GENERAL ANNOUNCEMENT::NEWS RELEASE - LAUNCHING SINGTEL28

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Submitted By (Co./ Ind. Name)
Lim Li Ching (Ms)

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Assistant Company Secretary

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News release

Launching Singtel28: a new growth plan to deliver enhanced customer experiences and sustained value realisation for shareholders

Singapore, 23 May 2024 – Singtel has introduced ST28, a new growth plan designed to enhance customer experiences and deliver sustained value realisation for shareholders. This follows the successful completion of its strategic reset initiated in 2021 to transform the company by capitalising on technology proliferation and unprecedented digitalisation amplified by COVID.

Mr Yuen Kuan Moon, Singtel's Group Chief Executive Officer said, "Three years ago, the reset was a strategy for transformation amid accelerated digitalisation brought on by COVID. Today, ST28 is a strategy for growth and sustained value realisation. Having sharpened the Group's business focuses, made significant operational improvements and executed to a proven capital recycling programme, we have built a strong foundation for the Group to move into its next phase of growth. While the transformational work is behind us, there is still more to do to deliver value for our customers and shareholders and we intend to exercise the same financial discipline and governance to get there."

Strategic reset scorecard

A key outcome of the strategic reset has been a major restructuring of the Group's businesses to focus on the three areas of connectivity, digital services and digital infrastructure. Major investments in 5G underpinned this reset with 5G leadership established in Singapore where the network rollout is complete while more than 80% of Australia's population receive 5G coverage. This has allowed the Group to deliver the best possible customer experience, grow digital businesses in adjacent lifestyle sectors and leverage 5G for digital and infrastructure services.

In the connectivity business, the consumer and enterprise units were merged in both Singtel Singapore and Optus to drive synergies and innovation, make cost improvements and boost the competitiveness of both companies in a sector facing structural declines.

New growth engines were identified and scaled in both the ICT and data centre space, with NCS and Nxera expanding into the region. The divestment of non-core digital businesses Amobee and Trustwave removed S$200 million in annual EBIT losses.

In the regional associate markets, the Group has repositioned for new opportunities in the emerging area of fixed mobile convergence by integrating IndiHome with Telkomsel in Indonesia and 3BB with AIS in Thailand.

A capital recycling programme was launched in 2021 which has monetised S$8 billion from assets such as stakes in Indara (formerly known as Australia Tower Network), Airtel and Nxera to fund growth initiatives.

On the people and sustainability front, the Group has deepened its commitments to climate action, becoming Asia's first telco to bring forward its net-zero goal to 2045 and renew its science-based targets with SBTi. The Group has also further championed its people – investing some S$20 million a year to help them reskill and upskill for the digital economy.

What ST28 means

Lifting business performance and smart capital management sit at the core of ST28. This will enable the Group to deliver sustainable value to its stakeholders, from customers to shareholders.

Lifting Business Performance

Building on the business transformation of the reset, the Group will lift business performance by reaping more synergies from the integration of the consumer and enterprise businesses of Singtel Singapore and Optus. This will involve simplifying product offerings to remove complexity for customers and utilising AI to improve customer experiences while driving leaner cost structures to better compete and strengthen market leadership. A recent network sharing deal between Optus and TPG in regional Australia will improve services for customers as well as capital efficiency. Enhancing customer experience remains a priority and for Singtel Singapore, the advancements made in areas such as 5G network slicing, telco API and Network-as-a-Service present new opportunities for differentiation.

For the growth engines, NCS will continue executing to its strategy, capitalising on its leadership in technology services. It will improve margins by scaling up its global delivery network and investing in AI and tech resiliency for clients.

Nxera is poised to expand its operational data centre capacity from the existing 62MW to over 155MW in the region, leveraging the fast-growing adoption of AI. It is currently developing three next-generation AI-ready data centres in Singapore, Indonesia and Thailand. Bolstered by support from private capital partners, it is aiming to scale its platform to more than 200MW across the region in the next three years.

The Group plans to scale up Paragon, its industry-leading one-stop orchestration platform for 5G and edge cloud computing, with greater adoption by telcos, enterprises and satellite operators globally. In addition, the Group intends to leverage Nxera's capabilities and Paragon's orchestration to explore GPU-as-a-Service as a new growth area with the private and public sectors looking to deploy AI at scale in Singapore and the region.

The regional associates will focus on capturing the opportunities in the under-penetrated fixed broadband space with their sizeable mobile base providing cross-selling potential and cost synergies. The enterprise sector is another significant growth area given the associates' capabilities in digital, 5G and other emerging technologies. The Group will be working closely with them to explore the divestment of non-core assets and ways to illuminate the value of their digital portfolio.

Mr Yuen said, "We are moving straight into our growth programme from our transformation programme because we're seeing payoffs from the hard decisions taken over the past three years and we want to build on that and create more traction. Having restructured and delivered our transformation at pace, now's the time to strengthen our businesses so we can better deliver for customers and shareholders."

Smart capital management

Under ST28, the Group will also pursue smart capital management, building on the capital recycling programme of the previous strategic reset that saw S$8 billion raised. The Group has identified a further pipeline of around S$6 billion in monetisable assets. This will allow it to fund growth initiatives by investing in the requisite capabilities as well as pilot new revenue streams such as GPU-as-a-Service and Paragon. The Group will also continue tapping external capital partners to jointly fund capital-intensive growth engines such as KKR's investment in Nxera last year.

Mr Arthur Lang, Singtel Group CFO said, "A proven capital management programme is the key component of our transformation. We have raised a total of S$8 billion in the past three years and used the proceeds to fund growth, pay down debt and return some of that capital to our shareholders. This strategy of recycling assets and working with capital partners is designed to help us deploy capex sustainably – whether for our core or growth businesses. Asset monetisation will give us funding flexibility. As we keep scaling our capital-intensive growth businesses, attracting the right investors and the smart money will bring a critical external lens to our businesses and help illuminate their true value. Additionally, working with partners who want to grow with us will not only bring patient capital for longer term projects, but valuable strategic expertise."

Sustained value realisation through dividends and growth

The combination of lifting business performance and smart capital management will allow the Group to deliver sustained value realisation for shareholders in the form of higher dividends and growth.

At the FY24 results, Singtel's proven capital recycling programme allowed the Group to revise its dividend policy to boost shareholder returns. This came in the form of a new value realisation dividend of 3 to 6 cents per share per annum in addition to the core dividend which had its payout range increased to 70% and 90% of underlying net profit last November.

Mr Lang added, "Given the strategic transition of our business, we are changing our dividend policy to reflect the importance of lifting the core performance of our businesses as well as rewarding shareholders with our successful capital management initiatives. The value realisation dividend will be funded by current excess capital, as well as future excess capital from the Group's identified asset recycling pipeline of around S$6 billion, part of which will be set aside to fund growth opportunities. Furthermore, core dividend growth will track improvements in business performance. This demonstrates confidence in our performance and outlook for cashflow and will allow us to return capital to shareholders in a sustained manner even as we continue investing in growth."

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About Singtel

Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, 5G and technology services to infotainment to both consumers and businesses. The Group has presence in Asia, Australia and Africa and reaches over 780 million mobile customers in 21 countries. Its infrastructure and technology services for businesses span 21 countries, with more than 428 direct points of presence in 362 cities.

For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber security capabilities.

Singtel is dedicated to continuous innovation, harnessing technology to create new and exciting customer experiences and shape a more sustainable, digital future.

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Media Contacts

Lian Pek
VP, Group Strategic Communications and Brand
Mobile: +65 9488 2696
Email: lianpek@singtel.com

Marian Boon
Senior Director, Group Strategic Communications and Brand
Mobile: +65 8876 1753
Email: marian@singtel.com