



StarHub Ltd – 3Q2023 Results Call Transcript

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StarHub Management Representatives:

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Head, Enterprise	Tan Kit Yong
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Start of Transcript

Amelia Lee: Good evening, everybody. Thank you for joining us at our 3Q and 9M23 business performance update call. My name is Amelia and I take care of StarHub's investor relations. This evening, as usual, we have with us our Chief Executive, Nikhil Eapen; Dennis Chia our CFO; Johan Buse, Chief of Consumer and Tan Kit Yong, Head of Enterprise Business Group. We'll start off with opening remarks and an overview of our performance from Nikhil, followed by Dennis on financial and then Johan and Kit on business highlights. We will then open the floor to Q&A thereafter. Nikhil over to you.

Presentation

Nikhil Eapen: Ok, well thank you, everyone. And good evening to all of you. Thank you for joining us for 3Q and 9M year-to-date results 2023. And as we have always talked about, 2023 is an important year for us, as part of our DARE+ transformation. And so with that, perhaps we can start with the financial highlights. So let's start with Service Revenue. On the top right-hand side of the page, we experienced strong growth as you can see: 8.9% for the third quarter, and 8.2% for 9M year-to-date ("YTD"), both year-on-year ("YoY") numbers.

Now, we grew across all business lines for 9M YTD, and across most business lines for the 3Q23. And in fact, we had double-digit percentage growth for Mobile, Entertainment and Cyber, and decent growth for others. And this was, as we would like to point out, despite significant competition and market erosion – broadly. Now number two on service EBITDA, despite material DARE+ investment costs that we have



been incurring through the year, we were able to grow Service EBITDA 7% YoY for the 3Q23, and 2% for 9M23.

Now on Net Profit, we grew Net Profit very strongly by 37% for 3Q23 YoY, and almost 30% for 9M YTD. Now this strong growth was a function of a few things. It was obviously in tandem with growth on topline and EBITDA. But it also reflects something that we'd like to talk about more and more, which is Capex-to-Opex substitution, which we are driving across the board, and in line with a more asset-light and capital-efficient strategy.

Now, not on this page, and to steal my CFO's thunder a little bit. Free cash flow was also strong, amounting at about \$131 million for 9M23. So our leverage at this point is very low at about 1.43 times, giving us a big war chest for our DARE+ programme for acquisitions, and of course, for shareholder return. And we expect to continue reducing our leverage.

Now, overall, across these numbers, two important points:

First of all, Capex to Opex is something that I mentioned. So when you look at Antina, which is the way we fund the 5G rollout in joint venture with the number three operator; as well as our IT & Network, which we are moving more from, you know, sort of legacy to Cloud-based models, we are shifting from Capex to Cloud Opex. So this is a fundamental business model evolution, as I said, more asset-light and what you will see – so far to date, as well as over time, is our net income and free cash flow become more pertinent than EBITDA for instance, which doesn't necessarily have an ROI focus. And you will see our net income as a percentage of EBITDA and free cash flow as a percentage of EBITDA, increasing and this is something that Dennis will elaborate on, and we'll focus on that today.

Now on DARE+, which is the second important point that I'd like to make. As you know, we invested, between cash and accruals, about 36% of the \$310 million in 2022. We continue to spend materially on DARE+ this year, and we will be spending next year. Now as Dennis has mentioned in prior calls, we expect to reduce that total bill for DARE+ from that \$310 million to something lower, which again, we'll update on in due course. But once that spend is done, you know the spend will tail off. And we will also start harnessing and driving DARE+ efficiency, which hasn't really happened yet. We expect and are very



focused on driving continued profitability growth beyond this point and I guess it's something that we will elaborate on in our Investor Day.

So with that - next page. So segmented revenue, so YoY, we grew across all segments for 9M YTD. Now on Mobile, we grew service revenue substantially by 11% YoY for 9M23 and 7% for 3Q23. And our focus has been on monetising and increasing ARPU, rather than fighting the price fight in the market at the low-end segment. But we captured roaming upside; we also held or increased our base ARPU. And again, I'd like to say that this is in stark contrast to the market which has been eroding. I think many of you have seen the YoY reduction in consumer revenue with the number three operator, which includes Broadband, by the way. We estimate our revenue market share to be quite substantial over the number three operator and pushing close to 500 basis points.

Now on Broadband, we have market leadership, we've grown 4% YoY, on 3Q23 we faced a small decline, we have consciously withdrawn premiums and promotions. Hence, we actually have a little bit of profitability improvement on the segment. And we're also strongly growing and are very focused on driving increased penetration of higher bandwidth plans, which we defined as 2 Gbps and 10 Gbps XGS-PON, where we were actually the first in the market.

Now on Entertainment, we've seen strong growth (9M) YoY, as well as for the quarter, YoY. Now this was of course, due to a few things but we will call our Premier League, but also pull through from Premier League into high value packages. So when you look at, you know, our sports lineup, we have F1, we have Rugby World Cup, we have the ICC World Cup, so we have the most complete and most comprehensive offerings for sport, but also the general entertainment. And this is reflected in our significantly new revenue market share in the Entertainment segment.

Now on the Enterprise side, we saw sustained YoY growth, mainly driven by 22% growth YoY for Cybersecurity for 9M23 and actually 45% in 3Q23. We've always talked about the fact that our Cybersecurity business and our joint venture Ensign, you know is growing strongly with the back-ended growth in 3Q23 and 4Q23. And we continue to see strong pipeline from growth for the Cybersecurity segment. Regional ICT Services is down, and then with Network Solutions, we continue to see strong market competition for the connectivity businesses, which are a little bit more comparable across



competitors. But we are growing our Managed Services quite aggressively. And we are also re-orienting our Enterprise business really towards serving new platforms around multi-cloud network we [inaudible], etc. Really driving that thesis around converging Cloud, Cybersecurity and Connectivity on a single platform.

So with that, you know, I'll start updating vs our guidance. So we had Service Revenue guidance of 3% to 5% for the year. But for the 9M23, we're ahead of that at about 8%. On Service EBITDA margin year-to-date, we're in line. And then on Capex, we are outperforming and under although we do expect them to catch up, regardless, CFO will elaborate on. So with that I'll hand over to Dennis for a more detailed financial overview.

Dennis Chia: Good evening, everyone and thanks as usual for joining us. Some key call outs on slide 7. In terms of operating expenses you will see a YoY increase and that's primarily representing the transformation expenses that have incurred and continue to incur in respect of our DARE+ strategy. That also is the same trend and explanation insofar as the 9M23 number is concerned.

EBITDA for the quarter was at \$114 million. And for like 9M23, sitting at \$344 million. You'll see that our net profit number is strong, and we closed the quarter at about the \$37 million, representing about 37% YoY increase. And for 9M23, we have a 29% increase in our Net Profit number. You'll see that the Net Profit number has grown significantly faster than our EBITDA number and that goes to the point that Nikhil had mentioned regarding our Capex to Opex shift. And the fact that our depreciation and amortisation bucket has reduced; and we do have a YoY net reduction on net interest expense.

Net profit after tax of \$37 million represents 2.3 cents on the EPS basis. And for 9M23 we have EPS of about 6.7 cents. Free cash flow of \$131 million for 3Q23 as well as for 9M23, sitting at \$131 million or 7.7 cents per share. And our leverage, as Nikhil mentioned is 1.43 times. With that I will hand over to Johan to talk about consumer.

Johan Buse: Thank you very much. Good evening, everyone. So Nikhil gave already most of the information. So I'll pick it up here from the bottom of the page. So Mobile did really well. We had a strong quarter, so YoY for 3Q23 up 7% to \$153 million and YTD 10%; close to 11%.



ARPU increased marginally YoY due to higher roaming, VAS and voice subscription revenue. And as you could expect, offset by lower overall usage revenue. Postpaid base grew marginally mainly due to giga! and the churn rate remained pretty stable at 1%. Prepaid is a different thing altogether, Prepaid at \$7 flat and we ended a promotion, which led to a decrease of the base to 574k. But in this market, keeping Prepaid ARPU stable, it's quite a good achievement.

Broadband on the next page. Broadband stands at \$34 ARPU. Jointly between us, MyRepublic and StarHub, increased to 579k subs. And the churn rate remains very stable at 0.6%, and the rest already covered by Nikhil. So we do see Broadband still improving in terms of revenue YoY. The offset in the quarter revenue is due to premiums as mentioned by Nikhil, but not impacting Service Revenue.

Entertainment, the last one. Entertainment had a real good quarter. Again, as highlighted by Nikhil, mainly due to Premier League. We saw a very good pull-through in terms of the content. And we closed the quarter on \$45 ARPU. Sub base, you do see a decline. But due to the fact that at the beginning of the year, we moved to active-base reporting, and we ended one specific promotion leading to a marginal decrease. Churn rate therefore is flat at 1%. And segment revenue, as you can see, both for the quarter as well as YTD shows really good improvement. So that's from my side handing over to Kit Yong.

Tan Kit Yong: Right for the Enterprise business itself to get 3Q22 and 3Q23, we're having a 14% growth. For 9M23, we have 6.5% growth. Look at the revenue mix itself, Regional ICT Services, Data & Internet, Cybersecurity, Managed Services, right, these are the mix, largely the same. Now when we break it down for Network Solutions itself, you can see that there is higher YoY growth for 9M23 revenue mainly due to Managed Services. But then they're also offset by declines in Data & Internet and Voice Services. The lower YoY 3Q23 revenue due to lower contribution from Data & Internet and Voice Services revenue. Managed Services is growing strong for us. For Cybersecurity services, you can see that both the higher revenue for YoY is due to recognition of the project has been completed. You should note that the segment recorded operating loss of \$5.1 million in 3Q23 compared to operating profit of \$6 million, despite higher service margin. It is mainly due to investments into talent and to continue to grow the business. When it comes to Regional ICT Services, it is almost flat. Right, for YoY for 3Q22 versus 3Q23.



And if you look at for the 9M22 vs 9M23 that's 6.8%. Right, this is mainly due to the lower hardware sales that we're seeing 3Q23 itself. Then, we'll move to the next slide.

Nikhil Eapen: Yes, and on Ensign, you know, we have announced in our press release and we would like to further announce today that we have actually extended our Assigned Rights, which was due to be expire this year, you know, for another two years.

This is reflective of our focus on Cybersecurity. And Cybersecurity is core to our DARE+ strategy; and reflective of our focus on Cybersecurity as possible growth platforms with Cloud and Cloud connectivity, and multi-secure, multi-cloud networking, as well as Smart City development. And it's reflective of the fact that we have strong alignment with our partner, Temasek, and we're focused on driving the growth of Ensign together. So with that, I think we can move to Q&A., Amelia?

Q&A

Amelia Lee: Sachin, please unmute yourself.

Sachin Mittal: Oh, yeah, congrats on a good set of results. My question. I didn't see any update on the transformation cost during this quarter, and during the nine months and the Opex and Capex mix, if you're gonna update that, and actually, I can ask my follow up question on that. Yeah.

Nikhil Eapen: I'll leave it to Dennis to decide what he wants to update on now. And what we may patiently ask you to wait for I think two to three more weeks. Yeah.

Dennis Chia: So Sachin, our intent was to actually provide an update on 28 November which is our Investor Day, which we're really excited about. So this was not necessarily intentionally left out of this, but we thought that the update would be more relevant at the Investor Day. So suffice to say that the Capex-to-Opex mix that we previously provided guidance to in the 1H23 results still remains. And in terms of where we think we're going to end up for the year in terms of total transformation expenses, that we provide an update, it will be slightly lower than what we thought it would be. So I'll just leave it at that for now and we'll provide more details on Investor Day.



Sachin Mittal: Yeah. So actually, one more question, which is related is because 2H23 was supposed to have more transformation costs than 1H23. And looking at your guidance, it seems you're expecting the margins to be stable, which means we're not expecting a ramp up in 4Q23 transformation cost. Is that the right way of looking at things? Because if bulk has to be incurred in 4Q23, then margins should have come down, but you're not updating your guidance on margins. Is that right?

Dennis Chia: Yes, we actually updated our guidance on margins when we went out with our 1H23 results in August, right; so that guidance that we moved up, in fact actually at the point, we had started the year with 20% guidance. And we then said that it would be in about 22% when we released our 1H23 results. We are staying with that guidance, or that updated guidance that we gave at the 1H23 result. And that guidance had already factored in the transformation expenses that we actually expect to incur in 2023, both in 3Q23 and 4Q23.

Nikhil Eapen: So essentially, we are spending materially in the 4Q23, but we'll update in terms of the timing, phasing, as well, as Dennis said, on the total quantum which is no longer \$310 million – it is lower. And we'll put that together. And we'll chat about it on Investor Day.

Sachin Mittal: Okay, the last question – now Mobile is in the green category – growing. Are you seeing any risks to Mobile growth in the near- to medium-term, or you think we will probably see some growth going forward in the Mobile space, irrespective of how many number of players - now we are have four players in Singapore. What's your view on that. Thank you.

Amelia Lee: Johan, a question for you.

Johan Buse: Thank you very much. It's hard to predict, to be honest. We have been doing very well on Mobile this year on the back of roaming. Roaming still hasn't fully recovered. So there is potentially some upside still on roaming. Having said that, there is obviously some headwind in the market. With some of the operator-players coming in at relatively low price point. We have a strategy in place but I'm not in a position to make forward looking statements, obviously. But I do think we can say today that we have more things within our control that we can play, if needed than those which are outside of our control.



Nikhil Eapen: But to be very clear, Sachin, we don't like the way the market is headed. We don't like the way you know, the number three and number four operators, and the MVNO, we don't like the trending there. We've tried to stay away from it. We focus on revenue market share. We focus on monetisation. But our tactical and strategic plans are built on the premise that market competition remain extreme.

Amelia Lee: Sachin, we hope that answers your question.

Sachin Mittal: Yes, very much. Thank you.

Johan Buse: Thank you.

Amelia Lee: Thank you. Next in the line, Melissa.

Somesh Agarwal: Hi. This is Somesh Agarwal. I just started covering the sector, at UBS. So Dennis, I wanted to start with this, you mentioned that there's a mismatch between EBITDA growth and profit growth, right. And most of it comes because you've moved DARE+ Capex to Opex. And accordingly, the depreciation cost and interest costs have come down. Could you give us a sense of by how much depreciation cost YoY and interest cost YoY have come down? Thank you.

Dennis Chia: Hi, Somesh. So, if you look at the, the absolute difference on the growth in numbers between EBITDA - so EBITDA for the quarter has grown about \$4 million. And if you look at the net profit attributable to shareholders, it's grown by \$10 million. So you kind of look at that, you know, you can kind of extrapolate the depreciation and net interest. The depreciation costs have come down for the quarter by about \$4 million, and the net interest expense has come down by about \$2 million. So that is a kind of the breakdown between the two numbers.

I do want to correct one point, it is not the DARE+ transformation that has moved from Capex to Opex, because DARE+ transformation costs are incurred in both Capex and Opex. However, if you look at our 5G network, the radio component is in the form of Opex, because that is incurred in wholesale costs through our joint venture with our competitor. And in terms of some of our cloud loads, in our IT stacks,



that has also been record in the form of Opex. Those, by the way, those two components used to be Capex. When we had our 4G network, we had radio - the radio network, incurred as in the form of Capex, and therefore the depreciation on that goes through the books as well, you know, IT stacks were largely on-premise, those will be Capex. So that's the two primary shifts in the Capex to Opex model that we want to call up.

Nikhil Eapen: So just to doubly and triply, clarify, it is not DARE+ Capex that is moving to Opex, as Dennis said. The impact of DARE+ is to move BAU Capex, or avoid BAU Capex, and instead reflect it as Opex. Part of that is Antina, you know, part of that is IT moving to the cloud. And then as we've talked about in the past, what we're doing, which is very unique, globally, in fact, is cloudifying our network as well. So that has an impact and moving Capex to Opex, in fairly material terms.

Somesh Agarwal: Sure, thank you for that. Staying on that. So in 4Q23, will this trend continue given that you have recently adopted this? And from a YoY perspective, 4Q23 versus 4Q22? Will this trend continue in going into net profit?

Dennis Chia: The answer to that Somesh is yes, because we actually started this journey last year in 2022. So this is not a journey that we just commenced. Right. So if you kind of look at this, in our results prior to 2022, which is 2021, you will see that the gap between EBITDA and net profit is a lot wider than what you saw in 2022. And what you're now seeing in 2023. So this is not a journey that we just started.

Nikhil Eapen: And I would caution – this isn't really about quarterly trends, because as we shift Capex and Opex, it has, you know, kind of long-term tail effect. And then as that accumulates, the impacts get larger and larger. So it's an accumulated impact.

Somesh Agarwal: Thank you. And my last question on DARE+, and the ensuing Capex, right? The guidance is for 11% to 12% for the year, you're trending 7%. Does that imply higher investments in the fourth quarter especially?

Dennis Chia: Yes, for sure. So we've got a couple of initiatives that we are expecting to incur commitment with respect to those initiatives in 4Q23.



Somesh Agarwal: Thank you very much.

Nikhil Eapen: Yeah, we're reiterating our Capex guidance. We're not revising it.

Amelia Lee: Next up, we have Arthur.

Arthur Pineda: Hi good evening. Thanks for the opportunity. Just two questions, please. Firstly, can you elaborate what's happening on the Broadband side? What are you seeing in the segment, given the pressure? What are the various operators doing to drive down the revenues? Second question is on the Enterprise side, it's up 15%, which is quite strong. I'm just wondering, are there any lumpy revenue bookings? Or is this a benchmark level that we should look at going forward? Given that there are newfound capabilities? Thank you.

Johan Buse: Thanks for the question. On broadband. As I mentioned earlier, it's important to split out what we call Premium Revenue from Service Revenue. Over the last few years, the market in certain situations move to selling premiums in combination with Broadband, and they come at a cost. And that's booked, technically as a form of revenue.

If you or ourselves strip out that revenue, the Service Revenue YoY is actually flat, literally flat. And within that, I don't mind saying that we do see continuous uptake of customers taking higher speed broadband packages. Now, what is happening in the market is that some of the players, particularly the smaller ones, are becoming increasingly price aggressive, probably pre-empting, I would say, personally, maybe unnecessary, an arrival of SIMBA in the Broadband space. So that's basically what is going on.

We have focused ourselves more on the highest speed plans, which will, we believe, help continue to grow our revenues in that space. And obviously, what works very well as at the moment for us as the combination between Broadband and Entertainment as complimentary service. So that hopefully is answering your question in terms of what is happening in the market.

Arthur Pineda: Excellent. Thank you.



Tan Kit Yong: Right before Enterprise itself, you see the 15% - the star for the quarter is actually our Cybersecurity Services. Right, this is project services. So it will be lumpy in different quarters. So this quarter, we happen to harvest the projects that finished competition. So I will say that this is the quarter for Cybersecurity due to the project services which were completed. You look at Network Solutions and Regional ICT Services. They are slight decline, right? Not 3.2% decline so you can conclude it's Cybersecurity.

Nikhil Eapen: Yeah, but I would say it's both. So yes, it's lumpy. But with Cybersecurity in particular. Yes, there is an ongoing an increasing trend.

Arthur Pineda: Understood. Thank you very much.

Amelia Lee: Next up we have Paul.

Paul Chew: Yeah, thanks for the presentation. Just one question on DARE+. I know you will share more details in Investor Day, but what happens once the DARE+ initiative is over. Does it mean that this cost will not recur, there will be a gap now? Just trying to understand again. And that's my first question. The second is just on the Cybersecurity. You mentioned strong pipeline and also order book. What has been some of the initiatives done? Is it that you have new product launch new geographies, just some clarity will be helpful. Thanks again.

Nikhil Eapen: Yeah, maybe I'll start on DARE+ and Dennis can add. So what happens when DARE+ is done as we stopped spending money on DARE+. The other thing that happens is, we have the ability to harness efficiencies. So for instance, we can decommission existing legacy system, therefore saving money. And through all the automation that we're doing, we can reduce costs across the business. And then the third thing that can happen is, of course, to drive revenue through new platform. Now, it's not clear, you know, those are sort of phased initiative by initiative. And that's something else, as we said, we'll sort of continue to update on. Dennis, anything to add?



Dennis Chia: Paul, I'll just like to update that, insofar as how we define DARE+ as saving costs, there are these investments that we're incurring to actually, for example, transform our IT stacks. So as we install and implement new IT stacks, these are considered as transformation costs. When these new stacks are in place and in flight, and being implemented, these will become business-as-usual costs. So when you have new IT platforms, there will be license costs that you have to incur on these new platforms. Those when they become stable, those become part of our cost structure going forward. So that therefore then, you know, there's a part of it that will remain and recur. So it's not as Nikhil said, that it's not a cliff - it just doesn't mean that once you're done with it, the entire bucket just disappears. It just simply means that a part of it still stays, but the cost in respect of some of the old and legacy systems drop off. Effectively, that's how you should be looking at it.

Nikhil Eapen: And to your question on, you know, to your question on Cybersecurity there, you know, there are shifts underway, within Ensign. You know, Ensign is moving, really to a model where it brings together quite a lot of state-of-the-art product and capability. You know, with interesting overlays on top to drive, you know, things like visibility, end to end visibility, automate, and etc.

There are also a lot of new platforms that apply, you know, data analytics and artificial intelligence on top of data lakes, to really drive, you know, threat detection, as well as incident response in ways that are very, very agile, and highly automated. So some of the things we can update on, some of these things, we cannot. You know, the customer base that Ensign has been quite unique, and quite demanding in terms of the threats that they face, and what they need and trying to do. But we will continue to update in new course, you know, starting, you know, the Investor Day event.

Paul Chew: Just a quick follow up in terms of the drop off in the legacy costs, is it occurring as the years progress? Or in FY2024? It will you see that big drop off or it's been gradually happening as you've been kind of incurring this new BAU costs or this new IT systems? Thanks.

Dennis Chia: So, it will not be a cliff. It is a gradual drop off. So and you know, our IT architecture, as we are proud of it – is not necessarily, you know, a simple one to one replacement, right - in some cases. So as the IT systems are being decommissioned, there will always be an overlapping, period, right, where you actually test the new systems that are being implemented, while you decommission the old one. So



there is a period when both are running parallel, and you will incur both costs at the same time. So as and when the new system is then tabled, you will drop off the old system. So it is a gradual drop off, because it's not a one-time replacement of everything right - it is stack after stack. And it is a phased approach.

Paul Chew: Okay, guys, thanks. Thanks so much.

Nikhil Eapen: So everything is phased. So when we stop spending on DARE+ and that tails off. And there's so many different streams of DARE+, with timelines associated with each of those streams. And then again, it's not a cliff. And as Dennis says with the decommissioning, you know, it's going to be phased because it's an exercise where we look at our systems, you know, we decommission them when we can, and different systems have different times. And it's the same with the automation initiative.

Paul Chew: Yeah, I just wanted to clarify that by 2024, the DARE+ Opex at least disappears. You're not gonna see that big gap down in Opex like you mentioned, because some of these are BAU costs. Thanks, just wanted to clarify.

Amelia Lee: Next, Daxin.

Neel Sinha: It's Neel, for some reason, I thought getting logged on as Daxin for the last three quarters. Congratulations on the decent set of numbers. What I want a little bit of clarity on is Capex. I don't think Spectrum Rights which is part of your Capex guidance is really Capex, it's Opex right? So, if you strip that out, how much of the balance is maintenance network Capex? For the business lines and how much is pending 5G related? That would be great. You can give me a just a broad guideline.

Dennis Chia: Neel, just to clarify on the first point that you made - spectrum rights are considered Capex for our purpose because they are classified into our balance sheet as property, plant and equipment, they are intangible and they are amortised accordingly. So, insofar as the new spectrum bands are concerned, where they are being assigned to our joint venture, Antina for purposes of 5G - they are still capitalised in our books and then amortised accordingly.



So I just want to clarify that point and therefore Capex guidance do include Spectrum Rights. However, for purposes of 2023, the 5G Spectrums which were previously awarded the 3500 band, which was awarded, I think, in 2018, and the 2100 band which is awarded in 2021, those spectrum bands would have been considered Capex commitments in those respective years.

Since there are no new spectrum bands and we bid for in 2023, embedded in our Capex guidance for this current financial year, it does not include spectrum rights. To your other question, on the Capex, we have guided to 11% to 13%. We have consistently said that on a steady state of BAU Capex will be in the region of 5% to 7%. So you can therefore infer that on our growth initiatives, which includes 5G and some of our various DARE+ initiatives, it will be in the region of 6%.

Neel Sinha: So Dennis, so would I then infer that the balance 6%+, between what you've spent now versus the 11% to 13% guidance is roughly what you will be spending on the balance of 5G network rollout?

Dennis Chia: It's not just 5G, because we have gone out. As you know, the 5G rollout is still in flight. So there will be ongoing investment in 5G, which is the components that do not sit in StarHub, obviously, you know, excluding the radio which sits in our joint venture, the other component of the 5G network sits within StarHub. And that's embedded in that number.

But we've also gone out and said that there's a whole bunch of DARE+ initiatives, which include our IT transformation. So there's Capex with respect to that. There's also the cloudification of our network. And that Capex is also assumed in there. And so there's a whole bunch of initiatives, which we've already advised the market on, and those initiatives are being implemented.

Neel Sinha: Thanks, Dennis, are you at liberty to give a ballpark whether there's another \$300 million or \$400 million thereabouts, you know, what the number is, how much you need to spend on the rest of the 5G build out or not?

Dennis Chia: We are not at liberty to disclose that number. Because you know that that kind of goes into our strategy in terms of what you know, and how we intend to architect our network resources, so



I'm not in a position to provide that number. And also, I just want to note that there are currently two 5G bands, which is 3500 and 2100.

So the rollout is for those two bands. Insofar as other Spectrum bands are designated 5G in future, there will potentially be other investments for those new bands also. So there's no end – for example, when we complete the current rollout, there may be future rollouts, as well as, as it morphed into 5G, you know, from the 4G as well. So it's an ongoing journey effectively.

Neel Sinha: Thanks, Dennis. Thanks, team.

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

Kenneth Tan: Hi management. Just two questions from my side. The first is on the DARE+ costs. Understand that you can't share the amount of costs incurred in 3Q23, but could you comment, whether there was a QoQ increase versus 2Q23? And my second question is on Regional ICT Services, there was deeper operating losses in 3Q23. What was driving this? Was it unfavourable service mix or something else altogether? Thank you.

Dennis Chia: Okay, on transformation expenses QoQ. It was a slight increase in 3Q23 versus 2Q23. It's not a significant increase insofar as the Opex investments are concerned. I hope that addresses your question on the transformation effect. But for the full year, we do expect to incur relatively higher on capital investments as well as Opex investments for the last quarter of the year. So as we build up the remaining portion of what we intend to invest for the DARE+ initiatives, as we close off the year. To your second question on – sorry, if I may just pause there to see if that answers your question.

Kenneth Tan: Yeah, that's great.

Dennis Chia: Okay thank you. So on the Regional ICT Services – the margins, yes, there is a margin mix, typically depending on the nature of the project. So insofar as you know, there are more service component embedded in the ICT solutions, or the projects that are being delivered, then naturally, the margins tend to be relatively higher. So it depends very much on the nature of the projects that are being



delivered within the quarter. So that effectively explains, you know, the positive or negative shift in the margins QoQ. The way to look at it really is, you know, in looking at the full year number, because that will kind of shore up the blended projects or the total number of projects, as well as the mix of projects that we would have delivered during the course of the year.

Amelia Lee: I hope that answered your question.

Kenneth Tan: Thank you.

Amelia Lee: Thank you. We have Arthur.

Arthur Pineda: Sorry, just a follow up question to clarify in the guidance. So your official guidance and margins at 22% for the year. 9M2023 you are already at 22%. But 3Q23 was at 20%. So that implies that you're basically expecting for 4Q23 margins to be better versus the 3Q23 margins. But you've also implied that DARE+ costs will ramp up into 4Q23. So does this mean that the bookings for DARE+ into 4Q23 will mainly be Capex related? Not Opex? Is that how I should look at this?

Dennis Chia: So Arthur, the answer is no. No, because, you know, effectively, we have closed 9M2023 as at 21.8% service margin. So our guidance for the full year, at approximately 22% implies that that will be the margin that we expect to deliver, notwithstanding the relatively higher Opex that we expect to record in 4Q23 versus the previous quarters. But we also have visibility on a number of other initiatives that we're rolling out and as well as our business and the various subsidiaries that, you know, that we have within our portfolio, and the mix of it effectively, we do see some improvements. That we will recognise in 4Q23 that will serve to offset some of these relatively higher transformation expenses.

Kenneth Tan: Okay, thank you.

Amelia Lee: Thank you. So we do have some time to take any more questions that you might have. While we wait for the next question, you know, it's a perfect opportunity for me to plug investor day on 28 November is a perfect chance for you to mingle with management from both StarHub and Ensign



and also get to experience for yourself Ensign's differentiated solutions. Oh, okay, great. We have a question from Zhi Wei.

Zhi Wei Foo: Hi, management, congrats on a strong set of numbers. Just want to clarify one thing - on your 4Q23, i think you mentioned that you'll be decommissioning systems along the way. Just to be absolutely sure, you won't see any sort of like kitchen sinking of legacy equipment or whatsoever, right?

Dennis Chia: Okay, so, I'll just bring you back to our 4Q22 when we actually took some impairment charges for certain legacy infrastructure that we expect to decommission or to sunset. At that point, you know, those have already been considered. So, there's a long way of answering your questions. The answer is no; we do not expect to have a one time you know, kitchen sink charge in respect of decommissioning. Effectively. What we will do however, is you know, when we decommission, the cost of running those systems will follow but there will not be an impairment charge in respect of those systems that are being sunset. We have taken those into consideration in 4Q22.

Amelia Lee: I hope that answers your question.

Zhi Wei Foo: Very clear. Thank you.

Amelia Lee: There's one question in the chat. With regards to the lower hardware sales for Enterprise [inaudible]. Nikhil, would you like to take this?

Nikhil Eapen: Kit Yong, why don't you take this?

Tan Kit Yong: We used to have more regular hardware sales, it is the cycle of the business. In this quarter, there are certain deals that are delayed right into the next quarter, and some are beyond. So that's why you see a higher hardware sales. But as a whole, the hardware sales, you can say that, based on the macro economics, ICT spend has been subdued, right because of many economic challenges. So we're seeing a tightening trend as we speak. But in this case here mainly due to some of the deals that we have the purchase of the equipment has been deferred. That's why there's higher hardware sales.



Amelia Lee: Do we have any more question from the floor? We'll give it one more minute.

All right then, I think we can end the call early this quarter. Thank you everybody for spending your Wednesday evening with us. If you have a follow up question, you know how to reach me, and we hope to catch up with you on November 28th. Thank you have a great evening and good night.

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