

FINAL TRANSCRIPT

Thomson StreetEventsSM

CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Event Date/Time: May. 04. 2011 / 10:00AM GMT



May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

CORPORATE PARTICIPANTS

Jeannie Ong

StarHub Ltd. - Head of Corporate Communications & IR

Neil Montefiore

StarHub Ltd. - CEO

Chen Chiat Chiat

StarHub Ltd. - VP Corporate Finance

Tan Tong Hai

StarHub Ltd. - COO

CONFERENCE CALL PARTICIPANTS

Sachin Gupta

Nomura - Analyst

Arthur Pineda

Citigroup - Analyst

Sachin Mittal

DBS - Analyst

Luis Hilado

HSBC - Analyst

Winston Chai

Business Times - Media

Piyush Mubayi

Goldman Sachs - Analyst

Foong Choong Chen

BNP Paribas - Analyst

Ashwin Sanketh

CLSA - Analyst

PRESENTATION

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Good evening, ladies and gentlemen, and welcome to StarHub's first quarter 2011 results announcement briefing call. My name is Jeannie, and it is my pleasure to welcome both the media and the investment community for joining us at this call.

Let me first introduce our panelists to all of you. We have Neil Montefiore, our CEO; Tan Tong Hai, our COO; and Miss Chen Chiat Chiat, our Vice President of Corporate Finance. Our CFO, Kwek Buck Chye, is on leave. Also assisting them are representatives from the senior management team, namely Chan Kin Hung, our Head of Products & Solutions, as well as Ng Long Shyang, our Head of Sales & Marketing.

Before we begin our presentation I would like to remind all participants that this call will last for an hour. During the presentation all participants will be in a listen-only mode and we will conduct a question and answer session at the end of the presentation.

Let me now invite Neil to share some highlights from our first quarter results. Neil, please.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Neil Montefiore - *StarHub Ltd. - CEO*

Jeannie, thank you, and good evening, everybody. So I'm going to be on page 6 of the slide pack that we've circulated. I'll just do a quick overview of what happened in the year. Financials, we saw operating revenue pretty stable; we saw service revenue up about 1%. EBITDA margin we've maintained in line with our guidance at around 30%.

We saw some growth in the Mobile area; total revenue grew about 3% and postpaid revenue was about 5%. Total customer base grew about 9%. And we think pretty stable in terms of customers in the Pay TV business, which we're quite pleased about, because obviously, after the loss of the English Premier League we thought we might actually lose some dedicated sports fans, but we've stayed pretty stable. We did get a bit of a revenue hit in that area; I'll cover that later. Broadband customer base grew about 4%, and Fixed Network Services, that's the corporate side of the business, the revenues grew about 5%.

Just looking at the financial highlights on page 7. We can see the operating revenue fairly flat, but up slightly in Service terms. EBITDA up significantly year on year from the first quarter, up to SGD160 million, up 35% in fact, and that EBITDA margin maintaining around the 30% level. Net profit after tax also up quite significantly, around 62%, so up to SGD69 million. And also, the free cash flow pretty good at SGD0.077 per share.

Looking at lines of business on slide number 8, we can see Mobile service revenue up, customer base up. Pay TV, we saw the big hit in revenue; that's coming from our reduction of our sports channel subscription rate from SGD25 to SGD12. But the customer base fairly flat; that's given us quite a lot of satisfaction there, because we thought we might get quite badly hit. Cable Broadband up in terms of revenues, and also up in terms of customer base, and Fixed Network up around 5%.

Slide 9 you can see our hubbing households. Fairly flat in terms of total number of households with two or more services, but the growth in the three or more services was quite significant; around 7% of our customer base households take three or more services from us.

So with that, I'll hand over to Chiat, who'll run you through the financial overviews, so over to you.

Chen Chiat Chiat - *StarHub Ltd. - VP Corporate Finance*

Thank you, Neil. Let me now give you a quick overview of the financial performance of the year. For the quarter our EBITDA increased 35%, reflecting the returns from our investment in smartphones in the past quarters. EBITDA margin expanded 7.6 percentage points to 30.1% this quarter.

This quarter we also saw lower cost of sales, which decreased 13% year on year. Slide 12, on the next page, will show you where the increase is coming from. We saw lower cost of equipment sold this quarter, driven by a lower quantity of handsets sold during the quarter. We also notice a lower cost of services arising from the non-carriage of the BPL content, which was offset by higher cost incurred for new and renewed programming contracts in the quarter.

Traffic expenses also fell as we benefited from the lower interconnection rates that were negotiated for the carriage of our international traffic. Our other operating expenses, however, has increased in the quarter as our business volume grew. Slide 13, shows the major categories of other operating expenses. Increase came from the depreciation expense, which was up SGD8 million to SGD69 million this quarter, due to the increase in our depreciable asset base.

Marketing expenses was also higher by 5% year on year, due to increased marketing and promotional activities that was carried out in the quarter. These increases were mitigated by lower other G&A expenses, which fell SGD6 million year on year to SGD143 million for the quarter. A major cost component in this category was staff costs, which was comparatively lower when compared to Q1 last year.



May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

As you will recall, the Q1 last year staff costs had included a SGD12 million charge for 2009 bonus payment in the quarter, and some Government job credits that ceased in June last year. Excluding this, the staff costs for the quarter would have been higher at 15% year on year, reflecting the higher labor costs in the market. Consequently, our profit from operations was 57% higher at SGD91 million, while net profit after tax was higher at SGD69 million this quarter.

Over to slide 16; our cash CapEx for the quarter was at SGD41 million. As is the nature of CapEx programs, the payments are driven by project schedules and completions. We expect the CapEx cash payments to catch up in subsequent quarters.

Slide 17 shows our free cash flow generation for the quarter, which was strong at SGD132 million as a result of the improved operational performance.

With this, I hand over to Tong Hai, who will cover the business highlights.

Tan Tong Hai - StarHub Ltd. - COO

Thanks, Chiat. I now will move to slide 19, which show you the highlights for the Mobile. We've added 170,000 customers. Postpaid ARPU remained stable at SGD72, and non-voice services as a percentage of postpaid ARPU at 36.8%.

If you take a look at the next chart, which shows you the prepaid net adds, as well as the postpaid net adds. Prepaid net adds for this quarter is low, due to higher expiration of prepaid cards, and competitors' lowering of IDD rates.

Postpaid net add is negative, due to the delay effects of dunning when we migrated to the new customer business support system third quarter last year. As a result, involuntary churn is higher this quarter. Also, the sale of dongle is lower as alternative smart devices and more data voice bundle plans become more readily available. As a result, total subscriber base remains flat quarter on quarter, or sequential quarter. Moving forward, we should see a growth in subscriber base with less involuntary churn.

Slide 21 shows you the revenue and ARPU. Prepaid revenue is lower, due to lower IDD rates for India. We hope that the lower rates will attract more customers who will bring up the usage revenue. Postpaid revenue year on year is higher, because we have added 65,000 postpaid subscribers. However, on a sequential quarter, postpaid revenue is lower, due to seasonal factors. Correspondingly, ARPU is also lower at SGD72 per month.

Slide 22; non-voice services as a percentage of ARPU is higher at 36.8%. Acquisition costs; year-on-year subscriber acquisition costs were comparable, at SGD126 per gross connection. It went up on a sequential quarter, as we sold more smartphones. We expect subscriber acquisition costs to remain in this cost range. Monthly voluntary churn rate remains low at 1.1%.

Now, let's turn to the highlights for Pay TV, slide 25. We've added 2,000 customers. ARPU reduced to SGD49, and revenue decreased 10%.

In terms of our net adds, we have added 4,000 Pay TV subscribers this quarter, bringing our total subscriber base to 542,000.

Next, Pay TV revenue, year on year is lower, due to the reduction in sports pricing. Correspondingly, ARPU also dropped SGD6 year on year to SGD49. On a sequential quarter, there is a slight reduction in revenue as there was higher ad sales contribution in fourth quarter last year.

As we do not include ad sales in our ARPU computation, ARPU in fourth quarter was lower than first quarter this year. The increase in ARPU in first quarter is due to a better take up of our basic upsized offers.

Next, churn. We kept the churn rate low at 1.1%, by proactive re-contracting on home hubbing packs, and heartland packs.



May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Next, we turn to our highlights for residential broadband, slide 30. We've added 17,000 customers. ARPU decreased to SGD45, and revenue increased 1%.

This quarter we added 2,000 subscribers, and grew our broadband subscriber base to a total of 425,000.

Slide 32. You can see with more broadband subscribers, revenue grew to SGD59.9 million. Year on year, ARPU was lower at SGD45, due to a higher mix of customers on lower speed price plan and promotional offers. On the sequential quarter, ARPU drops marginally by SGD0.20. However, due to rounding differences, it was presented as a SGD1 difference. Moving forward, we expect ARPU to hover around the SGD44 to SGD45 price range.

Churn rate was higher at 1.3%, due to the churn of a certain group of MaxOnline customers as their promotional contract period expires.

Next, Fixed Network Services, slide 35. Revenue increased 5%, and we have a stable contribution from Data & Internet services to revenue.

Our Fixed Network revenue this quarter is SGD83.6 million, and the Voice revenue is lower, due to seasonal factor.

If you look at the Data & Internet revenue, it remained stable at SGD70.2 million, on a sequential quarter. Year on year it registered growth from SGD68.2 million to SGD70.2 million. We expect to grow Data & Internet services with our focus in the corporate business segment.

I'll hand over the time back to Neil, to provide you with this year's outlook.

Neil Montefiore - *StarHub Ltd. - CEO*

Thank you very much, Tong Hai. Basically, we're maintaining the last outlook we gave you. So on the revenue terms, we see the revenue growth still in the single digit range. In terms of EBITDA margin we expect to be around 30%. CapEx, we still think we'll not exceed 13% of operating revenue. And in terms of dividend, for 2011 we intend to maintain our cash dividend of SGD0.05 per ordinary share per quarter.

And with that, I'll hand you back to Jeannie, and we'll take some questions.

QUESTIONS AND ANSWERS

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Thank you, Neil. (Operator Instructions) Sachin Gupta, Nomura.

Sachin Gupta - *Nomura - Analyst*

I just want to clarify a few things. Firstly, on your Pay TV and net adds of 4,000, I'm just wondering, is it possible to elaborate what's actually driving these customer additions? And, also, what's the update on the content cross carriage? When are we likely to hear about the cross carriage fee being finalized (inaudible). That's my first one.

Second one is, I think it was mentioned somewhere that the NGN take up rates, it's on page 15 or so. I think you talked about a high subscription due to NGNBN services. I was wondering, is it possible to quantify how many customers are currently on NGNBN so far?

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

And, lastly, I'm not sure if I misunderstand your opening remarks. Your cost of equipment and the marketing expenditure seems to have gone up sequentially, but we haven't seen much of the customer growth in the past three months. I'm just wondering if this is seasonality, or is it something I'm missing there? Thanks.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay, thank you very much. On the Pay TV front, I think you're saying, what's driving the customer growth. I think it's just the breadth of our actual content is becoming more and more attractive. We've inserted quite a few new channels. I think also the fact that we've lowered the price of our sports package helps maintain the customers. But we've still got over 150 channels, and we've got most of the content that most people want. So I think that's what drives it.

In terms of cross carriage; we're coming to the end of the third round of discussion with the regulator, so we will expect to hear what the outcome will be quite soon. We believe it should be by the end of the end June we should start to see it being implemented.

What's the third question? No, I'm afraid we won't give that out at the moment, but we will try and give some guidance later in the year where we are with next generation network. But we would say that it's slightly behind what we were expecting.

There's been a few hiccups in terms of how it's rolling out, but we think that's improving now, and we'll seen some growth, particularly in the corporate sector, come in towards the end of this year.

And fourth question?

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Cost of equipment and marketing costs going up. Tong Hai?

Tan Tong Hai - *StarHub Ltd. - COO*

The cost of the equipment because of smartphones, right?

Neil Montefiore - *StarHub Ltd. - CEO*

I think you were meaning the sort of costs that could be going up. Yes, that is the increase in percentage of phones that we sell are becoming smartphones. It's a very high percentage, at the moment, of what we sell on a monthly basis are smartphones. It does increase --

Tan Tong Hai - *StarHub Ltd. - COO*

Neil, I want to add on the 4,000 subscribers. Because first quarter we had an IT show, so the take up of our TV package was better.

We have been focusing on the lower income segment, targeting at the heartlanders, and I think this strategy has worked well. And so we are happy that we still have a breadth of content that will appeal to this heartland segment, and we are able to grow our subscriber base.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Does that answer your question, Sachin?

Sachin Gupta - *Nomura - Analyst*

Yes, it does. Can I just clarify one thing on the content cross carriage? Neil, you mentioned that it is being implemented by June. What does it mean after that? What sort of impact are you expecting post that? Are you likely to win customers, lose customers, or status quo?

Neil Montefiore - *StarHub Ltd. - CEO*

Right. At the moment we -- the cross carriage regime has actually been put into law already for quite some time. What it does, is it changes our view on what we see the value of the content, in terms of whether we want exclusivity or not. So that's really how it changes, and it very much depends on the content by content whether we will go exclusive or non-exclusive. Because if we go exclusive, it will be then subject to cross carriage, but we haven't yet seen the final decisions by the regulator. So we're waiting for that before we can really say what the impact will be.

But, so far, not so much impact. And, anyway, over the next two to three years, the bulk of our important content is still on exclusive basis, signed before the date when cross carriage becomes active.

Sachin Gupta - *Nomura - Analyst*

Okay, that's good. Thank you.

Neil Montefiore - *StarHub Ltd. - CEO*

Thank you.

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Thank you. Arthur, Citigroup.

Arthur Pineda - *Citigroup - Analyst*

Two questions from me. Wondering if the change in advertising revenue is seasonality driven, or are you actually seeing some changes with regard to your market share, due to IPTV?

Second, could you elaborate on your postpaid net adds? What exactly happened during the period, and what will change in the subsequent quarter? Thank you.

Neil Montefiore - *StarHub Ltd. - CEO*

Do you want to do that one, Tong Hai?

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Tan Tong Hai - *StarHub Ltd. - COO*

Yes. I think in fourth quarter last year -- of course, you know year-end we usually have more advertisers on our TV platform, that's why you see growth in higher ad sales revenue.

Currently, I think the spend is still in the traditional TV ads, rather than the IPTV or new TV platform. So we're still looking at growing the ad sales revenue, because we have the StarHub media network that goes beyond just our TV platform. It's a 360 degree ad sales platform that involves mobile advertising, online advertising, and our Pay TV, okay. So that's one.

The other question is on our postpaid net adds. This quarter we have this high involuntary churn, because we have, what we call, delay dunning of some of these customers. Now, when we dun we're talking about some customers who haven't paid, and were delinquent in their payment. So these are not really our high-end customers. These are customers who really have not been paying, so we have to dun them. But, because of our cut over of our new billing BSS platform in third quarter last year, we have delayed this dunning. And the impact you can see that actually in quarter four there was already an impact. That's why you see our net adds lower. And quarter one, I think the full impact is felt.

What we can say is that, for subsequent quarters, you won't see such high involuntary churn, and that will allow us to have more net adds.

Arthur Pineda - *Citigroup - Analyst*

If I can just clarify. Would you be able to guide on a gross adds basis how it compares versus the previous quarter?

Tan Tong Hai - *StarHub Ltd. - COO*

Okay. Now, the previous quarters the gross net adds also include the dongle sales. Dongle sales, what I mean are those broadband, mobile broadband, we call it MaxOnline, that you buy when you connect to a notebook or your PC, your notebook or netbooks.

Now you know that now the industry has moved towards an iPad or tablets, and in tablets you don't see a USB dongle. So you'll find that actually, for iPads and all these tablets, they are buying actually a SIM card, data SIM, plus, of course, WiFi. So we do see that the take up of the dongle sales actually have dropped, due to the substitution in these new devices.

Our net adds include those MaxMobile customers, so we see that it will not be in those kind of figures. But you should see positive net adds because, as I said, the involuntary churn was one of the major contributors to our drop in net adds this quarter.

Arthur Pineda - *Citigroup - Analyst*

Right. So there was a slowdown with regards to gross adds was there?

Tan Tong Hai - *StarHub Ltd. - COO*

Yes, it will not be in those kind of figures that you see in previous quarters, but we will still be registering a healthy gross net adds.

Arthur Pineda - *Citigroup - Analyst*

Understood. Okay, thank you.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Jeannie Ong - StarHub Ltd. - Head of Corporate Communications & IR

Sachin Mittal, DBS.

Sachin Mittal - DBS - Analyst

A couple of questions. First, I'm a bit surprised, given that typically 4Q is the most promotional quarter. So why should the costs go up in 1Q, especially the equipment cost and marketing cost? So does it mean that the iPhone is still the most popular, and android phones are still lagging behind? Is it in line with expectation? That's number one.

Number two is, can you provide us some yardstick to measure the impact of roaming cut and possible extension of cuts to other ASEAN countries?

And third one is on the NBN. You already have achieved a key milestone and with that, you got your SGD60 million payment from Government. What are the milestones, if you can share with us, what are the key milestones for the next payment for NBN for you?

Neil Montefiore - StarHub Ltd. - CEO

They're fairly straightforward questions, thanks. The increased cost comes really from the iPhone 4, you're right. We are seeing growth in the android sales, but we haven't seen the competition with the android platform between the manufacturers really lowering the android smartphone prices yet. We think that will come through. We hope it will come through, but the increase in costs over the first quarter is really coming from the iPhone 4.

In terms of roaming, I think you're referring to the Singapore/Malaysian agreement.

Sachin Mittal - DBS - Analyst

Yes.

Neil Montefiore - StarHub Ltd. - CEO

So basically, our revenues will come down because of that; we're reducing the charges to our customers, but our costs will also come down accordingly. So the impact on us is quite minimal, in fact.

We're hoping that the lower prices to the customers will mean that they will be keener to roam when they travel to Malaysia, and a lot of Singaporeans do travel to Malaysia, and a lot of Malaysians do travel to Singapore, so we're hoping that we'll see an increase in the total roaming minutes, and so we might have a positive impact overall.

I think the final question was the NBN milestones and payments. They're basically in two halves. One half is related to the infrastructure, and the other half is related to the take-up. So what we're seeing at the moment is the infrastructure payments, the rollout of the infrastructure.

Sachin Mittal - DBS - Analyst

So what are your milestones for just on the customer additions? Is it like how many customers you add, depending on that, you'll get your payment from Government?

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 StarHub Ltd Earnings Conference Call

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, that's right. Yes.

Sachin Mittal - *DBS - Analyst*

Okay. And any expectations, when do you want to achieve or want to reach those second milestone?

Neil Montefiore - *StarHub Ltd. - CEO*

Well, all we can really say is that the total funding we expect to receive is SGD250 million, and it's about 50/50 between infrastructure and the customer.

Sachin Mittal - *DBS - Analyst*

Okay. Thank you.

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Luis, HSBC.

Luis Hilado - *HSBC - Analyst*

Congrats on your results. Just three questions from me. Just, I guess, following up on the question about when the impact of corporate users will be through the NBN, has the incumbent committed any timeline when those 20,000 buildings will be opened up to yourselves and competition?

Second question is regarding the CapEx to sales guidance; 13% versus the 7% as of first quarter. In terms of the timing of the CapEx and what the CapEx will be used for, could you give us some color there?

And last question is in terms of cross carriage again. When will be the date when there'll be a practical application when a major contract would expire?

Neil Montefiore - *StarHub Ltd. - CEO*

In terms of the buildings passed by the next generation network, we're estimating, or the Government has said, is that it's around 60% of the buildings have been passed. It's getting access to the buildings. There's been a few hiccups really. There's nothing to stop it. We think it should start towards the end of this year; we'll start to see an ability to actually get into that market.

Also, because it's been a virtual monopoly with those buildings, a lot of the customers there who actually have contracts, so they won't all happen immediately, it'll be once they come to the end of their current contracts that it gives us an opportunity. So we are hopeful. We are a little disappointed that the access is slightly behind where we expected to be at this point.

In terms of CapEx to sales, the increase in CapEx is coming mainly from Nucleus Connect; we'll continue to invest. We're also looking at upgrading our mobile network somewhat, so there's some additional rollout there. And yes, that's the main things really.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Luis Hilado - HSBC - Analyst

And will the network be upgradeable to LTE?

Neil Montefiore - StarHub Ltd. - CEO

Not in this year. No, we don't think so. We've just finished our second trial of LTE. We are looking, as many operators are, at the different spectrum bands and which one we want to deploy. We expect to start deploying probably in the first quarter next year.

Luis Hilado - HSBC - Analyst

Okay.

Neil Montefiore - StarHub Ltd. - CEO

And the final one on cross carriage. When? We will have to wait until we get the actual result of the last dialog session, but probably it will be a few months after the so-called target date, which I think is June 30.

Tan Tong Hai - StarHub Ltd. - COO

Yes. So long as we do not sign anything that is exclusive, then cross carriage does not apply. Only if we find that the content is very compelling, that we want to get it exclusively, then the cross carriage applies.

So far, most of the important content, we already have them in our stable of offerings, and those are with us because they were signed before cross carriage came into effect. So we are looking at new contents, and we'll evaluate each one of them on a case-by-case basis to see whether they are really that compelling for us to sign exclusively and allow cross carriage to take effect.

Luis Hilado - HSBC - Analyst

How about in terms of expiring content? When is the earliest expiring contract?

Neil Montefiore - StarHub Ltd. - CEO

It's between two to five years, most of the content we have.

Luis Hilado - HSBC - Analyst

Thanks a lot.

Neil Montefiore - StarHub Ltd. - CEO

Average about two to three. Some of them go out a bit further.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Luis Hilado - HSBC - Analyst

Okay. Thanks.

Jeannie Ong - StarHub Ltd. - Head of Corporate Communications & IR

Right. Winston, Business Times.

Winston Chai - Business Times - Media

Just a quick question. You alluded to hiccups with the NGNBN rollout. Can you just elaborate a bit more on that? Is it because of the cable issue?

And also OpenNet has been fined by IDA. I think the reason they gave was some of the fiber circuits are actually not working. Is that one of the hiccups that you're referring to as well?

Neil Montefiore - StarHub Ltd. - CEO

There's been a number, actually. A lot of it is the interaction with building owners has not been as good as it could have been. Yes, there have been failure rates in excess of what we'd normally expect from a telecommunications network, and that is being addressed, and the regulator is addressing that quite vigorously at the moment. So we do expect some improvements but, yes, we're slightly disappointed with some of the delay of access.

We do have customers, but I can't actually announce how many we have at the moment, but it's a little bit slower than we thought, But we think in the corporate market, towards the end of this year, it should be looking much more attractive.

Jeannie Ong - StarHub Ltd. - Head of Corporate Communications & IR

Winston, we're not at liberty to comment about IDA's fine on OpenNet.

Neil Montefiore - StarHub Ltd. - CEO

No.

Winston Chai - Business Times - Media

Okay. Thanks.

Jeannie Ong - StarHub Ltd. - Head of Corporate Communications & IR

Thank you. Sachin, DBS.

Sachin Mittal - DBS - Analyst

Sorry, I've got one more question. On LTE spectrum, could you just give some indication what kind of band which can be used for LTE spectrum in Singapore, because we heard one of your competitors talking about 1,800 megahertz as an option for LTE spectrum, which is a bit surprising to me. Most of the players in other countries are basically advocating the lower bands, below

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

800 megahertz for LTE. What is the thing in Singapore? Is it going to be different band, and what are the pros and cons of these bands?

Neil Montefiore - *StarHub Ltd. - CEO*

I think for both competitive and for regulatory reasons, I can't really tell you exactly what the plans are. But if you look at the global market now, there's a lot more interest in 1,800, and that's correct. We certainly saw that at the Mobile World Congress in Barcelona, and all the major manufacturers now have a roadmap for 1,800, and we are able to test 1,800 already. So I think there will be 1,800 deployment, globally.

Yes, in some countries they are looking at the lower frequencies, but the issue, obviously, with the higher frequencies is the building penetration is a bit of an issue, so that's really where we are. So we're looking at all our options.

Sachin Mittal - *DBS - Analyst*

Okay, great. Thanks.

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Right, it looks like everybody's pleased with our results. If there are no more questions, we are going to put this call --

Neil Montefiore - *StarHub Ltd. - CEO*

One more.

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Piyush, Goldman Sachs.

Piyush Mubayi - *Goldman Sachs - Analyst*

Your ARPU's on the postpaid side have increased nicely, could you take us through where you are with smartphone penetration? What the upside would be from that? And where your voice side of the business has been tracking?

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, okay. Yes, that's fairly easy, because we see it in the postpaid market I'm talking about, because that's mainly where the smartphones are being used, then it's around 70% of the phone users are now smartphone users on our network.

We've had months of -- what we've actually sold -- we've had over 90% of what we sell in one month have been smartphones in certain months. So Singapore has really adopted the smartphones, and it's probably going to be leading the world, I think.

Piyush Mubayi - *Goldman Sachs - Analyst*

It is. And I know you won't disclose to us the iPhone number, but is it fair to say that iPhone still continues to dominate?

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, I think we can say that, yes.

Piyush Mubayi - *Goldman Sachs - Analyst*

If you look at what's happened just north of yourselves in Malaysia, it looks like [Freespace] and DiGi results, they have got a very large percentage of -- or a decent percentage of smartphone users who are prepaid users. How far are we from that happening in Singapore and with you in particular?

Neil Montefiore - *StarHub Ltd. - CEO*

It's certainly slower with us, but we are seeing quite a growth in the prepaid BlackBerries; we've seen some growth in that area. And we do see some growth from inbound visitors coming from the casinos who will be using prepaid cards in their smartphones.

Piyush Mubayi - *Goldman Sachs - Analyst*

Okay. And would it be possible to disclose your roaming revenues? Or, if that's not possible, could you tell us how that's been trending?

Neil Montefiore - *StarHub Ltd. - CEO*

It's pretty stable. The total is around 15% of revenue, that's both inbound and outbound.

Tan Tong Hai - *StarHub Ltd. - COO*

And now we have been very quick to introduce our Roam Manager which helps our subscriber to manage their roaming charges, and also to have alerts to warn them if they have exceeded the amount that they're comfortable with. So these are initiatives that we have done to promote the usage overseas because they know they can manage it, and with that, we hope to grow roaming revenue.

Piyush Mubayi - *Goldman Sachs - Analyst*

Okay. And I don't know if someone asked before, but did you disclose what your exposure to the Malaysian roaming situation is?

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, we did. We said there will be a decrease in revenue, but there's also a matching decrease in costs. We are hoping that both Singaporeans and Malaysians will roam more freely and we'll see some overall benefit. But the way it is at the moment, if it stays at the same level of minutes of use and texts and data use, then it would be pretty negligible impact on the actual business.

Piyush Mubayi - *Goldman Sachs - Analyst*

Okay. Thank you very much.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Jeannie Ong - StarHub Ltd. - Head of Corporate Communications & IR

Foong, BNP Paribas.

Foong Choong Chen - BNP Paribas - Analyst

I've just got one question. I just wanted to ask your views on the potential to offer premium type services in the market, and whether you think that could actually open up opportunities to generate more data revenues beyond the take-up of data plans?

Neil Montefiore - StarHub Ltd. - CEO

Are you talking about the mobile market, or the fixed?

Foong Choong Chen - BNP Paribas - Analyst

Mobile smartphone market, and also on the mobile broadband, on the dongles and all that. Well actually, for instance, guaranteeing a certain bandwidth during peak hours (inaudible).

Neil Montefiore - StarHub Ltd. - CEO

I can't give you any details on what we're planning there, but certainly, like many operators around the world, we're looking at seeing how we can monetize more of the growth in data usage, yes. So we'll be looking at all those options.

Foong Choong Chen - BNP Paribas - Analyst

Yes, but do you think the competitive environment will allow that to take place?

Tan Tong Hai - StarHub Ltd. - COO

I think that one thing that operators are looking at LTE, and it's because it does not just give you higher speed, it also gives you the ability to control quality of service. So until you can implement your quality of service within your network infrastructure, then you can look at these kinds of premium type services.

We certainly would like to look at these premium services, because that's our way to differentiate the different level of services, and we can actually charge more for premium services.

Neil Montefiore - StarHub Ltd. - CEO

I think already in the fixed markets, particularly in international capacity, we are able to get a premium per latency of the actual connections, because more and more people want very low latency for their trading operations.

Foong Choong Chen - BNP Paribas - Analyst

Okay. Thanks.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Ashwin, CLSA.

Ashwin Sanketh - *CLSA - Analyst*

A couple of quick questions in case you've already mentioned this. Could you just shed some color on the penetration of android phones in the market?

Neil Montefiore - *StarHub Ltd. - CEO*

It's not as high as it is in either the UK or the US, where they've actually overtaken the iPhone, but it's growing here; it's growing. But I can't give you the exact number, because everyone can then work out what the iPhone penetration is.

Ashwin Sanketh - *CLSA - Analyst*

Sure. Well, I guess a follow-up question to that then is, if the iPhone penetration's incrementally moving upwards, then would it be reasonable to assume that, over time, you'd expect subscriber acquisition cost to come off?

Neil Montefiore - *StarHub Ltd. - CEO*

We expect the android penetration to continue to grow, and we think, with the competition between the manufacturers there, we'll see some price reductions, yes. That's what we think will happen, but we haven't seen it yet.

Ashwin Sanketh - *CLSA - Analyst*

Understand. And the level of iPhone penetration's what's driving the increase quarter on quarter in terms of subscriber acquisition cost?

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, the demand for the iPhone 4 is still very high, and we just launched the white version, which is quite popular.

Ashwin Sanketh - *CLSA - Analyst*

Just one last question on the LTE rollout, potentially. I remember us discussing this at some point, and the tentative timeline being talked about as the back end of 2012. Would that still be the right timeline to look at?

Neil Montefiore - *StarHub Ltd. - CEO*

I would think so in terms of offering to the mass market, yes, probably.

Ashwin Sanketh - *CLSA - Analyst*

Perfect. That's it from me. Thank you.

May. 04. 2011 / 10:00AM, CC3.SI - Q1 2011 Starhub Ltd Earnings Conference Call

Neil Montefiore - *StarHub Ltd. - CEO*

Okay, thank you.

Jeannie Ong - *StarHub Ltd. - Head of Corporate Communications & IR*

Right, if we have no more questions? We don't have any more questions, good. Ladies and gentlemen, we have come to the end of our first quarter results briefing call. A transcript of this call will be posted onto our website very soon. If you have any additional questions, we are just an email away.

On behalf of the StarHub management team, we would like to thank you for joining us this evening. We look forward to talking to you soon. Good night.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2011, Thomson Reuters. All Rights Reserved.