151.1 million as compared to S\$140.5 million for FY2016.

Capital commitment as at 31 December 2017 was S\$199.8 million which includes S\$188.0 million for the 700 MHz spectrum.

LIQUIDITY AND CAPITAL RESOURCES

	Group		
	Year Ended 31 December		
	2017 S\$m	2016 S\$m	YoY Change
Profit before tax	162.6	178.6	-8.9%
Non-cash item and net interest expense adjustments	114.0	103.4	10.2%
Net change in working capital	(17.6)	52.9	(133.3%)
Net cash provided by operating activities	259.0	334.9	(22.7%)
Net cash used in investing activities	(160.6)	(220.2)	27.1%
Net cash used in financing activities	(63.0)	(113.7)	44.6%
Net change in cash and cash equivalents	35.5	1.0	@
Cash and cash equivalents at beginning of financial period	11.0	10.0	10.5%
Cash and cash equivalents at end of financial period	46.5	11.0	@
Free cash flow ¹	106.7	129.6	-17.6%

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

@ Denotes more than +/-300%

Operating cash flow decreased 22.7% to S\$259.0 million. Accordingly, free cash flow was 17.6% lower at S\$106.7 million.

FINANCIAL LEVERAGE

As at end December 2017, gearing ratio was 0.9 times compared to 1.0 time as at end December 2016. Interest coverage ratio (EBITDA/Interest) was 30.6 times for 2017 compared to 46.2 times for 2016.