



## StarHub Ltd – 1Q2022 Business Performance Update 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

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**Amelia Lee:** Hi - Good evening, everyone. My name is Amelia and I take care of StarHub's Investor Relations. Thank you for joining us for our 1Q2022 business performance update call. This evening, our Chief Executive, Nikhil Eapen, will lead the senior management team in a quick presentation on our 1Q2022 financial and business highlights. We will then open the floor to Q&A thereafter. Nikhil, over to you to introduce the senior management representatives for the evening and then to start the presentation.

### Presentation

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**Nikhil Eapen:** Thanks, Amelia. Thank you all so much for joining us this late on a Friday evening. Ahead of a long weekend. We really appreciate you taking the time to hear about our first quarter. So today, I have with me, Dennis Chia, our Chief Financial Officer. Our Chief of Consumer, Johan Buse, both of whom you know, and for the first time, I'm pleased to introduce Kit Yong, Head of our Enterprise Business Group. Kit Yong has been with us for a few years, and has been leading and driving a lot of our growth initiatives around green-tech managed services, ICT and telco, 5G, IoT, etc. So he's here to talk about Enterprise and what we're doing.



So with that, I'd like to start by talking about our 1Q results. So as usual, I'll perhaps start with one or two quick caveats, which have changed a little bit. So as you look at these numbers, please consider that. We are glad to have had a strong first quarter but this was a still in the face of escalating hyper competition, particularly on the Mobile side. You know, COVID-19, however, was a caveat in the past but is receding and we are seeing partial roaming recovery. Now looking at revenue and service revenue, as you can see, we were able to grow service revenue, up by almost 11% YoY. And this was lifted by good growth in Postpaid Mobile, strong growth in Broadband, growth in Entertainment, strong growth in Cyber, Regional ICT scaling up with a bit of drag from Prepaid and Network Solutions eroding. We also consolidated JOS Singapore and Malaysia for the first time; we closed the acquisition in very early January. And the consolidation contributed about S\$28 million of revenue.

And now looking at EBITDA, we were down YoY, as we anticipated, and as we talked about, as we invested for DARE+, we were able to achieve an EBITDA margin of 24% which is running well ahead of what we had anticipated. And against our guidance for 2022 of about 20%. We were able to do this by managing fuel cost, achieving some efficiencies and by virtue of delay in some of our IT transformation expenses. And our net profits, similarly, was also down but higher than anticipated. And as Dennis will talk about in a bit, we also spent money on capex for DARE+ but that was less than anticipated.

So looking at our segmented numbers, looking at Mobile revenue was up YoY but by about 4%, but the Postpaid revenue growth impact was actually much stronger YoY. Now this was driven by the fact that we very judiciously added subs on both our own brand on Postpaid, as well as on giga! and we did that without diluting ARPU. In fact, ARPU has been stable and rising.

Our 5G adoption has also been strong. Johan will talk about both. And both our Postpaid ARPU, as well as our 5G adoption are at the highest levels in the market. Churn is also at historically low levels, continuing to trend down, and it's something we're pleased about because it achieves very high customer lifetime value.



Now looking at Broadband. Broadband revenue grew almost 10% YoY. We have been able to grow Broadband revenue consistently over the last four quarters. We did this by continuing to drive take-up of 2 Gbps plans with infinity play entertainment services fueling consumption. And again here, as a result of that, we saw stable and rising ARPU. And one of the things you saw last year - that we have been talking about with you - is that we used last year to flush out our legacy discounted sub, that job has been done. And in fact, this quarter, we started to add Broadband subs alongside stable and rising ARPU, hence the revenue growth.

Now moving to Entertainment. What we have done in terms of a bit of a reclassification is moved OTT revenue from Mobile and Broadband into Entertainment. Entertainment revenue had a 3.9% increase YoY. There's some offset, as always, we grew hybrid TV+ and OTT subscribers dramatically, and this was offset to a small degree by the continued cord cutting in linear Pay TV. And again, putting aside the reclassification, we saw stable and rising ARPU, as we drove more product across OTT, Entertainment, Gaming, etc. In fact, you may have seen that we announced the addition of Viu today, as our 11th OTT streaming service. And we have on the way – EPL, which we are doing for the first time as an OTT streaming service as well. So we will have 12.

And then last but not least, Enterprise in aggregate, continued to deliver strong growth for us. We actually grew Enterprise revenue by 19% YoY. And this was driven by strong growth in our Cyber business, an increase in the scale of our Regional ICT business, partially offset by erosion in Network Services. So with that, I'll hand off to Mr. Dennis Chia.

**Dennis Chia:** Thank you Nikhil. Good evening, everyone. And thanks for joining us. I'm now on slide number six. And we'll recap the headline 1Q performance against the guidance that we had provided the market with at the start of the year. On service revenue, we had guided to an at least 10% growth YoY in service revenue. 1Q numbers, the actual performance was 10.7% increase in service revenue. This is ahead of guidance.



Our guidance for service EBITDA margin was at least 20%. For 1Q, the margin that we recorded is 24.2%. Again, ahead of our guidance and for Capex we had guided to 12% to 15% as the range for Capex on total revenue, and for 1Q, our Capex is 11.6%. Now these results are better than guidance across the board. For a number of initiatives obviously, in terms of revenue, we had consolidated for the first time, the JOS Singapore and Malaysia numbers that Nikhil had mentioned, but there are also improvements in our cyber security revenue YoY. As well as a very positive trends in our Postpaid, Broadband and Entertainment revenues, which Johan will enthusiastically share with all of us.

On service EBITDA margins, again it is better – a function of some optimisation of certain discretionary expenses. But, you know, there was also some timing delays in terms of investments that we had intended to make, and we'll be making in respect of our IT Transformation. Similarly on Capex, there were some delays, timing delays in terms of the incurrence of some of these effects for IT Transformation initiatives which are well underway. And you will see this coming through in subsequent quarters. On slide number seven – 1Q numbers for service revenue \$417 million. EBITDA of \$109 million. Service EBITDA of \$101 million. Service EBITDA margin of 24.2%. Our net profit for the quarter, \$29.7 million, which is very similar and comparative to the level a year ago. This translates to about 1.6 cents on EPS basis.

Our free cash flow for the quarter was negative because of certain payables that we had discharged during the quarter. So this is really a timing in terms of working capital requirements. And as a result of that cash and cash equivalents at the end of 1Q stood at \$753 million, leaving our Net Debt to EBITDA ratio at 1.26 times, which still provides us significant headroom and balance sheet capacity to fund our future growth. And on that note, I'll hand the floor over to Johan.

**Johan Buse:** Thanks, Dennis. And good evening, everyone on this lovely Friday. I'm going to take you through Mobile, Home Broadband and Entertainment and a bit of a quick peek in the kitchen. So Postpaid APRU Nikhil referred to, flat a few moving components, obviously, we're seeing thanks to easing of COVID-19 more roaming, so that's good, that's reflected as a plus. But we do continue to see pressure in the local market, reflecting lower out-of-the-bundle revenue, as we call it.



We did add 84,000 customers over the year and 70,000 in a quarter. And on top of that, we actually exceeded the 400,000 mark in terms of 5G customers, which is a real good performance. You'll see that across the different product lines, churn is historically low. Postpaid was close to 0.8% churn, which you can see is significantly lower than last year, and it's a real great performance actually in line with 4Q. So that's really good. Prepaid is a difficult segment due to till now COVID-19 restrictions as well as I would say, competition in the local market from low end Postpaid SIM Only. We do see a trend change in March on the back of opening borders, and more traffic coming in – in terms of roamers, or potential visitors, I should say. So you can therefore see that the subscriber base is starting to increase and we're hopeful that will reflect in revenue in the quarters to come. So overall, almost 4% growth in terms of revenue. Historically, seasonality – 1Q is always a little bit lower than 4Q. So all in all, great performance on Mobile and average data usage, of course, as you will understand continues to increase of course – 13Gb at in the moment on Postpaid. So that's Mobile, moving to Home Broadband.

Home broadband – last quarter, you will remember there were a few questions around the customer base development. Nikhil alluded to that just now. In fact, we actually added 400 customers net positive to the quarter. That's why you see here, a flat number as well as ARPU is up compared to last year and is currently trading at \$33. We have been doing really well in 1Q on the back of a number of promotional activities, adding a significant number of customers on the 2Gbps plans and moving trading-up customers to the 2Gbps plans. And that's reflected in the revenue growth; close to 10% YoY and no less than 5.5% on the quarter. So that's a real great performance on Home Broadband.

We crossed the mark 450,000 customers on total Entertainment. So that's classical Pay TV as well as OTT. And again, also here combined with a low churn rate, I forgot to call out Home Broadband - 0.5% churn only and that is really low. So that's a good quality number. Same for Entertainment, we are down to 0.8%. So it has been gradually decreasing – the churn in Entertainment. ARPU down a little bit due to the composition of the subscriber base having more OTT compared to classical linear. Segment revenue, therefore 4%; close to 4% up and flat, QoQ.



So for Entertainment, it is a profitable business now, we came a long way, and it's in a good shape. And I'm sure you will have a lot of questions later. Because if we move to the next page, we're going to talk a little bit about what is coming in Entertainment. And as you know, we have signed an exclusive agreement with Premier League for Entertainment. And we're going to bring it in a very different way. I'm sure you have questions later on. We currently have 11 mainstream OTT offerings on our platform, quite a few of them are unique to StarHub. So that's a real great customer experience. And we see that flowing through in net promoter scores.

We also have been addressing a key pain point in society related to fraud, cybercrime, and everything else. So we've launched recently two products, CyberCover, as well as CyberProtect, and we do see very encouraging updates on that, and good customer feedback. And then the last one, which we are still working on very hard that we launch end of last year is cloud gaming.

We've launched a partnership with ASUS not long ago, and we're continuously expanding, you'll see quite a few activities coming in cloud gaming in this quarter. On 5G and Network and mentioned that already. But what is even more important is that we continue to be the most awarded network in Singapore. We garnered also in 1Q quite a few accolades related to network performance. So all in all, we're very pleased with these results for 1Q from the EBG side; from the consumer side. And then I hand over to the new 'Kit' on the block, Kit Yong for the Enterprise.

**Tan Kit Yong:** On the Enterprise front, Nikhil has mentioned, it's a YoY growth. And if you break it down, when it comes to network solutions, we are still seeing intense competition resulting in lower revenue from Data & Internet, Managed Services and Voice services. When it comes to cybersecurity, YoY, it's growing. QoQ, it declined for a simple reason - for project-based recognition and they are seeing lower orders compared to 4Q. But having said that, in terms of operating loss, it's a \$1.4 million compared to last year's \$3.6 million, partly due to higher margin and offset by higher staff costs. In terms of Regional ICT services, we are seeing higher revenue due to consolidation of HKBN JOS Singapore and Malaysia and also that we are seeing operating profit of \$0.8 million.



Right, realising the enterprise growth, obviously, the three C's - Connectivity, Cloud, Cybersecurity, we are maintaining our 5G leadership through our 5G Digital Experience - we have set up a showcase; we have good bookings from our different clients from different industries. Looking at our showcase of 5G solutions, we have created new 5G Digital Workspace solutions, and we are seeing quarter to quarter growth with new contract wins. We're turning on more mobile services to manage Mobility Services.

And in terms of Cloud, we have introduced new Cloud Connect services. And we also got new wins in the Cloud Connect services. When it comes to Cybersecurity, we talked about launching SASE last year. And we actually won a multi-million dollar SASE contract today. We also launched a new SASE services for SME. So security is really in our DNA from Consumer to SME and Enterprise. And we continue to harness our synergies with the new acquisition. For example, we have better with new wins, rather quick wins. We have new proposals that we send out with a combined capabilities to our clients. And we also launched CyberSecure business solutions as a combination of partnership with global technology partners and Palo Alto, Veeam, and with Ensign to give an end-to-end security view for our clients.

When it comes to green tech managed services, we're getting new wins. When it comes to NUS, it's a classic example where we've co-created new solutions with engineering, enterprise network and 5G and we've created a sustainable solution for them. And we are seeing more traction with other clients, other industries, who are looking to be sustainable, who want to be green, and with 5G use cases. So we're going to continue to co-create together with them. Right. That's all from me from an Enterprise growth perspective.

## Q&A

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**Amelia Lee:** All right. Thanks, Kit. We'll now open the floor to Q&A. To join the question queue either click on the raise hand button or indicate your name and organisation in the chatbox. I'll call upon your name when it's your turn to speak and you can unmute yourself and converse directly with management. Who would like to start the ball rolling? Arthur, please go ahead.



**Arthur Pineda:** Hi can you hear me? Thanks for the opportunity. Just a couple of questions, please. Firstly, just to clarify with regard to the cost trends. You've mentioned that some of these cost items have been pushed back. Are these expected to catch up in the subsequent quarters or some of them have actually been stretched out into the next years. Also, does the guidance actually include the impact of EPL? Because presumably that content costs is actually quite significant as well. Thank you.

**Amelia Lee:** Thanks Arthur, that sounds like a question for Dennis for the cost trends and guidance.

**Dennis Chia:** Okay. Hi Arthur. On the cost trends – yes, we expect to incur the cost for the IT transformation and digital transformation initiatives this year. We are expecting to onboard the releases, which are associated with the transformation initiatives, and management is working extremely hard to get this on stream so as to deliver the outcomes in a subsequent year and beyond. So the short answer is we expect these costs to come through in the subsequent quarters. In terms of the guidance, we have not changed our guidance for the year, which then therefore implies that we've taken on the impact of Premier League into the numbers. And there is a long memory in terms of the cost of Premier League. But the things that we're doing, we expect to generate significant value in relation to that content, which Johan will obviously preview in the subsequent months. So we expect the impact to be pretty positive over time.

**Nikhil Eapen:** If I could just add on each of those points. So, you know, we talked about DARE+ a lot. And our intent is to incur cost fast, drive the transformation process, and start harvesting by the second half of next year. So what we don't want to do is delay our execution and pace out the cost too much, because they would also phase out the harvesting of the results of DARE+. On EPL, I guess all I would say is I would hesitate to analogise the past too much with the current. We're doing EPL very differently, on an OTT app based streaming format. You know, stay tuned, we will share more.

**Amelia Lee:** Hi Arthur, does that answer all your questions?

**Arthur Pineda:** Yes very clear. Thank you.

**Amelia Lee:** Thank you. All right. Next up, we have Hussaini.





**Hussaini Saifee:** Yeah, hi, good evening, and thanks for the opportunity. Just couple of questions from me. First, did some, you know, softness on the Mobile side or the Prepaid side. And you alluded that, you know, the competition remains quite intense. So just want to understand from where the competition is coming. And with, the opening of the borders, what, how should we see Mobile growth, trending at – means the 3.8% or 4% growth booked into first quarter? Should we expect to see acceleration on that side, given the reopening? And the second question is on the Strateq revenues, means that the revenues were soft. So just want to understand how should we see it going forward? And what is driving the softness? Thank you.

**Amelia Lee:** All right. Johan, would you like to take the first question?

**Johan Buse:** Yep. Thanks for the first question. So the first question was first and foremost related to Prepaid and the question was what is driving competition. Prepaid has been until - I would say last year - relatively isolated from the price competition in the market. But having said that, that has changed. Historically, quite a fair bit of the Prepaid revenue came from what we call tourist SIM cards, or SIM cards sold to foreigners coming here for a short stay. The competition for prepaid at the moment is mainly coming from the low-end Postpaid SIM Only market. And increasingly I would say, from some more aggressive prepaid offers in the market, which is good, offset by more tourist activity.

On your question, how will this sort of pan out in the months to come? I think it's too early to comment on that. Obviously, the markets are opening, but also one important, I would say inbound tourist market is still closed, which is China. So that's something we need to be mindful of and keep an eye on. But we are definitely hopeful looking at end of March, early April numbers that tourism parts of prepaids will pick up further and will help us to offset. So hopefully that answering your question on prepaid.

**Hussaini Saifee:** Thanks for that. So I mean, so what I'm getting is that the tourist part or the tourist SIM card is driving; we should expect you know, growth on that side, but just want to understand any color on the roaming side, inbound and outbound roaming linked to you know, business travel and all?



**Johan Buse:** Sure. So if we talk about roaming across the board, again, we have seen since December, progressively improvements on both inbound and outbound roaming. We need to see coming – actually this is an important month to really gauge this, I would say in a more accurate way because this is really the first month that things are opening up from a travel perspective and easier. I'm sure that if you talk with people around you, a lot of people have plans to do short trips, either Malaysia or other countries. And the roaming, I would say recovery is still quite modest if you compare it before COVID-19. So we have quite a way to go. And that will be very much dependent on how borders are opening, what are the formulations for customers to travel and the appetite to travel. So we're hopeful that that will be improving in the months to come.

**Amelia Lee:** Dennis, would you like to answer the question on Strateq?

**Dennis Chia:** Sure. So on Strateq, typical with the project revenue recognition, it's the timing of recognition of certain projects based on the timing of delivery of those services. Strateq has made attempts to increase the percentage of recurring revenue in terms of the business model and that's something that management has delivered. And you'll see that coming through. But also as a note that pipelines and order books remain healthy. So it's just a question of the timing of recognition of revenue for 1Q.

**Amelia Lee:** Thanks Dennis, and Hussaini, I hope that answers your question.

**Hussaini Saifee:** This is very helpful. Thanks, everyone.

**Amelia Lee:** Next up we have Aishwarya.

**Aishwarya VR:** Hi, Amelia. Thank you. So hi, this is Aishwarya from JP Morgan. I had a couple of questions. So the first one is on the Mobile pricing. Do you see any recovery in the market? Or do you see something going forward, which will subsequently affect the Mobile revenues as well? And the second one was, like, I think you mentioned in the presentation that the that there has been higher D&A costs in 1Q. So is that related to the acquisition? Or is there any other reason for that? Thank you.



**Amelia Lee:** Hi Johan, question to you please.

**Johan Buse:** Thank you for the question on the Mobile pricing. Sad to say, it's very difficult to assess at this point in time where pricing trends are going to. Unfortunately, the pricing competition is a real thing still in the market, particularly on the SIM Only side. We are however, following a strategy where we diligently are working on differentiation of pricing, and offering more benefits to customers rather than just a pure price offer. So based on the latest offers, I think it's really difficult to say whether there is a recovery or not the I mean, revenue and Mobile will be definitely, if I can use that word being recovered. That's an expression by roaming, because that is a sizeable amount of revenue in this market. And as we've just discussed, with COVID easing off, we see that actually coming back progressively, but that does not take away the local price competition, which is there. So I wish I could give you a bit more guidance in answering your questions. But there are pluses and minuses always. And we need to keep a close eye on the latest trends in terms of pricing.

**Amelia Lee:** Thank you, and Dennis, the question on D&A.

**Dennis Chia:** Okay, so on D&A, as you know, we've onboarded a number of new entities into the StarHub group, and there are purchase price amortization associated with those. So those have started coming through in the form of the Strateq ongoing amortisations, as well as the JOS amortisations that have come through. On the baseline depreciation, we have sunset a whole bunch of IT legacy systems as we are getting ready to onboard the new ones. So when they come on stream, note the depreciation on those investments will be recorded in our numbers as well. But as of now, they have not come on stream.

**Amelia Lee:** Thanks Dennis. Aishwarya I hope we've addressed your question?

**Aishwarya VR:** Yes, they have. Thank you.

**Amelia Lee:** Next up we have Neel. Could you please unmute yourself.



**Neel Sinha:** Hi, evening everyone. I've got three questions. The first is sort of very high level on the group revenues, right. So if you excluded JOS contribution, I'm looking at the sequential trends that would have been quite poor. And in terms of sequential trends, so if you can provide some color on that - both, either on a total revenue basis or service revenue basis, and I assume JOS doesn't have too much of equipment sales involved.

The second question is as you can do with Mobile down sequentially again, 0.7% - I'm trying to understand some of the dynamics here. You've added quite a few subscribers QoQ, ARPU is flattish to slightly up for the Postpaid segment. Now ARPU for the Prepaid is down by \$2, the subs have gone up sequentially through in terms of revenue impact, it's pretty much flattish. So, what's sort of going on here in the presentation, in a higher way roaming and subscription revenue, which is good with gradual opening up, but offset by lower IDD and excess revenue usage. So, maybe this is not a sequential question. But YoY, I would have expected there would have been even lower IDD revenue back last year this time, right? So maybe I'm missing something if you could help me understand that slide on the Mobile Postpaid.

And my third one, I suppose is for you, Dennis. It's on the cash flow. So we've got negative free cash flow. On a sequential basis, the total revenue is down from \$14 million, that's not a huge amount, service revenue is slightly higher over 4Q, operating expenses slightly lower, what you mentioned is you're accelerating the transformation and Capex. But Capex had been an underspend compared to the guidance at 11.6%. So I suppose my question is when you get to 12% to 15%, for the rest of the quarters should we continue to see negative free cash flow? And if so, where do you think your gearing levels would approximately be at the end of the year? Those are my three questions. Thank you.

**Amelia Lee:** Thank you. Dennis, could you please address the question on revenue and cash flow?



**Dennis Chia:** Okay, so Neel, on the question of service revenue, obviously, if you look at the fourth quarter of last year, typically there's a whole bunch of things that typically happen at the end of the year. Particularly in terms of timing of recognition of certain projects revenues, in our ICT business for Strateq, as well as the Cybersecurity revenues from Ensign. So the revenues typically tend to be relatively and proportionally higher at the end of the year compared to the start of the year, which typically is a slower quarter. So it's a question of timing. We monitor these businesses by looking at their order book and their pipelines. As I mentioned earlier, the order books and pipelines for Strateq and JOS, are all still at healthy levels. We obviously endeavour to grow them further. And the order books for Ensign are also extremely healthy. So it's just the timing of recognition of revenue for the 1Q revenue sequentially. I hope that answers your question on service revenue?

**Neel Sinha:** Got it. Thank you, Dennis. So, okay, that kind of explains. Yep.

**Amelia Lee:** Okay, next question on cash flow.

**Dennis Chia:** Okay, so I'll take your last question on cash flow. So in 1Q itself, we actually discharged and paid off a whole bunch of payable. We did not intentionally delay this into 1Q from last year, it was just a question of the timing of payment of these payables based on actual payment terms that we had with our third party vendors. So we actually paid off a whole bunch of this to the tune of about \$60 million. So it's just a question of a timing in terms of a lump sum payment that we actually made. So to your other question, in terms of whether we expect the negative cash flow trends to continue for the rest of the year? The short answer is no. And in terms of where the leverage ratio will end up at the end of the year, we do not provide guidance on that. So you know, because this is an important point for us in our negotiation of bank rates. And this is not a piece of information that I would share at this point in time. But I would give you assurance that we do expect to end the year at still a fairly healthy leverage ratio, which we always as management says that we would manage. So we do expect that to be the outcome when we end the year.



**Nikhil Eapen:** Neel, I think it sort of goes back to our guidance on DARE+, the 30% EBITDA margin going down to 20%. And then what we achieved on Capex as a percentage of revenue last year of 4%, but really going to the 12% to 15% that we guided to. So, net net, we are going to be down on cash flow for the year from last year. But that's what we're doing with DARE+, we're investing upfront, but to Dennis's point, you know, leverage ratios will still be healthy by the end of the year.

**Neel Sinha:** Understood, thanks, that lump sum lumpy payment aspect is something that obviously I didn't see on the slide. So I was scratching my head about that. Thanks Nikhil, thanks Dennis. And my other question was a bit of color on the Mobile.

**Johan Buse:** I didn't forget. Okay, so Mobile. Mobile revenue YoY Postpaid is up. It is actually Prepaid, which has been a challenging segment in the market. Now, Postpaid, if you look at ARPU, that was actually a question. There are three key drivers. So number one is obviously roaming, which comes back to a certain degree in the ARPU. And as you will understand that is definitely higher than it was a year ago. But far away from what it used to be before COVID-19. So that's item number one.

Item number two, which is really not to be underestimated is the ARPU impact of customers moving from a traditional handset bundles plan to a SIM Only plan, which as you can understand, does bring the ARPU down by quite a fair bit. And then the third one is the opposite effect, which is customers moving to a 5G plan, which is typically \$10 to \$15, higher than an equivalent 4G plan. There's quite a few moving components or in that the items which you refer to like, IDD and out of bundle data revenue are not so substantial anymore. So there are some fluctuations, but that is to a lesser degree impacting the ARPU or the revenues, I would say. Prepaid is a separate, I will take care of.

**Nikhil Eapen:** Johan, I think before that, I think Neel's question was also on the sequential trend for Postpaid.



**Johan Buse:** So the sequential trend in Postpaid if you look at subscription revenue is actually trending up. So that's a good sign. And there is also then separately the roaming elements which comes in going forward, which we expect to further increase. So that's on the positive side. So hopefully, that's addressing your question in more detail. Prepaid is very different, I think Prepaid and coming back to the earlier question on that there is a price - I would say price pressure on Prepaid due to what's happening on the low-end Postpaid SIM Only, and within Prepaid increasingly. And then secondly, which is an up going forward, inbound tourism, which is again, not to be underestimated quite a sizeable part used to be of the Prepaid revenue.

**Neel Sinha:** Thank you. Oh, if I may have just almost 95% of it. The part that confused me a bit is the first bullet point on the Mobile Postpaid side, which is higher roaming and best expected to open up. Why is that offset by lower IDD and access usage? I would have thought that would have been worse in the previous quarter. And if I can ask you to sort of crystal ball type of opinion, roaming historically is about double digit of the ARPU or slightly higher, if I remember, where do you see that in this new environment to the recovery? Will it get back to those levels? Or now everybody does stuff on WhatsApp...

**Johan Buse:** Okay. Let me start with the second part of your question first, and forgive me that I'm not going to answer your very explicitly or directly, but consumers have a need to be connected. I mean, you can imagine also, with all the safety app, and check ins, there is a need for data connectivity in a convenient manner. So we're hopeful that there will be a restoration going forward to the degree I can't give you the number that will be not prudent from my side. That's something future will prove.

On the first part of your point around IDD and lower data access usage. Data access usage is a thing of the past. When data bundles were small, typically people would overrun from time to time that data bundle allowance. But if you remember, 12.9Gb is the average data usage of a customer. Most of the data bundle the path so that's why it's gone. All right.

**Neel Sinha:** I'm sure there are those in the queue. So it's basically unit data price compression that is doing that.



**Johan Buse:** Yep.

**Amelia Lee:** Thank you Neel. Paul, you're up next.

**Paul Chew:** Thanks so much for the presentation. Hope I'm not holding this up. Just a few questions for me in terms of the EPL, you know that there was always a plan for Pay TV to keep the content costs variable. So at the same time you're bidding for this. Are you bidding with the expectations that the pool of customers will be growing more significantly than in the past? That's my first question. Sorry, got four more.

But the next one is just on the cost structure, we understand that you have the transformation costs element to it. But from this quarter so far, the higher cost seems to come from occupancy which is electricity, staff cost which is from JOS and Cybersecurity. So I'm not sure which parts of the cost is actually the so called transformation costs, if you could help me out in that, thanks.

My third question, for roaming just to confirm has there been any change in the profitability or economics of roaming compared to pre pandemic levels? Final, last two, for Cybersecurity, higher revenue YoY and at the same time, higher losses YoY. So could you just guide us – this ramp in staff costs I can understand, will stabilize but should I expect this to continue for the next one to two years? And my last one, just a housekeeping item. In your entertainment slide. You know ARPU is declining. I know you restated some numbers but ARPU is declining but revenues is up. I'm just not sure how to explain it. I'm referring to YoY, thanks.

**Amelia Lee:** Ok, a lot of questions from you this time.

**Paul Chew:** Nobody asking so I asked. Sorry.

**Amelia Lee:** No problem. To answer your questions, maybe we start off with Johan for EPL and roaming.





**Johan Buse:** Let me take three of your questions, Paul, and thanks for asking these questions. So first and foremost, EPL. Yes, wherever possible, we will strive to have a variable CPS - cost per subscriber model on the content. But that's not always possible. And if it's not possible, there needs to be a good reason for us to make an exception. EPL we see as a very fundamental part of Infinity Play. And I would like to use the opportunity to stretch the imagination of everyone because going forward this is not going to be a simple TV product, which you buy as a Pay TV subscriber. This is part of our Infinity strategy DARE+, which will be available across the board as an OTT to any subscriber. So that's a departure of the past. So you need to look at it in that perspective.

And then the second point related to roaming profitability, percentage wise, yes, none changed. So there's no change in obviously, percent profitability, as you will understand the absolute numbers do vary based on the COVID-19 impact over the last few years. So we're actually very delighted that we see that coming back up again.

On your question related to Entertainment ARPU, that's merely a reflection of a higher subscriber base with more OTT, so that actually suppresses the ARPU, slightly, nothing alarming. So that's basically a mathematical exercise. On the TV coming back then we actually, today did a demo on what we plan to do with EPL. And this is a unique Friday, once in a lifetime opportunity I'm going to offer here, if anyone is interested in the coming weeks to see a demo, or maybe a little bit after a few weeks later to May. Let me know I'm happy to sort of take you through what we are preparing and what we have staged. And then it will become clearer that this is not a traditional linear TV channel, which we're going to offer. So kindly invited hereby. Thank you.

**Amelia Lee:** For the demo, please sign up via me.

**Paul Chew:** Is the demo in the pub?

**Johan Buse:** We can arrange that. That's not a bad idea – so that you can have the full experience. Okay. Thank you for your question.



**Paul Chew:** Sorry, can I just follow just on the EPL again, is it fair to say that this is going to be a fixed content costs?

**Johan Buse:** We don't disclose details of content arrangement that she will understand. So yah, can't answer.

**Paul Chew:** OK thanks. Thank you.

**Amelia Lee:** So Paul, back to that Entertainment ARPU, actually, if you're looking at YoY, if you take out the impact of the reclassification, ARPU would have been higher. That's in the second point on the slide. So maybe that will give you a bit more visibility. Okay. And then let's take your other questions on transformation costs and cybersecurity. Dennis please.

**Dennis Chia:** Okay. So on the transformation costs, given that we are not releasing a detailed MD&A as part of this voluntary 1Q update. If you had seen the details, you will have seen a fairly sizeable amount that has gone through in 1Q already to the tune of about \$9 million, that was incurred in the quarter in respect of that, and it's called out in the line that states the write off of pre-payment. That is actually part of the recognition of the initial investment in terms of the of the transformation initiatives that we have undertaken already, so that that's gone through. We will be obviously expecting to incur further transformation costs in the rest of the quarters, as we attempt to deliver on the initiatives that will generate the outcomes, starting from the second half of 2023. Those costs, for those investments will start flowing through the financial statements, both from Capex and Opex. In primarily in the next few quarters. Does that answer your question Paul?

**Paul Chew:** Yes, thank you.



**Dennis Chia:** Okay. And on cybersecurity, you know, we've always guided to the fact that we as management and in partnership with our fellow shareholder in relation to Ensign, we are building a pure-play cybersecurity; end-to-end pure-play with all the capabilities. It's grown very nicely in terms of scale. It started scaling also overseas in terms of footprints, as well as winning fairly sizeable and very meaningful awards from very notable customers. The result of that is that we are investing to build the scale and therefore the capabilities in relation to this.

We believe the cybersecurity segment is a very viable one, very lucrative, and it makes complete sense for us to continue investing to grow that business, such that we become a significant player in this space. At the right time, the scale would deliver the right profitability, because your costs will not increase in a linear fashion in relation to revenue at that point. So for the time being and as we've always been saying, the short term, we continue to invest in these capabilities.

**Nikhil Eapen:** And sort of close off on that Paul, by saying that with Ensign, we are aggressively trying to grow, the tail winds are very strong, the imperative for government enterprises, even SMEs is really strong. So we're investing in capabilities, we're investing in resources and our priority is absolutely growth. The other thing that is going on is very positive shifts and business mix. As we increase capabilities over time, you should expect to see growing revenue and you should expect to see you know, margin trending the right way. But the priority for now is growth and capabilities. And that is the path to increasing value of this business which has increased.

**Paul Chew:** Just a quick follow up, when you say scale, can we kind of draw a line or draw a conclusion that obviously your overseas markets should be growing much faster because it's smaller. You probably have scale in Singapore, just trying to understand when you say scale you are referring mainly to overseas?

**Nikhil Eapen:** I think growth across the board. Because yes, overseas markets you could say are less penetrated than Singapore. But penetration per se is not perhaps the right metric to look at because the spending and the imperative in Singapore is very strong for Cybersecurity - government and large corporates.



**Paul Chew:** Okay, thank you so much for taking my questions. Thank you

**Amelia Lee:** Do we have another question? We'll just give it another minute. We're happy to take one or two questions.

**Nikhil Eapen:** This might be the first time we're not getting questions until the very end. May have something to do with being 7.35pm on a long weekend Friday.

**Amelia Lee:** Oh, another question from Hussaini.

**Hussaini Saifee:** Just want to check on the EPL, why a six-year contract? Usually what I recall is it used to be a three-year contract, why a six-year contract? And Johan, again on the Mobile side – you mentioned that, you know, on 5G side, you are \$10 to \$15, higher ARPU, plus, we are seeing SIM Only plans, you know, taken more and more, so just want to check and see if you can give some qualitative comments on the on the margin side. Is the margin going into right direction on the back of all those things plus the roaming, which I assume is a higher margin business? So just want to understand on the roaming on the margin side of mobile as well.

**Johan Buse:** Okay. Let me take EPL question first. Thanks for raising it. Yeah, it's a six-year agreement. And the reason why it's a six-year agreement is the both EPL and ourselves have a strategic understanding of how we want to drive this business. And we're aligned. And we want to do that in our long-term partnership, which is very encouraging. I think also for subscribers in the market, being reassured for a longer period of time of this particular content, which we plan to bring as stated earlier in a different manner. And we should do this demo in a pub with beer. So that's something we're going to fix.

On the plan mix with a 5G - margin wise, we're trending in the right way. That's for sure. If you look at the price that we managed to do on the 5G, we also have a 5G SIM Only variant which has a similar level of price differential to 4G. With more and more customers being interested in 5G, the coverage is also growing every month. That is a good avenue for us to ensure that we're on the right track to monetize. I would say from a strategic point of view for 5G. So hopefully that's answering your question in a bit more detail.



**Hussaini Saifee:** Noted, thank you very much.

### *Farewell*

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**Amelia Lee:** Thank you. Do we have any last questions from the floor? Otherwise we can start our long weekend early. Okay, then if you have any further questions, you know how to get me, we'd be happy to answer any further questions that you may have. Thank you, everybody for spending your Friday evening with us and have a restful long weekend ahead.

- End -