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Start of Transcript

Eric Loh: Good evening ladies and gentlemen and welcome to StarHub's Second Quarter and First Half 2013 Results Announcement. First of all we'd like to apologise for the delay in uploading the second quarter materials, they'll be up shortly. But in the meantime we have the pleasure of our CEO, Mr Tan Tong Hai, as well as our newly minted CFO, Mr Nicholas Tan, who will talk us through some of the new line-ups we have currently at StarHub. Tong Hai.

Tan Tong Hai: Thanks Eric. Well, I'm very pleased this quarter to have Nicholas joining us as our CFO. This will be his first results briefing, and many more to come.

Nicholas Tan: Thank you very much.

Tan Tong Hai: At the same time, today I have actually issued a press release to announce the appointment of two key management in our team. Firstly, of course, Kevin. I think Kevin is no stranger to all of you. He actually was our Managing Director for the Enterprise Business Group. So I've just promoted him to be the Chief Commercial Officer. In his new role he will have to oversee also the consumer channels. So at least we can have an integrated way of servicing our customers and also be able to service the consumer and enterprises in a more integrated manner, in line with what we always pride ourselves as being an accomplished player. Also we have mentioned that there's a lot of 'consumerisation' in the enterprise space. It makes a lot of sense for us to see the consumer channels and enterprise channels and how we can integrate them and service the customer better through an integrated approach.

Now so other than the appointment of Kevin Lim as our Chief Commercial Officer I've also expanded the role of Jeannie Ong and promoted her to be our Chief Marketing Officer. So other than handling corporate communication, investor relations, she will have the entire marketing team reporting to her as well as the customer value management, and that includes how we analyse the customers - what we call user behaviour, spend behaviour, and at the same time also the loyalty programs. So with this approach we can again look at how we service customers in an integrated manner. I think it's very important to have the Chief Marketing Officer position so that we can view how we market StarHub. I'm very pleased that in fact at the recent Asia Communication Awards we won the best brand. So I hope that Jeannie in your new appointment you can help us to bring us to greater heights, since that you have also won so many awards for StarHub from the investor relations perspective.

I'm looking forward to strengthening the brand with her appointment and also strengthening our commercial and operational effectiveness through the appointment of Kevin Lim as the Chief Commercial Officer.

Okay, Nick, is there anything you want to say before we start the session? I think that while we are waiting for the documents to be uploaded, Nick, would you want to just say a few words.

Nicholas Tan: Well, thank you Tong Hai. I'm just pleased to be here with everybody. I've been on board since 1 July. Very happy, to join a very vibrant team over here and I extend my appreciation to Buck Chye who has been handholding me over the last one month or so. So I look forward to meeting many of you in the next couple of weeks ahead. Thank you.

Tan Tong Hai: Yes. Kevin, would you want to say a few words in your new capacity as Chief Commercial Officer?

Kevin Lim: Thank you Tong Hai. I'm extremely excited about this opportunity simply because we see the potential. I've been running the enterprise side of the business so looking forward to seeing how we can truly be an integrated Company to serve both consumer and business customers.

Tan Tong Hai: Okay I think Jeannie needs no introduction. You're going to see her also in the investor relations thing she's going to help me. But I think increasingly she is going to have a team of people helping her, and Eric will be one of the key persons to help in the investor relations while Jeannie will still oversee investor relations, corp com, marketing as well as the customer value management. Jeannie, you want to say anything?

Jeannie Ong: I guess I have actually said a lot in my personal note to all the investment community. Eric helped me blast an email to all the investment community and I have actually penned my personal note. Like I said, this is really team StarHub here and just like all of you have supported us through the years in bad situations I am counting on all of you to support us again for all our products and services. So look forward to your support. Thank you.

Tan Tong Hai: So Eric, how is the situation now? Has the document been uploaded?

Eric Loh: Unfortunately it's still not uploaded onto SGX yet. I think in terms of... because of the fact that you need to leave earlier this evening - unfortunately Tong Hai has an engagement and he has to leave about 6:40pm this evening I think we should go ahead and maybe do some highlights first.

Our business is pretty straightforward, four lines of businesses. We won't go into the financials yet, just the highlights and perhaps the lines of business so it will be quite easy for you to follow through.

Tan Tong Hai: Yes. Well thanks Eric. Why don't I just give you a broad overview of how we performed? Because this is the second quarter it's also our first half performance and I would like to compare how we performed this first half versus a year ago.

If I look at the operating revenue there's a reduction of 1%. That is mainly due to the - what we call - because of less handsets that we're selling. That's the reason why operating revenue decreased on a year-on-year basis but service revenue remains stable. I think that's important because service revenue is recurring in nature and that's stable.

Our EBITDA actually has grown. It grew 5% if you compare first half versus a year ago. EBITDA margin is at 33.7%. In first quarter our EBITDA margin was actually 33% and second quarter was about 34% [over per cent]. So, on the average first half our EBITDA margin is now 33.7%.

Net profit after tax we've expanded 10%. So from a financial standpoint I think from a profit - strong EBITDA and service revenue's stable.

If you look at the operational stats, mobile - actually for the mobile business we have grown both post-paid and pre-paid. Post-paid revenue grew 1% and post-paid customer base grew 5%. So, mobile as a whole is growing and both in post-paid and pre-paid.

Pay TV revenue decreased 5% if you compare a year ago just because last year you have the Euro Cup. So the Euro Cup is a one-off event and a one-off contribution. So if you compare on a year-on-year basis our first half without the Euro Cup contribution the pay TV revenue decreased 5%.

Broadband business the revenue remains stable. We have actually still - we are adding more subscribers but due to pricing - the competition, we've had to discount - our plans. And as a result although we have grown customer base broadband revenue remains stable.

Our enterprise business is doing well. Fixed network services revenue grew 3%. So if you're not sure, if you ask me I would describe our mobile business as stable and growing. Fixed network services, our enterprise business, is growing. The home part where you have the pay TV the challenge is due to the Euro Cup, lack of Euro Cup contribution as well as the advertising. ARPU you will notice in later charts, subsequent charts I share with you, the ARPU remains stable. The part of the business that is most challenging is actually our broadband revenue - broadband business. That's because of price competition.

Now if I go down to the line of business. Mobile is now contributing 53% of our revenue, pay TV 16%, broadband 11% and fixed network services 15%. From a customer base perspective mobile post-paid customer grew 5%, pre-paid grew 2%. Service revenue, post-paid grew 1% and pre-paid revenue grew 1%. This is a first half to first half comparison.

Customer base wise, for pay TV customer base dropped 2% but later on I will show you the trending. We're actually trending positively in terms of our - we do think the number of what we call the losses in the last quarter, I mentioned that we lost 4,000 Pay TV customers, but as you do the short-term promotional offers and we have actually stopped short-term promotional offers. So this quarter the loss was cut down to 2,000. So this revenue dropped by 5% compared to a year ago. I mentioned that this is still for Pay TV and that's due to the lack of contribution of the Euro cup event, which is a one-off event.

Broadband customer-base grew 1%, broadband revenue remains stable. That's because of the intense competition resulting in a prices cull and even though we grew the customer base, broadband revenue remains stable.

Fixed Network Services grew 3%, mainly contributed by Voice that has grown 11% and Data & Internet, 1%. I think those are the broad view of the business.

Now, in terms of Hubbing Households, Hubbing Households have grown from 209,000 to 219,000. So I would consider the Hubbing value proposition is still strong and we are still growing our Triple Service Household, okay?

I think those are the overall items. Shall I go into the details?

Eric Loh: Yes, I'm just doing a quick check on the SGX. Just give me a second. I'm sorry, it's still not up yet, so perhaps we'll go into the lines of business, more about this.

Tan Tong Hai: Okay.

Eric Loh: We will come back to the financials later on, once the charts are up.

Tan Tong Hai: Why don't I go into the various lines of business and later on when the chart is up I will ask Nicholas to go through the financial highlights in detail, okay?

Let me just give you the highlights of the mobile business. If you compare first half of 2013 versus first half 2012, our revenue increased 1%. Post-paid ARPU actually remains stable at SGD70 and customer base grew 76,000. Comparing the pre-paid mobile revenue, we have grown this quarter to SGD60.8 million versus SGD59.8 million a year ago. The first half performance, pre-paid revenue is SGD121.7 million versus SGD120.9 million a year ago. So we actually have grown our pre-paid revenue slightly and our pre-paid ARPU actually has grown from SGD18 to SGD19. So I would say that pre-paid is healthy.

Now, for post-paid mobile revenue, this quarter our post-paid revenue is SGD253.9 million versus SGD246.4 million a year ago. So post-paid revenue has grown. In fact quarter-on-quarter, this also has grown last quarter, it was only SGD241 million and they have grown to SGD253.9 million this quarter. If you look at first half performance, our first half performance revenue for post-paid is SGD494.9 million versus SGD491.9 million a year ago. So we have grown post-paid revenue. ARPU remains stable if you compare first half performance versus a year ago at SGD70. So I think we are happy to see the stronger pick up of our tiered base plans and that has resulted in the growth in the post-paid revenue.

In terms of net adds itself, this quarter pre-paid net adds were at 18,000 versus a loss of 29,000 a year ago, and we have added post-paid customers 14,000 versus 2,000 a year ago. So total customer base is now 2.249 billion customers and split almost equally between post-paid and pre-paid.

Now, I'm also happy to report that we have seen a growth of our tiered base customers on our 4G network. Last quarter I shared with you we have 273,000 customers on our tiered base pricing on our 4G network. I'm pleased to announce that this quarter we have 362,000 customers on our new tiered base pricing on 4G. It has grown significantly, we're happy to see this growth.

In terms of the contribution of Non-Voice services as a percentage of ARPU, you'll find that this quarter Non-Voice services have grown to 45%, powered by the higher usage of data. Though we do see that SMS usage has dropped, but the growth in data has more than offset the drop in the SMS traffic.

Post-paid month churn is kept stable at 1%. I think last quarter was 0.9%, a year ago it was 1.3%. I think we have managed our churn pretty well and kept it stable at 1%. So that is the overall view of our mobile business and I've summarised it as very healthy and growing, and you can see that happening both in pre-paid and post-paid.

If you take a look at our Pay TV business, comparing a year ago from first half and first half comparison, our revenue decreased 5%. That's because 2012 we had UEFA Euro contribution. ARPU, which is a very important indicator, it is stable at SGD52 and our customer base has decreased 13,000. That is mainly due to the short-term promotional offers which I have mentioned previously, that we have stopped these offers. I think by the third quarter you will not see any of these short-term promotional offers.

Our revenue contributed by Pay TV in second quarter is SGD95.6 million. A year ago it was SGD103.7 million. The difference is due to the contribution of Euro. If you look at the ARPU itself, a year ago the ARPU was SGD54, second quarter is SGD52, but if you strip off the contribution of the Euro it will be SGD52. So the ARPU has actually remained stable and I always maintain that the health of the Pay TV businesses you look at by the ARPU, and we have actually kept it stable at SGD52.

Revenue-wise, if you compare first half of this year versus the first half of last year, there's a drop of about SGD9 million. That is mainly due to the contribution of UEFA Euro.

In terms of net adds, if you look at the trending, fourth quarter we lost 5,000 and you have expressed concern, actually is due to the short-term promotional offers. Our first quarter this year, it dropped to 4,000 loss and second quarter the loss is now 2,000. So we have actually managed churn pretty well in terms of recontracting, also the termination of short-term promotional offers. Our subscriber base is now 530,000 versus a year ago 543,000 and churn rate is kept constant, in fact stable, at 1.1%. So I would say that our proactive recontracting has helped to manage churn well at 1.1%.

So Pay TV business, my conclusion is that it is... though if you look at on a first half comparison, it seems to have dropped but that is due to one-off contribution by Euro and advertising. The proof, the real measurement is the ARPU, and the ARPU remains stable. I think the Pay TV business is doing okay.

Broadband. Comparing the first half of this year versus last year, revenue remains stable. ARPU actually decreased SGD1 to SGD45 and our customer base grew 3,000. The ARPU reduced to SGD1 because of the intense competition. I will share with you a bit more, because if you look at our broadband revenue, this quarter the broadband revenue is SGD51.7 million and last year second quarter we were SGD62.4 million. I think the drop is due to the competition and we had to discount our existing price plans. We did an adjustment in fact close to the end of second Q and we hope that with adjustments we will make our plans even more competitive, because our main way of competing is not just based on price, but based on quality of our international bandwidth. So if you compare on a year-on-year basis first half performance, actually the revenue has grown from SGD123.8 million to SGD124.1 million for the first half.

Net adds, we actually lost 2,000 broadband customers this quarter. I mentioned it's due to the intensive competition, but I have also improved on our pricing plans with better discounts and I hope to address this drop in net adds with our more competitive offers. Our customer base is now at 442,000 versus 439,000 a year ago, so we actually have added more broadband customers this quarter. Our churn rate is 1.4% versus 1.6% a year ago. It has - I would say that year-on-year it seems to have a drop in churn rate, but quarter-on-quarter there is a slight increase. I mention this because of the high intense competition.

Next I would like to cover on the Fixed Network Services which is a reflection of our enterprise business. If you compare first half versus a year ago, Data & Internet revenue grew - increased 1% and Voice revenue grew 11%. I think I'm very happy with our Fixed Network Services because it reflects the growth in our enterprise. We are able to demonstrate if you compare quarter-on-quarter or year-on-year or first half versus the second half, we have registered growth. First half performance is SGD178.3 million and last year first half was SGD173 million. So we have actually grown this business year-on-year on a first half performance basis.

If you look at the growth, where is it coming from? We're still getting strong growth from Voice. It has Voice revenue for first half is SGD33.1 million versus SGD30 million a year ago, mainly contributed by the fact that we started charging for Digital Voice Home as well as the growth in our international interconnect contribution. So our Data & Internet services we have grown to SGD145.2 million versus SGD143.2 million, if you compare on the first half year basis. Despite I think this - in this area there was intense competition international circuit and to be able to grow this business in spite of the intense completion I'm actually very happy to see that registering - still registering growth comparing quarter-on-quarter year-on-year basis.

Eric Loh: So it's - yes we just want to say - apologise once again for the delay that we're having with the uploading of the materials on the SGX but I believe some of you already received by email the materials from me. So we will now move back to Nicholas who will walk us through the financials and then Tong Hai will close with the outlook for the year.

Nicholas Tan: Thank you very much. Good evening everyone again allow me to guide us through the financial highlights on the EBITDA Slide 10. Slide 10. Thank you very much. I'm actually on slide 10, EBITDA and EBITDA margin the operating revenue for the quarter was SGD587 million, we are SGD4 million or 1% lower than the second quarter of 2012 and this was mainly because of the lower CPE sales. EBITDA have rose SGD13 million or 7% and this came from lower costs of sales and OpEx as well as higher income grant.

On the year-to-date basis comparison the trend is similar, our operating revenue is also 1% below, lower than the first half of 2012, EBITDA was 18 million or 5% higher. We have lower costs of sales, high income grant but this for the half we have experienced higher OpEx. EBITDA margin, year-to-date first half 2013, we closed at 33.7%, 1.6 percentage point higher than the first half of 2012.

Cost of sales. Page 11. Because sales are slower for both quarter and year-to-date compared to the same period last year, contributing factors came from lower traffic expenses and this was due to the lower interoperator sms as well as international outbound traffic. We also achieved a lower international settlement rates. We have lower costs of equipment and this came from lower quantity of handsets sold. And this is all mitigated by a higher cost in our cost of service and due mainly to our high programming costs for both our new and renewed contracts.

OpEx on page 12. The OpEx for the quarter is lower by SGD4 million or 1.6% compared to the same period last year. We have higher marketing costs due to advertising fee as well as acquisition costs but this was offset by lower G&A and a significant contributor here came from reversal of stock obsolescence, we managed to sell off the stocks and also a higher cost of recovery for our network construction. On a year-to-date basis however OpEx was higher and again, you know the main reason contributors were marketing costs which was again higher. As far as in G&A we have a higher maintenance cost provision for expanded network as well as provision for maintenance costs for our undersea cable. And this was offset by lower costs of international lease capacities.

We are pleased to report that the net result of all this is a rise now in our net profit after tax to SGD101 million for the quarter and SGD192 million on a year-to-date basis. Earnings per share for the half year is 9% higher. For the first half of 2013 we are registering SGD0.1115 compared to SGD0.1021 cents for the same period last year.

CapEx on page 14. The increase in CapEx payment that you see for both the quarter and year-to-date was due to the purchase of leasehold land to relocate our TV network transmission centre, payment was made this year. And the year to date CapEx as a percentage of revenue for the first half of 2013 is at 12%, this is still lower than the guidance we had for at 13%.

Free cash flow. It's good to know that the operating cash flow before working capita change rose SGD8 million for the quarter and SGD7 million year-to-date compared to the same period last year. The lower free cash flow for this quarter and year-to-date is attributed to the payment for the land purchase that we've just mentioned earlier. As far as change in our working capital due to the timing of receipts and balances in between quarters, as well as higher income tax payment.

And this is all I have.

Tan Tong Hai: Let me share with you this year's outlook, chart 37. We are maintaining our revenue growth of low single-digit range, EBITDA margin to be about 31% no change from what was guided in the first quarter, maintaining cash CapEx to be about 13% of operating revenue and the recommended second quarter interim dividend of SGD0.05 per share.

Of course we intend to maintain our annual cash dividend of SGD0.20 per share for the financial 2013. With this we would like to open up to the floor for questions and answers.

Eric Loh: (Operator instruction). First on the line we have Louie from HSBC, Louie.

Luis Hilado: (HSBC, Analyst) Hi. Good Evening. Thanks for the call. I have three questions and I first I guess on the EBITDA margin guidance given where you're trending right now for the first half, are you being conservative on the second half or are you expecting any major smartphone launches in the second half which will - sorry this is the service revenue guidance I'm - what do - what is driving I guess the more sombre outlook for the second half?

The second question is more to - less to do with the results but with the recent decision on EPL how does that sort of affect your plans in terms of expiring content contracts? Will you be renewing on exclusive or non-exclusive basis or allowing others to take it and essentially take - get the cross carriage benefit in the future?

And the last question is you guided so far SGD0.20 DPS again, I was just wondering longer term, given where the balance sheet is again going, if you see there's future scope to improve this?

Tan Tong Hai: Thanks Louie. I think what I would like to do is to let our newly-minted CFO to try to answer your first question on the EBITDA margin and I will take care of the EPL question and also the longer term dividends policy.

Nicholas Tan: Okay, Louie let me answer your first question, I guess, when I look at the EBITDA margin guidance 2 points came to mind actually, the first is the - I noticed that we have a lower quantity of handsets sold for the first half of the year. Looking ahead, , sensing from my colleagues, , there's going to be a lot more new smartphone models that's going to come out towards the end of the third quarter and the fourth quarter. And so I expect, higher volume of handsets to be sold.

The second point, to note is that we continue to see a lot of competition in the home market segment, our home business segment and so with these two points, yes, you could say I take a conservative view and I'm - we are still maintaining the guidance at 31% at this point in time.

Tan Tong Hai: Okay, so in a nutshell we are expecting ... Of course our second half of the year, you should have the iPhone launches and taking all those into consideration also more competition I think in the home space so in view of that I think we are maintaining our guidance at 31%. Now with regards to the question on the BPL we have actually shared - you will not have in our outlook - in our MD&A we say that you will not have a material impact on our financial, that's because we don't gain any revenue from this cross carriage, we actually get paid in terms of the network cross carriage charges, but as part of the goodwill we actually look at it and say, hey, we got this windfall from this extended, what we call the cross carriage charges. We tend to look at it and see how we can return such goodwill to our customers. And I think you see that in our recent announcement of our rebates that we have given to our customers.

So that's something that we have done. But this situation of BPL being cross carried is because of the fact that they sign up for exclusive content. And going forward, I think you've noticed that most our content are signed on a non-exclusive basis but we have also previous years signed up on exclusive the UEFA EURO, so it's a business decision. And we will access it on a case by case basis.

And for our content valuation it will be based on viewership and today we have close to 80% of our box are two way. We will assess based on real viewership we will pay for the content if there is strong viewership, if not valuable maybe we'll drop the channels. So that's how we are managing our cost of our content. So that would be my response to your question on BPL.

And your last question on the dividends of SGD0.20, we do take a three-year view, a long term view with our Board to look at dividend payout. Of course at this moment we are basing the dividend payout based on our guidance. And this year in fact these two years we do have a higher CapEx to revenue ratio at 13%. But we will review this on a regular basis with our directors and I think that's what we do. But we have no problem funding the SGD0.20 dividend this year definitely.

Louie: (HSBC, Analyst) Thanks Tong Hai, thanks Nicholas.

Eric Loh: Next on the line we have Roshan from BA Merrill Lynch. Roshan?

Roshan Behera: (BA Merrill Lynch, Analyst) Hi. Thanks for this call. There's two questions from me, first one on the competition and broadband sector that you talked about. I'm just trying to understand how are you positioned now with your price plans compared to your competitors? And do you think your price plans might need another round of review in the coming quarter?

The second question is kind of related to content cost on a three to five year kind of view where you think content costs will be going towards and how do you think you will be different with the competition in the market, and on the content space - on pay TV content.

Tan Tong Hai: Yeah, okay. Roshan in terms of the broadband - the competitive situation, you can see that yes this quarter we lost 2,000 customers - broadband customers, but that's because of the price competition. We have actually revised our plans to match the competitors, because our general policy is that we will not be the cheapest in terms of selling individual broadband plans, but on a hubbing basis if you sell, if you buy multiple services from StarHub you will see that our value is definitely much better than anybody else. And the way we are competing is that - is not based on just price. We are competing on quality, international bandwidth and that is something we can offer to our customers. In the short - from now to 2015 or so we do have a - adoption grant, that is if we were given to us because of the fact that we invested in OpCo - operating company Nucleus Connect. And as part of the investment we do get adoption granting if customers switch to fibre broadband.

So that has actually contributed to us from the bottom-line perspective. So we do have enough gunpowder to compete in the long run if you ask me, and we have made a past investment insubmarine cables. So going forward, down the road the competition has to compete on quality bandwidth and cannot be just price and we will continue to use our hubbing proposition to win the hearts of our customers, because that's what we want to do. Now from a content cost perspective, I with the cross-carriage regime even clearer right now as to how we operate under this new regime. A lot will have to be based on the value of the content, and I'd - just now mention that we do have two ways set-top box that will allow us to actually measure the viewership and from there we decide how to value it.

We have also started a lot of localisation. We have also developed our own local sports, or our super sports arena, and they have our Malaysia Super League, our football and we will be strengthening that. To me, down the road we will have to explore some form of localisation and that would also tap into the contestable funding by the Media Development Authority. With that we will be able to differentiate our offering, so it's going to be buy-sell; it's going to be buy, at the same time localised on selected - for selected content, and then differentiate ourselves through our multiple platforms. I think that will be our strategy moving forward. Right, you've seen that certain content that will continue in my view to remain a premium and sports content - premium sports content, that will continue to - you have seen in other countries that the price will continue to get higher.

Roshan Behera: (BA Merrill Lynch, Analyst) So just if I could refer to that, so do you expect content costs to be stable or to decline going forward, or how should we aggregate content costs?

Tan Tong Hai: Well if we can manage it, I think that costs-wise - there are certain content costs that will continue to be high, but at the same time we will have to drop certain content that the viewership isn't there. And we hope to manage the cost increase. I think that's what we have been doing to manage it, because if we look at the overall company perspective and if we can manage the - the costs will increase, but how to manage it in a way that you know it will not escalate. That's what we're doing and through our ability to measure the viewership of our content.

Roshan: (BA Merrill, Analyst) Okay Across the different segments, broadband, mobile, TV, how do you prioritise? Are you looking at the revenue matrix share profitability that fits more closely than the subscriber shares, or a balance of the two? How is that - because in some of these segments, you have been losing share - [a few hundred subscribers]. I'm just trying to understand, how do you see that playing out over the next few quarters and maybe years?

Tan Tong Hai: Our main focus is on the ARPU, but we want to increase the ARPU, and also increase the hubbing proposition, the hubbing contribution. We will not be looking at - say for example if you look at the Pay TV business by itself, we are not looking at it from a Pay TV perspective; we are looking from a home perspective. So we're seeing TV and broadband together as a whole, right? And that's why we focus on the two services, triple services. That's how we want to compete.

Roshan Behera: (BA Merrill Lynch, Analyst) Thanks. Thank you very much for that.

Eric Loh: Thank you very much Roshan. And at this point I'm afraid we have to release Tong Hai who's got an urgent event to attend to. But the rest of the management team will still be around to answer your questions. And with that let's move onto Arthur from CitiGroup. Arthur?

Arthur Pineda: (CitiGroup, Analyst) Hi, thanks for the call. Three questions from me. Firstly, can I clarify you're not recognising any cross-carriage revenues from your competitor? Second question, do you have any market sizing - do you know what percent of the market has multiple Pay TV subscription across operators? And lastly on your recent promotion, on your SGD300 rebate versus a SGD47 to SGD62 dollar bundle, doesn't this potentially serve to dilute your EBITDA margins? Because if I simplistically assume a 30% margin on a 24-month contract, isn't generally the EBITDA SGD238 over the life of the sub, and that's before the SGD300 rebate. Can you please help me understand that? Thank you.

Eric Loh: Okay, first you are asking about the SGD300 rebate? Sorry, I didn't really catch your first and second question?

Arthur: (Company, Analyst) Market sizing, what percent of the market would have - will have Pay TV subscriptions and if you are recognizing any cross carriage revenues from your competitor. I seem to recall Tong Hai mentioned that you're not recognizing any, is that correct?

Nicholas Tan: Let me try and answer this. For your first question, on the recognition of any revenue for cross carriage: no we do not recognize those so there will be a limited amount of carriage fee that will be transferred over from SingTel. In terms of the market, the second question refers to the TV subscription... those with multiple Pay TV subscription?

Arthur: (Company, Analyst) Yes.

Nicholas Tan: Multiple set-top box, right?

Jeannie Ong: Arthur, we never disclose this information as you would expect, competitors would be dying to have this number so nice try but no…

Eric Loh: Especially when we know one is listening in right now. I know who you are.

Jeannie Ong: Right.

Eric Loh: The third one is on the SGD300 rebate, whether it affect your margins. Okay, I think up front we need to say that the SGD300 rebate actually comes from the M&P line. It should not in any sense affect things like ARPU. Does that help answer your question?

Arthur Pineda: (Citigroup, Analyst) I mean is it even a profitable exercise? As I mentioned if I look at simplistically 30% margin for example, over the life of the consumer you only generate SGD338 in EBITDA, that's before subtracting the SGD300. Is it a profitable exercise at all?

Jeannie Ong: Arthur, when we started with the SGD300 rebate - the genesis of it is that we hear customers' feedback about the high cost that our competitors have imposed on theBPL. So what we have done is we thought we'd just use whatever cross carriage fee they were going to get from them anyway and plough it back and give it back to the customers in that sense. So that's what the SGD300 rebate is all about. And since you are asking us we know our competitors have come up to - with another campaign recently and I'll just tell all customers out there that they should stay tuned and watch the next space from StarHub.

Arthur Pineda: (Citigroup, Analyst) Very good, thank you.

Eric Loh: Thank you Arthur. Let's move on now, we've got Sachin from Nomura.

Sachin Gupta (Nomura, Analyst): Yes thank you very much. I have a few questions as well. Firstly on your wireless post-paid ARPU we've seen a pretty good increase from 68 to 72, if I've read this correctly. Just wondering is that all because of the data re-pricing, and any indication on how many subs are directly on the tiered pricing plan, and apologize if I missed that in the release, that's one.

And secondly, I guess going back to the Pay TV business, as you can appreciate I think there's a lot of confusion around what's the possible impact of these things. So any thoughts in terms of obviously how you think the subscribers could play out. Do you actually expect to gain subscribers on the back of this thing? Secondly, obviously given the promotions we are all talking about it, is there a risk that the marketing intensity actually gets much more aggressive than what's been expected. And I think going back to Arthur's question as well I think I'm pretty much on the same thought process that the dilution could be actually significant. If you can explain that further that would be great.

And last question I guess is on the fixed line business, we're actually not seeing much change in the fixed line revenues. It's been three quarters now obviously I understand it's going to be NBN rollout delay still, but any indication on when can this line actually start improving? Thank you.

Jeannie Ong: I've got your first question, Sachin, about the postpaid ARPU that is really due to higher take up of the tiered data plans that we have introduced.

Sachin Gupta: (Nomura, Analyst) What percentage Jeannie?

Eric Loh: We have not disclosed that yet. Let me ask Kevin to perhaps elaborate more on the fixed line business.

Kevin Lim: Okay, yes I mean in the fixed line business for - if you look at the revenue the revenue is rather flat. However, this is because of price erosion every time we renew the account they obviously will be renewed at lower prices so the pricing pressure, despite growing number of circuits, will depress the revenue somewhat. But we do expect this to improve, answering your question, in the coming months.

Sachin Gupta: (Nomura, Analyst) Okay, sorry can I just go back to the wireless, the postpaid ARPU increase. Obviously you're not giving us a percentage but can we expect further increases to the ARPUs from here on?

Kevin Lim: I think we expect ARPUs to be rather consistent going forward.

Sachin Gupta: (Nomura, Analyst) Okay thank you. And then the question on Pay TV business?

Jeannie Ong: Your question was about whether the rebate is actually a dilution to our margin, right?

Sachin Gupta: (Nomura, Analyst) No, the question Jeannie, was more - obviously with this cross carriage, any thoughts on okay what happens to your subscriber base? Do you actually expect to regain some of the customers now and (b) given this competitive - this promotion you yourself and SingTel has offered, what's the likely impact of that as well, yes?

Jeannie Ong: Okay, if you are talking specifically about the SGD300 rebate, what we're trying to do is we're trying to convince customers to come back to the real bros as what our bro campaign has stated. Because of the goodwill that we're giving to customers so hopefully they'll come back to the more reliable network. As for the - what's the other one?

Eric Loh: Whether we will gain subscribers.

Jeannie Ong: Yes, I think I answered that already about subscriber. Okay, if you look at our MD&A I think we stated very clearly that we will have……we will have no material- that's the word that we used, no material impact on our financial for this BPL cross carriage.

Sachin Gupta: (Nomura, Analyst) Okay thank you.

Eric Loh: Thank you Sachin. Let's next invite Oli from CLSA. Oli?

Oliver Campbell: (CLSA, Analyst) Hi guys, good evening. So just in terms of the - again a bit boring - but the BPL, EPL cross carriage thing, I mean given the unprecedented nature of the - of it being upheld and the fact that it leaves your competitor in rather an awkward position, given what they probably paid for the content, is there anything they can do from here that might jeopardize the status quo as it stands now in terms of - I know there's no appeal but is there anything that they could pursue from here on a legal avenue that might impact exactly how this is transmitted or the economics behind it?

Jeannie Ong: Oli, you should direct this question to my competitor.

Oliver Campbell: (CLSA, Analyst) Okay, well maybe let's put it this way then, how - if - given the insight that you might have had into the minister's upholding the cross carriage, how exactly does that change your view on - I think it's been asked before - but on bidding for future content. What exactly qualified content means now and I suppose if there's any insight you have at all into the minister's decision other than what we've read in the papers?

Jeannie Ong: Right, actually what you read is exactly what we know and I think the message to us is very straightforward. If you play by the rule you are safe.

OIiver Campbell: (CLSA, Analyst) Fair enough okay. And then just a final question, can you just give us some idea on the ground - and I do mean on the ground - how the LTE rollout is going in terms of coverage and I ask both as an analyst and a subscriber too?

Eric Loh: We are looking at 95% by October. Right now it's over 75%.

OIiver Campbell: (CLSA, Analyst) Is this genuine 4G, is this or is this high speed 3G or what exactly?

Eric Loh: Genuine 4G. We're talking about 75 Mbps.

OIiver Campbell (CLSA, Analyst): All right, thanks very much guys.

Eric Loh: Thank you Oli. Next let's invite Chate from Credit Suisse.

Chate Benchavitvilai: (Credit Suisse, Analyst) Yes, most of the questions have already been asked. Again, congratulations on the result. I just had a follow-up question on 4G actually. So with the completion of coverage basically rising to 95% by October do you see any room to actually charge more, a differentiated 4G service from 3G and maybe subscribers should pay more?

Jeannie Ong: I think we're quite happy with the high take-up of our tiered data plan thus far so we shall monitor the situation.

Chate Benchavitvilai: (Credit Suisse, Analyst) Right, just a follow-up on the tiered data plans I understand that currently there are still the[effect of the promotions of the additional one gig contract, right is that - or the effect of that already fade and we just see subscriber paying more for the additional data parcel bundle?

Eric Loh: That actually expires at the end of September so we're looking at probably another six/seven weeks more.

Chate Benchavitvilai: (Credit Suisse, Analyst) That is perfect thank you.

Eric Loh: Next let's invite Peter Yu from MediaCorp. Peter?

Peter Yu: (MediaCorp, Media) Hi guys, okay just a couple of questions. I know you said that BPL won't increase your revenue but with the $300 rebate do you expect churnto be in your favor? And the second question is for your pre-paid mobile business that has gone up, has HD voice helped in any way?

Jeannie Ong: Okay, your first question about revenue, you have to first understand that all subscribers for BPL they have to go to my competitor to sign it up. Okay, so the revenue goes to the Red camp, it doesn't come to us at all. All right, so that's your first question.

Peter Yu: (MediaCorp, Media) No, actually the question is does that increase churn rate, do you expect that churn to…

Jeannie Ong: No, we are hoping that people will come back to the real bros, remember I said that?

Peter Yu: (MediaCorp, Media) Yeah, okay.

Jeannie Ong: Yeah.

Eric Loh: Next question was on HD Voice Mobile.

Kevin Lim: Yes, I believe that the - it's a total package, rather than just any single feature but obviously the HD Voice is pretty critical to enhancing the total package because at the end of the day the voice call is - the quality of the voice call is most important.

Eric Loh: Hope that answers your question, Peter? Are you there, Peter? I think we lost him. Why don't we invite Irene next from Straits Times to come on board. Irene?

Irene Tham: (Straits Times, Media) Okay, congrats on your numbers. Sorry to repeat this again, just hoping for a more direct answer. Okay, so you hope that people will come back to the real bros, so do you expect the subscriber numbers to go up as a result of that? So you are stamping your decline and…

Nicholas Tan: We certainly hope so.

Jeannie Ong: We hope so.

Irene Tham: (Straits Times, Media) Okay, you hope or expect it to be the case?

Eric Loh: It's kind of a forward looking statement in my mind. We hope that the strategy will work.

Jeannie Ong: We hope Singaporean consumer will realize that whatever we are doing it's really out of goodwill for them and that they will appreciate this gesture. I mean the price is dictated by our competitor. We have no influence over that price at all. So what we can do is just really to soften the blow so to speak, which is why we decided to go out with that rebate.

Nicholas Tan: Irene, you know if I may add we indicated that for the cross carriage of the BPL, we did not anticipate any significant financial impact for us. What this really means and as what Jeannie mentioned, it is certainly out of goodwill you know for our customers that with the cross carriage fee, so on that we receive we would indeed want to return that to, and benefit, the subscribers if you will. Certainly of course we hope that we would actually also receive or gain additional subscribers.

Irene Tham: (Straits Times, Media) Right, so you are confident of that? That's your strategy.

Nicholas Tan: Yes, as best as can be.

Jeannie Ong: And Irene, since you're on the line we'll just go on to say that we hear consumers' feedback that it's quite confusing [unclear] from us and then counter attacked by our competitor. So we intend to simplify things a bit. So we're just asking consumers out there to be patient with us for a while more. We're going to come out with something more simplified.

Irene Tham: (Straits Times, Media) So you'll simplify the rebate structure is it?

Nicholas Tan: Yes.

Jeannie Ong: We will and you'll just have to stay tuned for that. But another message to everybody out there is that Monday is the absolutely drop deadline if you want to catch BPL's opening match on 17 August because there's the five days of activation procedure imposed by the cross carriage law. So next Monday's absolutely the last day for anybody who wants to sign up in order to watch the match on 17 August. So we will come out with something very soon.

Irene Tham: (Straits Times, Media) Sorry, also another thing. You said earlier that you sold fewer handsets. So does that affect your - so lower revenue from lower sales of handsets, but it means that your profits are better, right, as a result of selling fewer handsets?

Nicholas Tan : No, in the first half of this year indeed we sold lower quantities of handsets and as you know, handsets come with subsidy. So a lower quantity of handsets does indeed help our profit performance. And as I mentioned looking forward though into the second half we do note there are quite a number of new models that's going to come out, including the iPhone 6. This definitely will impact the quantity that we will expect to be selling as well as the subsidy.

Irene Tham: (Straits Times, Media) Okay, thank you.

Eric Loh: Thank you Irene. Let's get Prem on the line now, Prem from Macquarie.

Prem Jearajasingam: (Macquarie, Analyst) Hi, good evening. Thank you for the opportunity. Two questions really, first of all could I just clarify that based on what you're saying with regards to the cross carriage fee and the rebate, in other words you are getting paid something like SGD12 a month per subscriber from SingTel and you're giving all of that back to the subscriber in the form of the rebate. Is my thinking correct on that one?

Secondly, I'm just a bit confused because what's happening here is they are getting a pay TV revenue, they are giving a broadband discount, you are going out there taking their fee and giving it out as a discount. Now does this all point towards a price war in the broadband market which then makes life a little bit more miserable for yourselves given that you're incumbent in the Singapore households? Is that - have I got that completely wrong?

Jeannie Ong: First of all, the cross carriage fee. I wonder where you get the number from because that's confidential and I don't think anybody has ever disclosed that in the market before. But putting aside the dollars that you have quoted, yes, what we are saying is that whatever we will get from the cross carriage fee we intend to use that and give it back to customers. Okay, that's one.

The second one about the price war on broadband, the SGD300 rebate, like I said, it's really a gesture of goodwill that we're giving out to our consumer and hopefully those who left us to join the other side will come back because they've gone to the wrong side of the camp, yes.

Prem Jearajasingam: (Macquarie, Analyst) Okay. By the way, that SGD300 - I mean I've just taken SGD300 over a 24 month contract.

Eric Loh: Divided by 24 months, right, SDG12.50.

Jeannie Ong: Oh actually the SGD300 is you look at our T&Cs it's really for the first season. It's supposed to be a season of 10 months, if you're football fan like me, and that works out at SGD30 a month.

Prem Jearajasingam: (Macquarie, Analyst) Okay, I don't watch football.

Jeannie Ong: Right, thank you Prem.

Eric Loh: Right, we've got time for a couple more callers. Let's welcome Kelvin from CIMB,

Kelvin Goh: (CIMB Analyst) Hi guys, can you hear me?

Jeannie Ong: Yes.

Kelvin Goh: (CIMB Analyst) All right, okay. A few questions here. First one is on the localisation of content. I mean I understand from our previous discussion that there are restrictions imposed on you on kind of - on you producingcontent and how Tong Hai just now talked about the localisation of content. Has there been any change on you? Can you walk us through on that?

Second question is on the rebate. You said that there shouldn't be much - the SGD300 rebate shouldn't be much impact on your earnings. I assume that's because whatever you're receiving will be - that rebate is basically taken off whatever you receive from SingTel, just to confirm that?

Third question is from your tier data plan. Can you give us some sort of sense as to where you think the adoption will be by the end of this year and end of next year? Thank you.

Jeannie Ong: Okay, the second question is easy; yes your assumption is correct. The first one you asked about localisation of content, did I get you right?

Kelvin Goh: (CIMB Analyst) Correct, yes. Regulatory restrictions.

Nicholas Tan: I don't think that has changed in terms of the news - you are referring to the news, right? I don't think that has...

Kelvin Goh: (CIMB Analyst) News or - yes I mean - yes you were talking about coming out with content that is unique and all that, so given the fact that from one extent the MDA imposes, I mean has - you're pretty much restricted by what MDA - MDA's restriction on you producing content. So I'm wondering how you're looking at localised content on the back of these restrictions?

Jeannie Ong: Well, I would cite two examples that we've done for localisation of content. (1) Is the Academy Fantasia that we have done and the other one is the Lady First Singapore. Lady First Singapore is a very popular targeting at female in Taiwan. So what happened is that we brought it over to Singapore and we did a Singapore version of that. The viewership for that problem I think we've publicly said that it's five times more than the viewership for the Ladies First Taiwan version. So that is how we differentiate in terms of localisation of content.

Okay, I won't answer the question about the news since that's pretty sensitive.

Right, okay, let's go onto your third question which is the tiered data plan, right?

Kelvin Goh: (CIMB Analyst) Yes.

Jeannie Ong: You asked us to glaze into our crystal ball and tell you what we think would be the trend for our tiered data plan. We think it will be healthy as the proliferation of smartphones and with more people taking up smartphones. So we think it would be a good growth in that area for the entire industry, not just for us.

Kelvin Goh: (CIMB Analyst) I think just now I was sort of - I was disconnected for a short while just now. In terms of the - I think there was a question regarding the ARPU and whether or not you see any uplifts. Can I just maybe ask that again in case I missed it? Are we - given the rising adoption of tiered data plans are we - are you looking at higher ARPU results of that?

Jeannie Ong: Well, I'm looking at the product head here and I certainly want to have a higher ARPU, yes. But I think this is something which we will monitor. We'll see how we can stretch that.

Kelvin Goh: (CIMB Analyst) All right, thank you.

Eric Loh: Thank you Kelvin. We've got time for one last caller. Let's hear from Daiwa, Jame from Daiwa.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Yes hi actually it is Rama here.

Eric Loh: Hey Rama.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Hi, just one question from me please. That's with regards to the grants recognised for the NBN project, SGD15.5 million. I'm just wondering whether it's tied to the rollout or adoption based grants? Also can you comment on the timing of the recognition for the rest of the subsidy for the NBN?

Nicholas Tan : The SGD15.5 million is actually a combination of both - both the rollout as well as the adoption, right. In terms of recognition in our P&L we only recognise it once it has been vetted through and approved by - for the adoption by the IDA.

Eric Loh: Well anyway just to add on that process, the adoption process will end in 2015. Does that help answer your question?

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Okay, so would you be able to breakdown how much have you recognised as part of the adoption grant so far and how much has been recognised as a part of the roll out grant? Out of the 130 or so you have recognised so far to date?

Eric Loh: Yes, I think we said this previously. We are amortising the rollout grant and that's about the run rate of SGD5 million per quarter. That should help you calculate.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Okay, I'll follow up offline. Thank you.

Eric Loh: Thank you very much Rama.

Ladies and gentlemen thank you so much for your time and once again apologies for the major delay that we had experienced earlier with SGX. We hope that will never happen again. In the meantime you have a good evening and we hope to hear from you in the next quarter.

End of Transcript