StarHub Ltd – FY2022 Results Call Transcript
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StarHub Management Representatives:

Chief Executive	Nikhil Eapen
Chief Financial Officer	Dennis Chia
Head, Enterprise	Tan Kit Yong
Chief, Consumer	Johan Buse
Head, Investor Relations	Amelia Lee

Start of Transcript

Amelia Lee: Good evening, everybody. Thank you for joining StarHub's FY2022 results update call. My name is Amelia and I take care of StarHub's Investor Relations. This evening we have with us our Chief Executive, Nikhil Eapen; our CFO, Dennis Chia; Johan Buse our Chief of Consumer and Tan Kit Yong, our Head of Enterprise Business Group. We will start off with opening remarks and an overview of our performance by Nikhil, followed by Dennis on financials, and then Johan and Kit on business highlights. We'll open the floor to Q&A thereafter. Just before we start – a gentle reminder to please mute yourself when you're not speaking.

Nikhil, over to you, please.

Presentation

Nikhil Eapen: Yeah, hi, everyone. And thank you very much for making time for us this evening. It's that time of the year again. I was reminded by my team that every year this usually happens on Valentine's Day. So hopefully, it's much appreciated that today is not Valentine's Day. But with that, let's start with the financial highlights. And let me just start by focusing on Service Revenue. Now, Service Revenue for FY2022, we achieved $1.9 billion. For 2H2022, we achieved $1.02 billion. And for 4Q2022, we achieved $535 million of Service Revenue. So when you look at the growth trends associated with those numbers, FY2022 YoY, we grew 17%. And if one extracts the acquisitions that we made in FY2022, namely MyRepublic Broadband, and JOS SG & MY, the growth rate of FY2022, YoY is 6.6%. Now, for 4Q2022,

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we grew 29% with the acquisitions, and 17% YoY in 4Q2022 without the acquisitions. And then QoQ service revenue growth, where the acquisitions don't really matter since they weren't acquired and make their first contributions in 3Q2022, we actually grew 11% QoQ. So that was service revenue.

On Service EBITDA, as you recall, when we ended FY2021, we ended at about a 30% margin. And we went into DARE+, and we guided down to 20%. And that's where we've landed. So as you recall, and as we've been talking about, our Service EBITDA number reflects three things. It reflects our DARE+ investment, but it also reflects on macro costs, namely utilities and other things, as well as early investments that we've made on products and platforms. So overall, FY2022 for Service EBITDA, it was a trough year for us, you will see in our guidance that we anticipate recovery into FY2023, and acceleration into our DARE+ outcomes. Now, our net income is reflective of that EBITDA trough in FY2022 for DARE+, but it is also impacted by roughly about $31 million in non-recurring provisions as well as impairments, which Dennis will elaborate on further. And then last but not least, not on this page, despite the DARE+ investments that we've made, which are significant, we generated for the year, strong free cash flow of about $220 million and remain at low leverage of about 1.38 times. So therefore, we intend to accelerate into DARE+ in FY2023. And to continue to and actually accelerate the harvesting process.

So perhaps we can then move on to segment revenue. So for segment revenue, we recorded growth across all segments, across all business lines. We recorded growth across Postpaid Mobile, Prepaid Mobile, Broadband, Entertainment, Cybersecurity, Regional ICT and Network Solutions. So we grew across all business lines for the quarter, and for the year - YoY. Now zoning in on Mobile, we generated for FY2022, $564 million. For 2H2022, $296 million, and for 4Q2022, $153 million. So again, when we look at some of those growth rates for FY2022.

For Mobile, we were up 7.5%. And for the 4Q2022, we were up YoY, up 13%. And sequentially QoQ, we were up 7%. So these growth rates, the strong growth rates were driven by subs growth, and we have continued to be very judicious about how we take subs without diluting our ARPU. They were also driven by roaming increase, which we were able to capture while holding a stable ARPU ex-roaming. And of course, our intent is with Infinity Play to drive greater consumption, greater customer lifetime value. And with all of that one of the things that we were happy with was based on the recent results that we've seen, we were able to extend our lead in revenue market share vis-a-vis the player below us.

Now on Broadband, we saw higher revenue scale as a result of our acquisition of MyRepublic. And some moderate revenue growth due to improved ARPU, as we continue to do what we do, which is to drive increased penetration of 2Gbps plans into our base. On Entertainment, Johan will elaborate but we saw very healthy YoY growth of 16% lifted by Premier League, the World Cup, as well as our other content offering.

And then on Enterprise - last but not least, this continues to be a key growth engine. Cybersecurity continues to grow strongly at double-digit annual revenue growth rates with improved profitability this year. Regional ICT services, with or without acquisitions, grew YoY and Network Solutions, which if you recall a year ago was something that was eroding, is now stabilised and growing, driven by strategic services and our order book particularly in new product and platform lines rising rapidly.

Next page please. So our checklist versus our guidance. Now, if you recall, at the beginning of FY2022, we had guided to Service Revenue growth of 10%. After 3Q2022, we upgraded that Service Revenue guidance to 12% to 15%. And we are ending the year with Service Revenue growth exceeding that revised guidance and achieving 17%. Now for Service EBITDA margin at the beginning of the year, we had guided to 20% and we are ending the year in line with that expectation at 20%. Which, when you couple with the Service Revenue growth outperformance, therefore implies higher EBITDA than we had anticipated in 2022.

Now, for Capex Commitment, this was again something that we started the year with. The level of guidance, which we've since revised after 3Q2022 to 9% to 12%, including investments. And we have beaten that revised guidance ending the year at 7.3% including investments. And then last but not least, we had guided to our dividend policy of five cents, and we are reiterating and reaffirming our payout of five cents per share. With that I hand off to our esteemed CFO, Dennis Chia.

Dennis Chia: Thank you, Nikhil and good evening to everyone. Recapping on our full year results, for 2H2022, we reported revenues of $1.269 billion. $2.327 billion in terms of the full year total revenue

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representing a YoY increase of 14%. Service revenue for the 2H2022 was $1.018 billion. FY2022 was $1.888 billion representing 17% growth in Service Revenue. We reported 2H2022 EBITDA of $187 million. Excluding the provisions that we've taken which are non-recurring, our EBITDA that we would have reported for 2H2022 would have been $250 million. FY2022 reported EBITDA – $417 million or $445 million if you exclude the provisions, which are non-recurring. This represents a 21.6% service EBITDA margin adjusting for these non-recurring items. The 2H2022 profit that was reported was $1 million, adjusting for non-recurring items and impairments that we took at year-end. The 2H2022 net profit after tax attributable to shareholders would have been $57 million. For FY2022 we reported that profit after tax attributable to shareholders of $62 million. Excluding these items, it would have been $119 million, or 6.9 cents on an EPS basis.

Our FY2022 Free Cash Flow that we generated was $222 million or 12.9 cents on a FCF per share basis. We ended the year with $573.6 million of cash and cash equivalents on our balance sheet. The short-term debt that will be maturing in the next 12 months will be $120 million. There's no debt maturing in the year 2024, which implies that we've got long term liquidity and a very strong balance sheet to take us forward to fund our DARE+ transmission initiatives and other opportunities that come along.

With the strong results that we've generated on the back of strong revenue growth, and ongoing strategic cost optimization initiatives that we've taken to pave the way for the DARE+ transmission initiatives that we are still in the midst of executing, the dividend as Nikhil reiterated, we're declaring a final dividend of 2.5 cents. Making the FY2022 dividend to be five cents. And on that, our Net Debt to EBITDA ratio ended the year at 1.38 times, well below industry average. On that note, I'll hand the floor to Johan, our Chief of Consumer.

Johan Buse: Thanks Dennis. Good evening, everyone. I'll take you through some of the highlights in terms of Consumer. So first and foremost, ARPU, we really had a good quarter on mobile. ARPU at $32, up from the previous quarter and $3 up YoY. And on top of that, we saw healthy growth in the subscriber base: 19K in the quarter and YoY 81K. And that has translated into revenue growth, as you've heard earlier from Nikhil. Underlying components to that revenue growth are roaming, but also the organic growth in terms of the Postpaid base, and value-added services. Prepaid, the ARPU is at $8, customer base increased significantly and that has to do with the reopening of the borders. But we also have been

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very forthcoming in working on the local segments, the local foreign worker segments. So that's on mobile.

Moving to Broadband on the next slide. Broadband also a good performance, I would have to say. $34 ARPU, customer base at 578K. That's really good. What is also important to highlight there is that the churn remains low - churn is at 0.6%. And on the previous slide, you saw that Postpaid churn is at 0.8%. So we're holding our ground, which is a good indicator in terms of satisfaction level of our customers with our services. Segment revenue was explained earlier on so I will not repeat that - you saw organically for StarHub the 5.6% growth YoY and almost 3% for the last half year. So that is strong performance from my point of view.

Entertainment is something which has been a busy year, as you all know. Pleased to inform you that the ARPU stands at $36 coming to the end of the year, which is $4 up YoY. A bit of tapering off the base - 492K to 478K with YoY still a significant growth. That has to do with some of the OTT elements. Churn is low, actually churn is lower than the previous year, we managed to curb churn further to 0.9%. Revenue growth as explained earlier, 16% for FY2022 and 27% for 2H2022, obviously driven by Premier League, as well as World Cup, but also the other OTT components we have, which we're offering to our customers like Disney+, Netflix and so forth.

So moving forward, a few words around something which is close to our heart, and which may be of interest to you. Besides being commercially busy, we actually in 4Q022 launched first sets of deliverables of what we call the Infinity Play for Consumers DARE+, which is a new app, linked to that part of our mobile offerings are on a new platform. That new platform is end-to-end digital. It enables customers to transact any piece of service or a purchase, fully digital without any intervention, either in shops or physical Customer Care. Now, that's important, because obviously that delivers a significantly better customer experience. And it also creates efficiency. Why do we call this infinity? As we go forward in this quarter, we'll expand that and during year we'll end up having all our products and services in a similar fashion on this platform, which is envisioned and basically experienced by customers in the form of this app. That is important because Infinity Play basically means that on this app, you will be able to transact and subscribe to other services than the traditional services we have. And you do not need to be a traditional StarHub customer to do that. So we're talking about Gaming, Protection, Cybersecurity

Services and so forth, as well as our LifeHub+ health care solution. So those are well beyond traditional StarHub Services and actually available for anyone in Singapore. That is important. Now, initial results are very promising. We've launched this late in the quarter, and we already see a 20% increase in terms of MAU because the navigation is much better and the experience is far superior compared to what we had before. We have very high app store ratings as well, by the way. And we also saw this translated into a significant increase in terms of transactions, both in sales - 14% increase in terms of online transactions purchase, but also importantly, care transactions, majority of our care transactions are coming through the app enabled by Chatbot. And we managed to achieve 80% accuracy. Again, very important for customers in terms of satisfaction, but also important for the company in terms of efficiency. So we'll progressively release the coming releases throughout the next three quarters. And we aim to end this by the end of this year, so that we have revamped our business totally. And you can then really call it Infinity Play for everyone. So that's from my side. And on that note, I'll hand over to Kit Yong to give you an update on the Enterprise side. Thank you very much.

Tan Kit Yong: All right. Thank you, Johan. Right, our Enterprise business itself, Nikhil just earlier talked about double-digit growth. Let me break it down into the three segments. Network Solutions itself, for 2H2022, the data, internet, revenues is higher due to MyRepublic Broadband, and also Managed Services revenue is higher because we completed more projects. And overall, right, we are being set back due to the lower voice services revenue, due to lower domestic and international traffic. When it comes to Cybersecurity Services, double-digit growth itself, and many driven by overseas markets that's contributing to the growth. And also, they're also contributing operating profit of $13.6 million. For Regional ICT services, we consolidated JOS Singapore and Malaysia. Right, is giving us higher revenue, and also contributing an operating profit of $3.1 million. Now, going to the next slide. As we evolve our Enterprise Services, right, from a pure mobile services, now we're moving into mobility services to address the future of work for enterprise clients. And you can see that on the left, we have six new value propositions. On top of mobile plays, we offer green device leasing. What does that mean? We give our clients two years leasing, and we take back the device, not recycling it, but we reuse it. So you can see that there are other mobile device management, workflow automation, end-user computing, mobile security and business application that we develop in house, to help our clients to evolve to be a more digital and hybrid workforce. And I am pleased to share with you some of the wins that we have, in end user computing and services for enterprises. The team secured more than $8 million, and this is one of the highlights of overall enterprise business. And we also have won two, virtual desktop infrastructure, for health organizations here in Singapore. So as you progress, we are integrating on connectivity, cloud, cybersecurity platforms that we have and we partner to deliver services and solutions for enterprise clients. Right, with that I hand over to Nikhil for the outlook and guidance.

Nikhil Eapen: Yes, thank you very much. So if you recall, when we released, did our Investor Day in November 2021, and outlined what we wanted to do with DARE+; it was our DARE+ reveal, as you recall, we had a talked about a spend of $270 million on DARE+, against which we would achieve outcomes of $500 million, broken up by $280 million of expected savings, and $220 million of attributable gross profit from revenue increase as a result of what we're driving as part of DARE+.

Now, the other thing that we had talked about, if you recall, was that as a consequence of DARE+, and at the end of the transformation period, we were targeting generating an incremental $80 million of incremental net profit on top of our 2021 runway, which you would recall was about $150 million. So with that, where do we stand today? So number one is we had talked about not in our initial DARE+ Investor Day in 2021 but in our last Investor Day in 2022, we were increasing our DARE+ investments from $270 million to $310 million. And that was as the result of incorporating Cloud Infinity, which is our Network Transformation, and putting our network on the Cloud. And we were incorporating the impact of Premier League within our outcomes as well as our spend. Now, we have started achieving some of these outcomes in 2022. We hope to achieve more outcomes in 2023. And really, for the full year, start achieving material outcomes in 2024.

Now, when you look at our spend on DARE+ invested to date, which is something that you've asked us about in cash terms, simplistically speaking, we've invested about 24% of the quantum anticipated. But when you include the provisions that we've taken, and the various bring forward, that number is actually about 35%. And that's a number that's actually baked into our end of year financial results.

So with that, we can perhaps move on to talk about our guidance for 2023. So for 2022, we had achieved service revenue growth of 70%, versus our initial guidance of 10% and 12% to 15% revised. That was, of course, incorporating organic growth, as well as the acquisitions that we've made. For 2023, which is organic growth, we are guiding to service revenue growth of 8% to 10%. Now on Service EBITDA margin, we had guided to 2022 of 20%. And we are extending that guidance for 2023. So therefore, coupled with the service revenue growth guidance, you should anticipate a continued increase in Service EBITDA YoY between 22% and 23%. On Capex we had achieved for FY2022, 7.3% including investment, and we are extending our guidance to 13% to 15%, including investments in FY2023. And last but not least, we are reiterating our dividend guidance of 5 cents per share, or 80% of net profit, whichever is the higher and we remain well positioned to do so with our earnings, our cash flow and our leverage capacity. With that I hand back to Amelia.

Q&A

Amelia Lee: Thanks Nikhil. We'll now open the floor to Q&A. To join the question queue, please press the raise hand button and when I call your name, you can unmute yourself. First up we have Sachin.

Sachin Mittal: Good evening management. Just two simple questions. Firstly, on your Service EBITDA margin, guidance remains stable. Now we know that this is despite the fact of more transformation OPEX going into FY2023. So I think it was $30 million last year. Could you just give us some estimate - how much are we expecting in terms of transformation OPEX this year? And it seems like there's a lot of cost cutting benefits. That's why the margins can be stable despite a lot of transformation Opex? That's question number one. And number two, on the Capex. There's a significant increase in the Capex. I can see this, you're talking about Cloud and DARE+. Could you give us like more color, something more concrete to understand what are the things you're investing in? And what is the end result of all those? Are you buying new licenses? What kind of investments are these and how will they benefit you in a more concrete manner? Thank you.

Dennis Chia: Okay, hi, Sachin. Okay, on the Opex in FY2022, we had made provision of about $30 million at the end of the year. But to put things in perspective, that's not the only investments we've actually made in respect of the data transmission during the year. That's on top of the investments that we have made as well, which is partly recorded in Capex, and partly recorded in Opex. So if you add that $30 million to the Opex that have gone in, in FY2022, you're looking at about $60 million of Opex, investment in respect to DARE+, but for the total year FY2022. Then you forward the outlook to FY2023 and embedded in that is a number north of $60 million. I will stop short of giving you that number for purposes of confidentiality and competitive positioning. But I will guide that it is number is north of $60 million that's embedded in our guidance and taken into consideration in our guidance for FY2023. So not withstanding the increased Opex that we are anticipating for FY2023 for the investment, we are leaving our Service EBITDA margin guidance stable at 20%. And as you pointed out that's on the back of ongoing cost optimisation, as well as some of the DARE+ outcomes that we expect to incur or realise in FY2023. I will pause there to see if you've got any other questions on the Opex before I move on to the Capex.

Sachin Mittal: No, that's fine. I think that's very helpful.

Dennis Chia: All right, on Capex. If you look at the Capex that we ended the year in FY2022. And again, just to emphasize, this is capex commitment. So in other words, the capex that we are actually raising purchase orders against. Now, we had anticipated that capex commitments to be higher than 7% in FY2022, which is what we ended the year. And this is a result of some timing, or execution of certain initiatives around the IT transformation initiatives, as well as some of our Network Transformation initiatives. At the end of last year and at the start of this year, we had guided the market to some cloudificationwork that we're undertaking. And this is something that will execute during the year. So result of some timing in clearance of some of these capital expenditure, total capital guidance, including all these transformation Capex that we are making, is relatively higher than what we anticipated. And if you then aggregate the two years, together, it does average down to about 11% or 12% a year, which is very much in line with what we've always said to market. On a steady state basis, our capex would be between 5% to 7%. And our transmission capex would be an additional 4% to 5%, or thereabout. So that that's how you, we would look at the capital investment. The outcomes will be in the form of optimisation of our IT systems. So you will have legacy systems that will be decommissioned, there's a fair amount of licensing costs that will take from that, as well as repair and maintenance costs that we typically incur to maintain those systems. And there are multiple IT stacks that result from that. Then there's a network side of it, where we have legacy infrastructure, that we are also sunsetting, there will be a bunch of optimisation opportunities around it, which translates into repair, maintenance savings, so that those are the outcomes that we're working towards executing.

Nikhil Eapen: Yeah, if I could add to that, and just picking out, you know, the one incremental piece - it's obviously Cloud Infinity, which we updated you on in November 2021. And that's a driver of the incremental Capex. Now, what Cloud Infinity does is a couple of things. What we essentially do is we move our packet core, our cloud control plane, our cloud forwarding plane, to run off a combination of public and private cloud. And when we do so, we will be, I believe, the fourth telco in the world to do so across your entire environment. So what that allows us to do is to improve to a dramatically new level of hygiene, automation and scalability in our network, which therefore enables us as we've anticipated to achieve efficiencies, and reduce cost in the way we run our network, which will recover the capital and the capital in the Opex incurred. But not in the first year, as you can imagine. Now, subsequently, it also achieves in terms of outcomes, a whole new world of revenue opportunity, in furtherance of some of the things that we're already doing, right, whether it's multi-cloud networking, whether it's a future of work, whether it's a cybersecurity. But done, you know, embedded in the network in a way that sort of much faster, more powerful and agile. But that's not something that we can, you know, really elaborate on in a lot of detail for competitive reasons, but it's something that we'll talk about, you know, in future forums. So, recovery from, you know, hygiene, efficiency and automation of the capital that we've incurred, but not in the first year, obviously, and then beyond that revenue opportunity.

Sachin Mittal: Just to follow up on that Nikhil and Dennis. Many of your legacy systems are reaching end of life probably earlier than expected. Have we done whatever provisions or impairment to be done for those systems? So we'll know if there's something we can expect in this current year.

Nikhil Eapen: Yeah, I think you know, Dennis can add but I think we've been I don't know, whether it's aggressive or conservative, but we've taken provisions for legacy systems that we're going to be sunsetting. Those obviously released cost on an ongoing go forward basis. And, and there is also a degree of, you know, with things like Cloud Infinity, and, you know, Cloudification of our IT Network, there's avoidance of spend in the future on legacy systems, which is something we'd rather not do. But unfortunately, a lot of telcos are kind of caught in that trap.

Dennis Chia: So Sachin, just as a recap, at the end of FY2021, we did take a bunch of impairments or accelerated depreciation on a couple of IT legacy systems. You did see that translate into a lower run rate of depreciation and amortization, that's reported in our number in FY2022 versus FY2021. And then if we look at the impairment that we've taken at the end of FY2022, this represents certain legacy assets that we have also identified that we'll be sunsetting. With these provisions or accelerated depreciation as well as impairments that we've taken, there are no further impairments that we're anticipating in regards to legacy systems for FY2023.

Sachin Mittal: Excellent. Thank you.

Amelia Lee: Thank you Sachin. Next up, we have Neel.

Neel Sinha: Hi Nikhil, Dennis and team. I've got three questions. I think the revenue growth side is fairly straightforward enough consolidation of acquisitions, etc. But I do have a couple of questions on the fourth quarter net profit and the full year net profit. Strateq impairment, this is a fairly new acquisition. So what was driving this impairment? And, especially related to that, Dennis, did I hear you correctly, you said like excluding the one-offs, the profits would have been about $150 million?

Dennis Chia: No, excluding the one-offs, the full year net profit would have been $119 million.

Neel Sinha: Sorry, yes $119 million versus $150 million in an environment, which if you're stripping out the one-offs in an environment, which is in the fourth quarter, definitely a big improvement in business sentiment, etc. Yes, there were higher interest costs, weighing down and economies etc. And I'm kind of struggling to see how that is a good outcome, though. I mean, with the one-offs, I can understand, but when you strip that out of those of the numbers that you're saying. The second question is Capex Commitment. I remember the third quarter. Nikhil, Dennis, both of you mentioned that there was some sort of deferral of Capex, and that's their new slides too. How much has moved to the right from your plans? On a timeline, so to speak, right? Whether it's 2023 and 2024. Just a rough idea. I think we can sort of work out from your annual guidance, but it would be interesting to know, how much is moved to the right and why so. Is it like supplier constraints? Is it any other reason? And the third is just overall to do with profitability. This is like a long term type question. Negative JOS - DARE+ was announced, well, more than a year ago. How should we think and we were all aware, I think about some level of cost front loading to achieve that. But how should we think about the organic EBITDA growth and reversion to positive JOS? Is it another two quarters down the road? Four quarters, two years? I mean, this is just like I suppose a ballpark estimate. There are so many market variables involved, but it would be interesting to get your thoughts on that. Thank you.

Amelia Lee: Dennis would you like to start and then Nikhil can add on?

Dennis Chia: Hi Neel, good evening. Your first question on Strateq right? So Strateq has six separate lines of businesses. And it operates in different regions, mainly in the region, like Malaysia, Thailand, Hong Kong, for example. But it also has, at that point in time a business in the US, that was part of the group that we took over. Now, we did acquisition back in July 2020, so it's now been two and a half years. And over that two and a half year period, we've been working with management to really identify lines of businesses that have line of sight in terms of delivering outcomes, and the market positioning that Strateq has, also in consideration of the skill sets that it brings to the table. At that point in time, we looked at the US business, and the challenges with operating in the US market. And the dynamics of it, of course, the last two years with the COVID-19 situation was not terribly helpful. But all things in perspective, without hiding behind that, the reality is that that line of business, we felt was going to be challenging to execute on. And therefore the spirit of rationalizing lines of businesses that we will continue to invest in and grow, which will yield us the meaningful returns on investment, we then decided to discontinue that one single line of business in the US and focus on the rest of the lines of businesses which Strateq still has, which are all very healthy, and continues to deliver growth. So this is part of any business, and a portfolio of business that, that we would ask management and run. And this is just part of the exercise that we did.

Neel Sinha: On that one, Dennis. So the US business of Strateq, no more impairments. It's out of the way?

Dennis Chia: It's out of the way, Absolutely.

Neel Sinha: Okay. Thank you.

Nikhil Eapen: And it's not a big revenue contributor. Like quite small.

Neel Sinha: Worried about costs.

Dennis Chia: You know, the reality of this is that, if we decided to continue on that business, it would have resulted in an ongoing cash burn. So yeah, in, you know, in the foreseeable future, in the short- to medium-term. So, again, you know, we would never say that we will never invest in business that will yield returns in the medium term, we do take educated and calculated risks. But this was one where we looked at it and said this was not a risk that we wanted to take on an ongoing basis, though, there are other means of deploying capital in other things that we're doing, which we do see better returns in the short to medium term. So this is a rebalancing of our portfolio in other words.

Your second point on the net profit, right? So if you look at the net profit for the FY2022, against FY2021, for the full year excluding these non-recurring items and impairments, it would have been $119 million. Now if we then look at it on a YoY basis, yes it was a decline, but look at it from the perspective that we weren't dealing with macro factors that were primarily utilities costs when we started the year. And that was something that came to pass, as we went through the year, and we're grappling to manage the volatility that came along with this. Along with that, you know, there were wage increases. It was a function of how the market was transpiring. And, of course, the tech layoffs towards the end of the year was an event within, but throughout the most part of FY2022, there were labour inflationary increases that we're dealing with, along with the macro utilities increases. So if you then put these back into consideration, we actually delivered profitability, which is almost on par with FY2021 level, and on the back of an ongoing competitive market position in the industry, which is something that all of us are aware of. We continue to execute well on the acquisitions that we've made, some of them delivered good growth, and we looked at how to drive profitability in all of them and more importantly, to drive synergies both on the top line as we work together to drive that outcome as well as cost synergies. Some of it trickled into FY2022. I use the word trickle because it's very little, but it sets the pace for FY2023 and onwards. So that was what we're working on. So as we look at it, I think from management's perspective, we back off the macro factors which I guess it's something we still are accountable for and responsible for but we couldn't really control. It wasn't a great year in terms of profitability all things considered.

Nikhil Eapen: Particularly given it's an investment year with DARE+.

Dennis Chia: Any, any other points on that Neel, that you want to clarify?

Amelia Lee: His screen is frozen. Otherwise, maybe we can move on to the next question, then we'll come back. We've got a question from Li Wee (on the chat) - a quick one. For FY2023 outlook, the 20% service margin, would it be roughly equal? Or would it be unequal like this year, where first half is much higher, and then second half is much lower?

Dennis Chia: Okay, I'll take that. So typically, we look at our numbers that we report, the first half, profitability is relatively higher compared to the second half. And this is quite typical. Because as we start the year, we look at, you know, various things that we need to spend on. And of course, we don't need to spend on it, in terms of, you know, activities that we carry out whether it is maintenance of our network, or marketing and promotion expenses, for example, those are things that we look at managing, at least at the start of the year, so there's no reason for us to incur those if we don't see any need to do so. And as we go into the second half of the year, we typically look at it and look at the competitive positioning and the market dynamics, and then we invest in activities to allow us to enter the year on a stronger note. So there typically would be higher activities, and our expenses in relation to these activities that are carried out in the second half. I would say that based on what we anticipate, it would not be as as skewed, as was for FY2022. But there will be relatively higher margins in the first half versus the second half.

Amelia Lee: Li Wee, I hope we answered your question. Neel, are you back? Okay, maybe let's move on to Arthur.

Arthur Pineda: Yeah, yes. Two questions please. Firstly, the guidance, revenue growth. You mentioned 8% to 10%? Are you able to split this out across business lines in FY2023? And the second question I had is with regard to the investment, which you've put out on slide 17, you've mentioned around $3 million to $10 million related to DARE+ and Cloud Infinity. Am I correct to believe that based on the 24% guidance that you spent last year, so it's around $75 million? And it seems like you're going to spend another $200 million this year based on the incremental 8% capex of sales on slide 18. So that means by FY2024, we should see a significant reduction in in Capex. Is that how we should look at this?

Dennis Chia: Hi Arthur. So on your first question on the guidance of 8% to 10%, on the topline on service revenue growth, we will not provide the breakdown for each line of business, as you probably will understand why - right otherwise, we literally reveal to the marketplace exactly what we are planning to do for each line of business. However, I would say that the growth that we're anticipating is across all our lines of businesses, including all the recent acquisitions that we now have under our portfolio, so I'll leave it at that for now.

Nikhil Eapen: Let me just emphasize one or two things. So Arthur, as Dennis says, we grew not just through acquisitions, but actually organically on all business lines. And our intent is to continue to grow on all business lines. We're a bit careful of talking about how, you know our growth splits up because in certain segments, obviously, like, Mobile, we're operating in segments that are highly competitive with traditional competitors. In other segments, like, you know, Regional ICT and Cybersecurity Services, there are different range of competitors, and perhaps not as competitive and things in between the Broadband and Entertainment, you know, which aren't as competitive as Mobile, but more than some of the others where we have market leadership. So we're a little bit [inaudible] to break that up if you don't mind.

Arthur Pineda: Understood.

Dennis Chia: Arthur, on your second point on the investment on the DARE+ investment. Just as a recap, when we disclosed or unveiled our DARE+ plan in FY2021, during our Investor Day, at that point in time it was $270 million of investment. As a recap, those $270 million refer to both Opex and Capex investments not just capex. And that investment includes investments in building staff strength, or bench strength and tool sets within our ranks. Investment in key infrastructure, which is Capex, but also investment in in the IT licensed platform, which are treated as Opex. So there are a bunch of Opex items and a bunch of Capex items. Now, for FY2022, we have incurred 24%, or as you rightly pointed out $75 million, we also made provisions at the end of FY2022, totaling about $31 million, so you actually aggregate the two, it will be about $106 million, or about 35% of the total $310 million that we would be envisaging to incur. The rest of the $200 million of both Opex and Capex, will be incurred in FY2023, and some in the early part of FY2024. So not all of the remaining 200 will be incurred this year. But a good part of it will be incurred.

Nikhil Eapen: So maybe I could add to that, and maybe take off one of Neel's questions as well, so he doesn't have to re-ask it. And I think Neil, you know, just tying the spend and the harvesting to where we see DARE+ going not just you know, kind of it on an aggregated level, but perhaps, year on year. So Dennis talks about 35% of the spend for DARE+ incurred, you know, in FY2022, the bulk of the rest in FY2023, and some leftover in early FY2024. So we had, as you recall, given sort of a soft outlook, when we launched DARE+ that we were looking to get back to the FY2021 level of EBITDA which was about $500 million by FY2023. So, that would have implied a very, very compressed and rapid transformation period to sort of call it that, you know, kind of breakeven EBIDTA level, in fact, one that was, you know, two-yeared. Now, clearly the environment has shifted and macro costs have gone up. But it is still the intent to get back to that $500 million as soon as possible. FY2024 is certainly a full year, harvest year for us. And we hope and are closely monitoring and driving for quarterly EBITDA run rates, so our intent is to get back to that $500 million, you know, a few quarters later than anticipated.

Neel Sinha: Thank you Nikhil.

Amelia Lee: Arthur, did we answer your question?

Arthur Pineda: Sorry, I'm just a little confused with regard to the Capex. When I look at the next slide, right on slide 18. You break down the capex on BAU as 5% to 7%. And including investments of around 13% to 15%. And the 8% differential versus sales would refer to DARE+ and IT transformation. So if I just take that 8% Capex of sales against your $2.5 billion target revenue, that implies additional Capex of around $200 million related to investments. Putting it together with the $100+ million that you spend, it seems like they're pretty much done with DARE+ by this year. Is that how I should look at it?

Dennis Chia: Yeah, so if you look at the difference of 8% in the spread, we were anticipating to end the year about 11% to 12% or thereabout in FY2022. We ended the year about 7.3%. So there was some deferment of the capital expansion into FY2023. Yes, you're absolutely right that we are guiding to 13% to 15% and if we then look at the upper range of that 15%, it does imply that remaining $200 million or thereabouts would be incurred in FY2023. But that's the upper end of the range. So we are anticipating some of it to go into FY2024.

Arthur Pineda: Understood. Okay, thank you very much.

Amelia Lee: Next up, we have Sasono Adhiguna.

Sasono Adhiguna: Hi, can you hear me anyway? Yeah, I like to ask a few questions. Maybe I just asked one by one. I like to ask about the Temasek's buyback of the 20% stake in Ensign, that's going to be by October this year, am I right?

Nikhil Eapen: Yes. So the assignment of rights and, you know, is exercisable in October of this year. Did you have a follow up question?

Sasono Adhiguna: Yes. And my question is basically, would, would it…does management expect that you would have positive material impact on our P&L and balance sheet?

Nikhil Eapen: Yeah, so let me just answer that in two ways. So number one, you know, we focus on the Cybersecurity business, it is core for us. We do cybersecurity within and outside of Ensign. We have good alignment with our co-shareholder, Temasek, on the direction of the business and what we want to do with it. And we would intend for that alignment to continue irrespective of what happens with the 20%. Now as far as the 20%, if they were to exercise their option to take 20% out of the 60%, leaving us with the 40% — that will generate substantial gain. You know, vis-a-vis the investment costs that we have applicable to us.

Sasono Adhiguna: Yeah. And with this in view, Nikhil, why isn't management, more confident about its guidance for earnings and dividend payout for FY2023?

Nikhil Eapen: Well, I think, you know, we had anticipated DARE+ investment period, the bulk of that investment period is two years, and those two years are FY2022 and FY2023. And as I mentioned, we had targeted getting back to that $500 million of breakeven EBITDA, which was a FY2021 number. You know, in that two years, with a macro factor that's been delayed a little bit. Our target is to get back to that breakeven EBITDA level a few quarters later, looking at run rate EBITDA, but we are in an investment period. The other thing I would say that vis-a-vis Ensign, again, you know, this is something that we have ongoing discussions with our co-shareholders on, frankly, whether we continue as a consolidating shareholder or not, you know, both are good outcomes.

Sasono Adhiguna: And more specifically, this…it's not factoring, in your guidance in your EBITDA guidance, as well as dividend currency, do you factor is development, this potential development into the guidance?

Nikhil Eapen: But it certainly wouldn't factor into our EBITDA guidance, because if the 20% were sold, it would be a one-off gain for cash proceeds. And as far as that dividend guidance, you know, we will take that as it comes.

Amelia Lee: I'm conscious about time, Sasono…

Sasono Adhiguna: …Yeah. And also, would management be open to a special dividend with regards to this one off?

Nikhil Eapen: I don't think that's something we can comment on at this point in time, Sasono. I think this matter alongside with various other matters together with our operating performance and see where we get to.

Sasono Adhiguna: Yup, understand. And regarding the slides Nikhil, there's this non-operating income due to Strateq, right. I noticed that there's a non-operating income as well as non-operating expense. Do you think maybe Dennis would be able to explain this line. There's one non-operating income for $30.9 million, and at the same time, there's a non-operating expense for $60.1 million. Yeah. How does that come about?

Amelia Lee: Sasono, this can get quite technical. Maybe I can take this offline with you.

Sasono Adhiguna: Sure. Perhaps just…just one more for me. In terms of the lumpiness, Dennis, you know, we took, you know, basically 4Q2022, we took on a loss for 4Q2022. My question is, is there going to be more lumpiness for FY2023? You know, I mean, us is stated as a non-recurring, but you know, is this lumpiness is gonna? Is it gonna happen one or two more times? There's going to impact the quarterly results, like in 4Q2022?

Dennis Chia: Okay, hi Sasono. We've commented on a response to an earlier question with regards to our FY2023 guidance and whether or not you know, this will be evenly spread on 20% throughout FY2023. At that point in time, I had commented that we do expect in line with our usual operating trends, the first half of the year, the operating margins are typically higher, the second half, and that's in tandem with the way we manage expenses and what we need to incur and spend on. And then as we go into the second half the year, then typically relatively higher activities that we engage in to try and exit the year on a stronger note. So there will be unevenness in the margins, but not to the extent that you'll see that in 2022. To your other question, in regards to the non-recurring items that we took at the end of FY2022. The reason behind that, we looked at all our you know, rebalancing your portfolio. Again, this was a response to an earlier question. Impairments that we took in relation to that. And as well as this continuation on certain lines of businesses and brands to focus our attention on. So we did take impairments on certain assets that we believe will not generate income going forward. And to discontinue certain line of business and therefore an impairment in relation to that. Just to finish off on that the non-operating income in relation to what we call forward liabilities. So there are differred concentration elements as part of the acquisitions that we've made. As businesses perform better or worse, then there's an income or expense that's recorded accordingly. So as Amelia said, we'll take this offline with you. I'm happy to explain this in greater detail offline.

Sasono Adhiguna: Thank you, Dennis.

Amelia Lee: Next up Paul.

Paul Chew: Yeah, thanks. I was actually hoping for the 14th February to save some money on dinner, but it's okay. Let's keep it within ourselves. Just to go back on the DARE+ spending. Supposed to be $310 million. So far, if you assume $35 million, about $100 is spentso there's $200 million left. So the Capex could take up maybe $150 million, $160 million. So the balance is $40 million. So the bulk of it in conclusion will be spent on FY2023. But so my question is when we go to FY2024, and we look at your DARE+ slide on slide 17. So is that the kind of savings that we should expect in FY2024? I know that

FY2024 is a bit far, but I'm just wondering, is that what we should assume that $108 million, roughly, of savings or a step down in costs? When we look at your slide 17 Just wanted to understand that part, thanks.

Dennis Chia: Okay. So Paul, I just want to, again, reiterate, right? If you look at the DARE+ investments in both Opex, and Capex, yes, based on the guidance that we've given, the implied Capex investments for DARE+ would be north of $100 million dollars in FY2023. A lot of these Opex investments in the form of license costs and investment in people and building of bench strength, the reality is that when these investments, when these transformation initiatives have been fully executed, the people that we brought in to, you know, bring on the skill set, everything do not will not disappear on that day. Right. So there will be ongoing, you know, staff costs in relation to the people that we bring into our organisation. Naturally, we continue to look at opportunities to see how we can reorganise ourselves, particularly in terms of driving business outcomes, right. So, you know, having the headcount deploy outcomes that yield the business returns that's supposed to keeping the business going. So it's driving growth. So it's about optimizing the people that we bring on stream and some of these costs will continue because the reality is that we bring them on to deliver these outcomes and there's an ongoing obligation and objective to deliver these key results. Now on the IT licenses, again, when we bring them on and their new platform, the IT license obligations continue as well. So there will be ongoing costs in relation to these things, which will then become what we then classify as business as usual run rate expenses, because at that point in time, these are part of our business operations at a point in time once we fully transform. What does this discontinue: the legacy expenses in relation to IT infrastructure in relation to legacy network that we will sunset at that point in time. And you know, in the case of this Strateq US business, this is no longer an ongoing running costs in respect of that, it's also there will be things that we will sunset and discontinue. And this then represents savings, that we will be offsetting against it, and this is part of the DARE+ outcome.

Paul Chew: Thanks. Just one last time for me for the guidance for FY2023. What is the I wouldn't say assumption, but what's the thinking behind roaming? Like? Is it like, there's still a lot, just just some thoughts on roaming as you put in this guidance? Yeah, thanks again.

Amelia Lee: We finally have a question for Johan.

Johan Buse: Yeah. Thank you for that question. No, in terms of roaming, it won't be a surprise to you that the year closed quite strong on roaming. And we basically extrapolated [inaudible], in a foundation to be able to expect a similar trend as we exited in FY2022, going into FY2023. It would be nice if China opens up as well, that's mainly for the inbound roaming beneficial. But roaming has been well, so we expect that trend to continue. Hopefully that's answering your question.

Paul Chew: Thanks again.

Dennis Chia: Yes Paul, I just want to add - in the guidance, we've assumed roaming as Johan pointed out, to continue to be robust. However, we've not assume a huge uplift in roaming YoY against FY2022. So if that transpires and as Johan has pointed out is when China reopens and roaming recovers at a more accelerated rate, these are upsides to our actual numbers, and then what we've guided the market.

Paul Chew: So this could be like 30% to 40% below pre-pandemic? I'm not sure how much you can do this and give about this wondering is that the kind of levels?

Dennis Chia: Yeah, we will stop short of giving you the percentage, you know, against pre-pandemic, but it is below pre-pandemic levels at this point in time. And of course, the thesis and the verdict is out there as to whether or not it will revert to pre-pandemic levels, because the way people travel and roam, the patterns have changed. So we're looking at it in totality.

Nikhil Eapen: But I think in broad themes, you know, China remains open. We have not felt that impact yet. That's on the Consumer side. On the Enterprise side. I think we're well below pre-pandemic levels. But that as Dennis said is partially baked in but create some upside.

Paul Chew: Okay, thanks again.

Amelia Lee: Thanks Paul. And we'll take our last set of questions from Piyush.

Piyush Choudhary: Hi, good evening management. Thanks a lot Dennis, Nikhil, and Amelia for organizing this. A couple of questions. Firstly, can you give us some update on the network deployment by Antina? What is the plan going forward? Any operational challenges which you have faced, you know, any learnings which you can share from running that JV and what changes you have made to address those bottlenecks? And what should we expect more right from there? Secondly, is just housekeeping. What percentage of your subscribers have 5G handsets today? And how much of your data is actually going to the 5G Network? Thank you.

Amelia Lee: Nikhil, would you like to take the first question and then Johan can take the second?

Nikhil Eapen: Let me start on the first question and then Dennis can add. I think Antina has worked out well. For us. It's generated, you know, capex savings and cost savings. There is of course, some element of Capex to Opex substitution which shows up as wholesale costs. But overall, I think it's been a good experience for us that it has been value accretive. You know, the rollout continues. We're in line with, you know, the commitments of coverage that we made with IMDA. In fact, back to head and I don't think we've really come across any major operational challenges. You know, there's much we want to do with Antina. So please stay tuned, I think is the only thing I'd say. Anything to add Dennis?

Dennis Chia: Yeah. Antina is like three years in the making right. And of course, like anything else, that the starting pain, you know that we're learning in terms of how we would work without our joint venture partner, and also how we can identify opportunities to get the best outcomes of Antina, three years into it. I think we've learned a lot in terms of how to optimise and put together our strength in terms of negotiating of vendors as well. So there are very positive outcomes as a result of the collaboration. And, that sets the stage for, you know, future collaboration, and expanded collaboration that we can identify, and we anticipate that we will grow through Antina.

Johan Buse: Yeah, and on the question two and three related to the number of subs on 5G enabled for slash data usage, I have to be a bit cautious in terms of giving you the exact numbers. But what I can tell you is that more than half of our subscriber base is actually enabled with a 5G phone at this point in time. And that's continuing to grow obviously. If you talk about traffic, that's obviously significantly less than at this point, simply because of the fact that 5G Indoor penetration is still I will say growing that something which is important, because quite a lot of uses is triggered from indoor, but it's all healthy, trending long. So hopefully that gives you a bit of colour.

Amelia Lee: Piyush, I hope we've addressed your question.

Piyush Choudhary: Yeah. Thanks a lot, everyone. Thank you.

Amelia Lee: We've come to the end of our call this evening. Thank you so much for your time. And if we didn't get to your question, please feel free to reach me at ir@starhub.com

Nikhil Eapen: Thanks, everyone. Wishing you a Happy Valentine's day, one week from now. Thank you.

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