



**STARHUB LTD**

Co. Reg. No. 199802208C

**25<sup>TH</sup> ANNUAL GENERAL MEETING & EXTRAORDINARY GENERAL MEETING**  
Responses to Substantial & Relevant Questions  
Submitted by Shareholders and Securities Investors Association (Singapore)

**Singapore, 20 April 2023** – StarHub Ltd (“StarHub”) thanks shareholders and Securities Investors Association (Singapore) (SIAS) for their interest in submitting questions in advance of our 25<sup>th</sup> Annual General Meeting (“AGM”) to be convened and held at StarHub Auditorium, 67 Ubi Avenue 1, #03-01 (South Wing) StarHub Green, Singapore 408942 on 21 April 2023 at 10.00 a.m. and our Extraordinary General Meeting (“EGM”) on the same day at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the AGM).

Responses to all substantial and relevant questions received relating to the resolutions tabled for approval at the AGM and EGM are as listed in: (a) Annex A (Responses to Shareholders); and (b) Annex B (Responses to SIAS). The responses make reference to StarHub’s Annual Report 2022, which has been published on SGXNet and is also accessible at StarHub’s Investor Relations website at <https://ir.starhub.com/misc/ar2022/index.html>. In addition, the Chief Executive presentation deck is enclosed, and also made available on SGXNet and the StarHub Investor Relations website at <https://ir.starhub.com/AGM-EGM>, for your information.

For full details on StarHub’s latest financial and business performance update for the financial year ended 31 December 2022, including the outlook statement and the FY2023 guidance, please visit the Results Centre section on StarHub’s Investor Relations website.

Following the conclusion of the AGM and EGM, the outcome of the AGM and EGM will be uploaded on SGXNet and made available on StarHub’s Investor Relations website. The minutes of the AGM and EGM will be published on SGXNet and StarHub’s Investor Relations website by 21 May 2023.

**STARHUB**



## RESPONSES TO SHAREHOLDERS

1. **StarHub's market value dropped significantly in 2022, as though it was in financial distress. In view of the higher interest rate environment, is the company able to meet all its financial obligations, including its dividend commitment to shareholders, for FY2023? (Any further assurance about the company's financial health would be much appreciated).**
  - The decline in StarHub's market value was driven by macroeconomic events and market movements. We would like to clarify that StarHub is not in financial distress, and on the contrary, we continue to enjoy healthy cash generation, a strong balance sheet, low leverage of 1.38 times as at FY2022 (compared to regional peers' average of about 2.4x), and strong relationships with a diversified stable of banks due to our robust investment-grade credit standing.
  - We are also well positioned to weather the rising interest rates – 99% of our Total Borrowings are fixed-rate instruments, with average maturities of four years. We also have sufficient liquidity with \$700 million of committed and uncommitted undrawn facilities.
  - Our interest rate cover was 9.2x as at FY2022, demonstrating strong ability to service existing borrowings.
  - We recorded \$222 million in free cash flow for FY2022, translating to about 12.8 cents per share.
  - In view of the above, we have more than sufficient resources to meet all financial obligations, with healthy debt headroom for financial flexibility to fund our growth initiatives.
  
2. **Please explain why the company had committed an additional \$40M to the DARE+ program without any incremental benefit to the targeted outcome? It does not seem to make sense from an investment perspective.**
  - We have disclosed on page 23 of the Annual Report that the incremental \$40 million is primarily earmarked for the development of our Cloud Infinity network transformation and several other business initiatives. When completed, these initiatives will elevate and accelerate our long-term DARE+ ambitions that may result in higher outcomes than expected.



- We continue to be prudent and disciplined in our expenditure and investments, and return on investments (ROI) is a key metric that we use to assess the viability of such investments.
3. **We know that a 5G mobile plan is priced higher than a similar 4G mobile plan. Is the profit margin also higher?**
- Currently, we price our 5G plans at a premium to 4G, and we have seen positive contribution towards our ARPU as customers move from 4G to 5G.
  - 5G as technology enables more bandwidth and ability to handle more users, thereby making the network more efficient and cost effective with the increasing data usage as compared to 4G.
4. **Please comment on the take-up of the English Premier League. Has the subscription level been satisfactory?**
- With the first season of Premier League underway, we have seen encouraging take-up of Premier+ on the back of our promise of "Football for All", through affordable access, immersive market-first features, and our ethos to give back to the football community in Singapore.
  - We believe that this is just the start, and there are further opportunities to drive Premier+ subscription towards next season and convert viewers who may be accessing Premier League content through unauthorised sources.
5. **With a shareholder base of over 25,000 shareholders, would the Management team consider offering subscription incentives and discounts for StarHub shareholders? This move might raise demand for StarHub shares if sufficient savings are offered compared to existing plans, as well as potentially lead to better top and bottom lines if there is significant take-up of new plans.**
- We thank you for the feedback, which Management will take under consideration.
6. **With the resumption of physical AGM and EGM, this offers a good opportunity for shareholders to meet with the Board of Directors and Senior Management. Why the decision not to serve food?**
- We view the AGM and EGM as a valuable opportunity for shareholders to keep updated on StarHub's business plans, shareholder returns and performance, and for the Board and Management to address any concerns or issues raised by shareholders.

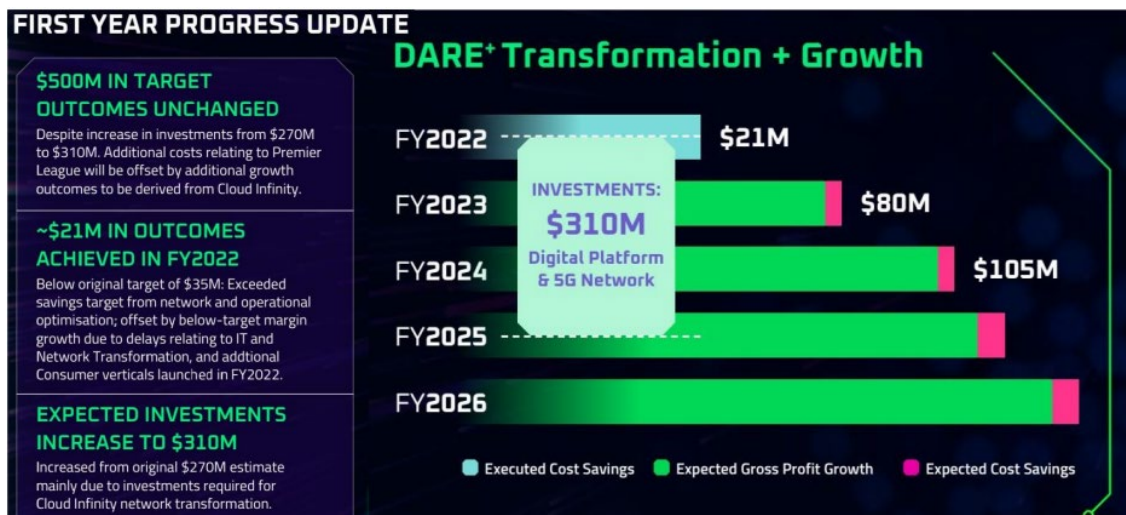


- Shareholders can be assured that they will continue to have the opportunity to engage and interact directly with the Board and Management at the AGM and EGM.



RESPONSES TO SIAS

Q1. The group is embarking on a transformational repositioning program called DARE+, under which \$500 million in positive outcomes over 5 years and \$80 million each year starting from FY2026 have been targeted. DARE+ is a 5-year transformation and value creation program aimed at evolving the group from a traditional telco to a digital ecosystem enterprise. In FY2022, the group achieved \$21 million in outcome, below the original target of \$35 million. This was attributed to below-target margin growth due to delays relating to IT and Network Transformation, and additional Consumer verticals launched in FY2022.



*(Adapted from company annual report)*

- (i) Can management provide more information on the underlying reasons for the shortfall in outcome (\$21 million vs \$35 million) in the first year of DARE+?
  - a. Please help shareholders better understand the underlying reasons for the delays and how management is addressing them.
    - As communicated in the annual report, there was a slight 3- to 5-month delay in our IT Transformation that had a trickle-on effect on business outcomes that resulted in lower-than-expected outcomes in FY2022. This



was offset by higher-than-expected cost savings from our network and operational optimisation.

- While such delays are not uncommon for IT Transformation projects of this scale and complexity, we take this very seriously, and we have taken proactive steps to accelerate our pace in FY2023 to manage the risks of our IT Transformation efforts. We would like to invite shareholders to read our CIO's comments around this topic on page 27 of our Annual Report.

**b. What are the additional Consumer verticals and why have they been added to the programme?**

- In FY2022, we have added three new Consumer verticals as part of our Infinity Play strategy, namely GameHub+, ProtectHub+ and LifeHub+. We invite shareholders to learn more on these, on pages 18-19 (StarHub's Growing Ecosystem section) and pages 37-39 (Business Review section) of our Annual Report.
- Adding such verticals is part of our DARE+ strategies to (i) provide clear market differentiation (especially through cross bundling) in a competitive marketplace. This contributed to stable/improving ARPUs across all segments; (ii) drive greater value to customers that will in turn drive greater consumption of our products and services (maximise customer lifetime value); (iii) diversify and add new income streams; (iv) shift the business model to allow us to extend our reach beyond our current pool of customers, and potentially expand beyond Singapore. Please also refer to comments made by our Chief of Consumer Business around the Infinity Play strategy on page 24 of our Annual Report.

**c. Is the targeted margin growth potentially on the high side, and should this be a cause for concern?**

- Just like the annual guidance that we offer to the market every year, the DARE+ targets are based on robust internal forecasts and estimates built upon realistic assumptions.
- Even though the operating and macroeconomic environment is increasingly uncertain and volatile, we have not missed our annual guidance to-date. Management intends to continue this discipline for any forward guidance provided to the investment community, and remain fully focused on the successful execution of DARE+.





For the overall DARE+ programme, the expected investment has increased from \$270 million to \$310 million due to investments required for Cloud Infinity network transformation. Management has also stated the following: In FY2022, we incurred 24% of the \$310 million, or approximately \$75 million in Opex and Capex investments. Together with approximately \$31 million in provisions made at the end of FY2022, the aggregate amount of approximately \$106 million represents 35% of the \$310 million investment amount. We endeavour to accelerate execution and expect to deploy most of the remaining \$200 million in Opex and Capex investments in FY2023, and a smaller proportion in early FY2024.

**(ii) Did management evaluate the reasons for the underestimation of \$40 million? Is there a risk that other underestimations exist?**

- We would like to clarify on the numbers stated in the question by SIAS above:
- As disclosed in the Annual Report, we expect to spend a total of \$310 million in DARE+ investments (both Opex and Capex) over the course of the five-year programme. This is a \$40 million increase from the original \$270 million investment amount we had disclosed back in 2021 when we first announced the DARE+ programme, which was based on the business initiatives and operating environment at the time of the programme's launch, and the timing and scope of our planned deliverables. As disclosed in the Annual Report, the incremental \$40 million is primarily earmarked for the development of our Cloud Infinity network transformation and several other business initiatives. When completed, these initiatives will elevate and accelerate our DARE+ ambitions.
- Regarding the pace at which we will incur the \$310 million in DARE+ investments:
  - We have disclosed in our CFO's comments on page 23 of the Annual Report that we have so far incurred about 24% or \$75 million (this corresponds to the DARE+ progress update on page 10 of the Annual Report). Including DARE+ provisions made in FY2022 of about \$31 million, this raises the amount we have incurred so far to approximately \$105 million or 35% of the \$310 million. This implies a remaining amount of slightly over \$200 million in DARE+ investments (Opex and Capex) to be incurred for the transformation programme (i.e. \$310 million minus \$105 million).



- This is consistent with our earlier guidance to the investment community that the intention was to front-load our investments in the first two to three years of the DARE+ programme so that we can start harvesting outcomes from FY2024. This also corresponds to our annual Capex Commitment guidance released in February 2023 of 13% to 15% of FY2023 Total Revenue, which, at the higher bound of this range, suggests about \$200 million of investments to be incurred in FY2023. This is further reinforced by our CFO's comments on page 23 of the Annual Report, where it is stated that we will endeavour to accelerate execution and expect to deploy most of the remaining \$200 million in Opex and Capex investments in FY2023, and a smaller proportion in early FY2024.
- At this juncture, we do not foresee any material changes to the amount of investments required for DARE+.

(iii) Concerning the 7% decline in gross profit growth for the “Smart, focused growth” segment (which refers to Consumer Infinity Play & Adjacent Businesses and Next-Gen 5G Enterprise Products & Solutions), what actions is management taking to address the shortfall?



(Source: company annual report)





- The intention of the progress bars was to show how much each pillar has contributed to the executed outcomes in FY2022. The “Smart, Focused Growth” pillar recorded a -7% in its contributions to overall DARE+ gross profit growth executed in FY2022 due mainly to initial start up costs required for our new business initiatives that will take time to scale up and contribute meaningfully. For avoidance of doubt, this does not denote a 7% year-on-year decline in gross profit growth for this pillar.
- As communicated in the Annual Report, we intend to accelerate efforts to scale up and encourage the adoption of these new business initiatives. Please refer to Management’s comments on pages 24-25, as well as the Business Review section (pages 34-47) of the Annual Report for more details.

**Q2. As mentioned in his message to shareholders, this is his first time writing as the chairman of the board, following the departure of Mr Terry Clontz. Mr Olivier Lim Tse Ghow was appointed to the board on 12 February 2022.**

- (i) **Can the newly appointed chairman provide shareholders with a clearer understanding of his role in driving the group's transformation? As noted in the director's biography, Mr. Olivier Lim has years of experience in banking and real estate.**
- Mr Olivier Lim is an experienced Chairman and Non-Executive Director, conversant with driving transformation in other entities under his oversight such as DBS, Certis Cisco and Property Guru. He is well placed to lead StarHub into its new stage of growth and transformation, with the objective to drive long-term total shareholder returns. Mr Lim works closely with Management and the Board, to ensure that the Board’s views and guidance are well understood and executed by Management.
- (ii) **Besides the regular meetings held by the board and the board committees, to what extent are the independent directors involved and committed to helping the group achieve (and exceed) its DARE+ targets?**
- As communicated in the Chairman’s Statement of our Annual Report, the Board has defined and will oversee critical components of the Group’s transformation efforts to evaluate its performance holistically. The independent Chairman and directors form the majority of the Board, and are



represented in all the board committees to ensure that they have a good pulse and steer of the company. Formal and informal engagement between Management and the independent directors for guidance are frequent and unfettered.

- This process ensures seamless and active discussions between the Board and Management, allowing the Board to calibrate and provide the necessary resources for the organisation to execute with the appropriate sense of urgency and intensity.
- We invite shareholders to read the Chairman's comments on pages 13 and 14 of our Annual Report, where Mr Olivier Lim has outlined how the Board will support and drive StarHub's holistic performance to drive long-term total shareholder returns.

**(iii) What guidance has the board provided to management to ensure the successful execution of this major corporate initiative?**

- The Board is aligned around beliefs regarding performance and how this is to be achieved, and these beliefs guide agenda setting and engagement with Management. This includes governance; Board composition, diversity and culture; talent and culture; strategy development and alignment; organisational development; and enhancing long-term total shareholder returns.
- We continue to exercise prudence and discipline in critical business decisions to support DARE+.
- Further details can be found in the Chairman's comments on pages 13 and 14 of our Annual Report, where Mr Olivier Lim has set out the Board's beliefs regarding performance and how it is to be achieved.

**The group recognised \$30.8 million in provisions relating to DARE+ initiatives, including \$4.0 million related to staff costs, among others.**

**(iv) Can the board/audit committee provide shareholders with a detailed breakdown of the \$30.8 million in provisions? On what basis did management classify certain costs as DARE+ provisions (versus normal operating costs)?**

- The \$30.8 million in DARE+ provisions are non-recurring in nature and relates to initiatives under the DARE+ transformation programme. These one-off DARE+ provisions include higher Pay TV content costs and a



provision relating to DARE+ initiatives of \$22.6 million; staff cost provision of \$4.0 million; repairs and maintenance provision of \$3.0 million; professional fees relating to DARE+ of \$1.2 million.

- For full details, we would like to invite shareholders to refer to StarHub's [FY2022 results announcement](#) released on 7 February 2023, where we have disclosed the relevant line items contributing to the \$30.8 million in DARE+ provisions.

**Q3.** In the broadband segment, the group completed the acquisition of MyRepublic Broadband completed in FY2022 to enhance the group's leadership and product offering in the broadband segment. MyRepublic was co-founded by former employees in 2011. MyRepublic Broadband is a profitable and growing business and held 6% share of Singapore's broadband market at the point of acquisition. It has built a strong brand and amassed a loyal customer base. The group's total investment will be up to \$162.8 million, with an initial consideration of \$70.8 million for a 50.1% stake in MyRepublic Broadband and a deferred consideration of up to \$92 million should future financial performance matrices be met.

- (i) **Has MyRepublic met or exceeded expectations since the acquisition of a 50.1% interest by the group?**
- While we are not able to provide details due to commercial sensitivities, MyRepublic Broadband's ("MRBB") performance was in line with internal expectations.
  - Post-acquisition, we will continue to enhance the performance of MRBB by optimising cost efficiencies and synergies.
- (ii) **Has the board assessed the group's competitiveness and agility, including its performance in the broadband market and responsiveness to customers over the past decade or so? In other words, did the group overlook a segment of the broadband market that MyRepublic identified, allowing them to capture a 6% market share from incumbents in just over a decade?**
- We do not believe that the segment has been "overlooked" over the past decade. We recognise that the needs of the consumer has evolved over the years, especially after the pandemic, resulting in accelerated digitisation and an increased need for higher bandwidth to support work-from-home arrangements. There is also a significant increase in devices with the rise of smart homes. As a trend, consumers are now more discerning and are willing



to pay a premium for a seamless home broadband experience. This presented an opportunity for the StarHub group, which was one of the reasons underpinning the acquisition. With the acquisition, we are better placed to accelerate our growth in this segment

**(iii) Will MyRepublic be integrated into the group?**

- MRBB has already been integrated into the Group following the completion of the acquisition in March 2022. We have expedited efforts to extract synergies from the acquisition. This has contributed to the \$16 million in revenue and cost synergies achieved across the Group in FY2022 (please refer to pages 17 and 22 of our Annual Report as well as pages 9 and 10 of our [Investor Day presentation](#) for more details on this topic).

**(iv) What conditions, if any, were imposed by the Infocomm Media Development Authority regarding the acquisition of MyRepublic by the group? Has the group raised its broadband prices since the acquisition?**

- On 14 October 2021, StarHub and MyRepublic submitted a consolidation application to the Infocomm Media Development Authority (IMDA) for approval. On 9 March 2022, IMDA concluded its review of this application, finding that: (a) the consolidation was not likely to result in a substantial lessening of competition in any of the identified telecommunication markets in Singapore; and (b) there were no public interest concerns to deny the consolidation application. IMDA therefore approved the application without the imposition of added conditions.
- The process followed by IMDA, and its decision on this application, can be found at [the IMDA website](#).
- As disclosed on page 33 of our Annual Report, our Broadband ARPU has increased to \$34 in 4Q2022 compared to \$33 a year ago. There are many reasons for this increase including sharper differentiation from our Infinity Play cross-bundling efforts, as well as higher take-up of our premium 2gbps plans. We will continue our efforts in these areas, while leveraging our augmented market share after the acquisition of MyRepublic Broadband to drive growth for this business segment.