

**MEDIA RELEASE**

**StarHub reports 3Q2020 net profit of \$44.5M  
on \$489.7M total revenue**

- *Ensign group & Strateq deliver operating profits*
- *Mobile business remains affected by global pandemic*
- *Enterprise business continues growth, revenue rose 11.4%*
- *Operating Expenses decreased 13.4% YoY*
- *Healthy Balance sheet with \$75.6M of Free Cash Flow; Net Debt to EBITDA remained low at 1.45 times*

**Singapore, 6 November 2020** – StarHub today announced its business performance update for the quarter (“3Q”) and nine-month period (“9M”) ended 30 September 2020. Revenue for the quarter declined 14.5% to \$489.7 million while net profit attributable to shareholders (“net profit”) was 23.3% lower at \$44.5 million.

StarHub’s Chief Corporate Officer, Ms Veronica Lai, commented, *“We are pleased to see a modest pick-up in our business in Phase Two of Singapore’s re-opening, with quarter-on-quarter (“QoQ”) improvements in service revenues for the Pay TV, Broadband and Cybersecurity businesses, while we continue to forge ahead with our business and cost transformation initiatives. However, our 3Q2020 performance continued to see impact from the ongoing global restrictions on travel, particularly for our Mobile business.”*

*“Our challenger spirit remains strong as we emerged first in Singapore to launch 5G services, offering the widest 5G network coverage in Singapore as at the end of September. We also made progress in our Pay TV transformation, launching StarHub TV+. This saw a revamp of customer experience and content delivery, integrating popular OTT options seamlessly with our existing Live TV channels and on-demand shows. We started consolidating the results of Strateq in 3Q2020, and we continue to identify synergies to harness greater innovation and growth to our Enterprise business,”* added Ms Lai.

StarHub’s Chief Financial Officer, Mr Dennis Chia, added, *“During the quarter, we continue to record a decline in Operating Expenses as we seek to run our businesses in a more cost-efficient manner. We are also pleased to report that Ensign group and Strateq have contributed \$3.0 million in operating profits this quarter as we continue to navigate the current challenging climate while seeking long-term growth opportunities. We look forward to the 5G Standalone Network roll out planned for 4Q2020 and will continue our disciplined approach to capital management. Our balance sheet remains strong with \$75.6 million in free cash flow, and Net Debt to EBITDA remains low at 1.45 times.”*

### **3Q2020 Financial & Business Highlights**

The Mobile business continued to be affected by sustained border controls and lack of travel activities resulting from the global pandemic. Mobile service revenue declined 29.4% year-on-year (“YoY”) to \$134.1 million in 3Q2020, mainly due to lower postpaid contributions resulting from the loss of roaming, value-added service and excess data usage revenues, as well as decrease in prepaid Average Revenue Per User (“ARPU”) and subscribers. Notably, postpaid subscriber base increased 0.8% YoY in 3Q2020 to 1.45 million.

The Pay TV business recorded a 16.0% YoY decline in revenue to \$47.1 million as a result of a 7.3% decrease in subscribers relating to the cable-to-fibre migration in FY2019 and prudent cost management by commercial clients that resulted in lower commercial revenue and advertising. QoQ, Pay TV continued to show signs of stabilisation with a 0.5% revenue growth, 0.3% increase in ARPU and a 1.0% dip in subscriber base. Post-migration, the Pay TV subscriber churn rate has been stable, averaging 0.3% per month.

3Q2020 Broadband service revenue rose 5.5% YoY to \$45.5 million due mainly to a marked 8.2% growth in ARPU to \$30. The higher ARPU achieved was attributed to a reduction in subscription discounts extended during the quarter.

The Enterprise business sustained its growth in the reported quarter, recording an 11.4% YoY increase in revenue to \$162.0 million. The business was lifted mainly by an 18.2% rise in Cybersecurity Services revenue and \$17.6 million in revenue contributions from Regional ICT services following the completion of the Strateq acquisition on 30 July 2020.

Notwithstanding higher operating expenses from Cybersecurity and Regional ICT Services, StarHub recorded a 13.4% YoY decline in operating expenses in 3Q2020, due to lower other operating expenses and cost of sales.

Coupled with a 26.8% decline in Sales of Equipment to \$100.9 million, offset by a 2.6% rise in Other Income to \$9.2 million mainly from \$7.0 million in Job Support Scheme payouts recognised during the quarter, Profit from operations in 3Q2020 declined 19.4% to \$64.4 million. Cybersecurity services reported operating profits of \$2.8 million in 3Q2020 while Regional ICT Services contributed \$0.2 million.

3Q2020 EBITDA and Service EBITDA decreased 16.1% and 14.2%, respectively, to \$143.0 million and \$131.1 million. 3Q2020 Service EBITDA margin was 33.7%, 1.4 percentage points lower than a year before.

StarHub’s balance sheet remains healthy with free cash flow of \$75.6 million in 3Q2020, and net debt to EBITDA of 1.45 times as at the end of September 2020.

For 9M2020, the Group reported total revenue of \$1,449.3 million, a 15.8% decrease from \$1,722.2 million in 9M2019. Net profit decreased 19.6% to \$121.9 million in 9M2020 from \$151.5 million a year ago.

## **Outlook**

While the Mobile business continues to be impacted by COVID-19, the focus is on driving greater take up of the new Mobile+ plans that empowers customers with early adoption of 5G. The take-up of Mobile+ plans has to-date exceeded StarHub's expectations – an encouraging indication of the market's appetite for 5G services.

The Pay TV business saw the launch of the integrated StarHub TV+ offering, which has been well-received by customers. This continues the momentum of Pay TV's transformation, as it continues to shift its cost model from a fixed to a variable basis to enhance margins and cater to changing customer consumption and content preferences. The Broadband business remains stable, as StarHub seeks to manage ARPUs and build a niche in higher-value segments such as gaming.

There has been a gradual increase in activity for the Enterprise business as the nation moved into Phase Two of its re-opening. While enterprise customers are expected to continue investing in their networks as part of their digitalisation journey, StarHub anticipates continued deferment of new investments that will result in projects being delivered in FY2021.

On Cybersecurity Services, Ensign will continue to strengthen its capabilities and pursue significant growth opportunities in Asia-Pacific, while D'Crypt has commenced delivery of the units for the Intelligent Transport Systems, which is part of Singapore Mobility 2030 plan, and the IoT devices for contact tracing. Concurrently, the Regional ICT Services business will actively pursue growth in areas such as cloud services, data analytics and software-as-a-service (SaaS) to tap into the growing digitalisation trends.

StarHub and another MNO have incorporated a new JV Company, Antina Pte. Ltd., to jointly build and operate a 5G standalone network, which has commenced its 3.5 GHz 5G Standalone ("SA") Network rollout planned for 4Q2020. The Group has completed the 5G base station sites identification with site preparation and installation well underway. In addition, the implementation of the 5G SA Core network and transmission network to serve the new 5G base stations are also in progress.

Considerable progress was made in StarHub's overall strategic transformation during the quarter. StarHub has commenced the IT Transformation programme in 3Q2020, which focuses on technology and business process transformation, and IT rightsourcing.

The IT Transformation programme will form the backbone of the Group's digital strategy that focuses on elevating digital customer experiences, product simplification and rationalisation, re-engineering lean and automated processes, scaling rich data insights and value from Artificial Intelligence (AI), and enabling an agile operating and delivery model. Recent digital initiatives in FY2020 have yielded results, including a 43% growth in digital sales transactions and 12% increase in Monthly Active Users on the My StarHub App in 9M2020 compared to the corresponding period a year ago.

In consideration of the relatively higher operating expenses typically incurred in the fourth quarter of each year, StarHub expects its service EBITDA margin in 4Q2020 to be lower than 3Q2020. The Group expects to maintain the FY2020 guidance issued in August 2020, and it continues to carefully manage and execute on its cost transformation initiatives.

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*For more details on the Group's performance, please visit <http://ir.starhub.com/>. Other materials available on StarHub's investor relations website include the investor presentation, results announcement, as well as the audio webcast archive to be made available after 6 November 2020.*

## **About StarHub**

StarHub is a leading homegrown Singapore company that delivers world-class communications, entertainment and digital solutions. With our extensive fibre and wireless infrastructure and global partnerships, we bring to people, homes and enterprises quality mobile and fixed services, a broad suite of premium content, and a diverse range of communication solutions. We develop and deliver to corporate and government clients solutions incorporating artificial intelligence, cyber security, data analytics, Internet of Things and robotics. We are committed to conducting our business in a sustainable and environmentally responsible manner. Launched in 2000 and listed on the Singapore Exchange mainboard since 2004, StarHub is a component stock of the SGX Sustainability Leaders Index and the SGX Sustainability Leaders Enhanced Index. Find us at [www.starhub.com](http://www.starhub.com), or connect with us on [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#) and [YouTube](#).

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