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### Start of Transcript

Eric Loh: Right, good evenings ladies and gentlemen and welcome to StarHub's Third Quarter 2015 Results announcement. My name is Eric and with me we've got the CEO, Tan Tong Hai, along with the CFO, Dennis Chia, and CCO, Kevin Lim. We'll be walking through this quarter's results announcement.

Now, before we go into the results proper, there's a quick housekeeping tip for you. If you want to ask a question later on, press star one; if you want to withdraw your question, press star two. Just a little note, we have with us this evening Howie Lau who will be answering questions on pay TV and broadband later on during the Q&A session.

Now with that, let's welcome Tong Hai to give us the overview.

Tan Tong Hai: Thanks, Eric. If you turn to chart number five, you can see the overall performance in this quarter. I would like to say that I think we had a pretty good third quarter. Because if you look at the financials, total revenue is up 2%, service revenue up 1%, EBITDA increased by 4%, EBITDA margin at 35.7% and Net Profit After Tax increased 22%. Looking at the operational stats, we have registered revenue growth in residential broadband and fixed network. We have also subscriber growth in post-paid mobile, pay TV and residential broadband. We have the lowest churn rates seen again for pay TV, and the lowest churn rates maintained for mobile and residential broadband.

Next chart, number six, key financial highlights. I just want to highlight, if you look at the EBITDA margin in the third quarter is 35.7%, on year-to-date basis it's 33.6%, still ahead of what we guided at 32%. Net Profit After Tax is up 22% for the quarter, but on the full year-to-date basis it's 6%. Percentage of CapEx revenue this quarter is 11%, on a year-to-date basis it's 13%, within our guidance of 13%. Free cash flow for this quarter is \$0.08; year-to-date is \$0.113. [Gearing] is still low at 0.61x both for the third quarter as well as for the year-to-date.

Take a look at chart number seven which shows you the revenue contribution. You'll note that, for this quarter itself, the main contributors are broadband and enterprise fixed network services. Mobile looks relatively flat, but underlying it you can still see very strong performance in our post-paid. But it was dragged down a little bit by our prepaid, which is lower because of the lack of usage. On the pay TV side, you'll notice that it's relatively flat and on a year-to-date basis it's still up by \$1.4 million.

I'm most happy to note the broadband, because we registered revenue growth of 3.8% or \$1.9 million on this quarter compared to a year ago. On a year-to-date basis it's still down by about \$6 million if you compare a year ago, but I think that we're happy to note that this is the third consecutive quarter of the broadband growth. Enterprise fixed network services, healthy growth, if you look at it on the third quarter 4.3% up, and on a year-to-date basis it's still about 3.4% up. On sale of equipment, I think the sale of the smartphone is still strong, for the third quarter it's about \$5.6 million higher than a year ago, and on a full year-to-date basis it's about \$66 million more.

If you turn to chart number eight, it shows you the revenue mix. Now, in previous quarters I have said that the enterprise fixed network services will surpass pay TV contribution. If you look at this third quarter, contribution for fixed network services is 16.5% and pay TV is 16.1%. So indeed, enterprise fixed network services have actually overtaken pay TV for this quarter. But on the year-to-date basis it's still slightly lower. Mobile is still the largest contributor at about 52%, followed by now it's fixed network services in the third quarter and pay TV, 16%, broadband is only about 8.5%.

Take a look at chart 9, which is our hubbing scorecard. You know that our triple service household has now increased by 4%, it is now standing at 246,000. We have also grown the dual service household and as a whole, I would say that the hubbing stats are still trending well.

I will now hand over the time to Dennis to cover the financial highlights. Dennis, please.

Dennis Chia: Thanks, Tong Hai. I'm on slide 11. On EBITDA, we are at \$199 million for the third quarter of 2015, or 35.7%, compared to a year ago of \$191 million or 34.5%. For the nine months ended 30 September, we are at \$556 million, which is at the same level as the same period last year, or 33.6% of service revenue.

Moving on to slide 12 which is cost of sales. Our cost of sales for the third quarter of 2015 was \$236 million, compared \$229 million a year ago. This represents 39% of revenue on both quarters. To note, we've got increased cost in equipment due to the higher equipment sales that we've recorded. At the same time, cost of services has [edged] up slightly. While we've got higher costs attributable to the migration to fibre on the [NGN], we have controlled the costs on programming which has offset that cost increase. For the year-to-date, our cost of sales are 41% of revenue compared to 38% a year ago.

Moving on to slide 13 which are on operating expenses. For the quarter we are at \$248 million compared to \$258 million a year ago. So for the quarter, we registered lower operating expenses as we continued to rationalise our controllable expenses, primarily in the marketing and promotion areas and staff costs. For the year-to-date, we are at \$745 million versus \$760 million a year ago, this represents 41% versus 44% of revenue.

Moving onto the next slide on net profit. Our net profit for the quarter was \$119 million compared to \$98 million a year ago. This included \$15 million that we registered in the quarter for the divestment of the subsidiary. On the net profit basis per share, this represented \$0.068 on the EPS basis compared to \$0.056. Year-to-date, our net profit after tax is at \$292 million or \$0.168 per share compared to \$276 million a year ago.

On capital expenditure payments, we paid out capital of \$67 million for the quarter compared to \$73 million a year ago. This represented 11% of revenue compared to 12% last year. For the nine months, we have paid out \$226 million or 13% revenue, compared to \$236 million or 14% of revenue.

On free cash flow for the quarter, we recorded a free cash flow of \$139 million, this was compared to \$118 million for the comparable period. This increase in free cash flow was the result of high EBITDA, positive working capital changes and lower capital expenditure payments. For the nine months, our free cash flow was \$196 million compared to \$285 million a year ago. This was due to the working capital requirements primarily in the first quarter of this year.

With that, I turn the call over to our Chief Commercial Officer, Kevin Lim.

Kevin Lim: Thank you, Dennis. Let me now take you through some of the highlights of the business, starting with our mobile business. In the quarter we grew the post-paid subscriber pas by 66,000 and increased the ARPU by 43 to \$71 versus the same period a year ago. Looking at the subscriber base, the total mobile base at the end of the third quarter was 2.177 million subscribers, of which 61% are under our post-paid plan. Our post-paid subscriber base continues to grow steadily, while pre-paid subscriber was lower than a year ago. I think it's worth noting that it has grown quarter-on-quarter since the beginning of the year.

Moving onto slide 20, looking at revenue. Total revenue from mobile services was stable year-on-year and quarter-on-quarter as well. While post-paid revenues were higher than the third quarter of 2014, this was somewhat offset by lower year-on-year revenues from our pre-paid segments, as IDD and voice usages were lower. Pre-paid ARPU however remains stable at \$18. Post-paid ARPU, as I highlighted earlier, grew year-on-year by \$3 and quarter-on-quarter by \$1.

I'm on slide 22. When we look at the non-voice services that contribute to the post-paid ARPU, at the end of the quarter, this was up to 56.9%, up almost one percentage point versus last quarter. Our post-paid base on the [tiered] data plan ended the quarter at about 63% and the percentage of users exceeding that plan is stable at about 22%. Churn was kept about the same at about 1%.

Moving onto our pay TV business, I'm on slide 24. Revenues from our TV business were stable and ARPU remained at about \$51. We grew the subscriber base by 3000 subscribers versus a year ago. Looking at the base, total TV subscribers at the end of the quarter 542,000, or 3000 higher than Q3-2014. Churn continues to be low at 0.7% as we roll-out competitive retention programmes and packaging. With revenue, we saw revenue ending at \$97.2 million for the quarter, and for the nine month period it was \$291 million. The quarter-on-quarter fluctuation in revenue was mainly from our advertising business.

Moving onto broadband, I'm on slide 28. Broadband revenue continues to go, registering 4% higher than a year ago. ARPU was \$34 and we added another 16,000 subscribers to our base. The subscriber base, with this addition, ended the quarter at 477,000. Amidst serious competition, churn was kept low at 1%. Worth noting is our fibre subscriber base, which at the end of the quarter was a total of 245,000 subscribers. From a revenue perspective, as Tong Hai mentioned earlier, this third quarter was the third consecutive quarter-on-quarter growth in revenue for the broadband business, and it ended at \$51.1 million. ARPU was kept pretty stable at \$34, in fact up by \$1 versus the last quarter.

Now turning to our fixed network services, I'm on slide 32. Our data and internet services business registered 6% higher revenue versus a year ago, while voice came in lower by 5%. Total fixed network services revenue was \$99.3 million for the quarter, and for the nine month period it was \$286.9 million. This was higher than versus a year ago as well.

Going into the details of the revenue. The data and internet business continues to deliver higher revenues, at \$85 million for the quarter, for the nine month period it was \$246.1 million. The voice business registered a lower year-on-year number, however you will note that it was higher quarter-on-quarter, with \$14.3 million.

With that, let me turn it back to Tong Hai for the outlook.

Tan Tong Hai: Thanks, Kevin. Financial year 2015 outlook. For revenue, we've maintained service revenue at about the level of 2014. EBITDA, we maintained EBITDA margin on service revenue to be about 32%. Our maintained cash CapEx would be about 13% of total revenue. Declare third quarter 2015 dividend of \$0.05 per share. We intend to maintain annual cash dividend of \$0.20 per share for full year 2015.

With this, we'll now open the time for Q&As.

Eric Loh: For Q&As, first on the line let's welcome Luis from HSBC. Luis?

Luis Hilado: (HSBC, Analyst) I had three questions. The first was just to get some colour on the gain from the Shine deconsolidation. Is the gain of \$15 million a non-cash item or a cash one? I guess, would you consider declaring it as part of an exceptional dividend?

Second is a question regarding the upcoming frequency auctions, if we would get any updated on timeline? As well as any developments on whether your call to not have the 4<sup>th</sup> operator with a lower licence fee, whether there's any progress on that?

The third question is just regarding the potential entry of Netflix next year, how are you preparing for it, or do you think the impact in a way is already reflected in the current environment?

Dennis Chia: I'll take the first question on the \$15 million gain on the divestment of a subsidiary. This is in respect of the dilution of our interest in SSAPL from 100% to 30%, which is now a collaboration with STT for the MediaHub project in our Ayer Rajah building primarily for our headend. This \$15 million has been now reinvested into the subsidiary as part of our 30% interest in the subsidiary. Therefore we will not be looking at taking - declaring this as part of a special dividend.

Kevin Lim: Luis, this is Kevin. I'll address your question on the frequency. I think IDA is yet to announce any decision on the consultation that we've done. So as far as our position on the 4<sup>th</sup> operator, or rather their decision on what they want to do with the frequency and the regulations around the 4<sup>th</sup> operator, is yet to be released. Neither is the timeline for the auction. So we expect that, I guess, by the end of the year or maybe in the first quarter. More likely in the first quarter next year.

Howie Lau: Hey Luis, this is Howie. On the Netflix question, we are in discussion with Netflix. As you know, as the leading pay TV provider, being able to constantly be on the lookout to get the right branded and premium content is important for us. So we are in discussion, but because discussions right now are in a commercial stage, we were not able to share too much details. But what we're able to share with you is that last quarter we also launched an OTT service called StarHub Go and that also is an avenue for our customers to get really good content on their mobile devices as well. So as we get more progressive on Netflix, we'll definitely keep you guys posted.

Luis Hilado: (HSBC, Analyst) Great, thanks a lot.

Eric Loh: Thank you. Next on the line is Arthur from Citigroup.

Arthur Pineda: (Citigroup, Analyst) Hi, thanks for the opportunity. Can you just discuss the change in your expenses? So your marketing promotions were down 17% in the third quarter, your other expenses were also down 22%, and it seems to have included some derivative gains. What was responsible for all these changes, and should we see them as the norm going forward? I'm not sure if we should expect a rebound into the different quarters.

The second question I have is in regard to the OTT issue which Luis had raised with Netflix coming in. Am I to understand this correctly, Netflix is coming in to partner with an existing telco, rather than to come about the market on its own? Thank you.

Dennis Chia: Okay, I'll take the first question on operating expenses. On marketing promotion, if you're looking at the absolute dollar amount that we spend on M&P, it's been coming down quarter-on-quarter as well, so if you compare that to a year ago. So consecutively, we've been controlling and rationalising the amount of marketing spend. As StarHub has a fair amount of data analytics, that allows us to manage the spend and rationalise it over a period of time.

On the other G&A, we've got controllable staff costs, as I mentioned, that we've managed to keep at a reasonable level. At the same time, we've got a gain on the mark to market on derivatives that we've recognised in the third quarter as well. So that is a mark to market as part of an accounting treatment. So those are the responses to your questions specifically on the expenses.

Howie Lau: On Netflix itself, I think we are not able to comment specifically on Netflix's overall strategy, of course. But if you read what they have shared in the media is that they are working with partners, and we are working with them. Perhaps as another example, when they launched in September in Japan, they were also working with SoftBank. So for us, we're excited to be exploring the partnership with Netflix.

Arthur Pineda: (Citigroup, Analyst) If I can just ask a follow-up question. In terms of your pay TV subscriber base, any indication of what ratio would actually be premium subscribers who would actually be looking at movie content, for instance?

Howie Lau: In terms of our pay TV, we do have analysis of the type of programmes our customers watch. This is actually the basis on which we do our targeted marketing. So we don't break down the data in detail in public, but what we do recognise is our customers are looking for a wide variety. Different segments look for different content; some will look for factual, some will look for sports, some will look for general entertainment. So for us, it's about making sure that we're able to package the right content for the right customers in the right households.

Arthur Pineda: (Citigroup, Analyst) Understood. Okay, thank you very much.

Howie Lau: Thanks, Arthur.

Eric Loh: Next, let's welcome Roshan from Bank of America.

Roshan Raj: (Bank of America, Analyst) Hi, just three questions. First, just to follow up on the sales and marketing. So at an absolute level, should this be the level, or maybe in percentage terms, is this the kind of sales and marketing spend we should be looking for going forward?

The second question is on fixed side. Again, pretty decent growth momentum there. Any colour if this kind of growth, mid-single-digit kind of earnings growth, is this something which we could extrapolate going forward? Then the third is, at a big picture strategic level, how will you respond differently if there is a new entrant, and in a scenario where there is no new entrant? Mobile, I mean.

Dennis Chia: Okay, I'll take the first question on marketing and promotion. Seasonally speaking, we typically incur the highest level in dollar terms on marketing and promotion costs in the fourth quarter because of the festive season. So on a full year basis, you would be looking at absolute marketing and promotions then which should be rationalised versus a year ago. So we would be able to manage this dollar amount of that marketing spend as total percentage of revenue going forward as well, so that's our intention.

Kevin Lim: Roshan, let me cover the fixed network services. Just to give you a little bit of colour, the fixed network services is made up of quite a number of, I guess, different services, from connectivity services to solutions to voice services and so forth, right? So obviously these are the services that are large enterprises whereas SMEs would not be buying. As far as the growth is concerned, obviously what we intend is to penetrate this segment as aggressively as possible. But I think this is a stronghold of our competitors, so I don't think they're going to give us that easy a time. But nonetheless, this is something that we are going after.

Tan Tong Hai: Now, Roshan, you asked about how we respond to any new entrant, or if there's no entrant. I just want to share with you that we also assume that there will be a 4<sup>th</sup> operator in our planning, so we're assuming that the 4<sup>th</sup> operator will be here. Now, we have two strategies. One is of course our hubbing strategy is still very much relevant. We don't sell single service, we sell combined with broadband and TV. I think this is very unique to StarHub. Of course, if you look at our hubbing stats, we have progressed well. We have just introduced StarHub Go, that combines broadband, TV, as well as mobile.

As we speak today, we also launched the SIM-only plan, so that will cater to those customers who want of course a plan that is not tied to the handsets. So that is also a segment that we will not just kind of like leave it alone. We think that we should always offer the best attractive plans to cater to customers who do not want handsets. At the same time, for those who want subsidies, we will continue to give them the handset subsidy. So in a way, we will continue to leverage on our hubbing proposition, but we also will offer value plans to bring in customers.

Roshan Raj: (Bank of America, Analyst) Thank you, Tong Hai. Just on that SIM-only plan, any sort of sense of what proportion of your subscribers would be keen to take up such a plan? Any colour there will be helpful. Going back to this

fixed services. Is it early days of your gains that you've made? As in, there's a lot of market share still out there, with Singtel, that could potentially be targeted? Or you'd say you are coming to a point where the incremental share gain may not be that easy.

Kevin Lim: Okay. Let me address your second question on the fixed services. I think, given the fact that we are relatively new in this enterprise space, I would say there's a lot of room for us to grow. But as I said earlier, how fast we can penetrate this is also dependant on our solutions and our connectivity. As mentioned in previous calls, we have been rolling out our own networks. So as we expand our own fibre network across the country, this gives us a lot of capability to service the enterprise customers. Obviously along with that would be other solutions as well. So I mean, this is something that we continue to push and we're quite bullish about the opportunities.

Tan Tong Hai: With regards to the SIM-only plan, we do have our planning [norms], but I'm afraid I can't share with you exactly what kind of proportions we are talking about. Clearly, if you look at even for the pre-paid segment, we think that there will be interest in this SIM-only plan. Because our starting point is \$13 per month, that is very attractive for even the local people, locals who are currently buying pre-paid plans. So it will appeal to the segment of customers today that are more cost-conscious and those that do not want to be tied to a handset.

Roshan Raj: (Bank of America Merrill Lynch, Analyst) All right. Thank you so much Tong Hai, Kevin.

Eric Loh: Next, Sachin from Nomura.

Sachin Gupta: (Nomura Securities, Analyst) Thank you very much, two questions, please. Firstly, Tong Hai, if you look at the revenue growth for the first of the nine months, you haven't seen much and you're not expecting any revenue growth again. This is now the third year in a row we haven't seen any revenue growth. Just any thoughts on that, and also even, like say the next 12 months, which business we should be more optimistic about in terms of seeing some revenues coming back. That's number one.

Number two. I know you're not giving guidance for next year yet, but is there any reason why we shouldn't expect a margin drop next year, given the adoption grants will disappear, and you also - this NBN cost actually becomes much more explicit.

Tan Tong Hai: Yes, okay. If you look at the overall top line, it looks relatively flat. But underlying it, we're growing in the right segments and sectors. If you look at the post-paid mobile, which is my view, something that you can do long term loyalty and all those, it is still trending very well. Then we are also growing in the enterprise fixed sector, which is our enterprise business, and I think that is trending well too. I'm happy to note that the broadband business has stabilised. I think in past years you'd note that this was actually an area of concern for most of you. Pay TV was still resilient in spite of - I would say that most of these OTT solutions are around for quite some time. Netflix is available, kind of like from a VPN, some customers have already been accessing it. So in spite of this, you can see that for this year, the pay TV remains resilient. We had some challenges in our pre-paid because of the lack of usage. But then, as a whole, I would say that we are growing in the right segments.

So if you ask me, how do I see the next 12 months? I think for mobile, it will continue - because of the data usage and all those - it will continue to growth. Even if a 4<sup>th</sup> operator comes in, it will not come in so soon. By earliest I think is after the spectrum auction and all those, it will be a few years, one or two years down the road before they can come to operation. We are trending well in our enterprise, we will continue to focus on this segment. You can see that we have been sharing about this and we hope to continue to drive this as the next growth driver. You can see that in this quarter, for the first time, I think if you look at the contributions, fixed network services actually contributed more than our pay TV and it will evolve into our second largest revenue contributor just behind mobile.

Now, if you look at next year's - you're asking about the guidance with regards to the adoption grant. This year we will try to get as much of the grant as we can. I think that in next year itself, we will look at it, where is the margin coming from? I would say that if you look at the margin analysis, the highest margin is mobile followed by [at three our fixed], right? I think that if we grow more of our fixed business, it will contribute more margin to our business. Yes, if we had the adoption grant we would [continue] to get it, it's still before the end of the year and of course we are always in talks with the regulator. But we're also looking at really growing more mobile, growing more of our fixed, and that will contribute to our margin. The good thing is that broadband is growing, again, I think that is good to note, and our pay TV remains resilient.

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

Dennis Chia: I just want to add one comment on the margins. If you kind of look at how we continue to manage business interests from it and how we run the business on a more cost efficient structure, that's something that management is committed to doing and will continue to do. So whatever grants that are dropped off or income that has dropped off or disruptions that we face, we will continue to rationalise the cost structure as a balance to those disruptions.

Eric Loh: Right. Next on the line is Rama from Daiwa.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Hi, good evening. Three questions from me, please. Firstly with regards to the proportion of customers on the tiered data plans. Now, this has been fairly stagnant at 63% for the past few quarters. So my question here is, do you think you have hit a roadblock and a saturation point, or do you think you can continue to drive this going forward?

The second one is, again, with regards to the revenue growth - and I do appreciate your comments, Tong Hai - but trying to figure out, would you be able to give some indication of what the post-paid revenue growth has meant? Because from the numbers that have been disclosed, it's very difficult to deduce that the post-paid segment is indeed doing very well.

The third one, again, is with regards to the guidance for 2015. If I were to [back] calculate them, for fourth quarter, you're essentially looking at 27% EBITDA margin. That seems quite low versus what you have achieved historically. So wondering what kind of cost items are you reflecting, or you're baking into your guidance here? Thank you.

Tan Tong Hai: Rama, on the proportion of the customers on the tiered plans. I think, yeah, we've - well, we've reached a point whereby I guess the conversion will start to slow down a little bit, because we do have this group of customers who are still on the unlimited plans. So we continue to work with them, to entice them. I think with the introduction of our SIM-only plan, this could also be yet another offer for them to move onto the tiered plans. But this is an area that we have been pushing really hard to convert the customers.

The second one is about post-paid revenue growth, you want to know the percentage. Unfortunately we can't share it with you, but I want to share with you that it is growing healthily. I would say that mostly we are also growing in the enterprise mobility, and that also has helped a lot in the growth of our post-paid. You can also take a look at the website in IDA to see the net port-in, we have actually very healthy net port-in for our post-paid. So those are the figures I can share with you.

As to the guidance for 2015, why we are still guiding 32% EBITDA margin, so that you worked out and say that most likely we'll be achieving about like 27% EBITDA margin on the fourth quarter. Seasonally, if you look at the fourth quarter, it's this festive quarter, so there will be more marketing, more activities in the fourth quarter and promotions. You'll also note that the smartphone has been launched at the end of the third quarter, the full impact will be felt in the fourth quarter itself. So we are also seeing pretty strong take-up of the smartphones. Taking all this into consideration,

definitely we want to continue to growth share, and we are factoring it and that's why we are guiding at 32% EBITDA margin.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Okay, thank you very much.

Eric Loh: Next, let's welcome Suresh from UBS.

Suresh Mahadevan: (UBS, Analyst) Yes, thanks for the opportunity and congratulations on a good set of numbers. I had a couple of quick questions. One is on your corporate and the enterprise business, what you call fixed network. Clearly I think - I mean, you have invested a lot in that business and I think now you've started showing how the voice is not growing, et cetera. But I just wanted to understand, like start-up spend is roughly 2.5-times per CapEx of M1, M1 spends \$110-\$120 million, you spend close to \$300 million. So is a large part of this going into the fixed network services? That is question number one. Also, how should we think about returns, economic returns for this CapEx rate? So that is question number one, pretty much on how much you are investing into the fixed network and how do you look at returns.

The second question is with respect to the TV business, the pay TV business. Clearly, I think, revenue has been almost flat, but we did discuss, I think, the Netflix and potentially tying up, et cetera. Are we in a situation where I think people are using their smartphones so much that they will just watch on-demand? How should this consumer behaviour evolve, and even let's say a large - I mean, some proportion of your users switch to a Netflix kind of model, presumably if it's StarHub partnering Netflix. Just give us some sense of how we should think about the revenue impact here. Because, you know, it has been a flat revenue for a while and I'm just trying to think how this business will develop in the future, let's say on a 3-year view or something. Thank you.

Kevin Lim: Suresh, let me talk about the corporate sector. Yeah, so as I mentioned earlier, there are quite a number of things, things like the fixed network services, there's voice, there's different types of voice actually, so there's different types of connectivity services including data services and solutions, unified communications and so forth. So you will see that for enterprises where these, many times they are mission critical, the core connectivity becomes very critical. So one of the commitments that we made was to really build up a dedicated fibre network of our own. The difference with NGN and our own network is obviously the quality of the network, or rather the service level that we are able to offer to our corporate customers. Yes, I will say that we spend more because we do have the core fixed network that we are building out, we have been progressively building this out.

But the fixed network doesn't only serve the corporate accounts or the fixed business, it also serves the mobile business. Because one of the things that we did when we moved into LTE was to increase the size of the [backhaul], because of the data consumption. The fixed network that we roll out serves to provide this high bandwidth connectivity to the base stations. In terms of the returns, the economic returns, obviously when we get the connectivity in, and as we stack up our solutions offering, we would be able to increase the yield from each of the customers. But I think the first order in hand is really to get this network out to the customers and do it as quickly as we can.

Tan Tong Hai: I think, Kevin, you have covered it well. You have - the investment is not just about growing our corporate business to our own fixed - our fibre network. It's also to strengthen our mobile, to better backhaul, because you'll note that the growth in post-paid enterprise mobility helps to grow the enterprise customer. The third is also reduction of costs, because we used to lease these fibres from one of the providers. So we can of course, as we use less, we will pay out less. So it's also a way of lowering our CapEx lower, our future expenses. So these are the three reasons for us to do this CapEx investment.

Now, you have noted that our pay TV business is relatively flat. I think in other countries you would be seeing that actually they are dropping. But I would say that just to remain flat is really quite commendable. In fact, we're growing again moderately. The reason is that, if you look at it, we're very different because a lot of the time when you look at the



pay TV business in the US market and all this, they are all English content. So when you look at purely English content, Netflix alone can replace what pay TV operators are offering.

But in the Asian context, we have more than English content, we have Asian content. I would say that StarHub actually has a wide range of Asian content. That's where, even with Netflix, it will only be complementary to the family, to the household, who still require to watch Asian content. I believe that is the reason you'll find that even though Apple TV, Netflix and all this has been around for some time, you'll note that our pay TV business remains resilient. Because we are Asian and, in Singapore especially, multiracial, so we - it's a very different model from elsewhere where it's only purely English content.

More important is, as we know, that users now watch it on hand phones. I think we were the first to bring all these content, especially the [linear] channel, into the mobile devices. We just launched StarHub Go, and that allows you to watch whatever linear content that you have subscribed on our pay TV, so you can track your sports, you can watch your live sport. But more important, it allows you now to buy on-demand services. I believe that that will appeal to the younger generation. So long as we continue to engage them, whether they are watching on the big screen or the small screen, I believe that that will allow us to continue to serve them well.

Suresh Mahadevan: (UBS, Analyst) Thank you. Thank you, Tong Hai.

Eric Loh: All right, next let's welcome Carey from OCBC.

Carey Wong: (OCBC Investment Research, Analyst) Hi, thanks. Just a quick question on your guidance. The second quarter, if I remember correctly, you were guiding for low single-digit revenue growth, but now it's flat. What has changed?

Tan Tong Hai: I think if you look at the - what we have seen right now in terms of our overall business, you'll note that the growth is there in the fixed, as well as broadband started to grow, pay TV has remained resilient. So I think if you look at our mobile business, we do note that the usage, especially the voice usage, has actually dropped because of less usage in terms of roaming and all this. So taking that into consideration, we revised the guidance to be at about the same level as 2014.

Carey Wong: (OCBC Investment Research, Analyst) Okay, so is this just on service or overall revenue? Because if iPhone or this equipment...

Tan Tong Hai: Service revenue. So overall, total revenue will be higher. You can see that right now, our total revenue actually has grown because of the more sale of equipment. In the fourth quarter, we actually expect more sale of equipment because of seasonally a festive quarter. But we're guiding on service revenue.

Carey Wong: (OCBC Investment Research, Analyst) Okay, great. Thanks, that's all from me.

Eric Loh: Okay, right. Next let's welcome Prem from Macquarie.

Prem Jearajasingam: (Macquarie Securities, Analyst) Good evening and thank you for the opportunity. My questions really are around the fixed network and your CapEx plans. Because obviously with the investment in fixed, CapEx sales ratios are unlikely to head back below 10% any time soon. So could you help us understand over medium term three to five years, how much or how strongly is the will to grow this fixed line business and your willingness to actually spend CapEx to achieve that goal. Are you willing to see CapEx sales ratios at 15% for the next three years, for instance, just to build out this business?

Dennis Chia: I'll take this question. So you've seen that our CapEx for the last two years has been trending around the 13% level. So we've also guided that to be the level for 2015. The incremental CapEx that we've actually invested was to build on capacity and coverage, to enable us to compete meaningfully in the enterprise space, which is a growth area, as we've alluded to. So whatever we've incrementally invested in the last two years, we expect to see the returns. As Kevin has mentioned, we are bullish with our ability to at least gain a meaningful market share over a period of time. We will continue to look at and rationalise these investments as we go forward and balancing that against the returns that we expect from this business. So at some point in the future, we should be able to rationalise back the CapEx levels to bring it back down.

Tan Tong Hai: So if you look at it in the long run, Singapore wants to be a Smart Nation, and to be a Smart Nation your fixed network cannot be just dependent on one provider. StarHub hopes to be the alternative provider in the long run. So this is not a short term goal, this is a long term goal, and I think that it will help to achieve Singapore's objective of being a Smart Nation.

Prem Jearajasingam: (Macquarie Securities, Analyst) All right, perfect. Thank you very much.

Eric Loh: Thank you, Prem. Next let's hear from Kenneth from *The Business Times*.

Kenneth Lim: (The Business Times, Analyst) Hi, Tong Hai. Can I just clarify, when you talk about being in discussions with Netflix, what is actually the nature of this? Are we talking about them simply being a customer for network access, or are we talking about something more substantive, looking at content and all that?

Howie Lau: Hi Kenneth, this is Howie. Right now we are in the midst of the discussions so unfortunately we're not able to go into details right now. But again, as soon as we are ready, we will definitely be coming to you to share more details.

Tan Tong Hai: Yes. I think whatever you know of is what is reported, is what Netflix have shared.

Kenneth Lim: (The Business Times, Analyst) Okay.

Tan Tong Hai: Certainly, there is confidentiality that doesn't allow us to share more. But a good thing you note is that we are in discussion.

Kenneth Lim: (The Business Times, Analyst) Okay.

Eric Loh: We have one last caller on the line and he's none other than Jon from UOB.

Jonathan Koh: (UOB Bay Hian, Analyst) Yes, thanks for taking my question. Congratulations on the strong bottom line. Only one question, the pay TV business on a quarter-on-quarter basis, the customer base dropped by 3000. Normally that customer base is quite stable. Just wondering if you could give more colour as to why the drop Q-on-Q? Thanks.

Howie Lau: Hey Jon, it's Howie again. Yes, we saw a drop of, to be specific, 2800 subscribers. But at the same time, when we looked at the numbers, we were also happy to note that year-to-date we've added 3300. Despite the drop of 0.5%, which is 2800 subscribers, year-on-year we've also seen an increase of 3000. So obviously first, maintaining strong customer retention is key and we'll continue to focus on that with content, with incentives and everything else. I think what's worthy to note as well is that overall churn is still at a very low of 0.7%.

Jonathan Koh: (UOB Bay Hian, Analyst) Any specific reason why people choose to maybe return their boxes and all that?

Howie Lau: I think right now what we're seeing is that the numbers are relatively flat quarter to quarter. There's some seasonality before it. So first, our primary focus right now is to be continuing working with the customers and the retention programmes and the content. Because at the end of the day, customers like you and I, we focus on the content. So long as the content is compelling, we're very confident that the customers will continue watching.

Jonathan Koh: (UOB Bay Hian, Analyst) Okay, thanks.

Howie Lau: Thanks, Jon.

Eric Loh: All right, we've got one last person who slipped in. That's Varun from Credit Suisse. Varun?

Varun Ahuja: (Credit Suisse, Analyst) Yes, thanks guys for the opportunity. I've got three questions. First on fixed line services, if you look at both you and M1, both have been talking about gaining market share in this fixed network side, because mobile has been kind of flat to stable. So I just wanted to check, while they have been doing some \$100-odd million CapEx, their CapEx hasn't increased but their fixed line revenue has kind of shown good traction. So I just wanted to check, will you end up competing with them in some of the contracts, or is there a different segment where they are competing with you?

Secondly on the mobile side, I just wanted to check how the take-up of iPhone 6s has been? Does it have a - because my [check] suggests that it hasn't done much well compared to iPhone 6. Lastly on pay TV, I just wanted to check, is the BPL contract up for renewal, are you guys competing for that? Thank you.

Howie Lau: Hey Varun, let me just touch on BPL. I think you probably see a lot of reports in the market regarding the various conversations around the region on BPL. So I think what we can share is that we are engaged in the process. Similar to the Netflix one, once we have more details we'll be able to share with you.

Kevin Lim: Okay, Varun, let - this is Kevin - let me address your first and second question, I guess. Maybe I'll take it the other way around, on the mobile - the iPhone success. Normally when Apple launches for example the 5 and then the 5s, you will see that the 5s version will normally be a little bit slower in terms of demand. But I think the Apple demand has been strong so far. That's why Tong Hai was saying that for the year end, we expect that demand will continue to grow.

On the fixed network services with regards to my competitor, do we consider them a competitor? I suppose we will consider everybody a competitor, it's just a matter of where you compete and what you compete with. When we talk about our fixed network services, we are not talking about the NGN network, we are talking about our own fibre network. So on this - on our own fibre network, we would provide, for example, ethernet, leased lines and DWDM services, which is really dedicated - or what you call, in the old days they called it leased lines, leased circuits...

Varun Ahuja: (Credit Suisse, Analyst) Got it.

Kevin Lim: ...[which is] dedicated services to customers.

Tan Tong Hai: So if you note in terms of just one quarter of our fixed revenue is actually more than the full year fixed from M1. So because they have a smaller base and have some increase, it shows the percentage increase as very sharp. What I will say is that our fixed revenue far exceeds M1's, so it can't be compared in that manner. Because we are beyond just NBN as well, as Kevin actually said, we are looking after also the very large accounts. In that respect, then the main competitor is the incumbent.

Varun Ahuja: (Credit Suisse, Analyst) Got you, thank you.

Eric Loh: Thank you very much for joining us this evening. We look forward to speaking with you again in the next quarter. Good night.

**End of Transcript**