

IN DISCUSSION WITH STARHUB'S EXECUTIVES



NIKHIL EAPEN
Chief Executive

Q

FY2024 marks the third year of DARE+ execution, and StarHub has reached the net profit target that was set when DARE+ was launched in end-2021. Are we at the inflexion point now for further profitability growth? What are the key catalysts investors can look forward to in FY2024?

A

Find out more on page 14

Q

StarHub has been alluding to a Capex-to-Opex shift. Could you explain what are the key drivers of this shift, and how will this impact StarHub's performance in FY2024?

A

Find out more on page 15



DENNIS CHIA
Chief Financial Officer

Q

The ongoing price dilution in Mobile has not abated, while competition is getting more intense in Broadband and Entertainment. How does the Consumer business intend to navigate this tough environment in FY2024?



JOHAN BUSE
Consumer

A

Find out more on page 16



TAN KIT YONG
Enterprise

Q

What are your key priorities in FY2024 that may move the needle and improve performance of the Enterprise business?

A

Find out more on page 17

Q

You have started co-creating solutions with clients and plan to launch all four Cloud Infinity platforms commercially in FY2024. Where do you see the greatest demand for Cloud Infinity, and when do you think Cloud Infinity will start contributing meaningfully to StarHub?

A

Find out more on page 18



AYUSH SHARMA
Network

Q

How is StarHub's sustainability strategy embedded in its DARE+ growth and transformation ambitions?

A

Find out more on page 19



VERONICA LAI
Corporate Services and Sustainability

IN DISCUSSION WITH STARHUB'S EXECUTIVES

NIKHIL EAPEN

A

We always maintained that reaching Net Profit After Tax attributable to shareholders ("NPAT") of \$150 million by FY2023 was a key two-year milestone for DARE+. We have been making substantial ongoing investments in our growth and transformation initiatives despite new unanticipated challenges – sustained market erosion, macroeconomic uncertainties, inflationary pressures exacerbated by geopolitical events, and prevailing high-interest rates. Notwithstanding, we are pleased to have achieved this FY2023 milestone.

However, our DARE+ journey in FY2023 wasn't just about financial milestones. Over FY2023, we fortified market leadership across all segments, advanced our digital engagement, continued cloudifying our infrastructure and built growth platforms. We progressed on the transition of our IT infrastructure across both our consumer and enterprise businesses to cloud and Software-as-a-Service platforms ("SaaS"). In tandem with IT re-platforming, we advanced the shift of our customer engagement to digital platforms with embedded data analytics and Artificial Intelligence ("AI") – in particular, our StarHub All-in-One app that will be targeted and interactive across a rich spectrum of digital product. We are also well underway with Cloud Infinity, migrating our network to hybrid multi-cloud, also with embedded AI for autonomous operations. Last but not least, we continued to strengthen the operational resilience of our critical infrastructure with a focus on cybersecurity, for ourselves as well as for our client platforms and solutions.

All of these DARE+ initiatives represent a fundamental shift in business model,

Q

FY2024 marks the third year of DARE+ execution, and StarHub has reached the net profit target that was set when DARE+ was launched in end-2021. Are we at the inflexion point now for further profitability growth? What are the key catalysts investors can look forward to in FY2024?

resulting in legacy Capex being replaced by future-proof Opex. This transformation takes our business from an asset-heavy Capex model to an asset-light Opex model by moving our infrastructure to the Cloud. This was already reflected in our FY2023 performance where NPAT growth outpaced Service EBITDA growth. Moving forward, we expect to continue to move from Capex to Opex models, resulting in further growth in NPAT, as well as for our Free Cash Flow ("FCF").

FY2024 will be another milestone year – we will complete almost all of our DARE+ investments, with further spend on DARE+ largely tailing off by the end of the year. During Investor Day last November, we guided to our expectations to incur 90% of the \$270 million in DARE+ investments by FY2024, which translates to approximately \$80 million in Capex and Opex in FY2024. The remaining investments, which are largely related to network transformation, will be incurred in FY2025.

Over FY2024, we will also continue building growth platforms around hybrid multi-cloud, security and digital. We target to commercially launch all four Cloud Infinity platforms: Network-X, Context-X, Secure-X and Cloud-X, by end of the year. We are focused on the completion of our IT cloudification across both Consumer and Enterprise by end FY2024 and expect to complete the onboarding of all of our Infinity Play product suite onto our Consumer All-in-One app by 3Q2024. Together with embedded data analytics, AI and personalised marketing automation leveraging our data lake, we will then have full visibility of customer profiles to elevate cross- and up-sell capabilities.

In FY2025, we will commence sunsetting of legacy IT and other infrastructure and systems. Upon completion, we will cease incurring duplicated costs associated with simultaneously operating multiple stacks for risk management purposes during our transition.

Having considered all of the above, we anticipate continued profitability growth into FY2024, escalating in FY2025, with DARE+ investment spend tailing off alongside new platforms to be established, with growth and efficiencies to be achieved over FY2024. Hence, with strong dividend yield plus sustainable profitability growth, our top priority is driving quality and sustainable Total Shareholder Return ("TSR"). We will continue to enhance TSR by improving our net margin efficiency, backed by our ongoing Capex-to-Opex shift and DARE+ benefits to be harnessed. Furthermore, our strong FCF generation will continue to support dividend growth as exemplified by the total dividend of 6.7 cents declared in FY2023, bringing our dividend yield to 6%¹; and our FY2024 dividend guidance of "at least 6 cents". We will also continue to optimise our capital structure to provide us with strong headroom for growth – our current leverage remains low at 1.36 times compared with 2.8 times for our regional peers.

We invite our shareholders and stakeholders to join us on this transformative journey. With DARE+ as our compass, we reiterate our DARE+ target financial outcomes – namely, the stable-state incremental net profit of \$80 million by FY2027² – shaping a future defined by innovation, resilience, and unparalleled growth.

¹ Based on closing share price as at 31 December 2023.

² Stable-state incremental NPAT of \$80 million per annum from FY2027, using FY2021 as the baseline year.

DENNIS CHIA

A



StarHub has been alluding to a Capex-to-Opex shift. Could you explain what are the key drivers of this shift, and how will this impact StarHub's performance in FY2024?

Our DARE+ Transformation has been evolving our business, on a relative basis, from an asset-heavy Capex model to an asset-light Opex model by moving our IT infrastructure and elements of our Network infrastructure to the cloud for Consumer and Enterprise.

As part of our IT Transformation, we are moving components from on-premise infrastructure to on-cloud solutions to enable a large number of digital strategies that support DARE+. This transition will allow us to accelerate our time-to-market and improve our ability to scale resourcing or capacity levels according to our needs, while delivering superior customer experience.

Under our new IT operating model, we have outsourced the management of the non-core IT systems to trusted and reliable third-party partners, allowing us to focus on strategic core functions in-house. This shift emphasises Opex over Capex, and notably, we will not be replacing our fully-depreciated assets which are still fully-functional.

In the 5G network infrastructure, all the Capex relating to the passive infrastructure is shared 50-50 between StarHub and its partner MNO via our joint venture company, Antina, resulting in a much more cost-efficient rollout. Under this arrangement, we do not log the Capex on our financial statements, lowering our Depreciation and Amortisation ("D&A") expenses. Instead, Antina charges a wholesale cost, which is Opex, to both StarHub and its partner, for the use of the

passive 5G infrastructure held under the joint venture company. Consequently, a significant portion of our legacy Capex has shifted to Opex.

Looking ahead, our business-as-usual D&A are expected to decline with the fundamental shift in our IT and Network operating models. Whilst we will start incurring D&A for new investments made under DARE+, we expect to generate meaningful returns from our DARE+ initiatives to offset our D&A increases.

This transition from Capex to Opex signifies a fundamental shift in our business model, which will yield meaningful benefits when we achieve stable-state performance after the full execution of DARE+. That said, we have seen early benefits in FY2023 where net profit growth outpaced both EBITDA and revenue growth.

Looking ahead to FY2024, we have guided to slight improvements in Service EBITDA margin alongside ongoing cost optimisation efforts as part of DARE+. The capex-to-opex shift is expected to enhance net margin efficiency and result in a higher proportion of net profit relative to EBITDA. Our raised FY2024 dividend guidance of "At least 6 cents," reflects our confidence in the trajectory of our net profit since the dividend guidance is rooted in our dividend policy to distribute at least 80% of NPAT, excluding one-off, non-recurring items. This anticipated improvement in net margin efficiency will support our ability to maintain and potentially increase dividends to enhance TSR.

FY2024 GUIDANCE

Service Revenue

+1% to 3% YoY

Excluding impact from D'Crypt divestment¹

Service EBITDA
Margin

Approx. **22%**

Expect realisation of some DARE+ benefits and continued cost optimisation efforts in FY2024

Capex Commitment

(As % of Total Revenue)

BAU Capex²

4% - 6%

Including Investments³

11% - 13%

Dividend/Share

At Least

6.0 Cents

or Dividend Policy⁴

¹ Excluding D'Crypt, FY2023 Service Revenue would have been \$1,945.4 million.

² Excluding 5G Capex and spectrum right, as well as investments relating to DARE+, IT and Network Transformation.

³ Excluding spectrum right, but including 5G Capex and investments relating to DARE+, IT and Network Transformation.

⁴ Dividend Policy: At least 80% of NPAT, adjusted for one-off, non-recurring items.

IN DISCUSSION WITH STARHUB'S EXECUTIVES

JOHAN BUSE

A



We outperformed the market to emerge as the sole telco to record the highest year-on-year mobile service revenue growth of 8%.



Q

The ongoing price dilution in Mobile has not abated, while competition is getting more intense in Broadband and Entertainment. How does the Consumer business intend to navigate this tough environment in FY2024?

StarHub's customer-centric strategy, anchored by Infinity Play, is undeniably effective. In a hyper-competitive environment, we outperformed the market to close FY2023 with the highest service revenue market share in both Broadband and Entertainment, and the second largest market share in Mobile. On the back of this achievement, we emerged as the sole telco to record the highest year-on-year mobile service revenue growth of 8%.

Our unwavering focus remains on execution, placing the customer at the core. Leveraging our advanced 5G and UltraSpeed 10G-XGS-PON network, we are able to deliver a distinct and superior end-to-end user experience, enhanced by a vast array of premium entertainment content. Being the first to break the fibre speed barrier in Singapore with our 10G-XGS-PON technology since February 2023, we are at the forefront of executing Singapore's national AI strategy through increasing mass market broadband speeds by 10 times to 10Gbps. We have established strong association being the #1 awarded network in Singapore with fastest speeds and unmatched entertainment options especially with the UltraSpeed HomeHub bundle.

On a related note, in-demand sports programming, particularly Premier League, continues to generate substantial momentum for our Entertainment business. Over FY2023, the Entertainment segment has recorded a 5% YoY growth in revenue, driven by higher ARPU that was lifted by Premier League and despite the absence of World Cup revenue. We plan to leverage on this momentum by

collaborating with our OTT partners to introduce innovative and unique bundled packages, elevating customer lifetime value over the long term.

Differentiation in today's intensely competitive market hinges on the ability to deliver a seamless and quality customer experience consistently. We are focused on delivering the same at every engagement and this is exemplified by our digital fighter brand, giga!, which continues to lead the industry on Net Promoter Scores. This platform delivers personalised campaigns driven by data and facilitates real-time experiences through the integration of social media technologies and AI-powered chatbots, and we plan to replicate this successful model on our All-in-One app.

Our new Infinity Play verticals, featuring GameHub+, LifeHub+, and Safety Suite, are gaining significant traction, boasting over 20% YoY subscriber growth and an 18% increase in revenue. Following the launch of NVIDIA GeForce NOW, GameHub+ subscriptions surged by over 10%, successfully attracting hardcore gamers from the mobile cloud gaming segment in both Singapore and the Southeast Asia region.

While these outcomes signify a promising initial success, we are poised to further enhance our performance. Through strategic partnerships and heightened user engagement, we are implementing a clear plan to elevate ARPU and drive sustained growth.



Read more about the achievements and progress made by the Consumer Business Group from page 42 of this annual report.

TAN KIT YONG

A



We aim to transcend traditional boundaries, delivering unparalleled service experiences and cementing ourselves as our clients' trusted advisors.



What are your key priorities in FY2024 that may move the needle and improve performance of the Enterprise business?

Over the past year, StarHub's Enterprise business made significant strides following a reorganisation of our teams into an agile principled organisation, putting subject matter experts from various verticals together with a common objective to drive differentiated advanced digital solutions. By fostering collaboration and expertise-sharing, we aim to transcend traditional boundaries, delivering unparalleled service experiences and cementing ourselves as our clients' trusted advisors. We have seen good results from this, having recorded an 18% increase in contributions from Managed Services, slowing a structural erosion in traditional telco services. This has fortified our mission to deliver unparalleled value to our clients, solidifying our market-leading positions to secure our long-term growth.

Leveraging the footprint and combined reach of our regional enterprise platform, we are determined to elevate our approach to target account selling for large deals, not merely as a strategy but as a testament to our ability to understand and anticipate the evolving needs of our clients in this digital age. Our aspiration to develop a regional enterprise platform underscores our dedication to catalysing growth across borders. By crafting scalable and repeatable offerings in collaboration with our esteemed partners, we will unleash a wave of transformative opportunities, both for our clients and ourselves, as we scale-up and build strong order books for future earnings visibility.

In FY2024, we also look forward to the commercial launch of our Cloud Infinity platforms, which will add to our value

proposition alongside the sharpening of our niche to deliver converged solutions in Connectivity, Cloud and Cybersecurity. Cloud Infinity is based on hybrid multi-cloud architecture enabled with automation and artificial intelligence operations that will secure our position as a leading provider of innovative solutions by expanding existing minimum viable products (MVP) to enterprise and public sector clients in Singapore and the region.

Finally, our commitment to creating communities of similar competencies is a testament to our belief in the power of collaboration and collective growth. This will be critical in our enterprise business' transformation and growth journey. By nurturing an agile culture of innovation, learning, and empowerment, we will attract and retain the brightest talents, inspiring them to realise their fullest potential and drive extraordinary results for our clients and our organisation. Internally, we are also encouraging cross-division collaboration to pick the minds of subject matter experts in the Enterprise business group, IT and Network business units, to enhance our service delivery experience and capabilities with a truly integrated digital infrastructure comprising of mobile, optical and software-defined network for smart city.

We strive to accelerate growth in our enterprise business, contributing to our digital world of tomorrow as a Regional Smart City Service Provider with our digital infrastructure.



Read more about the achievements and progress of the Enterprise Business Group from page 50 of this annual report.

IN DISCUSSION WITH STARHUB'S EXECUTIVES

AYUSH SHARMA

A



I am delighted to introduce the transformative capabilities of Cloud Infinity, a testament to our unwavering dedication to innovation and client-centric solutions. Cloud Infinity represents a pivotal shift towards a digital platform that harnesses the power of two massive platforms of innovation. The Internet and the Cloud in a unique architecture that allows neutral options (e.g. hybrid multi-cloud, access-agnostic), while safeguarding customer data and privacy and delivering an infinite combination of services aligning seamlessly with evolving value paradigms.

At the core of our proposition lies the concept of a 'digital fabric,' harmonising all four Cloud Infinity platforms and propelling us beyond rigid, siloed, hardware-bound services towards a dynamic, hybrid, and cloud-native infrastructure. This evolution empowers autonomous services, orchestrates fluid workflows, and supplants traditional break-and-fix models with self-healing functionalities. As an example, Cybersecurity-as-a-Service will be embedded in the design for any device that's eSIM capable (cameras, phones, TVs, robots, etc). Content (streaming, gaming, collaboration, and spatial) will be available anywhere, anytime on demand with untethered connectivity and computing.

Q

You have started co-creating solutions with clients and plan to launch all four Cloud Infinity platforms commercially in FY2024. Where do you see the greatest demand for Cloud Infinity, and when do you think Cloud Infinity will start contributing meaningfully to StarHub?

The advantages of this first-in-market technology extend to our clients, diverting new experiences, and values and streamlining operational frameworks with agile, on-demand networks for citizens, enterprises, and governments with intent-driven, assured latency and SLAs.

These capabilities augment StarHub Enterprise's expertise in converging Cloud, Cybersecurity and Connectivity, bolstering our delivery prowess and competitive edge. Consumers can witness a variety of new experiences with content and connectivity bundles anywhere within the region with a flawless experience.

Our platforms empower organisations to elevate customer experiences and enhance operational efficiency. Leveraging the Cloud Infinity platforms as our toolkit, these platforms and services can be dynamically tailored to meet customer requirements in real-time, seamlessly woven together by our digital fabric.

We have initiated collaborative efforts with early-adopter clients in sectors such as finance and education, focusing on open-RAN, network slicing, AI-Ops², and local area breakout, capitalising on our ultra-low latency and access agnostic technology to deliver cutting-edge solutions.

As a first step, StarHub plans to leverage Cloud Infinity internally, demonstrating its efficacy and building credibility to drive wider customer adoption. This includes onboarding IT workloads onto our private cloud, adopting hybrid multi-cloud for our business units, securing Cloud Infinity through our cyber defence centre, launching new Infinity Play services on the Content-X platform, and utilising network APIs¹ to unlock business value from our infrastructure, with potential for external monetisation.

Cloud Infinity will also enable StarHub to transcend geographical limitations, facilitating regional expansion through asset-light strategies. Collaborations with strategic partners will expand our network footprint to over 200 locations, offering low-latency networks and VPN services. We eagerly anticipate the launch of our platforms in FY2024, poised to capitalise on substantial market potential across Singapore and the region.

¹ API refers to Application Programming Interface.

² AI-Ops refers to Artificial Intelligence for IT Operations.

VERONICA LAI

A



Our DARE+ strategy supports our vision of a connected world for our customers and community, and presents us with the unique opportunity to close the digital divide.



How is StarHub's sustainability strategy embedded in its DARE+ growth and transformation ambitions?

The rapid acceleration of the digital economy, driven by the digitalisation of the ICT sector, poses both ESG risks and opportunities for StarHub. Leveraging our DARE+ strategy, we are poised to be a global sustainability leader.

Our credible and ambitious targets serve as our guiding "North Star" in navigating our journey towards ESG objectives. In place, are interim and long-term GHG reduction targets, aligned to the Paris Agreement, and validated by Science Based Targets initiative (SBTi) in 2023. Our near-term target is to reduce absolute Scope 1 and 2 emissions by 50% by 2030 from a 2021 base year, and to increase renewable energy use to 30% by 2030. On a longer lens, we aim to achieve net zero across the value chain by 2050.

At StarHub, we uphold accountability by aligning actions with principles. Pursuant to this commitment, we published our inaugural StarHub Climate Transition Plan in July 2023, and outlined our progress in our Sustainability Report 2023. Key 2023 initiatives include the adoption of Green Tech to optimise our use of energy and water use, the integration of electric vehicles into our fleet, and use of lower Global Warming Potential (GWP) refrigerant.

By early 2024, we would have successfully secured green biomass energy of 12,000MWh annually for the next four years, allowing us to meet our renewable energy target more cost-effectively. Further out, we aim to achieve BCA Green Mark certifications for all our owned data centres by 2026. With AI and cloud-based platforms becoming mainstream and embedded in our DARE+ Transformation, we will collaborate with our partners to invest and trial innovative

and smart solutions to optimise energy use and reduce GHG emissions. Continued proactive engagements with our suppliers and value chain will streamline workflows, reap efficiencies and foster greener practices to mitigate Scope 3 emissions.

Our DARE+ strategy supports our vision of a connected world for our customers and community, and presents us with the unique opportunity to close the digital divide. Infinity Play, which strives to meet consumers' every need in the digital age, strengthens StarHub's offerings to safeguard our customers' data privacy and security, regardless of their age – with offerings such as JuniorProtect Basic, CyberProtect and CyberCover. Other notable initiatives include low-cost mobile service plans specially designed for seniors and visually- or hearing-impaired persons; launch of the Block Overseas Calls free service in January 2024 that protects customers from the rising threat of overseas scam calls; awareness programmes for customers on phishing SMSes and push notifications on online threats. We donated refurbished laptops to beneficiaries of the SHINE Children and Youth Services to close the circularity loop; and sponsored broadband service to Unlocking ADHD that empowers people with ADHD to live their lives to the fullest.

We are in a decade of action, to make a difference in charting towards the Paris Agreement goal, to limit the temperature increase to 1.5 degrees celsius above pre-industrial levels. Every effort counts, and StarHub is proud to be part of this important ecosystem.



Read more about our sustainability achievements and progress, which are detailed in our Sustainability Report 2023 from page 66 of this annual report.