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Start of Transcript

Jeannie Ong: Today happens to be the seventh day of lunar New Year, 人日 or what we call the birthday of everybody, so happy birthday everyone. Actually it is quite a coincidence that we have our results on two consecutive 人日, because if you recall, last year's full year results was also on 人日.

Right, before we go into the results proper, let me introduce the panellists to you. We have our CEO, Tan Tong Hai, our CFO, Nicholas Tan and our CCO, Kevin Lim. I shall now invite Tong Hai to share some highlights from this set of results. Tong Hai, over to you.

Tan Tong Hai: Thanks Jeannie. Yes, some forward looking statements. I'd like to cover the highlights, in particular if you look at this chart, number four; it shows you the overview of the fourth quarter results versus a year ago. Comparatively you'll notice that the total revenue increased 5%. Service revenue increased 1% and EBITDA increased by 10%. EBITDA margin was high at 33.8% and net profit after tax increased by 10%.

Operationally, our subscribers grew in post-paid mobile, pay TV and residential broadband. We also see the growth of revenue in mobile, pay TV and fixed network.

Here are the key financial highlights. Now if you look on the left two columns, they are the fourth quarter, I just have gone through the highlights so I won't repeat them but I want to focus your attention on the right two columns. That shows you the full year comparison. So you look at the total revenue, we grew by 1%, in line with what we guided, a low single-digit. Our service revenue was down 1%, mainly due to the drop in the broadband revenue. EBITDA was up 1% and EBITDA margin was up 0.5 percentage point. Net profit after tax was down 2%. But if you look at the net debt to EBITDA ratio it was still healthy at 0.57x.

Now I want to bring your attention to the asterisk in the financial year 2013 numbers there. Because the numbers there were restated to include early termination charges that were supposed to be recognised in that year. In fact it went back to 2011, '12 and '13. So on a yearly basis of course this number is - it's about S$10 million, it's not material relative to our overall revenue size. But cumulative it is material enough so we decided to restate the numbers and include the early termination charges which will be part of the revenue and of course early termination charges also will flow right into the EBITDA. So if you look at the EBITDA as well as the net profit after tax, it will flow right through. So it's an understatement, so we have included about S$10 million in financial year 2013. But in spite of this restatement if you noticed year-on-year comparison we're still showing growth.

Now this chart, number six, shows you the revenue contribution mix. Relatively if you compare a year ago mobile service is still around 52% mix and pay TV around the same percentage at 16.3% and broadband services has dropped. A year ago it was 10.2% now it's 8.5%. So this reflected the challenges in the competitive nature of the broadband, revenue actually dropped by $39.9 million, close to S$40 million. Fixed network, which is a reflection of our growth in our enterprise business, actually there's a slight growth of S$10 million if you compare year-on-year. But if you notice the sale of equipment for this year versus last year the mix has changed from 5.5% a year ago to 7.1% because this year we have the launch of the iPhone 6 and most of the sales were done in the fourth quarter. So that contributed to the growth in this sale of equipment. But otherwise if you look at the mix it's relatively the same except for the drop in the broadband mix.

In terms of hubbing households, I'm please to say that our hubbing strategy is still helping us to grow the hubbing households and there's a 6% growth of triple service households, from 227,000 to now 242,000. Now I'm going to pass the time now to our CFO, Nicholas, to share with you the financial highlights.

Nicholas Tan: Thank you Tong Hai. I'm on page 9 on EBITDA and EBITDA margin. The EBITDA change is positive across all the periods of measurement. We have favourable profits from operations but this is offset by lower income grant for the period. We ended the year 2014 with EBITDA margin at 33.7%, 0.5 percentage points better than the year before.

Next page, cost of sales. The cost of sales is higher across all periods and driven mainly by the pent up demand for the iPhone 6 at the end of the last quarter. We also experienced a lower traffic cost due to lower interconnect and outbound roaming. For the full year cost of services was also higher by 5%, driven mainly by subscriber growth in our NGN business.

Next page, on page 11, other operating expenses. Quarter-on-quarter as well as on a year-on-year basis the other operating expenses is lower, primarily coming from G&A. This is mainly driven by a lower staff cost, repair and maintenance, operating leases but also offset by higher stock obsolescence, some exchange differences because of the recent strengthening of the dollar as well as a higher licence fee.

Now, on a full year basis the other operating expenses as a percentage of total revenue is stable at 42%. That is a S$3 million increase from the year before and that came mainly from acquisition and retention activities.

Next page. The net profit after tax. We have favourable net profit from operations across all periods. Now the full year net profit after tax is lower by 2% or S$9 million, coming from three main items. We have lower grants. We also have additional financing costs due to up-front fee from our loan facilities that we have taken, that's for S$5 million. We also made prior tax adjustment, that is another S$4 million. So the increase of S$9 million can be attributed to these two items.

Next page. In terms of our CapEx payment on a year-on-year basis the CapEx payment is S$2 million lower. Quarter-on-quarter it's S$13 million higher and for the full year it is S$19 million higher compared to the year before. This includes a S$40 million spectrum fee that we have paid during the year. We ended the year with CapEx payment as a percentage of revenue at 13.5%. Excluding the payment for the spectrum of S$40 million the ratio is actually at 11.8%.

In terms of free cash flow we have positive free cash flow for the full year. It is S$41 million or 14% better than the year before. We have positive cash flow from operations of S$21 million. We have also favourable working capital change of about S$15 million as well as S$24 million coming from a lower tax paid this year. So that's a total of S$16 million, offset by the higher CapEx payment of about S$19 million that we mentioned in the previous slide. That brings it to about S$41 million.

That is all I have for the financials. I'd like to pass this over to our CCO, Kevin, for the business highlights.

Kevin Lim: Thank you Nicholas. Let me first take you through some highlights of the mobile business. We registered a year-on-year revenue growth of 4% in the post-paid segment, the ARPU was at S$71, and the subscriber base grew by 65,000.

Moving on to the next slide. We look at the mobile customer base; overall mobile subscriber base was at 2.147 million with post-paid accounting for 59% of total subscriber. Pre-paid ended the quarter at 871,000 subscribers.

Next slide. From a revenue perspective, revenue for the quarter was at S$320.5 million and for the full year it was S$1.2476 billion. Nicholas has already explained - or rather Tong Hai has explained the restating of revenue for previous years as reflected there.

Looking at ARPU, pre-paid registered a S$19 ARPU for the quarter and for the full year at S$17. Post-paid ARPU was higher in the fourth quarter at S$71, due mainly to seasonally high roaming revenue. It was S$69 for the full year.

Turning our attention to churn and non-voice revenue. We saw contribution of non-voice to post-paid ARPU at 52.9% in the fourth quarter. Churn was a little bit higher at 1.1% in the last quarter. The promotions for our secondary lines ended.

Next I would like to take you through our pay TV business. I am on slide 22. Revenue for the year for TV business in the fourth quarter was stable and ARPU was at S$52. The total customer base grew by 9,000 over the same period the previous year. Customer base for our pay TV business ended at the end of the fourth quarter at 542,000. We have also been more effective at keeping our customer, as can be seen by the low churn rate of 0.8%.

Next slide. Looking at revenue for TV, it ended the fourth quarter at S$100.1 million and for the full year it registered S$389.7 million. ARPU remains stable at S$52 for both the fourth quarter as well as the full year.

Moving on to broadband. As competition for broadband households continues revenue was lower year-on-year by 16%. ARPU ended at S$34 for the quarter and the customer base grew by another 21,000.

Total subscriber base for the broadband segment now stands at 469,000. We continue to add customers for both fibre broadband and cable broadband. Our effective customer retention programs as well as attractive bundles like HomeHub saw churn rate for broadband dropping to 0.8% in the fourth quarter.

Revenue was at S$47.7 million for the fourth quarter and ended the full year at S$201.9 million. ARPU in the fourth quarter was S$34 and for the full year S$36.

Moving onto fixed network services, I'm now on slide 30. Data and internet revenue grew by 6%. Voice revenue was lower by 9%. If we look at the total fixed network services in the fourth quarter it crossed the S$100 million mark to end at S$100.9 million and for the full year revenue it was S$378.3 million.

Overall revenue growth was primarily contributed by data and internet but obviously offset by the declines in voice services. The declines in voice services were mainly due to price erosion as well as lower IDD usages. Revenue for voice was S$14.3 million for the quarter and S$57.4 million for the full year, whilst data and internet registered S$86.6 million in revenue for the fourth quarter and S$320.9 million for the full year, coming primarily from higher take up of connectivity services as well as business solutions.

With that I'd like to hand it back to Tong Hai for the outlook.

Tan Tong Hai: Yes, thanks Kevin. So for this year we expect service revenue growth to be in the low single-digits. We expect EBITDA margin on service revenue to be about 32%. For CapEx we expect it to be about 13% of total revenue now that excludes the MediaHub project which is the transmission centre that we have in the Ayer Rajah area.

For dividend, we intend to maintain our annual cash dividend of S$0.20 per share for 2015 and we are proposing a final dividend of S$0.05 per share for full year 2014. With this I will open the time for Q&A.

Jeannie Ong: Right, thank you Tong Hai. We will be taking questions from the floor then the conference call, followed by the audio cast. For participants on the call if you have a question please key start one. If you wish to withdraw your question, please key star two. Can we have the first questions from the floor?

Saurabh Chugh: (CLSA, Analyst) Hi, it's Saurabh from CLSA. A couple of questions from me. First one, if you could talk about your pre-paid base which is still declining, do you think we are done with the declines in the pre-paid base or do you think there is further downside to the number of subscribers churning in FY15? That would be my first question.

Second one would be on the broadband segment where we are still seeing declining ARPU of S$34 for the quarter. Could you talk a little bit more about how you're seeing competition evolving for the current quarter and even for the early part of FY15? Do you think we are done with the price war and this has bottomed out or do you think given that you still have to use that NGNBN grant in the current financial year we could see more downside to this?

My last question will be more on the strategy side, on your pay TV segment. We've obviously seen one of your competitors launch an OTT service, OTT video service. So how do you see that as a threat to your pay TV segment over the medium term and what will you be doing to counteract that?

Tan Tong Hai: For the prepaid I will ask Kevin to answer.

Kevin Lim: Okay. Well, the prepaid market is actually made up of multiple segments. Mainly you have tourists who come for a short period and then they will buy and I guess they will discard the cards and move on. Then you have the worker segment as well and then plus the local segment. So it's quite a - I guess a transitional, we call it, market. So what we have seen last year is when the government implemented a restriction on the number of SIMs that each person can register we saw that decline. But we are continuing to see that decline but we see it flattening out. So all the expired cards are now being flashed out of the system.

Tan Tong Hai: Your question about broadband, right. Because year-on-year it dropped S$39.9 million. Basically if you compare 2014 and 2013, right, because 2013 our prices were still high, especially for the highest speed broadband, cable broadband. So we did adjustments, so that is 2014. So 2015 because you are comparing 2015 with 2014 - and right now if you look at the 1 gig plans out in the market they are selling close to S$49.90, which is much higher than my ARPU of S$35. If you look at the health of the broadband, we have actually grew subscribers and also the churn rate was kept low at 0.8%. So going forward, the new subscriber base when you add on, and hopefully we can also bring them up on the higher speed plans, and with this we hope to see that year-on-year growth this year, but most likely, I think, in the second half of this year. So that would be broadband.

Now for pay TV, interestingly if you look at it, it has actually defied - against all odds, we have demonstrated a growth in both our revenue as well as the subscriber base. The churn rate was kept low at a 0.8%. So on our own we already have introduced TV Anywhere to allow the seamless experience so that you watch it on your TV set at your living area or you watch it outside, anywhere you can watch, right. So StarHub already has that service and today we have more channels than anybody else that you can watch on the move.

So we noted that of course a competitor has introduced the OTT services but that is more a regional strategy and they chose to launch it in the developing markets like Philippines, Indonesia and all those. Now we will continue to monitor what is out there but our primary focus is to improve on this experience in the Singapore market. I believe that if you give them the right experience, if you look at it, even our traditional pay TV subscribers have the good experience, they continue to buy our services and in fact we continue to grow them, yes.

Jeannie Ong: Sorry, I will need to let those who joined us on the conference call have a chance to ask and I do have a lot of people trying to ask questions there. Okay, can we please invite Sachin Mittal from DBS? Hi Sachin.

Sachin Mittal: (DBS, Analyst) Okay, thank you. I have two key questions. First, looking at your guidance which is slightly lower margins than what we have seen this year and low single-digit revenue growth, it kind of reflects stable earnings. All in all the investors are basically getting dividend from StarHub. So what is the business case for investors to invest in StarHub given that your guidance reflects no growth, if I look at the guidance? Please, just throw some light, is there a possibility of dividend hike if earnings are not growing? I mean just an idea of these things, number one.

Number two, there has been a reduction of S$15 million in traffic costs lasts year. That's, in terms of percentage wise, a much sharper reduction than your minutes reduction. So do you think this reduction is further possible or we have peaked - maximised the reduction in the interconnection cost? Do you also think that this could actually have an impact, an adverse impact, on the quality if you keep on reducing your interconnect cost? Thank you very much.

Tan Tong Hai: I will take the first part and then I will ask CFO to answer the question on the interconnection cost reduction. You have pointed out that our service revenue growth guidance is low single-digit but I want to share with you the changes in the mix within the business. If you look at the mobile business actually it's growing well, especially in the post-paid. But it was in a way dragged down by the pre-paid. But the true health of the business is measured by the growth in the post-paid. So the post-paid growth is growing well. If you look at the pay TV as I mentioned it's pretty stable. So long as we have a comprehensive set of content we believe - and good customer experience, we will continue to be able to maintain and even grow this moderately.

Our enterprise business is growing well, you can see that. But except that in the wholesale part we still have a lot of price competition, price erosion, and there's where you don't see the high growth in the enterprise. But enterprise is actually fast becoming our second largest revenue contributor as well as margin contributor. So the only part of the business that - in a way because of the price adjustment the broadband revenue has actually dropped by S$40 million. So that actually so-called negates a lot of the growth in the other segments. But the good thing is that you are growing the subscriber base in the broadband and the churn rate is kept low. To me, that is very important, you are keeping your customers.

So yes, I agree that when you look at the whole the growth may not be that exciting, it's single-digit growth but if you look at the drivers of the growth internally post-paid enterprise and, of course, this year I expect broadband, if you compare on year-on-year basis, to grow again. Because now we've got a larger base and I believe that if all the prices out there are higher than my ARPU there's definitely more upside, right. So I expect to continue to drive this strategy of hubbing because we are not going to compete on single price. What is helping us to grow our pay TV and our broadband has been always our hubbing strategy. So our HomeHub plan is doing well and we'll continue to focus on customer experience, selling hubbing services and I think that will continue to help us to grow and make StarHub - it will be able to deliver this, I would say is the outlook.

Nicholas Tan: Sachin, on your second question regarding the traffic cost I think the change in traffic cost typically will be dependent on two factors, one is volume and the other one is tariff. Certainly are we experiencing a reduction in traffic cost, partly because of the lower interconnect - international traffic volume. But at the same time I gave a lot of credit also to my international teams who work tirelessly negotiating very favourable interconnect traffic tariffs with other telcos overseas and they continue to provide that extra leverage for us in managing our business.

Jeannie Ong: Right, shall we move on then? Joan from The Edge.

Joan Ng: (The Edge, Media) Hi. I wanted to ask about the customer growth for the TV. Could you give a little bit more insight into what's driving that, because the growth is actually quite strong?

Also your free cash flow is very strong too but you've said that - Sachin asked it just now about the dividend hike but you didn't address it, can you talk a little bit about why we are not likely to see a higher dividend next year?

Also your EBITDA margins, every year you guide for about this number but every year you exceed, so are we expecting you to exceed again in 2015? Thanks.

Tan Tong Hai: I will take the first question on the customer growth and let Nick address the free cash flow as well as the EBITDA guidance. The drivers for this pay TV subscriber is because we are not selling pay TV on a standalone, neither are we selling broadband, we're selling HomeHub, which is a two in one. So that actually differentiates us and we are able to sell both. That's where we can drive both broadband subscriber base as well as the cable TV subscriber base.

So last year also remember we also have implemented higher encryption, better encryption for our set top boxes, so pirated set top boxes were also being addressed. So those were the contributing factors behind the growth in pay TV business.

Nicholas Tan: Thank you for saying that free cash flow is very strong, I really appreciate that. But in terms of dividend policy we take it very differently. We prefer to be consistent in the way we pay dividends. So instead of a one-time hike, management as well as the board of directors do sit down and consider what it is likely to be for the next couple of years. So I think we continue to maintain that kind of policy of giving out a consistent dividends and I think in general our shareholders do like the certainty of what we are doing now.

In terms of the EBITDA margin that we typically - or as you said, seem to exceed expectations. I think that is also a very good problem from that perspective. I look at it this way, I think last year, the last quarter of the year, we kept the guidance at 32% and we see it that hey, we have the iPhone launch coming the festive season and we wanted to keep our gunpowder dry.

Indeed we have all seen the tremendous response to the iPhone launch and it's like the mix of iPhones and Androids has actually dramatically changed and we recorded the increase of S$40 million of CPE sales, three-quarters of that took place at the last quarter of the year. So that's tremendous in our accounting. As we guided, the challenges ahead we also work very hard to manage our costs internally. That's why it is a good problem because we ended better than we expected. But talking about this, internally we still think for going into the new year the guidance of 32% still seems realistic to where it's running.

Jeannie Ong: Right. We shall now move on to the conference call. Can we have Luis Hilado from HSBC?

Luis Hilado: (HSBC, Analyst) Hi, thanks for the call and congrats on the results. I had two questions. The first was on the repair and maintenance side, it seems to be down quite substantially both on a year-on-year and Q-on-Q basis, is that going to be sustainable going forward?

Second question is it seems to be non-voice as a percentage of revenue is slightly for the first time in a lot of quarters is down, only by 0.3% but - for post-paid. I'm just wondering is there an aberration there or voice is resuscitating, what's happening there?

Tan Tong Hai: Okay, so the first one is maintenance. Why is maintenance lower? Then the second question is on the non-voice part of the mobile business, Kevin, you want to address that.

Nicholas Tan: Let me take the first question on repair maintenance costs basically. I think it is down as we recorded. We took a look at the necessary provisions that we have for the entire year that's in our balance sheet and we felt that what - the provision that we have is definitely adequate for the business that we have. So that accounted for the favourable impact that you are seeing. Now is it sustainable going forward, certainly we will continue to work on managing repair maintenance as our network grows then we also have to be very careful in the way maintenance costs rise. I think that's no difference from any other telco. Certainly my team of engineers will continue to work very, very diligently with the vendors to manage this.

Kevin Lim: Luis, I think your second question was about the non-voice contribution to post-paid ARPU.

Jeannie Ong: Correct.

Kevin Lim: Yes, okay. So you're probably asking why the percentages have dipped by 0.3%…

[Over speaking]

Kevin Lim: …from the previous quarter, third quarter. So in the fourth quarter you will see that the ARPUs were higher and then again the increase base there was some dilution in the sense that it would end up at a lower percentage. But I don't think this is really a trending, it's probably a one-off for the fourth quarter. But either way you will see that this non-voice contribution to total post-paid ARPU is on the uptrend.

Luis Hilado: (HSBC, Analyst) Just one follow up to that, was voice exceptionally strong in the fourth quarter?

Kevin Lim: No, not really. As I said… it's a blending thing. It's just the mathematics of calculating the percentages.

Luis Hilado: (HSBC, Analyst) Okay. Thank you.

Jeannie Ong: Thank you Luis. Now let's have Suresh from UBS.

Suresh Mahadevan: (UBS, Analyst) Yes. Thanks for the opportunity. A quick two questions, one is on the enterprise or the fixed network services and clearly it seems to be the fastest growing and clearly you have invested a lot in that business. How should we think about growth for this business in the medium term because clearly my sense was that there is a fair amount of market share you can go after? That's question number one.

The second is what are your views on this potential fourth operator? Clearly we are seeing a lot of competition on broadband. I mean mobile clearly your hubbing should help you but just any thoughts on timeline or position in case hypothetically there is an operator, what would StarHub's strategy be, things like that? Thank you.

Tan Tong Hai: Yes, you take the first one on the enterprise Kevin.

Kevin Lim: So firstly on the enterprise market. So you're right to say that there is greater potential there for growth, especially for StarHub, because historically we have not really been in that market all that much. So the upsides are there. What you see in the fixed network services is only one aspect of the enterprise business obviously because enterprise also is a significant contributor to mobile, right, as well as TV, but TV to a smaller extent. This is where we probably have to invest while we try to grow our share in the market. But the challenges are also there in terms of the price erosion. There's quite rapid price erosion in connectivity services, especially wholesale - in the wholesale market as well as the domestic market. So it's kind of swimming upstream. But I think the upsides are definitely there for us and we will continue to grow this business as we expand our network.

Tan Tong Hai: Suresh, yes, I expect as I said the enterprise contribution on the fixed to be the second largest revenue contributor. It will surpass pay TV because pay TV growth rate is slower than the enterprise. The focus is on selected industries in Singapore like the government, especially now the government talks a lot about Smart Nation projects. So this will open up new opportunities for us to participate and also focusing on selected industries where we would compete. So it's a combination of these large accounts and the small and medium accounts. So our strategy is not just on the small and medium enterprises, which can be addressed by the NGNBN, we also have invested in our fixed network and our fixed network infrastructure will allow us to address the needs of the larger enterprise. So this combination is actually very important. It's not just a small and medium enterprise strategy, it's also the large accounts that we intend to focus on.

Now with regards to your question on the fourth operator, I think the indicator will be there when the regulator released the information about the spectrum auction. So of course if there's truly an operator that's interested to come in then they will have to bid for the spectrum. So I would leave it as it is that if you want to assess whether there will be a fourth operator I think the first space to watch is whether - is there a fourth operator coming to bid for the spectrum. Last year as I mentioned about the spectrum and was it the year before, yes?

[Over speaking]

Tan Tong Hai: It was reserved for the fourth operator but there wasn't a fourth operator.

Kevin Lim: Nobody bid.

Tan Tong Hai: Nobody bid. Yes, so this time round, I think we will have to take that as an indicator.

Jeannie Ong: Right, let's move back to the conference call. Can we have Prem from Macquarie please?

Prem Jearajasingam: (Macquarie Securities, Analyst) Good evening and thank you for the opportunity. Two questions from me. First of all I do appreciate the bundling strategy has been working in broadband and pay TV but do we have any - I mean were there any special promotions in the quarter which may have exaggerated the churn level downwards? That would be good to get some colour on that.

Secondly, I do appreciate again that you had some churn for the second lines on post-paid mobile but is there anything else to read into this increased churn rate for post-paid mobile?

Tan Tong Hai: Kevin, do you want to address both?

Kevin Lim: Yes. Okay, the answer to your first question is no, we have actually been very encouraged by the take up of our HomeHub bundles. I think customers are welcoming the fact that it's a simple, all in one bundle where they can get TV, broadband and their phone lines as well as mobile data all in a simple bundle. We continue to innovate on this bundle, introducing different variants of the bundles, higher speed for example. I suppose not to let the cat out of the bag there's more to come. So I would actually attribute it to our bundling effectiveness that has actually retained many of our customers as well as attract new customers.

On the second question, on the churn for the secondary line, I guess after the promotional period some of the customers would decide that they didn't need the second line anyway and they would churn off the market. This was due to the initial take up where we offered some promotion to incentivise some of the take up but we have stopped that some time back. So you might see a little bit but I don't think we will see a continued higher churn rate at this point.

Tan Tong Hai: We have actually invested a lot in customer value management. I think that is one of the main reasons why we are able to keep churn down. It's that we have our own team of people who would look at customers and also proactively reach out to them before even contracts expire to talk to them and then to see how to bring them up to our plans. I think those are the efforts that demonstrated in a lower churn rate.

Jeannie Ong: Thank you Tong Hai, because I was going to step in and mention that, that the team responsible for retention has done a good job, which is why the churn level across all business is down for 2014. The only churn that is up is the post-paid mobile and that is really because of the supplementary line.

Right, let's move back to the floor.

Saurabh Chugh: (CLSA, Analyst): Yes, hi. Just one question on your balance sheet strategy. I mean if I may say so, your gearing on net debt to EBITDA at 0.6x looks rather low versus what your peers have as well but you mentioned that there is no plan as of now to increase dividends at the same time. Is there any major CapEx that you're seeing down the road, maybe not in FY15 but down the road or any other new revenue stream that you want to build on or any new businesses that you want to get into, that's why you want to maintain a balance sheet strategy - a rather conservative balance sheet? So I just want to try to understand what's the thinking behind that?

Tan Tong Hai: If you look at this year there will be of course the spectrum auction. Right, so that's already one piece of the equation. We also have our MediaHub project that is ongoing. In 2016, also of course, we still have some payments to pay for our spectrum that we have bid in earlier years. So some of this has to be taken into consideration. But at this moment I don't - other than these I've mentioned I don't see other major things. CFO, do you want to comment anything?

Nicholas Tan: Not very much except to add that again in terms of the way we pay dividends it's always been that policy that we do not pay a one-time kind of dividend, I prefer to take a longer term perspective basically. At the same time we do want to invest. We do want to invest prudently in CapEx to generate future growth. So we want to be consistent. We want to continue to grow and that's the approach that we're taking. The balance sheet, as I say from a net debt to EBITDA it's low. We are running around 0.6x, against my competition it's probably around 0.8x, the average is around 1 in accounting. Yes, we've got some headroom to go. I think that's good for us at this point in time. We keep our gunpowder dry for the moment.

Jeannie Ong: Thank you. Right, next we have Anand from Barclays.

Anand Ramachandran: (Barclays Capital, Analyst) Yes, hi. Thank you so much for the opportunity. I am just left with actually two questions. First, if I look at your EBITDA margin guidance, I mean can I just check if you have any idea of how much we should expect by way of adoption grant recognition into that next year?

Should we just expect a comparable number as what it's been this year? Because clearly that's building into the EBITDA margin so I just wanted to check that. So that's the first question.

Second, again a pretty innocuous question. The MediaHub progressive payments, will they be material in the scheme of things since you've kept it outside of CapEx? Thank you.

Nicholas Tan: I think - I can answer your first question. Certainly you can assume the same kind of magnitudes for the grants that they will be factored into the EBITDA margin.

Now in terms of the - what was the second question?

Tan Tong Hai: MediaHub progressive payments.

Nicholas Tan: The MediaHub, certainly we have started the - we will begin construction of the MediaHub and certainly there will be payments progressively over a period of time, yes. Certainly that will take place in 2015 and 2016.

Anand Ramachandran: (Barclays Capital, Analyst) [Unclear], I guess what I'm asking is if I look at your CapEx of S$320 million is it a material number relative to that or is it a number which probably is not that material relative to that number?

Jeannie Ong: Sorry Anand, can you repeat that question again?

Anand Ramachandran: (Barclays Capital, Analyst) Yes. I guess the question I'm asking is how big should we expect this progressive payment to be, I mean relative to the CapEx budget of S$320 million is it a material number which impacts free cash flow or probably not?

Nicholas Tan: Oh yes, certainly that's right, when we put our CapEx guidance of 13% of total revenue we excluded the MediaHub project. It is a construction project and it is a significant investment we are putting in, yes.

Anand Ramachandran: (Barclays Capital, Analyst) It will reflect in cash flow so I mean I guess any indication of how much is it going to be comparable to the CapEx number? I mean the reason I ask is it is obviously going to impact the free cash flow right because it's going to stay with the company consolidated within these numbers.

Nicholas Tan: At this point in time we are looking at different variations of financing the operations… the construction at this point in time.

Anand Ramachandran: (Barclays Capital, Analyst) Okay, understood. Thank you.

Jeannie Ong: Thank you Anand. Now let's have Rama from Daiwa.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Hi, good evening. Just again one question please and that's a follow up on what Sachin asked on the traffic cost. I'm just wondering if you could explain were there any specific factors that drove traffic expenses this quarter? Is it all volume driven or to what extent is this interconnect renegotiation driven? Thank you.

Nicholas Tan: It is - as I mentioned earlier, the traffic expenses it's actually typically a function of both items that you just mentioned. So it's both volume and certainly the competitive rates that my international team have negotiated. So yes, indeed, it's always a function of these two items every time.

Ramakrishna Maruvada: (Daiwa Institute of Research, Analyst) Can you explain what is the frequency of these renegotiations of the rate? Is it an annual process or is it done once every three years?

Kevin Lim: The IOTs are done - there will be certain periods that we would have negotiations with different operators around the world. So as and when the contracts come up for renewal the international team will be negotiating. I think as Nicholas has mentioned the track record of the international team has been pretty good in terms of driving this cost down.

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

Jeannie Ong: Right, let's move on to Roshan from Bank of America.

B. Roshan Raj: (Bank of America Merrill Lynch, Analyst) Hi, thanks for the opportunity. One housekeeping question. This is on the percentage of subscribers or tiered plans and how many of these are exceeding their bundles?

The second question is on EBITDA margins but actually you've already explained it. Just trying to understand - you mentioned the realistic expectation is the margin could drop. So what are the factors which could lead to a drop in margins?

A third question is on CapEx, could you give a breakdown of how much we have been investing over the last two, three years on fixed networks, how much in mobile, how much on 3G and 4G and how does this split change going forward? Thank you.

Kevin Lim: Okay, let me take the first question on the number of subs that are exceeding their bundled data. In the fourth quarter this was at 21% of the total customers on tiered plans.

Tan Tong Hai: Your second question on what are the factors that will affect the drop in our margin. Well, if you look at the move from cable broadband - migration from cable broadband to fibre broadband, cable broadband are now fully - almost fully depreciated asset, whereas fibre broadband we have to lease from NetLink Trust for the line, right. So certainly the move will lower our margin. We also expect it to grow, as I mentioned. This year we expect the broadband business to grow. Over time the growth will of course help us to be able to improve the overall margin. That will be one of the major factors in terms of the margin.

Then in terms of the CapEx you're asking us to split by which area. No, we give an overall lump sum that includes any IT expenditure, everything. If you look at last year, we included even spectrum, all in at 13.5%. So we don't provide the breakdown. But you will note that right now our major CapEx for this year will be mostly to roll out our 3G, sorry the 300 meg for our 4G network because we are trying to roll it out on a nationwide basis. Then we're also investing in the fixed infrastructure to support the growth, in the enterprise as well as to provide all the backhaul for our 4G network.

B. Roshan Raj: (Bank of America Merrill Lynch, Analyst) Thank you Tong Hai, that was helpful. If I could, just one question on the regulatory side. I mean possibly a fourth operator may or may not enter the market but possibly there is a thinking from the regulator that possibly somehow they could increase competition in the market. Is that something you would expect as in the regulator introduces new measures to stimulate or drive higher competition, is that something one could expect?

Tan Tong Hai: Well, I think that the market is already pretty competitive. If you look at the growth amongst the three operators it's a pretty saturated market right now. You also note that there's a change in consumption behaviour with a lot of free Wi-Fi available. So users have a choice of using Wi-Fi at home or in office to offset their data usage. So I think users are quite smart. That's why you see our subscriber exceeded data bundle is only about 21%. It's not very high. They also can switch to a tier plan that suits their needs if they use more data bundle. So I think that it's already highly competitive in my opinion. But, of course, if the operator was to be brave enough to come in and say I want to bid for spectrum, set up the infrastructure and all this, and yet to be competitive. I think they will have to do their sums to see whether there is a sufficient margin for them to come in.

B. Roshan Raj: (Bank of America Merrill Lynch, Analyst) Thank you very much.

Jeannie Ong: Thank you. Now let's welcome Chate from Credit Suisse.

Chate Benchavitvilai: (Credit Suisse, Analyst) Hi, good evening everyone, thank you very much for the opportunity to ask a question. I guess most have already been asked but I will just follow up on two things. The first one - again, sorry to keep pressing the point but your EBITDA margin guidance of 32%. Even if I assume that service revenue would grow by 5% year-on-year if EBITDA margin indeed is at 32%, almost like you are guiding that EBITDA would be just flat year-on-year at best. I understand that cost probably comes from the move from cable broadband to fibre broadband but that alone might not be able to actually drive this. So it seems to me like that might be your concern that some other cost items would increase quite substantially year-on-year. So I just want to understand what - if you do not talk about margin, just in terms of year-on-year cost increase, what is the costs that actually worry you?

The second thing is on CapEx. This year's CapEx guidance does not include any spectrums compared to last year so actually there's an increase in CapEx to sales, excluding spectrum. I understand that it's 4G rollout for this year's but if we take two, three years should we actually expect your CapEx to finally go down or is there something that would drive CapEx or make it stay high at this level? Thank you.

Nicholas Tan: Chate, can I take the first question regarding the EBITDA margin of 32%. I think Tong Hai has already mentioned we are seeing the change in our business now on broadband side where we moved more from an infrastructure which is fully depreciated to a more OpEx business in fibre. That certainly has an impact on the costs. At the same time we continue to remain prudent in our assessment, in our guidance going forward. Certainly the cost of doing business needs to be managed. You see well that we have done a good job this year - last year in managing our people costs. That takes a lot of effort from the management team and all the staff around us in the way we do things in terms of outsourcing, in terms of re-designing work and so on and so forth. These things we don't take for granted.

The costs do continue, we still feel the pressure, but we will certainly do our best to make sure that we can manage these costs. I think early on we are - we talk about repair maintenance and as our network continues to grow then certainly we have to continue - certainly have to put in a lot of effort to manage also the repair and maintenance costs. I mean just to give you two or three examples of the tremendous amount of effort that's required to generate the numbers that everyone wants to see. That is why we continue to be prudent in guiding at 32%.

Tan Tong Hai: Now with regards to your question on the CapEx as to 2015 you don't have the payment of spectrum then why is it still higher at about 13%. You must note that we have a strategy of reducing our dependency, especially what we lease from other services providers, be it ducts or fibre. So over the years we have been laying our own. For what purpose? Firstly, on long-term basis it doesn't make sense to lease let's say backhaul fibre from anybody else. You have to - it's better to have your own.

Secondly, you want to grow your enterprise business, if you want to provide full redundancy then having your own fibre as a resiliency option for your next generation broadband will also be a very important proposition. So these are factors that you have to look into and StarHub is not short-term in nature. We believe that if we invest in this fixed infrastructure - Singapore is not a big country, it's a small - it's a city state country. By investing in this fixed infrastructure we'll reduce our dependency on the other service provider and at the same time, over time, strengthen our proposition to be truly the alternative telco. I think that is our game plan and we are working towards that. That's why even for this year we will continue to invest in this fixed infrastructure, other than of course our 4G roll out to support the 300 meg.

Chate Benchavitvilai: (Credit Suisse, Analyst) That is great. Thank you very much.

Jeannie Ong: Thank you Chate. Now let's move on to Arthur from Citigroup.

Arthur Pineda: (Citigroup Investment Research, Analyst) Hi, thanks for the opportunity. I've got three questions. Firstly, can you elaborate on the MediaHub investment, how much would this translate to in terms of spending for this year and for the entire project?

The second question I had is with regard to the migration of your cable subs into fibre, do you have any guidance for that and when can we see the majority of your subs on fibre instead of HFC?

Last question I had is with regard to the adoption grants. I just wanted to confirm that this is the last year where you recognise this or is there more for 2016? Thank you.

Nicholas Tan: Let me take the last question on adoption grants. That's an easy one actually. The adoption grant will end in 2015. In terms of the cash flow it might spill over into maybe the first quarter of 2016.

Tan Tong Hai: Okay. So if you look at MediaHub project we actually have in - I think in last year's… we have actually purchased a plot of land. That is to migrate our headend to this new place at Fusionopolis. Our objective is not just to migrate the TV, it's also to build some data centre capability so that over time we can also have revenue so that - from the businesses that we can host. So the game plan really is if you bought a plot of land then you have to fit it up and all this.

So we are considering the financing options and once we are ready we will share. I think we are still in the midst of working out the financing options. But I think when it's clearer then we will share the details with you. But certainly it's not a small sum if you talk about TV headend and data centre. But bear in mind that this facility will also be able to generate a future revenue stream for us to support our growth in the enterprise. As a telco you have to invest in your central office data centre, otherwise you lease it from somebody and the landlord then - over time the landlord will come back to get increased rent and then you will have to increase your OpEx. So we are actually investing to ensure that we remain running at a low cost in the long run.

Kevin Lim: Arthur, if I heard you correctly your second question was on the migration of the cable broadband to fibre broadband, is that right?

Arthur Pineda: (Citigroup Investment Research, Analyst) Yes, that's correct.

Kevin Lim: Okay. So we have actually been quite aggressively both recruiting new fibre broadband customers as well as moving a lot of our cable broadband customers over to fibre, especially on the lower end of the MOL base. The cable broadband is still an attractive proposition for many customers but we have been getting the customers to move over to fibre. In fact what we have done is we have offered them the best of both worlds where we have a dual broadband. So they have the benefit of having both fibre and cable as well. So you will continue to see this trend happening.

Arthur Pineda: (Citigroup Investment Research, Analyst) So you'll continue to spend on both fibre and CapEx on the HFC network?

Tan Tong Hai: Well, the HFC network as I mentioned earlier is very little cost in maintaining. So what we want to do is to offer peace of mind to our customers because the new fibre network at times can go down. Of course, we want to give them full flexibility and resiliency. Imagine at your home today you don't have broadband at home and you are dependent on it to offload your data plans and mobility . So it's very critical. I think a year ago you had the Bukit Panjang fire incident which caused a lot of homes to be out of broadband services. So we see it is important to offer the resiliency, so today we give them the best of both options and the cost of maintaining that actually is not that high. The additional cost will be really paying for the lines that you lease from NetLink Trust but bear in mind there for every new broadband sub we bring to the table we get adoption grants.

Kevin Lim: Yes, we expect that the majority of our base will be on fibre by the end of this year. That's our target. Then not to forget that we will be able to offer higher bandwidth for customers on fibre versus cable is up to 100 megabits.

Arthur Pineda: (Citigroup Investment Research, Analyst) Understood. Thank you very much.

Jeannie Ong: Right. Next we have Srinivas from Deutsche Bank.

Srinivas Rao: (Deutsche Bank, Analyst) Hi, thank you very much for taking my questions. I have two questions to ask. One on the enterprise business. I note that sometime back you did mention that it was in a very nascent stage and today you seem to be much more confident of the revenue outcome in enterprise. Why don't you break down the numbers? Can you give any sense of what is the order of magnitude of the enterprise business today in terms of revenues? Also is the uptake in post-paid subscriber base and revenues - has that been also driven by the enterprise business? That's my first question.

Should I carry on with the second question?

Jeannie Ong: Yes please.

Srinivas Rao: (Deutsche Bank, Analyst) Yes, the second question is on the broadband side. I wanted to understand what happens on your fixed line business internet. Does that get also impacted by the competitive intensity which we have been seeing on the fibre broadband side? Two questions. Thank you very much.

Tan Tong Hai: Kevin, you want to share about your enterprise, he's asking about the order of magnitude of growth.

Kevin Lim: I think we can - on the enterprise side you notice that we don't really report on subs because it's difficult to account for, for accounts versus lines. What we expect from enterprise in terms of contribution to the business is really on profits. The enterprise side of the business is obviously more profitable because of the higher spending.

In terms of magnitude you do see it in the fixed business and in a way the fixed business we are also swimming upstream because it's also likewise very competitive in that space and prices are always on the downward trend. So the growth is actually an indication that we are expanding our base there.

The contribution to post-paid by enterprise you will actually see it more in the ARPU because an enterprise customer their spending will be in excess of sometimes hundreds or even more, versus a consumer who's in the lower numbers. So we can expect that contribution from enterprise will be more, again in the ARPUs rather than absolute subscriber numbers.

Tan Tong Hai: Than about the broadband, does it affect your fixed line business.

Kevin Lim: Okay, the NGN for enterprise, we don't report it in broadband, we report it in fixed - the fixed network services. Again, I guess the challenges there have been the provisioning - or time to provisioning. But we also see this as an opportunity because what it has allowed us to do is to service the SMB customers who were previously only accessible via the ADSL network. But with the NGN, this network reaches out to many of the commercial buildings where the SMBs are.

As Tong Hai mentioned earlier, the enterprise customers want a different grade of networks which we are building our own.

Tan Tong Hai: So we're different from the other provider in terms of how we report broadband, because our broadband is very clearly residential broadband. So when we talk about fibre broadband always residential then we have got NGNBN for corporate enterprises, SMB there is reported under fixed where some operators may combine them. So you cannot compare apples to apples in this case. So we're very clear, the enterprise broadband is parked under fixed. Because SMB, small business enterprises will want to use fibre for their business and the larger enterprises want to buy their own lines in fibre. So that's where the business is. Of course, right now if you ask me about large accounts we do have, but due to confidentiality we don't go out and tell people these are the names of these accounts. But over the years we have already had a sizeable number of large accounts in the banking arena and in the hotel service industry. So the small and medium enterprises will be a larger base and I believe that we also have a sizeable number, except that we don't split them up.

Srinivas Rao: (Deutsche Bank, Analyst) Thank you, this is really helpful.

Jeannie Ong: Right. I do have a question here from audio cast and this is by Carey Wong from OCBC. He asks for the breakdown of post-paid users on tiered plans and how many of them exceed the data bundles? Carey, the answer is 61% of our post-pay users are on tiered data price plans and 21% of them exceed the data bundle, all right? 61% and 21%.

Right, the last question. We saved the best for Wei-Shi. Wei-Shi from BNP Paribas. Hi Wei-Shi.

Wu Wei-Shi: (BNP Paribas, Analyst) Hi. Apologies, I joined the call slightly late so some of these questions may have been addressed, so I do apologise in advance. But in FY14 I see that the effective or implied equipment subsidy fell quite significantly, so I'm just wondering whether you're seeing any trends recently around further reductions in the effective subsidy and whether that can be sustained going forward?

The secondly on - I know that you mentioned about early termination charges and that's translating into a restatement in your revenues. Do you see only the amount for the past couple of years and will there be any more of these early termination charges booked in 2015?

Then lastly on the MediaHub, can I check how many - sorry, can I check over how many years the investment will be made for this project? Thanks.

Nicholas Tan: Okay, let me answer your first question. Your first question is on equipment subsidy. Well, we have been managing equipment subsidies quite nicely over the last several quarters, except the last quarter with the introduction of the iPhone 6. Then you know that subsidy has gone back up again for that quarter. But taking over four, five quarters trend we have actually been reducing the subsidy.

In terms of the early termination charges we noted that the error occurred from a system report and on a year-on-year basis it's actually immaterial. But it occurs over the three years that we have mentioned, 2011, 2012 and 2013. When we spotted the error we immediately made the correction so 2014 is what it is. So we should not be seeing any further correction going forward.

Tan Tong Hai: [Unclear] the MediaHub, how many years - we started the piling works end of last year.

Jeannie Ong: Yes, end of last year.

Tan Tong Hai: It's scheduled to complete within two years, yes.

Nicholas Tan: That is correct, 2016 .

Wu Wei-Shi: (BNP Paribas, Analyst) Okay, thanks very much.

Jeannie Ong: Right, thank you. Well, ladies and gentlemen in the interests of time we will have to bring this results briefing session to a close. Just a reminder that a transcript of this call will be posted on our website very soon and should you have any additional questions you know we're just an email away. So on behalf of the StarHub management team we would like to thank you for joining us this evening and we look forward to speaking to you on a one-on-one basis soon. Have a good evening.

End of Transcript