

- Company A launched its first mobile handset leasing plans at the start of Year 1.
- It aims to make premium handsets more affordable to customers

Company A Financial Statement			
S\$ Million	Year 0 Total	Year 1 Total	Year 2 Total
Income Statement			
Operating revenue	\$ 8,537	\$ 9,233	\$ 9,670
Operating expenses	\$ (6,184)	\$ (6,270)	\$ (6,416)
EBITDA	\$ 2,353	\$ 2,963	\$ 3,255
Net interest expense	\$ (130)	\$ (143)	\$ (148)
Taxation	\$ 198	\$ 201	\$ 203
Depreciation & amortisation	\$ (743)	\$ (753)	\$ (759)
Net profit	\$ 1,678	\$ 2,269	\$ 2,550

Operating Revenue & Expenses Composition			
Mobile Service	\$ 2,812	\$ 3,375	\$ 3,690
Others	\$ 5,725	\$ 5,858	\$ 5,980
Operating revenue	\$ 8,537	\$ 9,233	\$ 9,670
Operating expenses	\$ 6,184	\$ 6,270	\$ 6,416
Mobile Subscribers ('000s)	4,085	4,195	4,409
ARPU*	57	67	70

- Company B operates in the same market as Company A, and has not launched leasing plans

Company B Financial Statement			
S\$ Million	Year 0 Total	Year 1 Total	Year 2 Total
Income Statement			
Operating revenue	\$ 8,784	\$ 9,033	\$ 9,006
Operating expenses	\$ (6,153)	\$ (6,372)	\$ (6,470)
EBITDA	\$ 2,631	\$ 2,661	\$ 2,536
Net interest expense	\$ (158)	\$ (194)	\$ (189)
Taxation	\$ (356)	\$ (341)	\$ (305)
Depreciation & amortisation	\$ (1,416)	\$ (1,507)	\$ (1,469)
Net profit	\$ 2,117	\$ 2,126	\$ 2,042

Operating Revenue & Expenses Composition			
Mobile Service	\$ 5,465	\$ 5,641	\$ 5,764
Others	\$ 3,371	\$ 3,363	\$ 3,102
Operating revenue	\$ 8,784	\$ 9,033	\$ 9,006
Operating expenses	\$ 6,153	\$ 6,372	\$ 6,470
Mobile Subscribers ('000s)	9,106	9,281	9,324
ARPU*	50	51	52

Growth (%)	Industry Average			
	Year 1	Year 2	Average	Remarks
Mobile Service	5.46%	2.25%	3.85%	
Mobile Subscribers ('000s)	2.16%	1.91%	2.03%	Overall industry mobile subscribers growing at 2.03% average

Growth (%)	Company A			
	Year 1	Year 2	Average	Remarks
Mobile Service	8.15%	4.73%	6.44%	
Mobile Subscribers ('000s)	2.69%	5.10%	3.90%	

Growth (%)	Company B			
	Year 1	Year 2	Average	Remarks
Mobile Service	2.84%	-0.30%	1.27%	Company B grows below industry average, due to absence of
Mobile Subscribers ('000s)	1.92%	0.46%	1.19%	

Key Comparables	Industry Total			
	Year 1	Year 2	Average	Remarks
Operating Revenue Growth	5.46%	2.25%	3.85%	Industry average comparables used to compare Company X's performance.
Net Profit Growth	15.79%	4.51%	10.15%	
ARPU	\$ 55.75	\$ 57.37	\$ 56.56	

* Average Revenue Per User

Market Share (%)	Company A			
	Year 0	Year 1	Year 2	Remarks
Mobile Service	33.97%	37.43%	39.03%	

ARPU*	\$ 57	\$ 67	\$ 70	Higher growth in ARPU than company B
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* Average Revenue Per User

Market Share (%)	Company B			
	Year 0	Year 1	Year 2	Remarks
Mobile Service	66.03%	62.57%	60.97%	Decrease in overall & mobile plan

ARPU*	\$ 50	\$ 51	\$ 52	Lower growth in ARPU than company A
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* Average Revenue Per User

Company X Financial Statement (handset leasing implemented)				
S\$ Million	Year 0 Total	Year 1 Total	Year 2 Total	Remarks
Operating Revenue & Expenses Composition				
Mobile Service	\$ 1,354	\$ 1,441	\$ 1,534	Assume 6.44% growth as per comparable Company A.
Others	\$ 1,008	\$ 1,008	\$ 1,008	
Operating revenue	\$ 2,362	\$ 2,449	\$ 2,542	
<i>Growth rate</i>		3.69%	3.79%	Net growth of 3.74% in operating revenues, slightly below industry rate of 3.85%
Operating expenses	\$ 1,796	\$ 1,862	\$ 1,933	Assume constant expense ratio
Mobile Subscribers ('000s)	2,341	2,432	2,527	Assume 3.90% growth as per comparable Company A.
ARPU*	48	49	51	ARPU of X is below industry average of \$56.50 but shows positive growth
Income Statement				
Operating revenue	\$ 2,362	\$ 2,449	\$ 2,542	Derived from operating figures above
Operating expenses	\$ (1,796)	\$ (1,862)	\$ (1,933)	
EBITDA	\$ 566	\$ 587	\$ 609	
Net finance expense	\$ (27)	\$ (27)	\$ (27)	
Taxation	\$ (45)	\$ (45)	\$ (45)	
Depreciation & amortisation	\$ (294)	\$ (294)	\$ (294)	
Net profit	\$ 200	\$ 221	\$ 243	
<i>Growth</i>		10.38%	10.06%	10.06% - 10.38% annual growth. Slightly higher than industry average of 10.15%

Company X has not launched leasing mobile plans
Forecast the impact of leasing handsets, on the relevant financial statement

Company X Financial Statement (handset leasing not implemented)				
S\$ Million	Year 0 Total	Year 1 Total	Year 2 Total	Remarks
Operating Revenue & Expenses Composition				
Mobile Service	\$ 1,354	\$ 1,406	\$ 1,460	Assume 3.85% growth as per Industry Average.
Others	\$ 1,008	\$ 1,008	\$ 1,008	
Operating revenue	\$ 2,362	\$ 2,414	\$ 2,468	
<i>Growth rate</i>		2.21%	2.24%	Net growth of 2.22% in operating revenues, significantly below industry average of 3.85%
Operating expenses	\$ 1,796	\$ 1,836	\$ 1,877	
Mobile Subscribers ('000s)	2,341	2,389	2,437	Assume 2.03% growth as per comparable industry average.
ARPU*	48	49	50	Without leasing, ARPU grows more slowly than with leasing
Income Statement				
Operating revenue	\$ 2,362	\$ 2,414	\$ 2,468	Derived from operating figures above
Operating expenses	\$ (1,796)	\$ (1,836)	\$ (1,877)	
EBITDA	\$ 566	\$ 578	\$ 591	
Net finance expense	\$ (27)	\$ (27)	\$ (27)	
Taxation	\$ (45)	\$ (45)	\$ (45)	
Depreciation & amortisation	\$ (294)	\$ (294)	\$ (294)	
Net profit	\$ 200	\$ 213	\$ 226	
<i>Growth</i>		6.19%	6.10%	6.10%-6.19% annual growth. Much lower than industry average of 10.15%

Difference in Company X Financial Statement with and without handset leasing				
S\$ Million	Year 0 Total	Year 1 Total	Year 2 Total	Remarks
Operating Revenue & Expenses Composition				
Mobile Service	\$ -	\$ 35	\$ 74	
Others	\$ -	\$ -	\$ -	
Operating revenue	\$ -	\$ 35	\$ 74	
Growth rate		1.49%	1.55%	Difference of 1.5% growth rate in Operating
Operating expenses	\$ -	\$ 27	\$ 56	
Mobile Subscribers ('000s)	0	44	90	
ARPU*	0	0	1	Difference of \$1 by Year 2

Income Statement				
Operating revenue	\$ -	\$ 35	\$ 74	
Operating expenses	\$ -	\$ (27)	\$ (56)	
EBITDA	\$ -	\$ 8	\$ 18	
Net finance expense	\$ -	\$ -	\$ -	
Taxation	\$ -	\$ -	\$ -	
Depreciation & amortisation	\$ -	\$ -	\$ -	
Net profit	\$ -	\$ 8	\$ 18	
Growth	0.00%	4.20%	3.96%	Difference of 4% growth rate in Net Profit