



StarHub Ltd – 1H2022 Results Update Call Transcript

4 Aug 2022 | 6.30pm SGT

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: Hi. Good evening, everyone. My name is Amelia and I take care of StarHub's Investor Relations. Thank you for joining us this evening for our 1H2022 results update call. This evening we have with us our Chief Executive, Nikhil Eapen; Dennis Chia, our CFO; Johan Buse, Chief of Consumer; and Tan Kit Yong, Chief of Enterprise Business Group. We will start off with opening remarks and an overview of our performance from Nikhil, followed by Dennis on financials, and then Johan and Kit on business highlights. We will then open the floor to Q&A thereafter. Nikhil over to you please.

Presentation

Nikhil Eapen: Thank you, Amelia. Thank you for spending your evening with us. Hopefully, this will be productive. We're so very happy to report our second quarter 2022. So without further ado, let's start talking about revenue. So in revenue, we grew this quarter across every single segment of ours, both YoY and QoQ. Despite the competition levels in the industry, and particularly the hyper competition in Mobile. Now, overall service revenue growth was 12.6% YoY and 9.3% QoQ.



Now we consolidated for the first time, as you know, MyRepublic Broadband. Excluding the roughly \$16.8 million of service revenue that MyRepublic contributed for the quarter, service revenue growth for the second quarter was actually 8.4% YoY, and 5.2% QoQ. Now on Service EBITDA margin, as you recall, when we released our guidance in February, we talked about a two-year upfront investment period for DARE+ for our transformation, and we had guided towards an EBITDA margin target of 20% for the full year. So we're glad to report that we're running ahead at this level at about 24.9% which is similar to the levels that we ran at for 1Q.

However, we do expect to converge to a full year number of about 20% as we expect to incur more of our IT transformation expenses in the second half of the year. So for 1Q, what you see here is a reflection of DARE+; but also, as our businesses grow with Cybersecurity and Regional ICT, a skew in our business mix which drags down our EBITDA margins, as well as of course inflationary outcomes on utilities costs, staff costs, etc. So our net profit trends track EBITDA margin trends and of course, free cash flow is subject to significant timing of significant payments QoQ, but remains strong. And we'll talk about where we stand for the full year in a few minutes.

So segmental revenue. As I mentioned, we saw YoY as well as QoQ growth across all segments. Touching on each of them one by one: Mobile, we grew about 4% YoY, and a touch up QoQ. So the QoQ numbers would have been subject to IFRS adjustments in 2Q, without which, we would have grown at a healthier level, the numbers would have shown healthier growth QoQ.

Now for Broadband. As I had just mentioned, we consolidated MyRepublic Broadband for the first time in 2Q2022. As you know, MyRepublic Broadband had strong metrics across revenue. across subs across ARPU - and we now have a position together with MyRepublic where we have revenue market share and leadership in the industry.



We are working closely with MyRepublic on how to leverage our joint revenue base; how to leverage our joint position in various segments and of course how to realize cost synergies. Now absent MyRepublic or rather adjusting for MyRepublic, Broadband grew 7% YoY with rising upgrade to 2.0 Gbps package which is something that we talked about, and hence rising ARPU over the year. Now in Entertainment, in over the past few quarters, we've seen sort of this tale of two cities approach that we've been talking about, where we have a linear IPTV base that continues to shrink in line with the industry trend of cord cutting.

But on the other hand, we have pivoted, you know for more than a year or so. And what we've seen over the past many quarters is a rapid growth in our TV+ base, our hybrid base and explosive growth in our OTT base. What we've seen over the past few quarters is that the subscriber growth from OTT and TV+ has outweighed the reduction in the subscriber base from linear TV. Now what we have here in this quarter, which we believe is a sustainable trend, is that it is not just reflected in overall subscriber growth but also revenue growth due to the law of numbers. So as a result, we were able to grow Entertainment revenues by 5.4% YoY and 4.3% QoQ. Now to be clear and to anticipate the question, this does not include any revenue impacts from Premier League, which you will see in the third quarter.

And then moving on to Enterprise very quickly. For Enterprise, we saw strong double digit growth YoY and QoQ. Cybersecurity grew 34% QoQ, although that as you know is lumpy, and that business continues to grow well. Regional ICT grew 4.7% QoQ from 1Q. And then we also saw improved YoY and QoQ performance for Network Solutions in 2Q, which also grew in profit. So with that, I will hand off to our CFO, Dennis Chia.

Dennis Chia: Thank you Nikhil. Good evening to everyone. So looking at our 1H performance against the guidance that we provided at the start of the year, when we announced our prior year financial results. At that time, we had guided to 10% improvement YoY increase in service revenue. On the back of the improvements in almost all lines of our business, and the consolidation of our recent acquisitions of JOS, which was completed in January and MyRepublic, which was completed in in March, our service revenue grew 11.7% for 1H.



We had guided to a 20% Service EBITDA margin. We've ended 1H with 24.6%. This is well ahead of our guidance, in recognition of the investments that we're making in IT transmission, as well as the ongoing 5G wholesale costs, which as a reminder is accounted for as costs. Because we are rolling this out as part of a joint venture. So these are obviously going to continue accelerating as we endeavour for nationwide coverage, as well as other investments around a building talent, we do anticipate and we reiterate our guidance for service EBITDA margin for the full year.

For Capex, we have guided to 12% to 15% at the start of the year. We are trending relatively lower at 7.5% and this is typical of 1H, where we typically do not commit as much and that catches up with us in the second half. That said, we do expect our capex to come in at the lower end of this guidance. Our dividend which we had guided at 5 cents, or the higher five cents, or 80% of net profit after tax. We're happy and pleased to advise that our Board has approved and declared a dividend of 2.5 cents per share for 1H.

Moving on to slide 8, and to reiterate certain numbers in terms of the service revenue, which has grown 11.7% for 1H, our Service EBITDA margin, which for 2Q was 24.9%. Total EBITDA of close to \$121 million, and for 1H at \$230 million, our net profit of \$31 million for 2Q and \$61 million for 1H, which translates to 3.3 cents per share on EPS basis. Our free cash flow for 1H was \$61.3 million, translating to about 3.5 cents per share. Our net debt to EBITDA ratio stands at 1.3 times at the end of 1H, with a cash and cash equivalents of \$729 million in our balance sheet. And on that note, I will hand this over to Johan.

Johan Buse: Thanks Dennis. So we're going to dive a little bit deeper into different product lines to give you more colour and context.

So Mobile, let's start with Mobile. Postpaid ARPU is flattish QoQ, but we did have some IFRS adjustments, and if you would take those into account, it would have gone up as you can see in the chart. And we did see a continuous healthy subscriber base growth. We actually grew 77,000 customers overall, and that's mainly coming to a large degree from pickup which is performing very well. On the back of that, churn remains low, 0.7% for the quarter. And that's actually an improvement in terms of percentage compared with previous quarters. So that's great performance as well.



Prepaid – stable in our ARPU, but significantly increasing customer base. We basically grew 17,000 customers in the quarter and 26,000 for the year. And that results in a healthy revenue uptick on the yearly basis of 3.8%. And if we would not have had the IFRS adjustments that would actually have been 5.5% YoY and we would have grown 3% QoQ, with the adjustments, it actually is 0.1% growth. And the data use continues to sort of grow as we would expect - it's 13Gb for the quarter, slightly up compared to the previous quarter. So a good quarter on Mobile side.

We then move to the next product line, which is Broadband. You can see that we really had a very strong quarter on Broadband for a number of reasons which we will elaborate on. So the ARPU increase to \$34 which is on the back of a good uptick from the 2.0 Gbps plans, which we have been offering in the market. And this number also includes a consolidation of MyRepublic.

With MyRepublic included, we actually grew to 572,000 subs, and we remain very low on the churn. All this results in a very strong uplift in terms of revenue, service revenue, segment revenue, in this case, increased 33% YoY, and 25% on the quarter. And you can see the split here in terms of the contribution of MyRepublic. Excluding MyRepublic, we would have grown 7% YoY. So that's still a very noteworthy performance.

So and then to the last product vertical, before we hand over to Kit Yong, is Entertainment. Entertainment is doing very well as you can see, in this case here too. ARPU stable \$31. So that's a really good performance there as well. We see strong uptake in consumers, we actually move to 469,000 subscribers, we added 19,000, and the churn rate is low at 0.8%, lower than it used to be, so that is very good as well. And then the segment revenue grew 5.4% on a yearly basis, and no less than 4.3% for the quarter. So with all that I hand over to Kit Yong to take you through the end.



Tan Kit Yong: Right, thank you Johan. Good evening everyone. On the Enterprise front, we're enjoying double-digit growth for quarter to quarter, year on year. When it comes to Network Solutions, you can see that we are having a QoQ growth of 4.1% and YoY growth of 1.5%. And when it comes to Cybersecurity services, we have QoQ growth of 34.4% But the YoY lower revenue due to absence of major projects recorded in 1H2021. And come to Regional ICT services, we have a QoQ growth of 4.7% and YoY of 168% due to consolidation of JOS Singapore and JOS Malaysia. We recorded operating profits of \$0.8 million compared to \$0.1 million a year ago. We look at our Enterprise revenue mix it is intact, similar to what we have. Right, move on to next slide.

When we get to DARE+ execution for Enterprise front, I'll cover Enterprise and then hand over to Johan for consumer. For COVID-19 recovery, we're seeing that our data and voice are stabilizing. Due to the product portfolio refreshing. We also see a healthy demand for our Managed Services, especially in the areas of Managed Network and Managed Cloud. For DARE+ progress, we have launched the Triple C: Connectivity, Cloud and Cybersecurity. We launched our products and are now engaging the markets to share with them our value proposition. You will see us going into a mode of an end-to-end service provider, a smart orchestrator for clients to deliver their solutions. You will see us going into more partnerships with global technology partners to create high value business proposition to Enterprise. With that I hand over to Johan.

Johan Buse: Thanks Kit Yong and good evening again. So this is a great moment to elaborate a little bit more about where we stand on that. DARE+, just to recap that is an essential part of our development, it's part of our strategy to really move to an infinity platform play structure. So besides the gradual recovery after COVID-19, which we see include roaming and feedback recovery, it has been an it will be a very busy few quarters when it comes to DARE+.



So we have been continuously expanding into our verticals with launch products like CyberProtect. We also added new OTT options as part of our entertainment platform Viu as number 11 as you can see here. Premier League was number 12. And we continue to do that. We also have made good headway in terms of cloud gaming, which we launched a couple of quarters ago. And there are few exciting things to come. Now this quarter is extremely important for us because a number of things going into the market in the next eight weeks, which we obviously as you will understand, cannot share the details around. Super App will be definitely one of them, which will be a big change compared to what we have today. And on that note, as you will understand is a very exciting quarter. I'll hand over to Nikhil.

Nikhil Eapen: Thank you very much. And just to close off on one aspect, which has not been mentioned by Kit Yong or Johan, is M&A. So there are two aspects to M&A. There's the M&A that we've already done. And we most recently acquired in the first half, but you know, JOS Singapore, JOS Malaysia, and MyRepublic Broadband. So the work is underway, and is advancing at a rapid pace, to leverage each other's platforms to drive more product into each other's platforms, and fully leverage our combined customer base strengths, and complementary strengths that we have.

The second area that we're making progress on is driving cost synergies and efficiencies across the entire platform. And again, particularly given the inflationary environment and the acute importance of that is we're making good progress. Now, the other aspect of this is the M&A that we hope to (not like at this point immediately) and we reiterate our focus and our continuing commitment to our M&A program. M&A opportunities continue to be under evaluation and will update. So with that, I'll hand back to Amelia to run some Q&A.

Q&A

Amelia Lee: Thanks, Nikhil. We now open the floor to questions to join the question queue, either click on the raise hand button or indicate your name and organization in the chat box. I'll call upon your name, and it's your turn to speak. And then you can unmute yourself to converse directly with our senior management. So Sachin, would you like to start the ball rolling?



Sachin Mittal: Yeah, thank you, Amelia. Thanks, management. Two simple questions, I think are now 24% service EBITDA margin achieved. So now, if I go by your guidance, it implies 16% service EBITDA margins in 2H? That seems a bit far-fetched. So but again, could it could you tell us what are the items? What are the costs, you think, which you can incur in second half that you have chosen not to raise your guidance at this juncture? That's question number one.

Again, the question is on the Capex side. Capex is also substantially below in 1H. So is there a delay in our execution? Or is just expected timing is like that, that everything happens, you know, kind of pushed to 2H? That's question number two.

Thirdly, if at all, is on the Mobile side? Why do you think recovery Mobile is not really visible in the numbers at all? It's like stable QoQ service Mobile revenue. And how long? And what will it take to actually get it going? Yeah, thank you.

Amelia Lee: Nikhil, would you like to start with some opening comments. And then maybe Dennis can add on for the first two questions and Johan for the third on Mobile?

Nikhil Eapen: Yeah, I think we are reaffirming our guidance such as you point out for the 20% EBITDA margin and for the Capex guidance are provided. You know, the nature of the expenses that we're taking on are a guide for service EBITDA margin are lumpy in nature, they're associated with IT transformation. They're associated with the Super App and moving to the cloud stack, both of which are pretty imminent events and they are contractual nature. So yes, it is due to timing. It does not mean that execution is slow, because the implementation of these things is fairly imminent, but the payments are contractual in nature and on schedule for 2H, but there is some more elaboration, some other items, which our esteemed CFO will handle.

Dennis Chia: Hi Sachin. So in terms of the investments as you mentioned, most of the what we call minimum viable products in terms of the releases that we're making in relation to the IT platforms and applications that we are working on, as part of our digital transformation journey will come through in 2H.



Accordingly, the expenditure is recognised in relation to this timing of releases will also be made in 2H. So as a result of that we've not seen any of it coming in a meaningful way in 1H. The lumpy nature, as Nikhil alluded to, is going to come in 2H. Second thing obviously in relation to the rollout of 5G network, and our endeavour to reach nationwide coverage as soon as possible. That will also translate into an increase in 5G wholesale costs, bearing in mind that the radio component of our infrastructure sits within our joint venture. And that's accounted for in terms of operating expenditure, as opposed to CapEx. So these two items in aggregate plus some of the some other items in terms of investing in talent and also certain other inflationary issues such as the ongoing utilities cost have all been baked in in 2H. And also investments and marketing costs to promote our Premier League proposition, which we are all excited for, for the first game that's coming through on Sunday. So all of that has been factored in into our guidance for the full year.

In terms of Capex, the trend for commitments in 1H, as I mentioned earlier, are typically relatively lower and proportionately lower in 1H compared to 2H. Again, as part of our ongoing 5G rollout in 2H which will accelerate as well as the IT transformation investments, some of which comes through in Capex will be made in 2H again, a lot of this has not been included in 1H. So that's, that's why we expect the Capex to catch up in 2H as well and therefore translating into the full year guidance that we've given which we reiterate for the full year.

Nikhil Eapen: I think it's worth repeating the same statement you made earlier that we expect to be at the low end.

Johan Buse: All right. On the last question related to the upside from roaming, and why that is not visible in this particular quarter. I would like to go back to that particular point. And we did have a few adjustments. One was an IFRS. And then the other one was a one-off in terms of (the absence of infrastructure revenue). If you take that into account, there is actually a very decent uptake in terms of revenue. It will have been 3% were it not for these two adjustments QoQ and 5.5% on a yearly basis. So we do see encouraging signals and obviously flow through from roaming, be it partially offset with some local revenue, reoccurring revenue pressure, but the offset is smaller than what the pick-up [from roaming]. Hopefully that's answering your question.



Sachin Mittal: That's right. Okay. That's very helpful. Thank you.

Amelia Lee: Thanks Sachin. Next up, we have Foong. Would you like to unmute yourself?

Choong Chen Foong: Yeah. Hi, good evening. Thank you so much for the conference call. Couple of questions from me. Firstly, with regards to the Mobile business, what is the 5G penetration for the StarHub subscriber base at the end of 2Q? And for the incremental 5G subscribers that you got during the quarter? Are they still paying the same premium? Or is this sort of softening as we reach out to a wider market? That's question number one.

Secondly, on the Mobile ARPU, you mentioned that there's still some pressure from lower excess usage revenue. Can you sort of share with us how much more of Mobile revenue or Mobile ARPU is coming from excess usage, and related to ARPU as well, on the IFRS adjustment? Does that also have cost implications as well, thus impact on the earnings is neutral? Or is that just deferring some of the Mobile ARPU to future quarters?

And then my third question on the content costs for the EPL, has that been included in your service EBITDA margin guidance? And I'm just wondering whether is the impact significant on its own or not really? Those are my two questions. Thank you.

Amelia Lee: Okay, Johan, would you like to take the questions on 5G, Mobile ARPU pressures and content costs? And then maybe Dennis can add on from content costs as well IFRS with his comments.

Johan Buse: So thank you for the questions. Let me try to answer them in a holistic manner. So we do see a continued uptake in terms of 5G subscribers. I think the last time we met you, we had around 400,000 there and today, we're well north of that. So that growth that momentum continues. We haven't changed anything about tariff plans and compared to 4G, the premium is still there. Having said that, to be fully accurate. There is obviously a trend in the market where people either take, I would say a premium 5G plan most of the time included with the device or they decide to go for a 4G SIM only. But as where we stand today, we still see that price premium there on 5G. We're very keen on making sure that we continue to leverage on that.



And in terms of the data usage and that sort of things around that it's interesting. We do see a significantly higher data usage on 5G subscribers without repeating the exact numbers. As compared to what we see on the device plans and the 4G SIM only. So hopefully that is answering your questions and gives us a bit of context on the content costs on the IFRS maybe Dennis is the best placed person to give you the correct answer.

Dennis Chia: Okay, so in terms of the first question on the IFRS adjustment, the adjustment is entailed against service revenue and the other entries against our balance sheet. So, in other words, the short answer is that it does impact our bottom line. So it is a P&L impact. The second question around whether our content costs in relation to Premier League have been factored into our guidance for the full year – absolutely. So naturally with the launch of any new initiative, including a Premier League, there will be marketing costs, product development around packaging, installation costs in relation to provisioning for our customers, and so forth. So all of that have been considered as part of 2H costs, which will be loaded upfront, and that has been factored into our full year service EBITDA margin guidance.

Amelia Lee: Okay, I hope that answers your questions.

Choong Chen Foong: Yeah, I have a follow up question. On the Mobile churn rate, so that one that the trend looks really positive. I mean, it's coming down compared to your previous quarters. But how should we actually read into this? Does it mean that the overall market is, I mean, subscribers, obviously moving a lot lesser around these days? And does that mean that competition is sort of starting to stabilise? And do you sort of see any opportunities to start perhaps better monetising on the back of this lower churn?

Johan Buse: Yeah, thanks for the follow up question. I think it's a very interesting and important question coming to think of it. We are working very hard. And we use solid data analytics to make sure that we minimise churn as much as we can. To your following statement, then, in terms of what does it mean from the overall market perspective. We believe that it's important to focus on quality. So the customers we add, obviously, are adding value. And we typically use port-in, port-out numbers as a proxy to make sure that we go on for quality subscribers, and that we do our best to basically offer the customers the right tariff plans. And if you then look at the underlying churn percentage between device plans in SIM-



only and no contract, which is sort of a daily exercise for us, we're actually very encouraged to see that across all these categories, churn is very low, and in most cases continue to drop. What that means to the total market is a bit difficult to say, but I would dare to think based on what we see at StarHub, that we're doing a decently good job to retain customers that value of service. And we do see encouraging signs as well of those customers taking up more products and services, which we're offering. So hopefully that gives you a bit more context.

Choong Chen Foong: All right, thank you so much, Johan and Dennis.

Amelia Lee: Thank you Foong. Next up, Paul.

Paul Chew: Thanks so much for the presentation. Just a couple of questions for me. The first will be just on the expenses. There are many moving parts, in expenses with some acquisition, some is DARE+, could you just isolate a little bit just which parts of your operating cost lines are related to DARE+ investments. So we can kind of track that. Maybe that can normalise in future.

My second question is just on roaming. Does your margin guidance incorporate roaming returning and related to roaming just wanted like so I know, still early, just probably two months, but like what has been the take up rates? The margins? Has it been trending similar to pre-pandemic or even better? Just one last one, again, just following up on Foong's question - could you just elaborate a bit more on the IFRS adjustment? So does it mean that when roaming increases, the impact won't be that significant upside? I'm not very clear on that. Thanks for taking my questions.

Amelia Lee: Okay. Dennis, would you like to take the questions on expenses DARE+ investments as well as roaming, whether it's included in guidance and the IFRS clarification.



Dennis Chia: Okay. Hi Paul. So, okay, I'll start with your question around, where we would be capturing the DARE+ investments. They are actually captured in different lines. But primarily when if you look at the IT transformation costs, and the license costs associated the software that we have had to pay and we will be paying in relation to the releases for the platforms and applications that we'll be launching in 2H, they will be recorded against the repairs & maintenance line in the P&L. So that's the line item that you will see coming up. Just bear in mind that for 1H, it hasn't really come through yet. The 1H IT expenses primarily relates to our ongoing outsourcing arrangements that we have in place.

Your second question with regards to roaming, and whether that's been included in our guidance? Absolutely. So we started to see roaming coming through from the start of the year in a small way, as borders started to reopen. They have picked up in some shape and form in 2Q and we do expect as borders start to reopen, and the one that we are really watching out for is China and when that reopens because that that is a significant contributor to our overall roaming pre-pandemic. But one of the key contributors to our roaming is the border with Malaysia and the fact that it's now reopened, that has contributed to our roaming recovery as well. I will stop short of giving you the absolute recovery. Needless to say, it has not come to the levels that we saw pre-pandemic.

The other piece of roaming is that the recovery comes primarily from consumer roaming, the business roaming recovery has not come in in a meaningful manner yet. So I just wanted to make those notes as far as roaming recovery is concerned. Why you don't see that coming through fully in the numbers and baked in numbers? There are moving parts relating to competitive pricing pressures that we continue to see in the market.

The final question on IFRS. Without going through an accounting lesson, this IFRS adjustment is primarily relating to subsidies and handset subsidies that we gave in the past. And so as we threw up the level of subsidies that we provided over the 24 month contract, some of these adjustments, or perhaps were missed out in the past, something that we're actually adjusting, so that's to put it as simply as I can in relation to this topic.



Paul Chew: Thanks so much. Can I just trouble just one more housekeeping item. It's just on the 5G wholesale costs. So you will have to pay that that wholesale cost to the joint venture, but at the same time, you'll be getting something back. Will there be like a revenue line at the joint venture, because that joint venture will making some revenue. So just wanted to clarify that. Thanks.

Dennis Chia: So the 5G wholesale cost we refer to is net of what we call the recovery income. So there is a revenue item. You're absolutely correct. So that's the net impact of the of the costs, which obviously exceed the revenue.

Paul Chew: Okay, thanks. Thanks so much.

Amelia Lee: Dennis I think that's under the share of profits for joint ventures line, right?

Dennis Chia: No, that is for the share of profits from Antina, but there is that costs a wholesale cost, which is recorded as cost of sales.

Amelia Lee: Okay. Next up, we have Hussaini.

Hussaini Saiffee: Yeah. Hi, good evening, and thanks for the call. A few questions from me. First on the revenue guidance and assuming that Mobile is you know, the roaming revenue is improving, then we have the EPL revenues in 2H. Why the revenue guidance is still, you know, more than 10% when the 1H is okay at 12% and we are expecting better growth in 2H? So just to get a better clarity on the revenue guidance.

And the second question is more of a housekeeping D&A expense was down compared to 1H of last year? What drove the decline in D&A expense? Thank you.

Amelia Lee: Dennis, would you like to take those questions?



Dennis Chia: I'll take your second question first. So on D&A, there are a whole bunch of IT systems primarily that we accelerated the depreciation on as we prepared to embark on our transformation program this year. So the transformation program entails a replacement of what we call the IT stack and the platforms and some of these legacy systems are systems that we will be sunsetting or have been sunset. As a result of that, you know, we accelerated depreciation around last year and that doesn't come through on a like for like basis this year. So that's, that's primarily accounting for that D&A decrease. Johan?

Johan Buse: Yeah, in terms of the revenue forecast for the rest of the year? - was your question. I mean, we obviously expect an interesting flow through from Premier League going forward. We do also expect the continuous uptake in terms of roaming revenue. But the big question mark – that will be whether China will open later this year, yes or no. And that's partially obviously offset by I would say challenges on the Mobile side, the local market in terms of competitive side, as well. And as you can imagine, they're still shifting to certain degree to SIM Only. The big question mark for the second part of the year in which we find it difficult to assess what the new handset launches will do. And that is also related to the supply chain. So that's a little bit on the context in which we operate, we see a great flow through on the home Broadband side. And we expect that to continue, there's no reason to think differently, and Entertainment we've already referred to. So that's a little bit sort of the outlook the landscape to the Consumer lens, from a revenue perspective, hopefully, that satisfactorily clear.

Dennis Chia: So I'll kind of just add on to that. And Johan has alluded to ongoing supply chain issues, that has some level of impact on our Enterprise business and revenues. And as well as our you know, in other lines of our business, primarily the Regional ICT business that we have in Malaysia as well. So all of those macro factors are things that we don't have complete visibility over as to whether borders will remain permanently open. We all hope so. But there's no guarantee and no full certainty of that trickling through and staying its course to the end of the year. So without an ability to really predict how the macro factors are going to play out – you know, notwithstanding that we did exceed our guidance for 1H, we do believe we will continue to do well for 2H - but there are factors that are external, beyond our control.

Amelia Lee: Hussaini, does that address your questions?



Hussaini Saifee: Thank you very much.

Amelia Lee: Thank you. Next up, we have Arthur.

Arthur Pineda: Hi, thanks for the opportunity. Just one question. Can you clarify in your comments on competitive factors, driving down Mobile ARPUs? What are you seeing in terms of pricing, because when I scan the market on pricing, they seem to be generally better, at least among the main brands, the subsidies seem to be quite lower as well across the board. So what's softening the ARPU improvement?

Johan Buse: Okay. Thanks for the observation. Yeah, I speak obviously, from the knowledge we have about our operations, and we are very diligent in terms of subsidies. But the reality is that there is still a shift ongoing from consumers from device plans to SIM Only plans. That's one and that has an ARPU effect - on the reoccurring local revenue basis, that is.

The other one to watch out for which you said it correctly, you refer to main brands, but we obviously look at the total market. It is a little bit of competitive pressure in the MVNO market on the lower end tariff plans, and we do see there is a bit of a tendency, of I will say, ongoing slash intense competition on the \$18 versus \$20 SIM Only plans and then there is a category on the \$10, which we do keep an eye on. We will continue to differentiate. I think we also had a bit of a discussion about inflationary pressure which we need to keep an eye on. So it's a quite a complex pricing and competitive arena which we operate at this point in time.

Amelia Lee: Thanks, Johan. Arthur does that answer your question, or do you have other questions?

Arthur Pineda: Yes, it does. Thank you very much.

Amelia Lee: Thank you. Next up, we have Varun.



Varun Ahuja: Yeah. Hi. Thanks for the opportunity. I've got this one question. So if you look at your strategy that you elaborated early in the year, obviously, you talked about investment, and then those investment paying off in two to three years horizon. If I look at this year, a large portion of growth is driven by the M&A that you have done, whether it's JOS or MyRepublic. Now looking at current macroeconomic background, high inflation and your strategy towards those transformation or Super App strategy, when you look forward over the next two to three years has anything changed in terms of your expectation of growth, from the investment that you're making, because of the inflationary pressure with whatever you thought audience so just wanted to understand. Looking at the change that has happened over the last three to six months, any change in the management thinking of about the investment that you're making and the rewards that you were expecting earlier versus now that that's number one. Yeah, and on the M&A side, any color that you're looking at right now the gaps that you're looking to fill versus previously that you thought - any clarity on that front will be helpful. Thank you.

Nikhil Eapen: Yeah, so let me check that in a few different pieces. So, you know, with respect to DARE+, it's sort of divided into three areas, you know, that roughly straddle execution and financial outcomes, which I think gets to a lot of what you're looking for.

So on execution, there are really two things. There's our ongoing product rollout. And then there's our ongoing platform rollout. Now, our ongoing product rollout on the consumer side, I think we're quite happy with. We've executed very well, in some sense, beyond our expectations. Johan talked about the fact that we launched our 11th OTT platform Viu, we've seen good take up across the board, we're launching our 12 OTT platform, you know, EPL – OTT as an app for the first time in the world, I have to say. We've also launched product and peace of mind, like travel insurance. And Enterprise, we've launched products across cybersecurity, cloud and connectivity, really, in an effort to bring all that together single platform use cases. So that all has been continuing well, right.

Then on the platform side of things, you know, roughly speaking, there are lots of different things going on. But roughly speaking, there are three things. That's the digital engagement side of it, which we call Super App. The second piece of it is the Cloud IT Stack that it sits on, which is really important, because you know, we've talked about in various forums about moving away from kind of legacy, telco bespoke highly customized stack, non-scalable to something that's agile, scalable, really fast product cycles, really



fast change cycles. And then, you know, the third is a data lake capabilities, which come a little bit after. So on the platform side of it, a lot of this is either very imminent, or you know, it's kind of within the next six months. So we are on the cusp, and we're quite happy with our platform execution.

Now, to your point on financial outcomes, you've seen where we are, for 1H of the year, we've been very clear about where we're going to be for 2H of the year. And the fact that we are reaffirming our guidance, albeit on Capex, you know, talking about maybe at the low end. And that's where we are for today. So that we affirm that we're quite happy with, you know, the macro is volatile, we continue to look at it, we continue to monitor, you know, our transformation program. And that's what we continue to evaluate and do and we'll come to you with that guidance on the usual timeframe in February.

Farewell

Amelia Lee: Thank you, Varun. We still have time for maybe two more questions, if anybody else has anything to ask our senior management. We'll just give it maybe five seconds more. Otherwise, we can end the call early.

Nikhil Eapen: This is very unusual guys. Guess everyone's having a tough week.

Amelia Lee: Okay, last call.

All right. If there are no more questions, you know how to get me. Thank you everybody for spending your evening with us. And as always, please feel free to reach out if you have more questions or if you want to catch up with management. So till next quarter, bye bye.

- End -