Event Transcript

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Start of Transcript

Amelia Lee: Good morning, everyone. My name is Amelia, and I take care of investor relations for StarHub. Thank you for joining us on our 1Q2021 business performance update call on such short notice after the unfortunate circumstance involving SGXNET last evening. On this morning's call we have our Chief Executive, Nikhil Eapen.

Nikhil Eapen: Morning.

Amelia Lee: Dennis Chia, our CFO.

Dennis Chia: Good morning.

Amelia Lee: Charlie Chan, Chief of Enterprise.

Charlie Chan: Good morning.

Amelia Lee: Johan Buse, Chief of Consumer.

Johan Buse: Good morning, everyone.

Amelia Lee: We will start off with opening remarks from Nikhil, followed by Dennis on financials, and then Johan and Charlie will bring us through business highlights. We will then open the floor to questions thereafter. Thank you, over to you please.

Nikhil Eapen: Good morning all and thank you very much for joining us this morning, and again apologise for the snafu on the SGX upload. Perhaps I'll start, so I'll run through our numbers in brief, but I would just like to make two overarching comments as you look at these numbers, which is number one, please keep in mind that this is a comparison to Q1 2020, and Q1 2020 was a quarter which was a no-COVID quarter. So, we had the benefits of roaming, we had the benefits of visitation and we had the benefits of course of a full foreign workforce in Singapore.

The second thing you should obviously keep in mind is competition in the Mobile segment continued to intensify over the year. Clearly, one of our many segments but important to us.

So, on that note, looking at our total revenue, as you see, total revenue is down by about $19 million or 3.8% year-on-year. Equipment sales actually had a positive delta, up by about $10 million or 9.9% due to iPhone 12 and S21, and S21 was launched this year earlier than anticipated. Our service revenue is down by $29 million with lower contributions from Mobile and Pay TV and Cybersecurity, offset by an increase in Network Solutions and Strateq within Enterprise, which grew well.

The key driver, as I'd mentioned, across Mobile was the loss of roaming, particularly against this quarter last year due to roaming and or reduced usage. Again, comparing to a no-COVID-19 quarter of Q1, we also saw a reduction in visitation and foreign labour force, at least within Prepaid.

So, as a result of revenue reductions flowing through, we saw significant reductions in EBITDA and service EBITDA; however, we did hold EBITDA margins relatively flat at 30.7%, due to cost management and OpEx reductions. When you actually look at our organic businesses, not including Cybersecurity and Regional ICT Services, we actually saw a small uptick in EBITDA margins. Net profit, again revenue reductions flowed through reduced by 31% compared to a year ago, but not this quarter, the JSS grants largely tapered off and we expect only $1 million this quarter.

To conclude cash flow and capital structure, CapEx paid was $29.5 million for the quarter at about 6% of revenue. Free cash flow was down 18% due to higher tax payments and lower operating cash flow. So, again a tough quarter with competitive market conditions and a cautious business outlook on normalisation vis-à-vis COVID-19. But we were able to fortify our cash flow and cash balances and were able to bring our leverage down further to 1.3 times from 1.4 times.

On our segmented numbers and looking at the various segments, Mobile revenue is down $34 million or 21% year-on-year and down 6.5% quarter-on-quarter. The bulk of both declines, particularly year-on-year, were due to COVID-19-related factors compared to a no-COVID-19 quarter. So, we saw lower roaming, lower IDD, lower usage on Postpaid and lower Prepaid subscriptions and lower visitation and then foreign workforce.

In particular, relating to the quarter-on-quarter, we did see the impacts of escalating competition, MVNO incursion and the ongoing trend in migration to SIM-Only. Pay TV revenue was down a little bit by $1.9 million including lower commercial TV revenue and advertising revenue. Broadband, on the other hand, we were able to increase by $5.2 million, with uplift in ARPU as a result of withdrawal of subscription discounts.

On the Enterprise side, divided into three pieces, Network Solutions was up $2.7 million as we did see signs of projects deferred in 2020 being recommitted in 2021. We did, however, see a quarter-on-quarter decline in Managed Services, which is a seasonal issue, Managed Services are generally low in Q1 relative to Q4. Cybersecurity was down by about $20 million, and this is a business where the revenue stream and the contracts are large and lumpy. So, this was due to project timing, and whilst down quarter-on-quarter, we would note that our Cybersecurity business is ahead of budget and expect strong output for the year on the back of a strong order book.

Regional ICT Services, or Strateq, which we consolidated from August 2020 onwards, registered a strong quarter-on-quarter revenue increase, small numbers, $3 million but registering a 19% quarter-on-quarter increase.

With that I'll just pause there and hand off to Dennis for a roundup on our financial results.

Dennis Chia: Thanks, Nikhil. Good morning, everyone, and thanks for dialling in. I'll just expand on the points that Nikhil has made with regards to the numbers. The revenue, the reported service revenue we reported for this quarter $375.7 million and that was about $29 million decline and as Nikhil explained, that's largely coming through from the Mobile segments as well as the timing of recognition of revenue in the Cybersecurity segment. This was offset by the Broadband as well as the consolidation of Strateq, which we did not do last year, which we started from August of 2020.

Worthy to note is that with reported EBITDA $122.7 million versus $136.2 million last year, and this decline in EBIDTA is obviously not as significant as the decline in revenue, and this is – we managed to actually improve margins in certain lines of business as well as continued our focus on cost management in order to deliver these EBITDA numbers. Service EBITDA was $115.4 million, translating to a service EBITDA margin of 30.7%, sequentially an improvement from 28.4% last quarter in the fourth quarter of 2020. Compared to a year ago it's fairly stable, 30.7% versus 31.1%

Net profit attributable to shareholders was $30.5 million for the quarter, translating to $0.016 on an earnings per share basis, and free cash flow was $97.4 million or $0.051 on FCF per ordinary share basis. Our cash balances stood at $694.2 million at the end of quarter 1. Our Net Debt to EBIDTA ratio, which is a measure of our leverage, stood at 1.29x which is an improvement from 1.41x at the end of last year.

With summary of numbers, I hand over the floor to Johan, who will take us through the CBG segment, Johan?

Johan Buse: Thank you, Dennis, and good morning, everyone. Following Nikhil's and Dennis's updates on financials and overall, we'll take you through some of the business lines in the consumer business group. So, let's start with Mobile. Mobile last quarter Q1 we saw a marginal decline in ARPU, mainly due to the ongoing roaming COVID-19 effect as well as lesser excess data usage, partially offset by increase in monthly subscription revenues.

Customer base was up marginally and good to note is that the churn was down to 1%. Prepaid continues to be impacted by the decline in the market size as well as the travel and roaming not having tourists coming in. Total segment revenue down 6.5%, mainly due to roaming revenues.

Moving to Pay TV – ARPU flat $40, segment down 4.5% in terms of revenue, that's mainly to a low subscriber base. The majority of the decline actually is due to the commercial advertising revenues. ARPUs, as you can see, are flat, which is an encouraging sign, and we are forward looking, expecting to hold that ARPU. Moving to home Broadband, home Broadband did well $31 in terms of ARPU. Base marginally down, that's to an effect of promotional benefits ending. Revenue up year-on-year 13% consistent with ARPU increase, and also the quarter-on-quarter revenue went up 2.9%. We see a higher uptake of 2GB plans, so that is encouraging, and home Broadband is also benefiting from Disney+.

So, on that note I'll hand over to Enterprise, and apologies for the short interruption.

Charlie Chan: Thank you, Johan. Let's go to the next page. As Nikhil pointed out, we had a slight uptick on a year-to-year basis and a decline from quarter-to-quarter largely due to seasonal changes. Specifically within the Network Solution space we saw a growth on a year-to-year basis, which Nikhil pointed out was also again the pre-COVID-19 situation. There are of course early signs of recovery, but that remains uncertain. We are encouraged by the fact that customers continue to consume their network services.

In the Cybersecurity space, as indicated it is lumpy, but we are confident of where we are heading for the rest of 2021. Finally, in the Regional ICT space, insofar as the consolidation is concerned on a quarter-to-quarter basis, the jump by 19% came from two large transactions, one in the data engineering space and the other in the systems space from the oil and gas and government agency respectively.

Overall, the mix of the Enterprise business continued to remain largely in the same proportions with growth coming from our Cybersecurity and Network solutions from the Regional ICT space.

So, thank you, I'll pass this time back to Nikhil.

Nikhil Eapen: So, in conclusion, our priorities for the rest of the year, as we expressed in our recently concluded AGM are as follows. Number 1, to continue to drive enriching customer experience with a growing suite of connectivity content and entertainment. You obviously saw a launch much earlier in the quarter of Disney+ as a multiarea exclusive partnership. You saw last Friday the announcement of our agreement with NVIDIA GeForce for a suite of 400 games, again under a multi-year exclusive partnership. So, our focus is on driving that enriching customer experience on top of our network platforms.

Number 1 on the Enterprise side, to continue to empower Enterprises with converged connectivity and ICT, so they can take our network and enable their own cloud 5G and IOT transformations. Number 3, underpinning both to execute an effective 5G rollout, new customer acquisition and use case deployment on the Enterprise site.

Number 4, to evolve our operating model to continue to streamline business and to continue to take cost out as we have been, and to more important achieve greater agility and flexibility, vis-à-vis our business and product plans. Then number 5, to pursue further M&A to augment our capabilities to add growth and to continue to diversify our business. Thank you.

Amelia Lee: Thank you, Nikhil. We'll now open the floor to Q&As. We're trying out a more interactive format this quarter, so if you have a question, please indicate your name and organisation in the chat box, to join the question queue. So, when it's your turn to speak, I'll unmute your line and then you can converse directly with our management. So, we'll just give it a few minutes to wait for questions to come up in the chat box. Okay, we have the first question from Paul. Paul, I'll unmute you now.

Paul: Thanks for the presentation. Just two questions from me. In terms of the ARPU for Postpaid, could you elaborate a bit more on the quarter-on-quarter decline? I can understand year-on-year but I'm just wondering, we also notice just a quarter-on-quarter decline ARPU, that's my first question.

My second question is on the Enterprise business, I just wanted to understand what are you meaning, you mentioned the deferred projects in 2020 recommitting in 2021, what deferred projects are you referring to? Are these projects very meaningful to revenue? Thank you, that's all from me, thanks so much.

Amelia Lee: Okay thanks, Paul. Johan, would you like to take the first question?

Johan Buse: Paul, thanks for the question on the number one on the ARPU. Q4 we actually had a one-time correction due to IFRS. If you were to take that correction out, actually the ARPU quarter-on-quarter is flat. We do see quarter-on-quarter an uptick in subscription revenue ARPU offset by excess data, so hopefully that's clarifying your question, thank you.

Amelia Lee: Thanks, Johan. Second question, Charlie would you like to take that?

Charlie Chan: Sure, well, thank you for your question. We refer to deferred projects, we are seeing generally in 2020 a trend where normal volume activity slowed down as customers were uncertain. What we are seeing is a gradual but uneven recovery as some customers revert to norm and continue their consumption. They are not large significant projects but just a business as usual.

Amelia Lee: Thank you, Charlie. We have our next question from Prem. Prem, please unmute yourself and you'll be able to speak.

Prem: Hi, good morning, can you hear me?

Amelia Lee: Yes.

Prem: All right, two questions from me please. First of all, this recent announcement on M1's network spinoff, does StarHub see this as an opportunity for (1) for you to undertake the - go down the same path, one. Or (2) do you see an opportunity for you to potentially improve your own economics by renting network elements from them? Or generally what do you think this is all leading to from an industry perspective? That's one.

Secondly, I note your comments around competition in the mobile market. Do you not see an improvement here? Do you think this is the last push by the MVNOs before some form of exit? Or do you think that we are going to continue to see pressures on this and we'll see further erosion in the value of our Mobile business? Thank you.

Amelia Lee: Thanks. Nikhil, would you like to take the first question?

Nikhil Eapen: Yes, so on network carve-outs, I should say that these are things that are not new in the market and we've reviewed them over a period of time, and we look at all possibilities to improve shareholder value. So, I think one thing too that we look at is the fact that a carveout of network assets to another entity isn't free, when you do a sale leaseback, the lease cost, depending on interest rates and so on, can be quite substantial in a way that materially reduces cash flow.

So, one of the things that we really have to evaluate is, is this a way to reduce - is this the cheapest form of capital for us? For us in our situation when you look at a strong free cash flow, when you look at our leverage, it's been consistently declining now at about 1.29x. When you look at the fact that we did our last debt raise in December 2020 at 2.48% interest per annum, it may not be the cheapest form of capital.

We also have to consider what the use of proceeds would be in terms of investment and ROI. So, we put all of those things together as we consider these kinds of carveout structures. So, I hope that's an answer in some form to your question.

On the MVNO's exit, I don't think we can speculate, I think we have our own belief system on where the market is headed to, but I'll hand you off to Johan.

Johan Buse: Thanks, Nikhil, I fully agree totally with that. It's hard to predict anything at this point in time in the market. Obviously, mobile market is pressurised by COVID-19 impact lack of roaming, which has been substantial revenue for all telcos in the country. We continue to follow our strategy, which is very much around differentiation. As you saw in Q1 we launched Disney+ which is an exclusive multiyear offering in the market, which helps us to differentiate from competition in the mobile area.

Probably you saw last week a similar announcement on the gaming side, where we lined up with NVIDIA on GeForce now, similar, exclusive for years to come. Those are important elements of differentiation going forward into 5G. We continue to do see a shift going from device to SIM-Only but we are confident with the differentiation elements we have at our disposal that we can stand out in the market and we'll pursue that relentlessly. Hopefully that's answering your question.

Prem: Perfect, thank you very much.

Amelia Lee: Thank you, and now we'll take the next question from Sachin Mittal. Sachin, would you like to unmute yourself please?

Sachin Mittal: Thank you, morning, a couple of questions. I just to carry on the question Prem asked, the big question is do you think there's a big investment cycle coming up? Because if M1 carves out the network and there's cash coming from that divestment, there could be a big investment cycle coming up in the industry which might not be necessary in the 5G space. That's question number one.

Question number 2 is more on the company side, company specific issues. We have seen very impressive cost management from StarHub in this quarter, so a couple of questions. Are we are expecting - how much are we expecting for the full year JSS payout approximately range? Because that seems to be a little bit on the lower side for this quarter, which we saw last quarter, and what are we expecting for this quarter? Secondly, what are the costs which we have not factored in this quarter? Will it be network leasing for 5G? Is that a cost which will at some point come in? What would be the timing of that cost? Thank you.

Amelia Lee: Thank you, Nikhil, would you like to take the first question?

Nikhil Eapen: Yes please, and I'll answer your first question and perhaps answer a little bit of your second before I hand off to Dennis. So, we do not see a big investment cycle coming up. When you look at what's really in the investment cycle, you know the first is 5G, and 5G we are pursuing our rollout under the auspices of our joint venture, Antina. So, on Antina we have effectively moved to a CapEx-OpEx substitution model where we're effectively going to have a wholesale cost basis.

So, when you look a little bit at your answer to the second question, in terms of do we see unforeseen costs? I think we factored those costs in. Obviously subject to industry circumstances but we feel like we factored those costs in. So, we don't see a new investment cycle coming up. I think 5G is yet again the inevitability of telco evolution, but as we've talked about in prior calls, we feel at this time it's a bit different.

The other one which could cause an investment cycle is industry consolidation, which may people speculate, and that's not something we can predict, we can only be ready for, with a Net Debt to EBITDA of 1.29x and strong cash flow. So, in short, we don't see a big investment cycle coming up. Dennis, do you want to take the question on JSS and cost structure.

Dennis Chia: Sure I will, good morning, Sachin. So, to expand on the points regarding costs, I just wanted to highlight the buckets of cost. One obviously is the cost of sales and the other bucket being the operating expenses. I'll just touch on the cost of sales for a second. If you look at the cost of sales, as I went through the result summary, I alluded to the fact that we've actually improved the margins on certain lines of business. You will see that we have actually reduced some TV content costs fairly significantly. We've also improved the operating model for our Broadband segment, which have improved margins in that space as well.

I just wanted to call out those two elements which have actually led to a reduction in costs or cost management in those areas. In particular with operating expenses, when we announced our quarter four results last year, we actually guided that we had started our IT outsourcing costs which are front-loaded. These costs continue into 2021, and so in quarter one you actually do see these costs coming through as well, and this will continue and taper off. We will see savings in the later year starting from year two until year three and four, so it actually goes down steadily over a period of time, that's the intent of the outsourcing arrangements that we have.

We continue to do cost management in the areas of repair maintenance as well as in terms of our operating model for our staff costs, as well as our marketing costs as well in terms of targeted marketing. Obviously, we don't completely do away with these expenditures, we look at how we rationalise expenditures and optimise them in a better way.

With regards to the JSS question, we do not expect to receive any further job support scheme grants for 2021, so there will be no further grants that we'll expect to be booking this year whereas obviously we booked a total grant of about $28 million for the three quarters of last year starting from April. I hope this answers your question, Sachin?

Sachin Mittal: Just one question is the 5G network leasing cost. Are they already inside the network? If not, what is the timing for that?

Dennis Chia: Okay, thanks for the reminder, Sachin. In terms of the 5G wholesale cost, some level of it has started - been in quarter 1, albeit it is not a significant sum. As we roll out the standalone network infrastructure, which we are starting and accelerating so you will see some level of a pickup in those wholesale costs that we have to pay to our joint venture. Once again, we do not expect those costs to be material for this year, so in effect you will see them starting to come through, a little bit has come through in Q1 and for the rest of the year, but it will not be a material sum.

Sachin Mittal: Understand, thank you.

Amelia Lee: Thank you, we'll now take the next question from Ranjan. Ranjan, please unmute yourself.

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Ranjan: Good morning and thank you for the call. Just two quick questions from my side firstly. On 5G if you can talk about the adoption that you have seen so far in the market, and are people actually going for bundled 5G handsets? Because anecdotal evidence I see is that people are just going and buying the 5G handsets and then getting a SIM-Only plan. So, the question I'm alluding to is are you actually going to see 5G driving up or deflation in Singapore?

The second question is on the partnership of Disney+. Are these going to be included revenues from a distribution perspective, or is there anything else we should be aware of which could impact start-ups Pay TV revenue? Thank you.

Amelia Lee: Thank you, Johan, would you like to take both questions?

Johan Buse: I can take both, Amelia, thanks. Thanks, Ranjan, for the questions. First on the 5G, as I mentioned earlier, we did see a subscription revenue uplift year on year that is driven by 5G subscriptions obviously. The bulk of customers buying a what we call a Mobile+plan, ended up using a 5G device on our network, and most of them use it on the 5G network as such.

I'm sure there will be anecdotal customers who pick up a handset and move to a SIM-Only, that's not something we can prevent, but the subscription revenue flowthrough we see coming through, and we also see that customers do appreciate the enhanced features of the 5G network in terms of speed. So, hopefully that's giving a bit more colour on the 5G.

On Disney+, Disney+ revenue, and Dennis will jump in if needed, is not only allocatable to Pay TV. The Disney+ is an OTT solution, it is a differentiated solution as we highlighted earlier, which we have exclusive, and we offer that actually in combination with all our product lines. We offer it in combination with 5G, we offer it in combination with Home Broadband and we offer it in combination with TV, the old classical TV. So, as such, you'll see a spread of customers enjoying the Disney+ content across different product lines, and the revenue is allocated respectively. So, hopefully that's giving you a bit more colour to that as well, thank you.

Amelia Lee: We will take the next question now from Kareen.

Kareen: Hi, good morning. I just have two questions. For the first one it's actually can you give us some colour in terms of the Postpaid ARPU, why are we actually seeing a quarter-on-quarter decrease? As well as the competition landscape within the Mobile segment itself.

The second question that I have, with the ongoing chips and component shortage situation, is the 5G rollout still on track? Thank you.

Amelia Lee: Okay, Johan would you like to take the first question?

Johan Buse: Yes, I can take number one and two and can give maybe a flavour on number three as well but leave it also to others to chip in on that one. So, Postpaid ARPU, Kareen, as mentioned earlier, we had a one-time effect in Q4, if you factor that out actually ARPU Q4 to Q1 was flat stable. Moving components in the ARPU are obviously increasing and increase in subscription revenue, offset by a decrease in excess charges, excess data charges as you'll understand looking at the bundles in the market at the moment. The overarching decline in ARPU year-on-year is obviously roaming is the vast majority of decline.

Competition landscape, as Nikhil referred to earlier, remains very intense at this point in time. We do not wish to speculate what is going to happen going forward in the market with MVNOs and other players. As highlighted, we are determined to follow through our strategy, which is around differentiation, offering a great connectivity. We have multiple awards and recognitions over the last one and a half, two years on 4G, and also, we were the first on 5G network, so that's important, in combination with content and going forward with gaming. So, differentiation is key, and we compete where needed on price, but the key is differentiation on content.

On the components question, which is an interesting question, I would say that is a little bit beyond 5G at this point in time. We are doing our best to secure what we need to secure to run our business, that is applicable to 5G but also to home Broadband and CPE devices. So far, we do not see any issues, we make sure that we manage that well. Feel free, Nikhil or Dennis, if you feel like adding something, thank you.

Dennis Chia: I would just like to add on the network rollout, for the - our network rollout is going on as planned, so we do see that - we do note the challenges and the supply chain issues and therefore we are monitoring that closely. But we don't see that impacting our plans for the standalone rollout.

Amelia Lee: Okay, thank you, Kareen, I hope that answers your question. We'll now take the next question from Arthur. Arthur, could you please unmute yourself?

Arthur: Hi, thanks for the opportunity, two questions please. Firstly on 5G, can we get any clarity on the take-up levels? Where are we with regard to the adoption and why is this not showing up on the ARPU's on a quarter-on-quarter basis? I know that you've mentioned it's a flat QoQ if you're just for accounting, but presumably 5G would have been higher in ARPU's anyway.

Second question is with the Disney+ partnership and how it's impacting you. After the launch, are you seeing better subscriber momentum on the Pay TV site given the partnership? What additional cost does this imply for you? Presumably there will be some fees that you may need to pay Disney.

Amelia Lee: Johan, both questions to you please.

Johan Buse: Thank you, Arthur. Two very good questions so let me elaborate a little bit. On the 5G ARPU uplift, so Q on Q is flat, what you see happening is that 5G uptake has been very strong, so the majority of customers buying a device plan will buy that with their 5G. That does create a subscription revenue uplift, as I indicated earlier. The ARPU is, however, flat due to the fact that the out of bundle revenues, so the excess data revenues are declining, as you will understand.

So, that effect of 5G ARPU uplift is partially mitigated unfortunately by the excess data revenues which are coming down. So, hopefully that's answering your question and of course in the market you have the SIM Only effect, right, so more and more customers do go for a SIM Only. Plus on the 5G, down on the excess on the 4G SIM Only ARPU. So flat on quarter-on-quarter I believe is a fair achievement.

On Disney+, your question is how does that flow through in cost and how do we manage all that? One of the things we have been calling out in most of the analyst calls over the last years is that we are very determined to shift the cost basis of content from fixed to variable. That's also part of our plan here. We also believe that the future of content is not on the IPTV platform, it is mainly across different lines of business we have.

As such, having Disney+ as an exclusive [multi-p] for all our customers is important to differentiate, and we do see an uplift in terms of revenue, ARPU and benefits, mainly on other product lines. It does help us to promote 5G, it does help us to promote home Broadband, especially on the 2GB tariff plans, and to a lesser extent I would say on the TV side. So, it is beneficial for all product lines but it's well beyond the IPTV, so hopefully that's answering your question.

Arthur: Understood, thank you very much.

Amelia Lee: Thanks, Arthur. We'll now take the next question from Foong. Foong, could you please unmute yourself?

Foong: Hi, good morning ,everyone, thank you so much for the call. It's two questions from me, firstly what is the percentage of StarHub's Mobile subscribers that are on SIM Only plans? Have we seen any acceleration in the shift from postpaid contract to SIM Only plans in the past couple of months? That's my first question.

Second question, beneath the EBITDA line, do we expect any major savings in terms of depreciation and interest cost this year? Did we see any of that in the first quarter results? Those are my two questions, thank you.

Amelia Lee: Thank you, Johan, first question to you please.

Johan Buse: The first question, thank you very much for your question. This is not a level of information we typically provide, unfortunately I can't answer your question therefore directly. There are obviously trends in the market which we monitor carefully, and we will address them as the market develops. Again, what we do see, and I just want to highlight this, that on the back of content and going forward with cloud gaming, the fact that we can offer something bundled differentiated on the back of 5G has been very supportive in our business so far. We'll compete in SIM Only where needed, so hopefully that's given you a bit of context.

On the second question I'll probably hand over to Dennis.

Dennis Chia: Okay, on your second question on interest, obviously we went out with the $400 million bond that we issued at the end of last year, which carries a coupon of 2.48%. That does increase our interest cost slightly for this year, but not materially. That's in respect of the bond raise that we did at the end of last year.

With regards to your second question on depreciation in particular, we do see savings in the depreciation line with regards to various IT systems that we are decommissioning. These are legacy systems that we're decommissioning as part of the transmission efforts that we are doing, there will be savings there. However, as we go through the year and as the standalone 5G network starts coming into play and being used, then we will start the depreciation on the 5G network as well. So, we will therefore see a shift downwards for certain IT systems and you'll see a shift upwards with regards to the 5G network.

All in all, the depreciation in total, I think, which is what you're looking for, as a total number is not going to shift dramatically from last year.

Foong: Okay, and if I can just throw in a follow-up for Johan on the question about the shift from contract to SIM Only plans, I just wanted to understand whether this upgrade for subscribers from 4G to 5G and that move to acquire these 5G devices, has it helped in terms of getting subscribers to stick to the device bundle contract plans?

Johan Buse: Yes, I would say yes, that would be the short answer to that, correct.

Foong: Okay, thank you so much, Johan and Dennis.

Johan Buse: Thank you.

Dennis Chia: Thanks.

Amelia Lee: Thank you, so it seems like we've cleared all the question. I'll just give it a minute or two to see if we have more questions. Last call for questions. Okay then, I think we've answered most of the questions here, but if you have any follow-up questions, you know how to get me. Please email us at IR@starhub.com. So, thank you, everybody, for joining us this morning, and as always, please feel free to reach out to us if you have more questions or if you'd like to speak to management. So, until next quarter, please stay safe and have a great week ahead. Bye everybody.

End of Transcript