



## StarHub Ltd – FY2023 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

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**Amelia Lee:** Hi, everyone, thank you very much for joining us this evening for Starhub's FY2023 results. As usual, this evening, we have Nikhil our CEO, Dennis our CFO, Johan our Chief of Consumer and Kit our Chief of Enterprise here on the panel. So you know, Nikhil will start off, as usual, with the highlights, and then Dennis on financial, Johan and Kit on business highlights, and then we'll end off with the Q&A. So without further ado, Nikhil, over to you please.

### Presentation

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**Nikhil Eapen:** Thank you, Amelia. And thank you all for joining us for our FY2023 results. So good evening to you. I'll start off with financial highlights and chat a little bit first about Service Revenue. We were able to grow 5% YoY, which we're quite happy with. We grew across all business segments, which is something I'll elaborate on shortly. Now, when we look at Service EBITDA margin and EBITDA dollars, you can see that we expanded our margin to about 21.7%. And we were able to grow our Service EBITDA dollars by about 14% to \$432 million.

Now, there are three points here. Number one, please note, of course, as you're fully aware that we achieved these numbers, despite significant DARE+ spending this year. Number two, that we were actually able to achieve this growth by growing in high margin segments like Mobile. And number three, whilst we haven't truly started harvesting the platforms that we're building on DARE+, we have started harvesting some early efficiencies.



Now looking at net profit. Number one, again, three points. Number one, this net profit growth was 140% YoY, but as you know, in 2022, we took some write-offs. And if you add those write-offs back, the net profit growth is about 77%. So still quite high. So as I said, three points. Number one, this was a function of Revenue and EBITDA growth. Number two, one of the things that we've been talking about for a while is Capex to Opex substitution, as we move from legacy to Cloud platforms as we move from 4G to 5G, so our net profit number vis-a-vis our EBITDA growth was still turbocharged, in essence. Now, the thing that's not on this page, which I'd like to emphasize, that I'm particularly pleased about as well, is our capital structure; our free cash flow was strong – and strongly at a multiple of net income which provides good buffer for us to pay out a good dividend. And then the other thing is that with that free cash flow, we've been able to keep, and in fact, reduce our leverage, despite significant DARE+ spending to a Net Debt to EBITDA of about 1.36 times. Now that obviously gives us a war chest, we're very happy to have to fund organic initiatives, as well as potential acquisitions.

So with that, let's chat a little bit about Segmental Revenue, and we did experience and achieve growth across all business lines. So taking them one by one - number one Mobile. So in Mobile, we are a strong number two player on the basis of Service Revenue market share, we have been growing while certain competitors are shrinking and we believe market share lead to the number three operator is approaching 500 basis points, in fact.

Now, we were able to capture strong roaming recovery without dilution, because we were also able to hold our base ARPU. Hence, we were very happy to grow at the Service Revenue growth rates that we did for mobile. Number two on Broadband. Here, we are the revenue market share number one, and the number one operator in Singapore. We were able to grow YoY by 3%. And again, two points here, we were able to achieve this despite eliminating premiums, which helped us to improve profitability. And then number two, we saw, you know, selective additions on subscribers, which helped us to grow.

Now on Entertainment, we were able to solidify a number one position, in particular with Premier League where we saw strong cross sell with ARPU rising, and hence we were able to increase our Service Revenue in Entertainment by 5%. And then on Enterprise, we have leading market positions across segments. We were able to grow overall Enterprise by 5%. The stars are Ensign, which grew over 20%, and as a strong



number one in Singapore and as we've talked about in the past, in Asia, in fact. And then Network Solutions where we actually held strong on Connectivity Revenue, while at the same time growing Managed Services by close to 20%. So that performance across segments that we are quite happy with. Handing off to Dennis.

**Dennis Chia:** Okay, hi, I'll just cover our balance sheet and our cash flows. So if you look at our operating cash flows, they remain really very healthy, way north of \$300 million. This is on the back of ongoing improvements in our Accounts Receivables collections as well as our payment terms for our vendors. Free cash flow is also a function of the capital payments that we make and on the back of all transformation investments in Capex, there was a relatively higher capital expenditure payment in 2023 versus 2022. So the net free cash flow that we generated for FY2023 is \$186 million or 10.8 cents on a per share basis. We are guiding to 6.7 cents on a full year dividend that translates to \$150 million dollars. We ended the year with \$502 million of Cash and Cash Equivalents as Nikhil mentioned, our Net Debt to EBITDA ratios remains very, very healthy at 1.36 times. Liquidity and available lines of credit as well as drawdowns on Medium Term Note on the public debt still remain very, very open for us in terms of investment in future growth. Our Interest Cover is a very healthy 11.4 times - way north of all our industry peers. And as a guidance, about 90% of our borrowings are on fixed rates. So with that, I'll pass back to Nikhil to talk about what we've achieved for 2023.

**Nikhil Eapen:** Yeah, thank you, Dennis. So we have beaten our guidance, all metrics, on all fronts. On Service Revenue we achieved 5.5% versus our guidance of 3% to 5%. On Service EBITDA Margin, we've met and therefore grown EBITDA above anticipated targets. On our Capex Commitment, we've outperformed again, where we are at about 8.8% on FY2023, including investments versus 11% to 13%.

And then on dividends per share - as you know, our policy is 5 cents or 80% of net profit, whichever is the higher. And the 80% of net profit is the higher; and on \$150 million of Net Profit After Tax would therefore be about 6.7 cents. So we have beaten on dividends as well. Handing over to Johan to talk about some of our business lines.

**Johan Buse:** Yeah, and good evening, everyone. So here on we decided to change a little bit of dialogue. I'm not going through the details on the slide. You can see that ARPU was held actually quite nicely.



Good growth due to roaming. But even excluding roaming our ARPU is very solid and it continues to hold. Churn is there, meaning it is still below 1%, which is a great performance. And giga! continues to perform well. Now some of you will later ask: "Oh the market is competitive - How is that going?" Well, it's a bit more than just price. We invest quite a fair bit in 5G and that's appreciated by customers. So here we are. And 8% revenue, good performance.

Moving to Broadband. Stable ARPU. Same story here, we focused on speed up. We launched UltraSpeed, good uptake, churn very low and Segment Revenue up close to 3%. Same question you will have later as well, about SIMBA. We'll discuss that later. So far no impact, we closely monitor that.

And then the last one is Entertainment. Entertainment is an interesting one. You will say "Oh revenue almost 5% down for the 2H2023". Last year we had World Cup, which excludes World Cup for the 2H2023 actually revenue was slightly up.

ARPU is on an upward trajectory, which is really great – great work by the team. Churn is well within the boundaries. It's creeping up a little bit but that's due to some of the OTTs. You can ask me later if you'd like. And I think the highlight is really around the ARPU and the Premier League uptake. We see a very good, solid, continuous uptake with Premier League which flows through not only in Premier League but also in adjacent TV entertainment passes like Sport Plus where we see a significant growth and it comes with corresponding strong revenue growth also from the advertising space.

So YoY, we see a good performance here as well. So if you look at the three lines within consumer, all of them show good trajectory. Are we concerned about the market? You will ask that and we will show later on some of these product lines. Mobile, we held our ground really strong and it's a trade off between pricing and quality, and we will continue to do that. And we have giga!, which is performing very well. Broadband, we really believe in service differentiation. Broadband is a very different product than mobile, most consumers broadband at home is a necessity. It's a product which they expect quality, performance, and if something goes wrong, the ability to call someone and have it serviced. And we have been investing in 10G-XGS-PON network, which is, first of its kind in Singapore. And we will use in the early part of this year, the opportunity to migrate all our customers to that new network. And that by itself will deliver a much better experience than even today what we have. Also that to remind everyone, we have been



having a very strong record and getting recognition in terms of networks and quality. OpenSignal has been awarding us and not only the best 4G network consecutively for 3-4 years, with even 5G, and that's important for customers as well. So I just want to give you that context a little bit beyond the numbers, you can ask me any questions later on. And on that note, I'm going to hand over to Kit Yong to give you a bit of flavor about Enterprise.

**Tan Kit Yong:** Thank you, Johan. Now, again, I will not read through the slides like what Johan has done earlier. So we will not go through the slides, but give some flavour of our business. So look at Network Solutions. The YoY growth is actually on Managed Services. What is that? We talk about projects, we talk about data center, we are focusing on orderbook, where we closed our contract year before. And then today, after the clients start provision services, for example, in this case – data center, we start to clock the revenue. So these are long term contracts - monthly recurring, it's multi-year contract that we are signing for data center business.

Now when it comes to projects, we actually changing our solution mix going to market. So you may not have known because not shown here - we actually have reorganised, restructured the whole Enterprise business from a go-to-market (perspective). We're not organized from a traditional telco. But we are now organized by “tribes”, based on an agile organization concept.

So we've completed our restructuring into three service lines. One is the Enterprise Connectivity, Enterprise Mobility, and finally Strategic Services. We are pleased with the current restructured outcome –our Enterprise Network Revenue has been stabilised, we've managed to flatten the erosion. Our Mobility solution has evolved to more products and services – services adjacent to mobile products, for example, Mobile Threat Defence, we're adding these new portfolios, and we're getting the three famous local banks to subscribe to our services. So we are growing in places in new revenue and new software for our mobility solutions.

And finally, Strategic Services. What is that? That is really the industry we talk about the Data and AI application modernization, hybrid-multi cloud services, and our connectivity service all in one so that we are now creating services and solutions, not just products that we used to sell and go to market. And our point of view is getting good traction with especially with our technology partners. And one reason why



we can get good results for managed services is because we're not just being a technology partner. We are now the largest partner in Singapore. And that helped us a lot in terms of the mind share with our clients and mind share with industry as well. So we are trending on the right track for our network division. And there will be more things to come that we'll share in due course.

In terms of Regional ICT services, you can see that despite the challenges due to hardware equipment and if you look at what we are doing in Singapore – moving into Managed Services, looking at emerging technologies to help our clients to do Digital Transformation, and look at our Cloud Infinity, which is a platform-based business. I'm going to bring this platform to the Regional ICT (segment). We are going to help the Regional ICT clients to modernise their infrastructure and journey to Cloud – not just Cloud but hybrid multi-Cloud. We've secured Connectivity, which is our natural strength. And we help them with Digital Transformation using emerging technologies and application modernisation. So these will be the new portfolios that we go to market for not just in Singapore here, but also for the Regional ICT.

Finally, when it comes to Cybersecurity Services – Ensign – some of you may have went through the last call that we have – they are a specialist; they focus very heavily on building these full security infrastructure to protect our clients' environment. And they are focusing on the high growth business for us. But it's also a very talent intensive business [inaudible]. And that's where we will continue to focus on Cybersecurity Services, it's very important for our clients. And we see that we have more and more competitive advantage in the Cybersecurity Services.

**Nikhil Eapen:** Yeah, so looking forward to FY2024 and our guidance. So first of all, for Service Revenue, we expect 1% to 3% YoY growth. One thing you have to keep in mind is that we have the D'Crypt, which we are disposing of or in the process of disposing of, so there is that adjustment that is therefore necessary.

On Service EBITDA Margin, we maintain 22%. Now, as you know, we still have significant, you know, DARE+ spending over FY2024, which we expect to get tail off after FY2024. On Capex on BAU, 4% to 6%, including investments 11% to 13%. So, we're maintaining that number.





And then on dividend per share, you know, we're sticking to our dividend policy, which is the higher of 5 cents, or 80% of net profit, whichever is the higher. But again, like with FY2023, we expect the 80% of net profit to kick in. And we've said at least 6 cents. So looking forward to FY2024, we do expect continued Capex to Opex substitution, we do expect our Net Profit as a percentage of our EBITDA to continue to increase. So therefore, while not explicitly in our guidance format, we do expect in Net Profit After Tax and EPS growth from FY2023 to FY2024.

And then looking forward, you know, beyond that, as we've been mentioning and talking about, we expect our DARE+ investment to tail off by the end of FY2024. And then over FY2024, starting in the second half, we will start progressively, you know harvesting through decommissioning of existing platforms, through realizing automation efficiencies from the Cloud and digital platforms that we will then have the benefit of. And we will also be focused on over FY2024, on building new growth platforms, working with anchor customers who are existing customers of ours; leveraging again, the platforms that we're building on both Consumer and Enterprise as well as our Network Cloud Infinity. So with that we can move on to Q&A.

## Q&A

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**Amelia Lee:** Okay. So with the question queue as usual, please click on the "raise hand" button and I'll call your name and then when it's your turn to speak, you can unmute yourself and converse directly with management. First up, we have Neel. Hi Neel.

**Neel Sinha:** Hi team. A good three quick questions. The first for you, Dennis, is like, if you've got a 90% fixed rate debt structure, what are the tenor buckets that's in. So as rates, I guess I'm wondering, as rates likely start falling in 2HFY2024, will you be disadvantaged? Some sense of maturity profile would be great. The second is on Entertainment. I mean, we know 2HFY2023 versus 2HFY2022, you got the World Cup effect. But 2HFY2023 versus 1HFY2023, the revenue segment pretty much flat. Does that mean you've maxed out in the market there and it now depends on pricing strategy? And the third part, I guess for you, Nikhil, a random question, but I'm sure you've been asked that before – scenarios and industry consolidation. Yeah.



**Nikhil Eapen:** So you know, I can't comment on consolidation, obviously. All I can say is that there is a truism. You know, I think many of us have been involved in this industry for a while - the one truism about telco consolidation is it never happens when you want to or never happens when you think it will, it always takes longer but inevitably happens. So every year that passes, I suppose, we're one year closer.

The second thing, which, of course, we all have to note is, we've been through a number of waves in the US, Europe, and even in our regional geographies, you know, we've had consolidation taking place. And they've realised good returns, right? So with all of that, as it pertains to us, number one, we're obviously keen to consolidate. Number two, from a financial perspective, we're ready to consolidate, we have 1.36 times leverage. We have lots of cash, we have bank lines. You know, we have profitability and free cash flow. So we're ready. We do believe we've demonstrated execution credibility. And then, you know, we have, albeit smaller, we have made acquisitions in the past.

So it's something we're keen and ready. But having said all of that, we can't comment on the propensity for, or the timing for consolidation, it takes two hands to clap. And it's a complex thing, so you know, sorry, sorry, to give you the boilerplate answer at much length, but there you go.

**Neel Sinha:** I mean, okay, if I can quickly follow up on that, Nikhil, what is – you obviously know the other industry players better than most of us third party analysts do, what do you think - because we've seen pricing recovery in pretty much every market, except for Taiwan and Hong Kong over the last one and a half years since COVID-19, and Singapore, that's a stand up. Now within your one of your competitors footprints, Australia hasn't happened, but then there's Telstra who has not been known to behave rationally quite often. So your thinking, I mean, your perspective on whether consolidation will lead to pricing recovery? Well, there was one market Thailand, as you know, AIS got quite a bit disruptive for a while, when, so do you think it will lead to more rational pricing or...?

**Nikhil Eapen:** Yeah, sorry, or?





**Neel Sinha:** Or will the IMDA think that tariffs are high and therefore there's no, you know, put some sort of regulatory curbs, although they haven't in the past, it's been done through wholesale rate structures.

**Nikhil Eapen:** Yeah. So you're probably not going to be fully, fully satisfied by my answer. But what I will say is that we expect consolidation to realize, you know, material value, and that material value will come from a number of different buckets. You know, I think it's a bit premature, both from a planning perspective, as well as, you know, for many other reasons to kind of allocate where, you know, value creation comes from amongst those buckets. But we are confident, like pretty much most consolidations that this market will be no different. In fact, it's quite a dense market with dense infrastructure. So we're quite confident that value will be realized through a consolidation.

**Amelia Lee:** Dennis, maybe you can take the question on the maturity of our debt?

**Dennis Chia:** Okay, Neel, to your question on the maturity of our debt. So 55% of our debt sits in three public bond: two tranches of public bonds and one tranche of perpetuals. The first tranche of the public bonds at 3.55% in terms of the coupon is going to be maturing in FY2026, our perps are due to be called in FY2027 and that's at 3.95%. And the last tranche of bonds at 2.48%, which is the one that we issued at the end of FY2020 will mature in FY2030 and that's at 2.48%. So that makes up 25% of total borrowings. About 20% of total borrowings is up for refinancing in about a year from now. So that allows us to take advantage and negotiate on the terms which the financing or the interest rates are being fixed. So in short, you know most, we're actually well positioned in terms of the lines, the financing lines, so the public bond, public debt tranches - they're all fixed at rates which are far lower than the prevailing market rate. And those that are up for refinancing or are available for us to negotiate at terms which are probably going to be lower as interest rates are inversely moving to time, so we're well positioned from that perspective.

**Neel Sinha:** Quick follow up, Dennis, the 3.95% tranche that's already available. I mean, in a hypothetical scenario, if you have mild recession in the US, and you've got six rate cuts, you'll probably get financing lower than that, right? Is that up for refinance? Or when is it up for refinancing? I missed it.



**Dennis Chia:** Okay, that tranche of perps is in FY2027. We can call on that earlier if we want to as well.

**Neel Sinha:** Thank you.

**Johan Buse:** A second question related to Entertainment, then let's maybe put a bit in a wider perspective - so the markets side and the market revenue. As you probably have seen from the numbers is that the customer base has sort of come down a little bit and the ARPU went up. Now there's an interesting phenomena going on in the market, as you probably have seen is that quite a few of the OTT players are starting to price up. So this market is shifting a little bit into a more, I would say, healthy state of mind, where we go after the initial sort of hype around OTT to, I would say, a bit more value-based markets, and that is something we will prepare well for. So there is, we believe opportunity on the revenue side, probably more than there is initially on the customer side, that's number one.

Number two, element not to forget that we use entertainment in different shapes and forms. And we use it particularly to differentiate and to bundle. And that's a strategy which we use in different flavours. The third one, which I think is an interesting opportunity, and I want to just bring it to everyone's attention here today that Singapore, as a country worldwide has the highest piracy rate. That's what we live with today. And there are some interesting developments going on in actually tackling piracy more forthcoming in Singapore - very concretely. So that will open, we believe, opportunities to swing back customers who left the legit payable Pay TV system. Back to that, also on the back of increased fears, justified increased fear I would say, amongst customers and consumers around cybersecurity threat on the back of that. So we're positive when it comes to Entertainment going forward, and based on these three elements.

**Neel Sinha:** Okay, thank you. That's very clear. Thank you. I'll get myself on mute now.

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

**Arthur Pineda:** Hi, thanks for the opportunity. Yeah, just three questions. I can I just clarify the Service Revenue guidance of 1% to 3% When you say 1% to 3%, is this because of the impact of D'Crypt's removal or do you look at this on a like-for-like basis? Second question I have is with regard to DARE+,



what had been booked so far as of end FY2023 and can you remind me the Capex / Opex expectations into FY2024. And the last question I have is in regard to mobile revenues. It seems to have been softening on a QoQ basis, so the growth had somewhat flattened. And we're seeing some reductions in subs as well. Apologies. I may have missed this earlier. But what's driving this softness on Mobile?

**Amelia Lee:** Dennis, would you like to take the first two questions before we move to Johan on Mobile?

**Dennis Chia:** Sure. Hi, Arthur. So on your first question on Service Revenue, we ended FY2023 with \$1,992 million. In terms of Service Revenue, if you adjust for D'Crypt, which we've divested, and transaction is likely to close in the next couple of months, the Service Revenue in FY2023 would have been \$1,945 million. So we're guiding to 1% to 3% on that \$1,945 million number. So that's to clarify so called like-for-like without D'Crypt in the picture once that divestment is completed in FY2024. To your second question on DARE+, about 60% of DARE+ investments have been incurred up to FY2023. In FY2024, we expect to incur another 30% or thereabouts. So mathematically that adds up to be about \$80 million; Capex / Opex split of the \$80 million is 60-40.

**Amelia Lee:** Arthur, does that answer your question before we move on to Johan?

**Arthur Pineda:** Yes, it does.

**Johan Buse:** Alright, mobile revenue. Your view of flattening - that was your observation. To a certain degree, the growth is indeed coming down a little bit that's on the back of that would say an initial strong growth on recovery of roaming revenues. Now, having said that, roaming is still growing in terms of revenues. And we believe here in StarHub, that consumers will continue to travel happily, as they have been doing since COVID-19 disappeared and may travel again available. So we do see that continuously still increasing.

There is obviously - let's not shy away from that - on the lower end in the market, some price pressure, particularly driven by SIMBA. If we compare our revenue performance, compared to the one we know, the orange one, we actually have been widening our Service Revenue gap to them by quite a significant



demand for where we grow in consumer Service Revenue, Connectivity; Service Revenue, they seem to be going down which I think that'd be a very smart pricing strategy, which we apply.

And again, I think the industry especially for the smaller players, it's probably a bit of a difficult time, because typically, I'm you know, don't perform well on roaming and with some pressure, quite a significant pressure for them, I would say on the, let's call it cost conscious quadrant where a lot of the MVNOs operate to compete against SIMBA and in some ways, also M1, but that's the quadrant where we stay out.

We basically focus on quality, a little bit more premium, we compete when needed, and we do it at balance, we don't go after each stuff when it doesn't bring any bottom line. And that's what you basically see being reflected in these numbers. On top of that, interestingly enough, we managed to maintain a premium on 5G pricing. And again, we have been rolling out very aggressively 5G over the last 12 months hitting over 99% population coverage; also doing a lot of work on 5G coverage on the back being the number one 4G operator. And that's at the end of the day, it's something customers value because you can pay peanuts for something, but if it doesn't work, it doesn't work. And that's a trajectory, which we continue to pursue and link to that last one, which continues to help as well as we [inaudible] where possible. We've got quite sizable customer base built up over the last few years on Cybersecurity add-on and in conjunction with Caller ID. So all these things help to show the numbers which we're showing you today. Hopefully that's answering the question.

**Arthur Pineda:** Sorry, sorry. If I could have just have one follow up question maybe with regard to Content, when there's a very interesting move by Disney recently, to launch a Sports OTT platform across multiple industry players. How does that actually impact your Pay TV business down the road?

**Johan Buse:** Well, we had an interesting discussion about it. It's a bit of, I would say very premature question, but since you're asking it, Sports Rights are always fall on the territory basis, alright. And Singapore is Singapore; Sports Live is a very different execution compared to all the other entertainment. You know, probably content holding and sort of contract durations. So we will observe it with interest. But we continue to move from a starting point of strength which we'll build up.



Premier League has been doing well for us, it continues to grow as a customer base for us. And it also helps us to attract a younger profile of customers and it has been surprisingly better than what we thought actually - helpful to cross and upsell other products and service, it brought quite a fair bit of new products and services, customers to us in a way. So what is happening in the US with Disney we'll monitor closely. I mean, it's not the only development, right? In sports you would have seen and heard some things are on Netflix. So we'll continue to observe that and we keep our eyes open, but that's why we stand today. Singapore's a small market but not immediately attractive for that sort of play as well. We do play an important role for the time being and we'll continue to do so.

**Arthur Pineda:** Thank you very much.

**Amelia Lee:** Thanks Arthur. Next in line, we have Sachin.

**Sachin Mittal:** Hi, I congrats management on a good set of results. Two questions. How do we look at the normalised Net Profit because we can see \$16 million fair value loss, and then I think \$6-\$7 million off some gains, so how do we think of normalized profit? Which should we be using as the base for FY2023? And then because we are thinking of transformation cost dropping, so that's something, you know, simply we can, because the point is how to think of this, because this is simply mathematical addition of the drop in transformation cost on a based on a normalised base, and how about the savings? Are we talking about \$80 million annualised savings from the transformation program on a per annum basis? Is it something which we are going to see? And why are we not seeing in your guidance? You know, because margin wise, you're saying similar to FY2023? So is it the timing wise, we are going to we have to wait longer a bit for those savings come through? Maybe this first question I'll ask.

**Dennis Chia:** So I'll just clarify on the on the net profit. Without the two events – the divestment of D'Crypt, as well as the gain on the deferred concentration that was paid to MyRepublic. The \$16 million loss that you refer to is before the non-controlling interest. So if you take out the non-controlling interest, the net impact on the net profit attributable to shareholders is \$9 million. The gain for My Republic is S\$7 million. So then the net effect of the two is actually a \$2 million loss to the net profit. So effectively, the \$149.6 million would effectively be \$151.7 million, if you look at that number in terms of



the underlying net profit without those two events. I hope that answers your question as it pertains to the net profit before I move on to the DARE+.

**Sachin Mittal:** I can see that, I mean, I think that's 80%. You're exactly giving out 80% based on that.

**Dennis Chia:** Yeah. Okay. All right. So, to your second question on the DARE+ investments, as I mentioned earlier, in response to an earlier question, we expect to incur about another 30% of the data investments this year, which is fairly at par with where what we've incurred in FY2023, as well, so it's like-for-like. Some of the DARE+ outcomes are going to come through in this year in FY2024, but not a lot of it. When we launched the DARE+ program in November 2021 in our investor day, we've always said that \$80 million increment to Net Profit After Tax is going to be baked in on an annualised basis, five years from the start of the program. So you won't see the full impact of the \$80 million coming through until five years, following the completion of the program. So we expect to complete the transformation largely in FY2024. Some of the outcomes are going to be coming through this year and baked into our guidance, but the \$80 million is going to be realized in FY2027.

**Sachin Mittal:** Another follow up question, if I may, on your 700MHz spectrum, is there any update for the spectrum and the payments related to that 700MHz spectrum?

**Dennis Chia:** Well, the 700MHz spectrum is something that we're still in discussions with the regulators on. The regulators by discussion will give us six months heads up in terms of when the spectrum is going to be available. So six months before that date, will be the day that we need to pay for it. As of today, we're still in discussions with the regulators along with the rest of the telcos in Singapore. So there's no further update other than that point.

**Sachin Mittal:** Got it. Thank you very much.

**Amelia Lee:** Did you have other questions?

**Sachin Mittal:** I think I'm done. Thanks.





**Amelia Lee:** Okay, next in line we have Hong Wei.

**Wong Hong Wei:** Hello, I'm Hong Wei from OCBC. Congrats on a positive set of results. Just a few questions from me. So just now there was a question on perps then we know that there's cash on the balance sheet. Given that there's cash, is there some reason why you are not looking to call the perp when you can already kind of do so, so they can save on the interest expense? Or is this because you want to like you say you want to keep sufficient war chest for acquisition, and is there some thoughts on refinancing into another perp or refinancing to bank loan, which could potentially be a little bit cheaper at some time? That's my first question.

Then, my other question is, in terms of the Net Debt to EBITDA, you indicated that this is quite a lot better than regional peers average. So at current levels, is this something you're happy with? Or we will be okay to push this higher, let's say we have acquisition? Then the third one will be operating cash flows. So going into like FY2024, how should we think about how this will change? Like, for example, is there like big working capital kind of changes, changes in DARE+ spending and how will that translate into the free cash flow? So yeah, these are my three questions.

**Amelia Lee:** Sounds like questions for you, Dennis.

**Dennis Chia:** Oh, thank you. Alright, hi Hong Wei. So the first question is the perps. So the perps are, as I mentioned earlier, at the coupons of 3.95%. If we were to issue a perp based on current pricing, is likely to be way north of 4%. So it doesn't really make sense for us to refinance the perp at this point in time. You know, with the cash that we have, it does give us the flexibility to consider that at some point in time when interest rates start tapering off. But at this point in time, it doesn't really make a lot of sense, it does help our capital structure at this point in time. And the short answer is that it does provide us with the working capital requirements as well as some of our war chests for potential acquisitions, which we always monitor the market opportunities. So I hope that answers your question on the perp.

Second question you had was on our leverage ratio. So it says that 1.36 times, we take guidance that the industry median or average about two and a half time. So at the two and a half time level, I think we as management are very comfortable with that. We would believe our debt holders would also be



comfortable with that ratio. So that gives us the headroom to level our balance sheet for potential growth acquisitions, as we've discussed, both in the regional enterprise space, as well as local consolidation.

Your final question on operating cash flows. So there are timing differences, as you move into receivables and payables buckets. But largely I can guide to the fact that our operating cash flows would be north of \$300 million. So there are certain timing differences here and there, tax payments that may occur in one year versus another. But otherwise, it will be well within that range. So the key mover, the one that moves, the needle will be our capital payment. So as we invest more in growth, some of the capital payments do catch up with us. And that's why, you know, the cash flows, for example, from year to year may differ on that, but operating cash flows are fairly stable.

**Amelia Lee:** Thanks Dennis. Hong Wei, does that answer your question?

**Wong Hong Wei:** Yeah, it's quite comprehensive. If I can just a small question like, on the China-Singapore visa free, you know, is do you think that this will be something that is significant or results or there shouldn't be anything?

**Johan Buse:** Between there is not anything as significant as the middle way that we expect some upside? How much to be seen, but we're definitely ready and looking forward to that. Thanks for the question, by the way.

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

**Piyush Choudhary:** Hi. Good evening, management. Three questions. Actually, personally on the home on the Broadband segment, could you talk a little bit about the outlook for home Broadband segment? You know, given the pricing plans, which are launched by SIMBA, like how do you see the industry, you know, pricing environment moving? What have you baked in your guidance for the Broadband segment, you know, with that backdrop of pricing plans launch by SIMBA?



**Johan Buse:** Okay, Piyush, thanks for the question. I'll take your question. So first of all, Broadband is a fundamentally different business from Mobile. In the past people would switch mobile plans because of a phone. Recent years people switch plans because they're no longer on the contract. And you know, it all seems pretty similar and it's an easy switch. Broadband on the other side is a product where things are very different for a few reasons. But one is, it's a hassle to switch. If it works, it works. If it doesn't work, you call someone. Number two is that it's not a product, unlike mobile, you can test out, including the data you just mentioned, all Broadband plans comes with a contract. And there's a good reason for that. We have been preparing for this market move for quite some time, we have a really detailed well worked out plan, which hinges around quality and differentiation, quality of network, quality of CPE. And differentiation in terms of experience and in differentiation in terms of service.

Furthermore, we use content as a differentiator on top of that; bundling products or services. Churn rates in Broadband have been traditionally always very low, you see us typically trailing off 0.5%, 0.6% churn. And we have, as I mentioned, a very detailed plan worked out to handle this. We're confident that we will be able to handle that, and we're ready for it. That's what I can say to you. And that's basically the way we baked it in as well for FY2024 going forward. So, stay tuned, I would say. And, yeah, that's all I can say we're ready.

And by the way, we do it on the back of our new UltraSpeed, 10G-XGS-PON network, which is a key differentiator. So today and something we didn't discuss in detail, we launched UltraSpeed end of last year, this 10G-XGS-PON speed. And in a very short time, we actually have seen that base growing very fast. So that gives you also an indication that it's especially in broadband, not only about price, it's really about the quality in relation to price and the service. So that's what I can share with you today. And hopefully, that's of use to you.

**Nikhil Eapen:** Now, just in addition to the fantastic comments that Johan made, that 10Gbps broadband package is \$88, just under \$89 per 10Gbps broadband plus Netflix plus Premier League plus Sports Plus. So if you're not already on it, you should look at it very closely. It's a great package, and great quality and redefining home experience. Right, Johan?

**Johan Buse:** Absolutely. Totally. Now you need to run to our store to get it. We're still open.



**Amelia Lee:** Alright, we have time for a few more questions. A gentle reminder to raise your virtual hand if you have a question, alright?

**Johan Buse:** While people maybe think about other questions, just a one more comment about a Broadband. A lot of people think that all the Broadband is the same. I just want to make sure that we demystify that right here today. Not all broadband is the same. Yeah, most of the operators, obviously use Netlink Trust. But besides that, there is a whole elements around international gateway, our own 10G-XGS-PON network, the routers in which we invest the expertise, our installers applied to the home to install it in the best possible way, the content layer over which we deliver. So it's an end-to-end experience, especially the international gateway, we never talk about that, that really makes a difference compared to some of the others. And that defines ultimately, your experience as a broadband customer, because you will go visiting sites all over the planet. So that's where we invest quite a fair bit of money as well to differentiate. But keep an eye on that. Just FYI.

**Amelia Lee:** Next, we have Arthur.

**Arthur Pineda:** So I just wanted to clarify this 10 Gbps program that you're upselling. Just wondering what's the key use for this - when I wouldn't even notice a difference between 100Mbps to 500Mbps? Or 4K TV just need 25 Mbps or so? So what is the purpose for people to upgrade on this platform?

**Johan Buse:** There is definitely an experience difference. Especially if you have a broadband network at home which is used by multiple users using I would say demand heavy applications. That's number one. Second, it's a newer network. So typically the ping and the latency and everything else are just much better. Future use cases by the way for this one, without giving too much away, are similar to 5G in a way. So you can start thinking about that defined verticals for consumers, whether it's gaming, whether it's video applications of sports, and you could potentially slide that. So this is the start of basically a new era.

And of course, the CPE, which we deliver is the latest generation. Actually, next week, we will be launching this plan, which we are discussing with WiFi-7 as well, which comes with, you know, better



type of protection, better type of cybersecurity. So there are a bunch of differences. If you're a light user, Arthur, that obviously is not your product. But if you have a family and a lot of people at the same time use video application, entertainment, gaming, you will find it a different experience altogether. Come and test it out, by the way, come to our stores. If you want to have a free trial, buzz me, ping me, happy to let you experience at home if you want.

**Arthur Pineda:** Great, thank you.

**Johan Buse:** Thanks for the question.

**Amelia Lee:** A few more minutes to see if anybody else has a question. By the way, a big thank you for to all of you who responded to our perception study. We hope you like this new format. We took in your feedback. So you can see we take your feedback very seriously.

**Johan Buse:** We hope you notice a difference.

**Amelia Lee:** If not, then I think we can end the call early and we can look forward to our long weekend. So happy CNY to our Chinese friends who are celebrating the Chinese New Year or Lunar New Year, and have a restful long weekend for the rest of our friends on the call. Thank you.

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