



## StarHub Ltd – 1H2023 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:** Good evening, everybody. Thank you for joining StarHub's 1H2023 results update call. My name is Amelia and I take care of investor relations for StarHub. This evening, we have with us our Chief Executive Nikhil Eapen; Dennis Chia our CFO; Johan Buse, Chief of Consumer and Tan Kit Yong, our Head of Enterprise Business Group. Let's 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.

### Presentation

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**Nikhil Eapen:** Okay. Thanks, Amelia. And good evening to everyone and welcome to our Q2 and 1H2023 earnings. It's a pleasure to have you as always. So I'll start with the financial highlights, and let's start right with Service Revenue. So we grew across every business segment YoY – despite the competition that we're all aware of in the market; in particular on mobile. So overall Service Revenue, as you can see from these numbers grew 7.8% YoY for 1H2023. And in fact, about 3.2% QoQ from 1Q23 to 2Q23. Now Service EBITDA reflected our DARE+ investment costs, and elevated our tax levels as a result.

But notwithstanding that, we did see net profit trending very positively, at \$77 million for the full year, or \$39 million for 2Q23. So for 1H2023, we registered 26% YoY growth, which was if you recall, the similar growth trend that we saw in 1Q23. So not on this page, but I should also note that our continuing



trend on Free Cash Flow remains strong. And our net Debt to EBITDA remain low and healthy at 1.57 times. Well south of the regional telco average.

So moving on to segmented revenue on the next page. So as I mentioned, we saw YoY growth across all segments for 1H2023. Mobile first – Mobile grew substantially YoY by 13%. With some growth in subscribers but more important, growth in ARPU. Now most of this ARPU uplift has come because we have been able to capture and not devalue, the return of roaming, but we have also not devalued our base ARPU which we have in fact increased despite market competition. So emphasis on this last point – intense market competition; against which we have focused on delivering customer experience differentiation, allowing us to monetise. So proof positive of this is the strong growth contrasts with the recent disclosure of the number three operator with reported ongoing contraction in consumer revenue whilst adding to subscriber account. And we believe our revenue market share leads to the number three operators is now in the hundreds of base points.

Broadband continued to grow with a solid number one position together with subsidiary MyRepublic Broadband. Again, despite intensifying competition and reduced promotion from us. So we are working on leveraging our joint position to execute on revenue and cost enhancement together with MyRepublic Broadband. Entertainment as you can see, continue to register strong growth YoY and QoQ lifted by Premier League, but as well as the pull through by Premier League of other high value packages and Entertainment. And here in Entertainment, we are a very significant market leader as you know, with a differentiated offering.

Now overall for Consumer, we saw as I mentioned YoY, ARPU, stable or growing across the board. Due to differentiation with our focused on increasing customer lifetime value through Infinity Play strategy. Now on Enterprise, we saw sustained YoY growth from all lines of business except for Regional ICT and specifically JOS Singapore. Network Solutions has continued its turnaround with 4.6% YoY growth in 1H2023 driven by 21% growth in Managed Services. Ensign, Cybersecurity - and in particular Ensign grew strongly, Cybersecurity grew 42% QoQ and 7% YoY in the 1H2023. That is the business as always where the projects are lumpy. But the continuing growth trend is strong; with strong pipeline and we continue to invest in Ensign's growth which is high quality growth.



Next page, please. So reviewing our performance versus guidance and our guidance revisions. For 1H2023, we have performed versus our guidance. We were in line with Service Revenue at 8% YoY. We were above on Service EBITDA margin coming in for 1H2023 at almost 23% versus 20% guidance. And then for Capex, we came in for 1H2023 at 5.5% of total revenue including investments relative to the 13% to 15% guidance that we had provided. So taking into account 1H2023, as well as our outlook for the year, we are improving on our overall FY2023 guidance.

Now on Service Revenue, we are reducing our guidance on growth to 3% to 5%. Now this is as a result of D'Crypt and JOS Singapore. D'Crypt is experiencing project delays and on JOS Singapore, we are rationalising their pipeline as we integrate our Regional ICT businesses more closely into StarHub. However, I should state there is minimal impact on EBITDA from this revision of our Service Revenue guidance. Now on Service EBITDA on the other hand, we are increasing our guidance from 20% to 22%. Hence, you should expect to see an increase in Service EBITDA versus our original expectation. So when you put together the revisions and guidance for Service EBITDA as well as Capex, you should expect overall an increase in EBITDA and Free Cash Flow versus our original expectations for the year. And with that, I will pass on as always to our esteemed CFO.

**Dennis Chia:** Thanks Nikhil and good evening, and thanks for joining us on this call on this Thursday evening. Some key financial metrics. Total Revenue reported for 1H2023 is \$1.106 billion. That translates into 4.5% YoY growth. Service Revenue of \$938 million, representing 8% growth. EBITDA for the 1H2023 was to \$229.8 million. And our Service EBITDA margin was 22.7% for 1H2023. Net Profit Attributable to Shareholders \$76.7 million, translating to 4.1 cents on an earnings per share basis.

Our Free Cash Flow for 1H2023 was flat at zero. Do note that we expect a significantly higher Free Cash Flow for the 2H23 translating to significant and meaningful Free Cash Flow for FY2023. Our Free Cash Flow for the 1H2023 was flat at zero due to certain working capital changes, as well as timing of capital payment. Our cash and cash equivalents at the end of 2Q23, and 1H2023 was \$490 million on our balance sheet. And our Net Debt to EBITDA ratio was 1.57 times.

And on the next slide, we'd like to provide an update on our DARE+ trajectory and our investments. We are now 1.5 years into the DARE+ investments and initiatives which we started at the start of 2022. At



that time, and we subsequently had guided that we will be incurring \$310 million over a three-year period. Halfway into the program, we have now incurred \$106 million last year, or 34% in FY2022. For this year, for FY2023, we expect to incur about 40% or \$120 million. The Capex-to-Opex ratio of that investment is about 60% : 40%. And the rest of the investments, we expect to incur in FY2024.

Now just want to note that we are in the process of rationalising all our initiatives as always, as well as the total investments that we would be making. And we expect the total investments to be lower than the \$310 million not because of the reduction initiatives, but because of the rationalisation and optimisation initiatives as we go along. We will provide an update on the total spend of that initiative as we go into FY2024. And on that note, we'll pass on to Johan to update on Consumer.

**Johan Buse:** Hey, very good evening, everyone. Hope everyone is fine. And thanks for those who wished me "Get Well" after the last call when I really wasn't very well. So let's start with Mobile today. You can see that both in Postpaid as well as Prepaid, we gained 60k subs each, which is sort of totalling 6% of the base increase YoY. ARPU is steady on Postpaid, is actually up YoY, if you see by \$3. That is a combination of roaming as well as local subscription revenue, which almost sounds counterintuitive, if you look at the competitive intensity. That I think is a good display of rational behaviour in the market and managing both the subscriber base as well as the ARPU. Well, so in summary, what you see here is an almost 30% Service Revenue increase in combination with a 6% base increase.

For those of you who follow the results, you'll probably have noticed that it's quite different from some of the others in the market. So we're very proud of that. The churn monthly rate is at 0.8% and I think also that is a splendid performance in this market. So it's slightly up compared to last year by 0.1%. But in overall context, that's a really good churn number. So we're proud of that. So we're closing off \$302.7 million for 1H2023. So we're on a good start off with [inaudible] it's continuously increasing, so we're close to 17Gb (average data usage) across the board. So that's good, because we've got two networks for 5G.

Moving to Broadband. Broadband, we saw a marginal dip in the base - 1K, we are down to 577K customers. ARPU \$34, stable. We do see more and more customers actually taking higher speed plans, which is good, and the churn remains very low 0.6%. So the revenue increases, mainly driven by what



you can see speed upgrades, and that results in high subscription revenue. And of course, we included MyRepublic Broadband there as well. That's a good performance on Broadband. And those of you who haven't seen, we actually launched last quarter, the first and only 10G-XGS-PON on offer in the market. So if you're really keen on getting great speeds and fantastic zoom experience at your home, StarHub is the one to go for.

Entertainment on the next page. Entertainment, well, very high ARPU \$45, we clocked \$2 incremental ARPU on the back of a Premier League, but linked to Premier League – also, we see more customers taking more content passes, which is very encouraging. The base went down to 355K. Just remind everyone at the end of 1Q2023, we started measuring Entertainment as active base, so these are real active customers before that. Some customers are entitled, but certain passes or the key solutions we have, not necessarily using it. And then of course, we have at this point in time, what we call the mid-season Premier League dip, which we actually already see coming back into the base. Market churn that was slightly higher than it was before but still, I would say quite in line at 1%. So that's good now that delivered a good revenue uplift 18.2% We closed 1H2023 close to \$114 million and that's driven across the board by the way. So the both in commercial TV revenue as well as in subscription revenue for consumers, and advertising revenue, and lastly driven by the Premier League. So that brings me to the end of my section, I'm handing you over to Kit for the Enterprise update. Thanks very much.

**Tan Kit Yong:** Thank you, Johan. Now coming to Enterprise, as Nikhil has mentioned, for Enterprise Services, Service Revenue grew 1.8%. If you look at the bottom left, the revenue mix, it is well distributed within Data & Internet, Cybersecurity, Regional ICT Services and Managed Services.

Coming to Network Solutions, right, we have a higher revenue thanks to contribution of data and internet products that we have. Managed services grew significantly for us for more project completions. But our growth has been offset by the lower Voice Services Revenue due to lower domestic and international traffic.

When it comes to the Cybersecurity Services, it registered a 7% growth in revenue. But we also note that there's an operating loss of \$8.9 million for 1H2023, due to the lower income and continued investment in the talent to support growth. Regional ICT Services you can see a decline of 10% of revenue due to



lower hardware sales, but the operating profit remains stable YoY at \$900k. On the next slide. And over to Nikhil.

**Nikhil Eapen:** Thank you. So I'd like to make a few comments by business line on what we're focused on for the residual of FY2023. And also by way of that what we expect. So for Mobile, we expect continued growth. Our target is for ARPU to remain stable. And as I had mentioned, we are continuing to focus on excellence in differentiation and monetisation of our core mobile product. As well as Infinity Play strategies around cross-sell and up-sell.

Now for Broadband, we are looking forward to and are focused on growth for the segment for the rest of the year. We are focused on Broadband for our core presence in the household. We are focused on driving penetration as we have been very strongly; of high speed subscriptions for 2Gbps and 10Gbps as the fuel for growth. But also with that core position in the household from cross-sell and up-sell again, the rest of our Infinity Play products.

On Entertainment, we are focused on growth for the residual of the year. Continuing to drive Premier League penetration of our base, as well as cross bundling against Premier League and other Entertainment packages. On Network Solutions, we continue to drive our Managed Services order book which remains healthy, giving us good forward earnings visibility.

On Cybersecurity, we have two businesses as you know, we have D'Cypt, which is experiencing project delays, but Ensign, we expect continued and strong growth. We are supporting and will continue investing in building of expertise as well as capabilities, leveraging artificial intelligence and other threat detection technology. But also evolving the revenue book much more towards Managed Services and what we call "Day 2" services.

On Regional ICT, we expect continued growth from our Malaysia businesses, which are the largest segments of this business by far – Strateq and JOS Malaysia. And then on JOS Singapore, as reflected in our revised revenue guidance - we are rationalising the pipeline, and hence reducing the revenue outlook. So now in terms of foundation, as part of Cloud Infinity, what we are doing is we are building what we call the world's first autonomous metropolitan cloud network. So as we move our network to the cloud,





as the first telecom operator in the world to do so, we are focused on enhancing resiliency, agility, scalability of our network, security of our network. And we will be making those capabilities externally available to customers. So our Enterprise customers will be empowered themselves to self serve, and harness multi cloud as well as hybrid. So hybrid and public cloud options, securely and effectively from core-to-edge with security by design, which is what I mean by securely. So we are in the process of conducting MVPs (Minimum Viable Products) with select or beta customers of ours. But this is something that is on a timeframe alongside DARE+ for the next 12 to 18 months.

Now on digital transformation, we had, as you know, last November launched our Consumer all-in-one app, as well as our Cloud Stack for Consumer. By the end of this year, we expect to have put most if not all of our product, and hence complete this journey by the end of this year. And then on M&A, we continue to remain positioned for M&A. While we can't predict M&A timing and outcomes, we have good visibility on DARE+ and are trending well against our DARE+ objectives. We see rising profitability, we have continuing strong free cash flow and low leverage. So as and when consolidation opportunities rise, we see ourselves as very well positioned to acquire. And with that, I will hand back to Amelia.

## Q&A

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**Amelia Lee:** Thank you, Nikhil. So now we'll open the floor for Q&A. As usual. You know, if you have a question, please raise your hand and we'll get to you. First-off, Sachin, would you like to unmute yourself?

**Sachin Mittal:** Thanks, Amelia. Thanks for the opportunity. Three question from me. Firstly, we have seen another delay in transformation program, as we see \$155 million was the target and now \$120 million. So is there a clawback mechanism? Because of you know, we are seeing a lot of delays in transformation programs starting from the last year. Anything clawback which we if a company can get from the vendor? That's question number one.

Question number two. If we look on a quarterly basis transformation costs, there's hardly any transformation costs incurred in this quarter. I think probably \$5 million [inaudible] last quarter. But then we don't see that impact on the net profit. Does it mean without transformation profit would have



declined a lot. Where is it coming from - this profits squeeze in 2Q23 if we exclude the transformation cost. And lastly, we have seen that M1 service revenues have declined quite significantly in 1H2023 - 22%. You're doing much better but there is a real concern that all these 5G SIM-only plans are way too cheap. And is this a concern going into second half for you? Thank you.

**Amelia Lee:** Thanks for Sachin. Dennis, would you like to take the first two questions and Johan can comment on the third?

**Dennis Chia:** Okay, hi Sachin and good evening, I'll respond to your first impression specifically on the delays in transformation. Just want to point out that, you know, on this slide, we had previously guided that we expect to incur about 50% of the transformation investment in 2023, which translates to the \$155 million that you referred to. We are now guiding to \$120 million, or approximately 40%. Now, most of this reduction is due to rationalisation of our transformation initiatives and programs, including the negotiation of transformation investments with various vendors. And that is why we're actually reducing the guidance in terms of the total spend that we expect to incur this year.

We do acknowledge that there still remain some delays of certain initiatives into 2024. However, the bulk of this reduction is from the rationalisation and optimisation of spend, as opposed to delays. Now that means that we're still very committed to delivering on the DARE+ outcomes and the transformation outcomes in the years that we are committed to doing so as well. Hope that answers your question on the on this one.

**Nikhil Eapen:** Dennis, so optimisation should have reduced the total transformation costs from S\$310 million. So are you saying there's a chance that it could be lower than \$310 million?

**Dennis Chia:** That's correct. Yeah. So given that we expect to complete the transformation initiatives in 2024, as we draw closer to the completion of those initiatives, in the next year, we will provide guidance as to the total investments that we will incur. But at this point, we do have confidence in guiding to the fact that we will be a lower number than \$310 million.





**Nikhil Eapen:** But just for total clarity, Sachin, I do want to reemphasise a point that Dennis made loud and clear: we are not reducing the scope of our transformation, we are not reducing the number of initiatives, we're not reducing the specific outcomes and aspirations associated with each transformation initiative, what we are doing is, as Dennis said is optimisation, rationalisation and getting the same outcome to a lower dollar.

**Sachin Mittal:** Understand. Okay.

**Dennis Chia:** Sachin, on your second question: despite the relatively lower transformation investments in the 1H2023, why our operating profits are not significantly higher. Now, if you look at 1H2023 results, embedded in that are certain losses that were incurred by our subsidiaries, namely, the Cybersecurity operations. And this is a function of the timing of recognition of certain delivery of projects, which are typically back-ended in the second half, right? So because of the relatively lower number of projects, and therefore the lower number, in terms of revenue recognition for 1H2023, there is about \$9 million of losses embedded in the numbers for 1H2023, without which our operating performance would have been significantly higher. So that's the reason behind it, not so much anything else. You know, across StarHub we still continue to drive operating efficiencies, and that you see has translated into the results that we've delivered to the 1H2023.

**Johan Buse:** And then the last question Sachin, on the let's call it revenue concern you pulled out right? Look, it is, I mean, in a market like this, which is to this level, competitive, obviously, we are vigilant, we're on the lookout and we monitor things very closely. Key indicators obviously would be churn - you saw the churn numbers. So that's the first indicator. So we're tracking well on that. Having said that, obviously, we are concerned for the rest of the year. There's two buckets, which we closely monitor, so let's call it the movement between the different types of plans. SIM-only device and within SIM-only, and secondly, Roaming. I think what is serving us very well at the moment is the deployment of giga four years ago as a flank brand. And, and the team is doing a fantastic job on churn management. So we defend fiercely. We Attack fiercely at the same time. And that's so far working for us, but we continue to monitor the market. Thank you.

**Amelia Lee:** Hope that answers your question.



**Sachin Mittal:** Yes, thank you. Thank you, Amelia. Thanks.

**Johan Buse:** Maybe one addition to your question, I forgot to highlight that Sachin. Obviously, what we're also very actively working with is bundling of products and services, which is in the core of our DNA. And as you know, probably bundles customers have a significantly lower churn as well. So that's also something we're very actively doing at the moment. Thanks.

**Amelia Lee:** Thanks Sachin. Next up, we have Neel.

**Neel Sinha:** Thanks Nikhil, Dennis and team for posting this. I have two questions. The first is very broad brush, right. Your revenue guidance is almost halved. Can I get a sense across the four large business buckets - where that is coming from? As in what's driving it? Then my second question is largely to do with Enterprise. I mean, if you think about JOS, Ensign, MyRepublic, D'Crypt, etc. Surely that doesn't translate to just \$6 million, \$7 million, half on half increase in revenues. I'm talking about revenues here. So it's not about the one off losses or write off. So what am I missing here? And has there been loss of customers? If so, in which markets, some color on that would be great. Thank you.

**Amelia Lee:** Thank you. Nikhil would you like to take the first question.

**Nikhil Eapen:** Yes, let me start off on the first on the revenue guidance, Neel. So the change in the revenue guidance, you know, almost entirely comes from two businesses: D'Crypt and JOS Singapore. Now D'Crypt is, as you know, one piece of a Cybersecurity business. The other Ensign which continues to perform strongly. D'Crypt has or is experiencing some material delays in project timing, and therefore, revenue delivery, which does affect its outlook quite materially for the rest of FY2023.

And now on JOS Singapore. JOS Singapore is one of three Regional ICT businesses. The two with bigger Regional ICT businesses, Strateq and JOS Malaysia, which continue to perform. But with all three businesses, Strateq and JOS Malaysia whether the two Malaysian businesses as well as JOS Singapore, we are more tightly integrating them into StarHub. And as we integrate them, we have obviously worked through, you know, joint business planning. And as a result of that joint business planning, we have



worked through the JOS Singapore pipeline, and we have rationalised that pipeline, in an effort to trim down the number of deals and focus on better quality deals with higher margins.

So as a result of that, we are revising the revenue outlook for JOS Singapore. Between D'Crypt, which is project delays, and JOS Singapore, which is a rationalisation of pipeline, that, in essence, is almost all of the revenue guidance. Now, as I said, that reduction of revenue guidance which is largely from those two entities, has very minimal EBITDA impact. Dennis, you want to add a question?

**Dennis Chia:** Kit Yong, you want to take the second question?

**Tan Kit Yong:** Now, the second question as to where are the gaps that you think there may be in the Enterprise business given that we had several subsidiary, right, but if you look at going back to the enterprise...

**Neel Sinha:** Can I just jump in there - I'm trying to understand when the enterprise business bought all of these other entities. Obviously the add-on or the bolt-on was not just \$6 million or \$7 million. So regardless of certain situations, which may involve a write down at the bottom line level, why is the revenue just \$7 million and a half on half from all these entities and MyRepublic Broadband was 10 times larger than that before you bought it. So after its consolidated outside, I am struggling to understand that some insight would be great.

**Tan Kit Yong:** Yeah. Now, if you look at the Region ICT Services, a lot of them are actually one off. Project services. Right. So they need to have the order bookings first, after they got the order book, they got to deliver hardware. However, hardware delivery got delayed, so the revenue comes in later. So that's where in Enterprise business or ICT, we are focusing on the order book. Right? Order book will indicate the health level of the business, just that when it comes to delivery, there is a hardware delivery issues, there'll be services we need to perform, and eventually that the maintenance. So when you chop them into pieces, they will say it's bit lumpy thing, right? So if we were to get the order book in, let's say, 4Q22, then you realise its revenue in 2Q23, right, or 1H2023. So there is a timing issue here as well. Now that is on the order book.



And then the other aspect is that in Enterprise Business, right, so there is also Network Solutions as well. Right, we are still having fierce competition from the market itself. So that also adds on the pressure to the revenue offset. So things that we grow on order book for Enterprise Services, is being offset by competition of our Network Services itself. So there's the offset and the growth. But overall, if you struggle about the revenue because the timing required to turn the order books into a revenue. And if you're aware, last few years we have a hardware delivery issues. Some of the vendors take nine months or one year to develop hardware. So there's revenue impact to all these ICT Services.

**Dennis Chia:** Sorry Neel, I can point out that JOS, Strateq was acquired in 2020. JOS was completed at the start of 2022. So their numbers, the consolidated numbers, in terms of revenues, from the contributions from all these acquisitions have already been embedded into our FY22 numbers. And therefore, this is the YoY comparison between our 1H2023 performance and last year's performance, which, you know, it's just a YoY, there's no full impact. The acquisitions are all competed previously already.

**Neel Sinha:** Aware of that Dennis, thank you. It's just that I saw that incremental half on half growth was just really soft. Quick follow up. So does that mean that if hardware solutions and sales have been delayed, that we should expect this side to recover or over the next two to four quarters, or is it a longer tail?

**Tan Kit Yong:** So I think the timeline, you look at 12 to 18 months. Not immediate, because as you acquire these entities, we need to integrate them, create new value proposition surrounding our core strategy. Right. So we are in motion of transition of transforming their business as well. Like, for example, JOS Singapore has some legacy services that we choose not to do anymore. So there will be revenue loss. And we had to focus on reprioritised on the services that have high margin, and that's aligned to what StarHub wants to do. So we have in this transition mode now, right, so as we using the Cloud Infinity, as our backbone as foundation, so we have pivot to that direction. So that it will be a 12 to 18 months conversation to getting MVP done, convince the client and then the revenue starts to draw in based on the new product and services that we want to offer to the market and not based on the legacy business where we acquired them.



**Nikhil Eapen:** So Neel, so when you look at the five businesses in question: Ensign, D'Crypt and Cybersecurity Strateq, JOS Malaysia, and JOS Singapore and Regional ICT, what you should expect is continued growth from Ensign, Strateq, and JOS Malaysia. And the way you should look at D'Crypt and JOS Singapore is essentially a reset.

**Arthur Pineda:** All right. Thank you, gentlemen. Thank you.

**Amelia Lee:** Okay, next up we have with Hussaini.

**Hussaini Saiffee:** Yeah. Hi, good evening, and thanks for the opportunity. Just a couple of questions from me. First is on the revision and guidance - is it possible to give a breakdown between D'Crypt and JOS Singapore? And is D'Crypt reduction a pushback of revenues? Or, you know, we are rationalising over there as well. And that related question on JOS Singapore, the revenues which are being rationalised, were they EBITDA positive or they were diluted in nature? That's question number one. Second question is on mobile business. Mobile revenues have declined on a QoQ basis - so just want to understand is it because of some seasonality issue or is it a factor of competition? Thank you.

**Amelia Lee:** Thank you, Hussaini. Dennis, maybe you can start off with the first two questions and I think Kit can add on regarding JOS. And then Johan can take the last question.

**Dennis Chia:** Hi Hussaini. So in terms of revenue guidance, as Nikhil has pointed out, it was the combination of D'Crypt and JOS Singapore. We're not in a position to provide the exact breakdown between the two but suffice to say that, you know, the four point revision or thereabout, in the guidance down is a contribution from the two businesses. As I said, it was a reset of JOS Singapore business, in terms of the lines of business that JOS Singapore is focusing on. They are EBITDA positive, but they're not significantly positive. So, which is why we are looking at going up the value chain in terms of delivering better and value-added solutions to our Enterprise customers through JOS Singapore. And that's why we were looking at doing a reset, and rationalisation of lines of businesses that they are involved in. D'Crypt is a question of the delay of certain key projects, and that delay we expect to go into next year. And that's why there's impact for this financial year.



**Tan Kit Yong:** Yeah, now I just add on to JOS Singapore, right. We're changing the transaction profile of the client from small-value, low-value transaction, we are eliminating all these small transactions that is fulfilment, transaction, moving to solution and services – and that includes bundling our StarHub Network Services. Right. So as part of the evolution, so we will be dropping all these topline. Right, or we call them “anti-calories”, without much margin impact at all. Right? So that's how we are going to rationalise it. And then we are upskilling the people that we have, right, so new technology stack that we are bringing in, in Cloud Infinity, where from on-premises capabilities that they bring in, now, they are transforming into the Cloud Services, Cloud and Security skillsets. So we are in the midst of doing this. And that's how we are going to lift the EBITDA of the business.

**Johan Buse:** Okay Hussaini, answering your third question on the revenue outlook. That was your question. We actually don't [specifically fit it] here...

**Nikhil Eapen:** Johan, I think the question was on quarterly mobile revenue.

**Johan Buse:** Yeah, correct. So in terms of the mobile revenue, we I mean, there was an earlier question from Sachin on that as well. So we do see a lot of competition. But we don't expect any further impact at this point in time right now. The drop from 1Q to 2Q, or 2Q to Q1, I should say, is actually pre-COVID seasonality we checked that in the last few years with COVID-19, because of everything else, that shifted a little bit, but that's pretty normal. And as you probably know, typically, 3Q/4Q are a bit heavier on revenue on the back of the device launches. So that's hopefully clarifying the entire landscape for you.

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

**Hussaini Saiffee:** Yeah, pretty much. Thank you very much. Thank you.

**Amelia Lee:** Now moving on to Arthur.

**Arthur Pineda:** Good evening. Yeah, two questions please. Firstly, can you clarify in the guidance, of course, you've mentioned still revenues and higher margins, lower capex? Is this capex change based on identified savings? Or are these linked to the delays in the revenue trends for certain projects into 2024?





I'm just wondering how to look at this. But I should push back Capex to the next year. The second question I had is with regard to M&A. Nikhil, you mentioned earlier in your comments that this is something which is of course hard to predict. I'm just wondering what areas would you be looking at would this be more in the Consumer segment, Enterprise segment or others? Thank you.

**Amelia Lee:** Dennis, would you like to take the first question?

**Dennis Chia:** Hi, Arthur, on your first question on Capex, the delay, or rather, the reduction in the Capex from 13%-15%, to 11%-13%. Out of the two point drop is largely due to rationalisation of initiatives as mentioned. So, this applies to both the operating expenses that we expect to incur, as well as the capital investments that we expect to incur as well. So the bulk of it about 70% is due to rationalisation as well as vendor negotiations to bring down the total investment, there is about 30% of that reduction that is attributable to delay. And that's pushed out into 2024. However, I do want to reiterate the fact that, despite these delays, management is still working towards delivering on the DARE+ outcomes that we have articulated to the market. So that still remains very much on track.

**Nikhil Eapen:** Yeah, and again, so sort of in the first question, if I can, if I can just reiterate the point that we've made to Sachin which is, you know, the reduction of our DARE+ outlay from \$310 million, which reflects in both Capex and Opex. It is not as a result of reducing our aspiration, reducing the number of initiatives and reducing, you know, kind of the technical outcomes that we would like from each of the initiatives. So it is really just a pure optimisation, and renegotiation, which has resulted in improved dollars, not higher, but lower.

So with that, I'll take a second question. You know, there are really two areas. The first is continued acquisitions on the Enterprise segments. Now, as I mentioned earlier, in this call, we are in the process of fully integrating Strateq, JOS Malaysia, and JOS Singapore. And once that is done, we will be in a good position to continue to deepen and expand, you know, our footprint in Regional ICT, but really focused on as Kit Yong alluded to – large-scale projects, high value businesses with recurring revenue streams, and, you know, quite Cloud-centric, leveraging off the work that we're doing here in Singapore on Cloud Infinity. Now, that's one area. However, the bigger area as far as potential dollar outlay is domestic consolidation. And that's obviously where we can't predict timing, you can't predict outcomes. But with



improving strong visibility on DARE+, and improving outcomes on DARE+, with good Free Cash Flow generation, as well as low leverage, you know, we want to preserve our position. And that positioning is well positioned to acquire, as the case merits.

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

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

**Paul Chew:** Yeah, thanks. Thanks so much for the presentation. Just a few questions for me. The first was a jump in allowance for receivables. So just wondering who who's not paying their phone bills? The question is was it related to Mobile or Enterprise as the first question? The second on Mobile, I can understand the improvement in roaming, but maybe could you elaborate a bit on the Value-Added Services and an even mention Voice and Data? So maybe a bit more clarification on what's driving that apart from of course, higher subscribers? My third one, if I could - in terms of the DARE+ spending that you have incurred so far, in the first half, that \$30 million? Just wondering, at the Opex line, I just tried to understand which line item will your DARE+ be recording this spending? And my last one, sorry to ask you so many questions, on the Entertainment, if you do some back of the envelope numbers, you know, 15% growth in ARPU, 4% decline in subscribers. So my only guess is that your advertising revenue might have contributed a little bit more so I just wanted to try to understand how to kind of reconcile those numbers. Thanks again for taking my questions.

**Amelia Lee:** Thanks Paul. Dennis could you please comment on the receivables as well as the DARE+ spend, and then Johan on Mobile and Entertainment.

**Dennis Chia:** Okay. Hi, Paul. So on the provision for doubtful debts, just want to say that we adhere to an accounting policy that we consistently apply. So regardless of you know, certain collections that we get after the quarter end or the month end, we still record, you know, the provision based on the policy so that there's no question of, you know, adjusting it up or down to our whims and fancies. I just want to know, therefore, that this is actually a timing difference in the 1H2023 of what we recorded. And these were largely in relation to certain age receivables from our Enterprise customers, but we have actually



subsequently collected, you know, these amounts from them. And so we expect to be able to reverse some of these, or most of these in the 2H23.

Of course, this will be, again, subject to timing of receivables, that will appear in our balance sheets as of year-end again, so this is always the timing issue. But there's no real concern around collectability of each of these. Other than, you know, the ones that happen from time to time. Our consumers still continue to pay us, it's worthy to know that if they don't, then you know, that [standing] of services on top of that, that we apply as a matter of process. On DARE+ investments, you know, the \$30 million of investments, again, is broken down to 60%:40%. 60% of Capex and 40% of Opex. And most of the Opex is recorded in a line item called repair and maintenance.

**Johan Buse:** Handing over to me, I guess, for question B, and D on my left. So first and foremost, Mobile Revenue. It was sort of stated on the page as well, for that. It's not only Roaming, it's also indeed, Subscription and VAS. To give you a bit more color and context, I think the team has done a great job upselling, especially our CyberProtect VAS. There's not an insignificant number. So it has been, I would say, a relatively smart marketing approach that has been driving – so we continue to see basically PPU (Pay-Per-Use) revenues being offset by subscription revenues, and also that the team has been doing a good job, trying to at least cross sell and recontract customers on a similar or higher plans. So those are the contributing factors when it comes to Mobile Revenue and holding the ARPU.

Entertainment. I think your observation, well-spotted, that's across the board in terms of advertising revenue, as well as commercial revenue. The PL, Premier League has done really well for us is opening doors for SMEs, hotels, bars and restaurants. But also on the consumer side, that side effect of what we have been witnessing is that we saw a significant increase of customers taking additional passes besides Premier League. Quite a few customers take the sports pass as well. And I think we are going to become a little bit better and smarter on monetising some of the OTT solutions we have running in the back. So there's a combination of things leading to the outcome. Thank you.

**Paul Chew:** Thanks so much.

**Amelia Lee:** Thanks, Paul. We have maybe time for two more questions, if anybody has anything to ask.



**Sachin Mittal:** Hello. But again, I'm very surprised that you haven't reduced the magnitude of the transmission cost. I mean, if it is, because to be able to negotiate, a lower price, is kind of success, right? And what we are seeing that if you don't reduce that number, it's seen as a delay, you know. So I'm bit perplexed by your choice of, you know, action of not reducing the transmission cost overall, despite successful negotiation, so this bit confusing for me.

**Dennis Chia:** Sachin, if you look at the, I mean, if you look at the slide, where we have guided to the transmission investment, we've actually reduced it from \$155 million to \$120 million. I've also stated that, you know, 70% of that reduction is due to renegotiation, and 30%, due to delay, so we've actually embedded that into our numbers, in terms of investment that we're making this year, in 2023. So that's been embedded into our numbers and our margin guidance for the full year as well.

**Nikhil Eapen:** So Sachin, the \$310 million will come down. And we will give you visibility on that next year.

**Sachin Mittal:** Great, thank you.

**Amelia Lee:** Thank you. Anybody else? Okay, a question from Kenneth.

**Kenneth Tan:** Hi management. This is Kenneth from CGS-CIMB. Thanks for taking my question. I have just one question on the Entertainment side of things. Regarding the launch of M1's Eazie TV, two days ago, I think they're pricing it at like \$19 per month it's just slightly [inaudible] for TV pricing. What is management's view on competing against this? Is there an intention to perhaps lower prices of your TV plans over the coming months? Yeah, just some color on this? Thank you.

**Johan Buse:** Wow, Kenneth, closing question. Very interesting. Look, we have analysed this, at length. We were not surprised with this offering coming into the market. So I just saw the regular normal consumer price is \$25 and it's an introduction price of \$20, comes with 75 channels. Bit of a mix of Asian, Indian-Asian and English. With a little bit of VOD, boxless app. We're going to observe that we strongly believe that the core of our Entertainment strategy, which is centered around aggregation of OTT



solutions, in combination with bespoke sports content is the way to differentiate. We have been seeing and we're witnessing and we're analysing it every month. A continuous change in consumer behavior when it comes to specific linear channels. And as we have expressed in our strategy updates regularly is that our intention is to move to OTT and to offer a full suite of relevant and appealing content. And on the back of that, we do see that the future of - let's call it linear channels is declining slowly; you can interpret what slowly means. So we're going to observe that and we have our response tactics clear and ready and the choice is clear that our customers appreciate our product. Most of our customers are anyway contracted so we're going to observe that closely. And we'll do our best to make sure that we perform against that. Stay tuned. That's it. Hopefully that's answering a question well enough, Kenneth.

**Kenneth Tan:** Thank you.

**Amelia Lee:** Thank you. Okay, I'll set the five second countdown to the next question. Otherwise, we can end the call.

**Paul Chew:** Sorry since most no one's asking. Sorry to keep delaying this, just a quick one. On the consumer All-in-One app, I know you're gonna launch it at the end of 2023. Is there anything you can share or that was mentioned in the slide or just any color because it I guess it's one of the key objectives behind the DARE+, if I'm not mistaken.

**Johan Buse:** Yeah, that's a wonderful question. So let me try to explain a little bit more. Like many telcos, traditionally, we have had multiple apps. So believe it or not, we still have a separate prepaid app, we had an app for this and then an app after that, and obviously, that's not the way forward. Now on the back of the Consumer transformation program, which moves to a new stack that enables us to centralise everything into one new app. Sort of very quietly, we have been doing that over the last eight, nine months. And we will be finishing that entire piece of work by the end of this year. It's probably also noteworthy that this is a conscious different strategy, than some of the other operators have in the business, I will not mention any names. But we took a bit more pain at the start to make sure that we can end up organically in one app. So there is no customer thing. We're not creating a new app, then expect customers to move that new app.



So if you look at the current StarHub app, I would say it's like 50%-60% there. So what comes into play till the end of the year are components related to campaign management system capabilities, in combination with data lake which will lead to a very personalised real time offering suite. And then it will also be enhanced further with components around loyalty and rewards and it [include] all the products and services. There was an earlier question related to Mobile Revenue. And so what are the things we are already benefiting from just give you an example, and probably a bit too much information, but I think it's fine - is that it just enables customers. And it makes it easy for customers to click through on additional products and services. And that's what we see at the moment happening. And that's helping us a lot. So do have a bit of patience with us in the last quarter, ask the question again. And I will give you more details based on what we have completed by that. Hopefully, that's helping you too.

**Paul Chew:** Thanks so much Johan. That's very clear. Thanks so much.

**Amelia Lee:** We have a question from Arthur.

**Arthur Pineda:** Sorry, just a follow up on 5G. Are you able to disclose 5G adoption levels and pricing trends? This is still driving up? Are we seeing any trends here?

**Johan Buse:** Wow. Okay, good question. Thanks. We don't disclose at this point in time, we haven't been disclosing 5G subs. For a while. It's probably worthwhile to ask that question next quarter because we do have a few plans around 5G. In terms of the price premium. Again, I think we have done a good job of maintaining price premium - our current price premium on 5G in this current market situation still ranges between \$5 to \$10 at least depending on whether it's a SIM-only plan or a device plan and we do see customers consciously buying 5G connectivity either in a SIM-only or device. So the price premium is there and maintaining as it is and customer numbers we have some interesting plans which hopefully will lead you in the near future.

**Arthur Pineda:** And you're not seeing any increased competition from the MVNO's with their with their 5G offers.





**Johan Buse:** Okay, now you asked me a question on hypothesis. I have a hypothesis I should say at the moment is that the competition is very much around 4G SIM-only. There is a segment in the market which is extremely price conscious. That's the specific sub segment and the market, customers and this hypothesis from what we see who are opting for 5G value quality and are willing to pay more. 5G is not a pricing game.

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

**Amelia Lee:** We have a last question? Going one, going twice. Okay, I guess we can end the call earlier today. Thank you very much.

**Nikhil Eapen:** Thanks guys. Thanks, everyone.

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