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Operator: Good morning, ladies and gentlemen. Thank you for joining us this morning for StarHub's 2Q and first half 2020 results update call. With me this morning, we have our Chief Executive, Peter K, CFO Dennis Chia, Head of Enterprise, Charlie Chan, Head of Consumer, Johan Buse, and our CTO, Chong Siew Loong. Our senior management will bring us through a quick presentation on results highlights and 5G plans before we open the floor to questions. Peter, over to you, please.

Peter Kaliaropoulos: Thank you, Amelia, and a very good morning, ladies and gentlemen, and thank you for your interest in our results this quarter. We will focus the presentation on three themes, the results and highlights for quarter two and the first half. Then we'll share with you some of the preparations and investment for 5G, and then we'll offer you guidance and an outlook for the rest of the year.

Allow me to cover some of the material in the presentation, although I will not go slide by slide. If we reflect back on quarter two and the first half, our fundamental priority and a focus for the business have been – first of all, to safeguard the health and the interests of our employees and customers, secondly, to support the community, thirdly, to adjust the way we serve and support our customers from direct ways by now online sales and service capability, and fourthly, to retain a high level of customer service.

Our trading results for the second quarter, which is fully impacted by COVID-19 and the circuit breaker and the global travel restrictions, has been challenging. Mobile business has been affected mostly by lack of roaming, lack of IDD, lack of prepaid through lack of tourism and ongoing competition by SIM Only. If you look at our Pay TV, again, year on year, we're showing lower revenues, resulting from the migration and the lower customer base when we migrated from cable to fibre. But the good news there is that quarter one versus quarter two, we're seeing stability in Pay TV revenues and stability in our customer base. Similar strength for our Broadband business, again, year on year there were a lot of promotional listings for Broadband, but we are now seeing - which has dropped the revenue year on year. But if you look at quarter one versus quarter two this financial year, we're seeing stability in revenue and stability in customers.

Our Enterprise business, again, year on year it shows higher results, predominantly coming through the growth in our Cybersecurity revenues, growth in our Internet services and growth in some of the domestic circuits that we're providing customers, and that's been offsetting some of the lower revenues we've seen in many services and our voice revenues.

Then in Managed Services business, especially in quarter two, is affected because we are seeing lower projects coming to completion, and what we're also seeing is delayed customer spend in new projects and also delayed tenders, so the Managed Services business will continue to be challenged. At the same time, in quarter two, if you look at our results, we've applied the ongoing disciplined approach to expense management, Opex and customer management, and certainly we've recorded a very healthy growth in free cash flow and also the cash and cash equivalent balances in the banks to about \$480 million at the end of quarter two, and that has helped us also have a better net debt to EBITDA ratio of 1.3 times.

Despite the challenging operating conditions for quarter two, we continue to advance a transformation agenda, and some of the highlights there include the IT transformation has progressed with PCCW. We entered the relationship and thus will accelerate the digitalisation of our business. We continue to invest in growth and diversity through our investment in Strateq, which we completed on 30 July, and also, we continue to invest in the growth and retention of our customer base in Singapore via 5G investments, which were announced again last month. Having said this, I will now ask Dennis, our CFO, to offer you some more details on the financial results for quarter two and the first half. Dennis, over to you, please.

Dennis Chia: Thanks, Peter. Good morning to everyone. I'm now on slide six, and I'll just call out some of the key highlights of our second quarter results and our first half results. Our service revenue for the quarter was \$376 million, versus \$442 million a year ago, and this is primarily the results of declines that we experienced in the Mobile and TV lines of business, primarily. In the Mobile space, we've seen actually a decline in roaming revenues due to travel restrictions that we have seen flow through all the way in the second quarter of this year, and there's also been a decline in terms of the prepaid customer base, because of the tourist footfalls as well as the foreign worker segment as well.

ARPU for Mobile were \$30 at the end of quarter two, and for prepaid, it's \$10. Noteworthy is the fact that our churn rates have also come down during this period, as well, 0.8%. You see average data usage at about 10 gigabytes per month.

If you move on to the operating expenses, they're looking at a decrease in operating expenses of \$418 million versus \$495 million, and the cost of sales elements are in tandem with the reductions in revenues that we've actually booked, but in terms of discretionary operating expenses, we've also seen significant savings in almost all lines of expenses, including marketing and promotion, repair and maintenance, operating leases and also savings from the cable to fibre migration cost that we incurred last year that we do not incur this year as well.

For EBITDA, we came in at \$129 million this year, a slight decrease from \$146 million a year ago. Our service EBITDA margins are stable at 31.5%. Our net profit for the quarter is \$37.3 million, and that is a slight decline from \$39.5 million a year ago. However, we do want to point out that this includes approximately \$15.7 million of job support schemes that we received from the government during the quarter and that was also recorded during the quarter.

Free cash flow for the quarter was \$155 million, and that translates to \$0.089 per share. For the first half, it's \$274.6 million, and that translates to \$0.158 per share. I'll move - I'll skip through all the remaining slides, as we have already pointed some of the key highlights, and I'll move on to slide number 12, just to point out that we continue on the translation and cost optimisation initiatives, and we're now happy to report that we're at approximately 75% of the greater than \$210 million target that we advised the market about a year and a half ago, so we are midway into the journey.

And the key elements of these transmission savings includes in the workforce optimisation area, other areas of discretionary expenses and in the TV content space in terms of the renewals of content and conversion, and more importantly, conversion of the cost model from fixed cost model to a variable cost model. The profit highlights I have gone through, and I'm now on slide 14, and call out some of the balance sheets and the fact that because of the high cash that we generated in the quarter in the first half, our net debt to EBITDA stands at 1.29 times at the end of Q2.

We've also refinanced all the short-term loans that were repayable in the second half of this year, and we've got additional liquidity that we've secured in terms of committed facilities about \$300 million. We do expect to pay for spectrum for the 3.5GHz C-band, which is for the purposes of the 5G standalone network and the millimetre wave indoor coverage that we expect to roll out. With that, I'll pass the floor over to our Chief Technology Officer, Siew Loong, to take us through the following slides on 5G. Siew Loong.

Chong Siew Loong: Thank you, Dennis. Good morning, everyone. I'm now just going on to slide 16. Basically, slide 16 gives a quick overview about the 5G rollout. I think we're happy to be obtaining the 5G award from IMDA, and together with our JVCo partner, we will commence the 5G rollout at a later part of this year. We expect commercial launch of the 5G standalone network in 2021, and by end of 2022, we will expect at least half of Singapore will be covered by the new radio network and achieve the nationwide coverage in five years' time.

I will move on to slide 17 to give a bit more details on the shared network. It will be the first shared active radio network in Singapore. The JV company or the JVCo will share the 3.5GHz base station, both for indoor and outdoor, the radio spectrum, the antenna as well as the transmission backhaul. Both companies will maintain our own core network, service platform and billing system, and having our own core network enables service innovation and differentiation and thus promoting competition.

On the 5G network, it will be based on the 3GPP Release 16 standalone architecture that supports not only the mobile broadband services. It can also take on low latency services, massive machine type communication, network slicing, edge computing and many other new services that they're able to carry over the new network. It will also seamlessly work with the current 3G/4G network, ensuring service continuity for current voice, data, and messaging services while the new network is being introduced. I will move on to slide 18. Basically, this slide shows a little bit more on the network collaboration structure.

The JVCo is equally shared on a 50/50 ownership, jointly owning the spectrum and the radio equipment and the radio capacity is being wholesale back to both parent companies. Both MNOs will build the standalone core network with our respective own 3G and 4G network offering full service to our consumer, enterprise and mobile virtual network operators. So with this JV structure, we will continue to innovate and evolve, bringing new services to the market.

I will now hand slides back to Dennis, who will talk a little bit more about the JVCo funding as a cost sharing model. Dennis?

Dennis Chia: Thanks, Siew Loong. I am on slide 19, and just to point out that this joint venture company will be a standalone special-purpose vehicle. We expect to fund it 85% by debt and 15% by equity. All operating expenses and capital expenditure and profits are to be split 50/50, and there will be an independent management for this joint venture company. I just also want to point out that we do not expect to consolidate this joint venture, and we will be doing an equity accounting from an accounting perspective.

On slide 20, to note is the fact that we are continuing to look for capital expenditure efficiencies on the legacy networks, primarily the 3G and 4G, to fund the 5G deployment. We expect the deployment costs including the spectrum costs and the requirements accepted and stipulated by IMDA to be approximately \$200 million over a five-year period. This includes the share of the capital expenditure that we would incur in the joint venture of 50%. Any other features that we bolt onto the 5G infrastructure will be on a business case basis and driven by returns on investments. With that, on 5G devices, I'll pass the floor to our Chief of Consumer, Johan, to talk about the devices. Johan?

Johan Buse: Thank you, Dennis. So good morning, everyone. So we are very much looking forward to the ecosystem 5G. On slide 21, you can see actually the predictions which have been issued by various institutions around the global growth and also Singapore expected growth in terms of 5G handset shipments, and we can already see actually the first Hero devices coming into the market, which brings us to slide 22, where we display our focus areas on 5G.

For consumer, and later on I'll hand off to Charlie for the business side, we have three focus areas at this point in time. First of all, it is about mobile cloud gaming, which is offering a completely new experience. We did actually launch December a demo in our lobby, and it is amazing to see what 5G delivers in terms of improvements on latency. The second is AR/VR, where we plan to bring VR gaming and also a suite of content in that space, and the third one, which

we are exploring, is fixed wireless access, which could be a niche service in Singapore, offering a very plug-and-play instant high-speed internet connection to consumers.

On that note, I'll hand over to Charlie to highlight a little bit on the business use cases. Charlie, over to you.

Charlie Chan: Thank you, Johan. Good morning, everyone. We are excited about the possibilities of 5G in the Enterprise space. When you look at the massive machine in, machine out capabilities that we will have, the importance there for the IoT industry for the whole potential that we see now in the various conversations we're having in the marketplace, driven by the capability of artificial intelligence, we see that clients will be in a position to take advantage of 5G and create new solutions that will help them throughout the industries that they are.

I may now point you to some of the examples on page 23. It is about helping customers understand the ecosystem. In essence, no one can do or realise 5G capabilities in and of themselves. You require a whole village, so to speak. On that front, we have been working closely in the innovation arena with institutions like NUS and NYP, ramping up our Apex centre, as an example. We've also engaged with industry through the GSMA Roundtable, as well as the Chamber of Commerce for the Americans on the topic of network security in the 5G space. Johan talked about the showcase that we shared with industry and also with consumers, and that is a portent, as I said, of things to come.

We want to continue to drive those engagements with our clients as we develop the potential use cases. Right now, I'd like to hand you back to Peter, who will talk about the next couple of areas. Peter, over to you.

Peter Kaliaropoulos: Thank you, Charlie. Just before we get off the 5G, allow me to share with you three observations which apply to us and 5G. First of all, as the gentlemen explained, we're trying a new business model of sharing infrastructure to basically get the right return on investment and also provide services quicker, so that's a different business model to whatever has happened in the industry before.

Second initiative about 5G, it's the pleasant surprise that we got from the competitiveness of the bids that we got from the various technology vendors. You will see the amount of investment we're putting aside, and only a few months ago, before the formal bidding process started, the estimates were much higher for 5G infrastructure. And thirdly, we're also pleasantly surprised because of both handsets' availability and the handset costs. So the entry phase of 5G is better than what we expected.

If I now reflect in terms of guidance and outlook for the rest of this year, on slide 25, we highlighted the previous guidance we had given earlier in the year, which was suspended, and our current update. The impact of COVID-19 on our Mobile business, roaming, IDD, international travellers coming in and out of Singapore, will continue to impact us, and we expect to continue to see some positive revenue contribution from the Cybersecurity business. But when we analyse the performance of the Company, especially under almost four months of full COVID-19 impact, we now expect a 10% to 12% reduction in Service Revenues compared to FY2019.

Our Service EBITDA margins, although the first half we reported higher margins, my guidance stays the same as previously, 27% to 29%, because we do have some operational expenditure in the second half, more marketing activity, so that will bring us back to about 27% to 29%. Also, if you look in terms of the CapEx commitment we gave you previously, the 6% to 7%, again, there's no material difference. We do believe we will finish the year with 6% to 8% of total revenue, and that excludes, of course, the 5G investment that we are making and the cash payment would be more in 2021, and also, any other one-off costs like spectrum towards the 700MHz. Which brings us to a dividend share and approach, and let me again say that we continue to be committed to a dividend policy, as we've announced it before, and that is to pay at least 80% of our net profit as feasible to our shareholders, and excluding any adjustments, one-off adjustments, either positive or negative. And we've committed to paying this on a semi-annual basis.

So take that into account, everything that has happened to us in the last six months, in the outlook, we are now announcing that we are declaring an interim dividend of \$0.025 per share. Also, going forward, taking into account the COVID impact on our business and some of the operational expenditure, disciplined approach we've taken to cash flow and overall expenditure, we do believe that the trends will continue on the revenue side and margins, as we explained, and we do expect to declare a final dividend for the year equal or higher to the interim dividend of \$0.025. So that brings us to the conclusion of the presentation, and on the very last slide, slide 26, it is some of the directional approach we're taking that we've continued to try and optimise the return from our assets.

We continue with trying to transform the business, whether it's the retailing side, whether it's the digital side of our business. We continue to search for growth, because in Singapore, that's the number one challenge we have. Growth, especially in some markets segments, there is saturation and there is lower amounts of customers participating in the market, so growth to us is important, and we expect to continue looking for opportunities to invest in local or regional operations, and that of course brings us to trying to continue to diversify the business, both geographically and in terms of products and capabilities. And of course, then it's - and the team have done a tremendous job and we've got the track record that we're being very prudent in the way we allocate capital and the risk management behind the business to ensure that we do produce dividends and we produce the right cash for our shareholders.

So that brings us to the end of the formal presentations. We're happy to take questions from yourselves at this point in time. Thank you.

Operator: Thank you, Peter. We now open the floor to Q&A. Please press star-one if you have a question, and you'll be added to the equipment. If you'd like to withdraw your question, please press star-two. Let's now take the first question from Arthur.

Arthur Pineda: Hi. Good morning. Thanks for the opportunity. Several questions, please. Firstly, if I can just get some clarification on the accounting treatment for the JV entity and investments. Just to double-check this, so all of the debts incurred by the SPV will be held off balance sheet as well, and the only thing to be booked on StarHub's book will be the proportionate equity expenses? Is that correct?

Second question I had is with regard to - again, on 5G. Just to clarify the \$200 million Capex over the five-year period, does this pertain only to StarHub's share of the JV, or is that for the entire entity, and does that include the spectrum as well? Next question would be on the job grants. How much more do you expect to see for the second half of this year, and is this included in the service margin guidance that you have for the full year? Thank you.

Peter Kaliaropoulos: Thank you, Arthur. Great questions for Dennis.

Dennis Chia: Okay. Good morning, Arthur, and I'll attempt to answer your questions. To your first question, on the accounting treatment, the answer is yes. We will - the debts, assets and the liabilities of the JV will be off balance sheet. As a result, we will only account for 50% of the bottom line in terms of the share of profits or loss from an associate company, and that's how it's going to be booked in our P&L going forward.

Your second question...

Arthur Pineda: Dennis, can I just clarify? The revenues will be booked - 5G revenues however will be booked on the StarHub level, right?

Dennis Chia: Yes, absolutely, because the 5G revenues or anything that we roll out in terms of business cases or use cases for 5G, is deployed by the mobile network operators ourselves, so we are still... We are only sharing the infrastructure, we are not sharing the revenues.

Arthur Pineda: Got it.

Dennis Chia: To your second question, on the \$200 million CapEx, now, this includes the share of the JV CapEx that we expect to incur and that Siew Loong has explained. What is in the joint venture is the radio network and the shared spectrum, so it does include the spectrum cost as well. What is not included in the joint venture are the elements like the core network, the transmission, fibre backhaul, security and resilience, and those will be on the StarHub side on a standalone basis. So those will be recorded in the StarHub books.

Arthur Pineda: Sorry, Dennis, just to clarify it, the \$200 million is your proportionate share, or that's the CapEx of the JV entity?

Dennis Chia: So no. The \$200 million is the share, the 50% share in the JV. Plus the CapEx that we have to incur on our own as well. So the portion that's attributable to the JV will not be recorded in our balance sheet, but we are giving you an assessment of the total expenditure that we expect to incur to roll out and deploy the initial rollout.

Arthur Pineda: Got it.

Dennis Chia: Okay? And finally, your last question on the job support scheme, as I've explained, in the second quarter, we've recorded about \$16 million, \$15.7 million to be exact, in the second quarter. We expect to record another \$12 million based on the grants that the government has announced, based on the four rounds of budget that they have announced, so the \$12 million, and this is included in the service EBITDA margin guidance that we have given.

Arthur Pineda: Got it. Okay, thank you very much.

Operator: Thank you. Let's now take the next question from Foong.

Foong Choong Chen: Hi. Morning, guys. Thank you so much for the call. A couple of questions from me, firstly on the 5G Capex. You mentioned that it does not include the investment on your side for the core network, so can you give us an idea as to how much that might cost? Also, for the \$200 million share of the JVCo's Capex, can you guide us to how that might be spread out over the next five years? Second question, on the - you also mentioned IT transformation. Just wanted to understand when will that be completed, and do you have an estimate for the Capex for that program? And post IT transformation, what sort of benefits can we expect to achieve?

And then my third question, on the dividend payout policy, as I understand it, it's a payout on the normalised net profit. So I just wanted to understand whether when you say normalised net profit, does that include the job credit scheme? Yeah, thank you.

Peter Kaliaropoulos: Dennis, I think you'll be busy this morning.

Dennis Chia: Okay. Foong, I'll answer your three questions. Just to be clear, the \$200 million that we have indicated as the cost for deploying the initial rollout include both our 50% share of the radio network that sits in the joint venture company and the core network that sits outside of the joint venture company. So that is sitting in StarHub, and the \$200 million number that we have guided includes both elements, so 50% of the radio as well as 100% of the core that belongs entirely to StarHub. So I hope that's now clear, so it includes all the elements, and it also includes 50% of the share of the spectrum cost as well. Does that answer your question, Foong?

Foong Choong Chen: Yeah, it does, and it actually looks like quite a very - it looks like quite a low number. So just to clarify, the \$200 million, is there a split between what you're going to be putting into the JVCo and what is the amount for the core network?

Dennis Chia: Yes, of course we know what the split is, but for confidentiality reasons and for reasons of commercial negotiations with our vendors, we are not going to actually provide the split. But I think it is suffice to say that when you do see us incurring these expenditures and what we actually record as capital commitments on the StarHub side, because - and bearing in mind to Arthur's question, in response to Arthur's question earlier, all the capital commitments on the JV side will not be incurred, and they actually will be recorded off balance sheet, so you'll see that split at the point in time. But for reasons of commercial sensitivities, we will not provide the split at this juncture.

Foong Choong Chen: Okay, got it.

Dennis Chia: Okay, your second question, Foong, on the IT transformation, this IT transformation is taking into account what we would have done on StarHub to transform our business and our own business model, so there will be capital expenditure that we would have otherwise incurred on our own to digitally transform our business. So there is no expected incremental cost associated with this partnership with PCCW that we have entered into. So this is something that we're rolling out the next 18 to 24 months, and the Capex trajectory is not expected to increase as a result of this, because this will be part of what we would have otherwise incurred on the StarHub side. So we did believe that working with a partner will get us the results and the outcomes better. I hope this is clear as well.

Foong Choong Chen:: Yes. Dennis, just to go back to the 5G question as well, right, just on the \$200 million, how would that be spread out over the next five years?

Dennis Chia: Okay, the \$200 million commitment is going to be frontloaded, so there's a bunch of it that will be incurred in the second half of this year, and a bunch of it that will be incurred in 2021, and then the rest of it will taper off in the following years, because bearing in mind that this is a standalone deployment on the 3.5GHz C-band spectrum only. Right? So at the moment, this is only for the deployment on the one spectrum band. It will be frontloaded in FY20 in the second half and FY21 and some of the remainder will be spread out in the next three years to achieve the nationwide coverage that's required by IMDA in the next five years.

Foong Choong Chen:: Okay, noted on that.

Dennis Chia: Okay? Your final question on the dividend, it is normalised excluding the job support scheme, so we have taken into account the fact that the job support scheme is a one-off nonrecurring item. As guided in our dividend policy, we are paying at least 80% of our net profit after tax, excluding one-off nonrecurring items, whether positive or negative.

Foong Choong Chen: Okay, understood. Okay, thank you so much, Dennis.

Dennis Chia: Okay.

Operator: Thank you, Foong. Once again, please press star-one if you have a question. Let's now take the next question from Annabeth.

Annabeth Leow: Hi. Morning, everyone. Annabeth here from the *Business Times*. So I have a few questions, some pertaining to the COVID-19 outlook. I was wondering whether you have anything to share in terms of, say, permanent store closures or any changes to the retail and consumer side as a result of COVID-19, any adjustments to the strategy, given the lack of roaming and so forth? Also, could you share a little bit more about provisions for potential bad credit, either consumer or enterprise customers are not able for whatever reason owing to the outbreak to make timely payments? Is that something that you are factoring in?

Then I noticed also in your outlook statement that the Group has said despite a slowdown in activity for Enterprise business, enterprises are still expected to continue investing in network infrastructure and cloud, which could mitigate pricing erosion. Could you give a little bit more colour on the outlook on the Enterprise front, because we hear that about cyber, but on the more traditional Enterprise services also, maybe share what you expect there? Then, two more things, you've mentioned your debt headroom in the slides, supposed to be ample and comfortable. Could you give some colour on that, especially with the Capex that's coming up with 5G and potentially any other Capex that's on your radar? And lastly, are there any asset sales in the works planned or necessary? Could you share on that as well? Thank you.

Peter Kaliaropoulos: Thank you, Annabeth. Five questions. Let me take some of them, and my colleagues will assist in a couple of the others.

Annabeth Leow: Okay, thanks.

Peter Kaliaropoulos: The COVID-19 impact on our business certainly forces all of us to rethink how we provide services to our customers. On the retailing sides, in our industry, there has been a global trend. Fewer customers go to retail shops, specifically because the products and services and the handsets are fairly well known after so many years of predominantly the mobile industry. So there's a big shift to online, and our strategy is exactly that. We're boosting our capability to provide online sales and service through online on the web but also chat bots in the call centres. So we expect that to continue, because that's the customers' preference.

Of course, it doesn't mean that we're going to have zero retailing capabilities. It's a matter of finding the right balance between physical, retailing activity with customers versus online digital ways to support customers. In terms of bad credits, potentially, yes, in our forward-looking estimates, we have allowed potential bad credit situations with customers, with small business customers, and we've calculated that into our calculations.

Investing in Enterprise services, I'll ask Charlie in a minute to elaborate. Our enterprise business is made up predominantly with traditional connectivity, as well as many network solutions. Everything's shifting to cloud, including 5G services. There'll be a lot of what we call mobile edge computing, and that capability is going to go into the cloud, not in the traditional arrangement we have today. So you will see more investments in digital services for enterprise business, and in a few minutes, as I said, Charlie can elaborate.

In terms of net debt to EBITDA, yes, we're managing that carefully. As Dennis mentioned earlier, we expect to start paying for some of the 5G investments upfront, particularly the first couple of year you pay the great majority. We have given commitments to roll out certain coverage across Singapore within two years, and then nationwide coverage by year five, so the core and most part of the radio network would all be done within the first 12 months. So it's frontloaded, and in terms of affordability and cash, that is in place, and we don't have major concerns on that. Asset sales, we're not planning to have any asset sales. At this stage, it's quite the opposite. As we're trying to find growth and diversify our business, we're looking for companies that have capability in some adjacent products and services, and hopefully through investment we make in them, we're able to scale them up.

So I'll ask Charlie to offer some more comments about the enterprises, the more traditional side, not the Cybersecurity, and maybe, Dennis, you want to complement some of the comments on net debt and bad debt provisions. Charlie?

Charlie Chan: Thank you, Peter. I think what we're seeing in second quarter is an indication of the growth that we find from clients, primarily we saw immediately our customers in the arrival of COVID-19 catering to remote working. That's driven up Internet consumption. That's driven up their connectivity to their core capabilities within their data centres because of e-commerce demands.

What we observed also is that digitalisation is picking up momentum with COVID-19 as the unexpected catalyst, and as a result, StarHub's able to work with our clients using 5G and its unique attributes of ultra-low latency and network slicing and orchestration to develop a potential solutions that would help them and as I mentioned before, leapfrog the competition. As Peter said, the traditional space is our focus, and in terms of getting our clients to the next level of performance through the investment that we've made.

Dennis, over to you for the other aspects.

Dennis Chia: Thanks, Charlie. Just to supplement, Annabeth, the responses provided by Peter, on the provisions for doubtful debts, we have a provisioning policy to take a certain percentage of debt that are aged beyond a certain level in our books, whether for the consumers or enterprise customers, so we do take a general provision. We do take on, on top of the general provision, specific provisions for doubtful debt if we determine that certain debts or specific debts will not be collectible. All of those provision policies have been completely adopted as per normal accounting practice, and consistently in our books as at the end of quarter two. And we have taken in the forecast of the trends that we have been seeing into the guidance for the second half of the year as well.

Just to supplement the point about the debt headroom, we are net debt to EBITDA at about 1.29 times, and because of the working capital improvements that we have actually realised in the first half of the year, this gives us additional debt headroom in case we identify additional growth opportunities down the road. Because 5G Capex that we've advised the market is fairly affordable relative to some of the savings that we will have on the legacy networks, the 3G and 4G, we therefore expect our debt headroom to be maintained for future growth opportunities.

Annabeth Leow: Thank you for answering those questions. I realised, if you don't mind, I just have one follow-up because you were talking about the provisions and so forth. Is there any update on the outcome of the investigation into the service outage for Internet earlier this year and do you know if any penalties are expected? Has that been taken into your internal forecast?

Peter Kaliaropoulos: Annabeth, if I may, yes, we expect in the coming weeks to hear formally from IMDA in terms of the conclusion of their investigation and potentially finding against us. We have taken into our books a provision for a potential fine, and we believe that is certainly included in the forward-looking estimates. So we're only probably a few weeks away from IMDA announcing their deliberations and their decision against us.

Again, I have to say publicly, we did apologise to our customers, and we are very, very sorry that we put them through this inconvenience for five and a half hours. We did offer a rebate, effectively 20% of the monthly payment, and again, we put in place new procedures to try and avoid and minimise the same event happening ever again. We are very, very sorry, and we will accept the full decision of IMDA, which we expect will be announced shortly.

Dennis Chia: Annabeth, I just want to supplement to say that the provisions for the rebate that we have offered to our customers, that 20% rebate that Peter mentioned, as well as the potential penalty from IMDA, have all been recorded in our books in the second quarter, so there are no further provisions to be made, because that's been fully accounted for.

Annabeth Leow: Got it. Thank you.

Operator: Thank you, Annabeth. Let's take the next question from Paul.

Paul Chew: Hi. Can you hear me, sorry?

Operator: Yes, we can hear you. Please go ahead.

Paul Chew: Okay, thanks a lot. Just a couple of questions, if I could. The first one is, could you elaborate more on the minority interests, the losses. Have the Cybersecurity losses widened? Just wanted to clarify. Then secondly, on 5G, I just wondered if you can share whatever colour you could just on ARPUs, just what will happen on ARPUs and 5G's launch. If I'm an existing customer, how would you nudge me up in terms of ARPUs? Just related to 5G, or just looking at the slide number 20, I just wondered, what is this minimal Capex line? Is that the kind of Capex that you can hit right now? I just couldn't really follow on that slide 20 on Capex, and my last question, sorry so many, the cable to fibre migration that you mentioned, could you - any indications on the cost savings? Likewise, when you mentioned more variability in the cost for Pay TV, how do we ascertain the cost savings that you're entering? Thanks a lot.

Peter Kaliaropoulos: Okay, Paul, lots of questions. Let me try and answer a few, and as always, Dennis will provide some more detail on some of the numbers. First of all, yes, in terms of Cybersecurity, we had our first strong quarter from Cybersecurity in terms of revenues, and bottom line results, because again, it coincided with the government finishing the year at the end of March and a number of major projects were finalised.

The second quarter was a bit subdued, and the results were it showed lower revenue and a loss at EBITDA level and NPAT level. But again, we expect ongoing growth from Cybersecurity, and we're still saying that we're investing in R&D, in capabilities and regionalising the business for future growth. In terms of 5G ARPUs, basically, right around the world there hasn't been a tremendous uplift between 4G and 5G if you talk about basic connectivity. However, without giving too many details because of commercial confidentiality, as Johan mentioned earlier, 5G does not involve only a new handset and some faster connectivity. There will be services offered, together with 5G - cloud gaming, augmented reality and virtual reality and so on, so potentially, if careful bundling is applied, we are able to shift the ARPU a little bit higher to what it is today, and that's the intention. So we do expect a small - and we're not sharing the details right now, but through the bundling, we expect slightly higher ARPUs, and of course better customer retention. In terms of the Capex for the \$200 million, as we said, if tomorrow we want to go out and just provide 5G connectivity to anybody - tomorrow being when we launch the service, middle of next year, that cost of \$200 million is, as Dennis said, whatever contribution we need to make into the JV, plus our own core network, plus the cost of spectrum. So to provide, if I can use the word 'vanilla flavour', 5G service to our consumers, that's the \$200 million required in terms of net working CapEx.

Now, the Enterprise segment is - will be characterised by different use cases for 5G. It may involve some 800 mmWave capability. It may involve some data analytics, together with connectivity and the managed service, so that investment, it will be done use case by use case, and we do business cases for that, and we will invest more from specific use cases, but predominantly from the consumer customer base, to be able to use 5G, the \$200 million will suffice, and it'll be any additional investment driven by specific use cases on a business case basis.

Cable to fibre migration, there are some savings, I think predominantly in the depreciation, and Dennis will give you some more detail behind that, but we're not, again, giving the specific numbers, but we were paying wholesale rates to SingTel for a number of years, significant amounts of money in terms of leasing cable capacity, which was a fixed cost, irrespective of the number of customers, and we have now gone to NLT, which is a variable cost driven by the number of customers, and basically the bundling of that gives us an accretive margin, whilst previously what we were paying for wholesale, it was not the right deal for us.

Finally, about Pay TV, again, Johan and the team have done a great job transforming our Pay TV business from just a pure linear model that customers then enjoy with a very full customer experience interface. What we're doing is over the last two years, especially, we've taken a lot of the fixed cost and we're refusing to sign deals with content providers that have fixed cost only, so what we are doing is we're changing it to variable costs, and with a very small amount of fixed components, and also we are now curating potential OTT. And you've seen our announcement in the marketplace with Netflix.

So we're migrating the business model, but the full priority is reduce the overall cost and make the overall cost driven by the number of [inaudible] service and provide the better customer experience through a new technical platform, and we've made some announcements, and whoever is using our new TV services will enjoy a much better customer experience. So I hope I've covered the five questions you've asked us.

Dennis, I'm not sure if you wish to offer any more granularity on some of the cable to fibre migration savings and anything else on Cybersecurity numbers.

Dennis Chia: Yeah. Thanks, Peter. I'll just provide you some additional clarifications to your questions. Specifically, on slide 20, if you look at the bars, we have indicated that our network expenditure in FY2018 is \$202 million, \$175 million in FY2019, and the intent of the bar is to show you the 4G and the 5G commitments that we forecast to incur in 2020, and therefore, it's still within ballpark numbers that we use to incur on an annual basis, and that's the intent of slide 20.

The cable to fibre migration costs, there were a whole bunch of costs that we incurred, primarily to facilitate the migration of our customers to primarily the fibre TV, and there were a bunch of promotional costs that we actually had to also offer our customers to incentivise them and motivate them to move to the fibre as well. So those costs were incurred and all the way in 2019, and since the migration has now been completed, those costs are no longer going to be incurred. There's also, as Peter mentioned, we used to lease the network, the HSE network from SingTel, and that was on a fixed cost model that we had to pay a certain sum on an annual basis.

That agreement ended at the end of FY2019 as well, and there's no further fixed cost payable in respect of that network. We have also fully depreciated that network at the end of FY2019 as well. Finally, on your question on Cybersecurity – typically, in the first quarter of the year, which is the government financial year end, which ends on 31 March, if you look at the Cybersecurity revenue, it's proportionately higher in the first quarter, and therefore the margins that flow through as a result of the relatively higher revenues are also higher in absolute terms. Therefore, in the second quarter, it tends to be slower, because it's the start of the new financial year for our government, and this is a trend that's consistent with prior years as well.

The Cybersecurity business is still continuing to invest in capability building, and it's still in the phase of build up at this juncture.

Paul Chew: Okay, thanks a lot for that. Thank you so much.

Operator: Thanks, Paul. We now take the last question from Varun.

Varun Ahuja: Yeah, hi. Thanks for the opportunity. I have also several questions. First, on the revenue side, enterprise business, especially on the managed services, can we get a little bit more clarity? Because this is one of the businesses which we expect to be a lot more resilient in this tough time, maybe potentially grow a little bit, but it seems to be a little bit weak? So how can we - a little bit more clarity on the nature of the business? How much is project driven, how much is on a recurring annuity base? And similarly, on the Cybersecurity side, how much of the revenues are project driven and more how much are annuity side? So some colour and how should we expect the growth in this segment under managed services and Cybersecurity? Number two, on the IT transformation side, is there any Opex also involved? I understand that there may be some Capex, but is there any operating expenses involved because of your engagement with PCCW Solutions?

Number three, on the fixed, you mentioned on one of the products that you're looking to launch with 5G is a fixed wireless access, and specifically, I heard the word consumer, but given understanding is Singapore is very well penetrated with fibre, so fixed wireless access may not be best. Just wanted to understand your thought process. Is it for some niche consumer segment that you're looking at, or is it some niche enterprise SME segment that you're looking

to launch this fixed wireless access? That will be a target segment. That's number three. I think that's all that I have right now.

Peter Kaliaropoulos: Thank you, Varun. Good questions. Let me talk a little bit about the last question first, fixed wireless access. It is not a major strategic thrust from us in the consumer market, but even in high density residential area, FWA in some other countries that have been rolled out appears to be working. So yes, we see it more of a niche offering, and we will explore the commercial aspects of it, because although there's a lot of fibre available, customers may have a choice, and for us, of course the economics will work and be more superior if we go FWA to a customer, assuming we can deliver the same quality of service, the same reliability, and at the right price point. Because we don't have to buy fibre from NLT. So commercially, we're very driven to find those niches, and even in the landscape of Singapore, we believe some of those niches do exist, and there'll be quite a bit of work underway from consumer technology to make sure that we can capture those niches, because the margins from us will be very, very superior.

In terms of the enterprise revenues, as I mentioned in my opening comment, what we're seeing is a slowdown of major projects by corporates and by governments and we're seeing delays in tenders, in issuing new tenders. Of course, we captured all that in our guidance going forward, but it is a fact. I think our traditional businesses, data services and voice services typically are affected by price erosion. Corporates sign one or two or three year contracts, and then when they come up for renewal, what we're seeing predominantly is not a loss of a customer base, but we're seeing revised pricing to repaying the customer.

So the enterprise for traditional services is suffering more from that type of pressure, but there are annuity revenues for the majority of the business. The managed services and one-off projects, that's the one that go tender, they're lower-margin projects, and we are seeing a slowdown on that. Cybersecurity is different, because there's a consultancy part to our Cybersecurity business, and then there's a delivery part, and then there's a managed service, monitoring [unclear]. So again, in Cybersecurity, we provide all three services, consultancy [inaudible]. But it is not the minority of revenues. It is the ongoing managed services that will provide annuity revenues.

We don't provide the breakdown of what is the annuity revenue and what is the one-off projects, but both traditional services and Cybersecurity services, the focus is to obtain managed services contracts and sign up long-term contracts for connectivity. Last comments, before I ask Dennis to comment a little bit on the IT transformation Opex, I forgot to mention that the fixed wireless access is also applicable to SMB. We do - we can serve SMB by 5G, because we don't have our own fibre access to SMBs. So it's a complementary service, and again, we've assumed that.

So Dennis, you probably want to provide some granularity about the IT transformation Opex.

Dennis Chia: Okay, Peter. Hi, Varun. Good morning. On the IT Opex, as shared earlier in terms of the IT Capex, the operating expenses there will be - short answer to your question is there are Opex involved in the transformation as well. However, just like the Capex, we would have otherwise incurred the operating expenses ourselves, if we would have done it as StarHub. So we believe that this partnership is something that we can actually accelerate the outcomes faster in the next 18 to 24 months as we embark on this journey, so we do not anticipate increases in the IT Capex or the IT Opex as a result of this initiative. In fact, actually, we are seeing savings through this collaboration.

Varun Ahuja: Thank you very much, and good luck for second half.

Peter Kaliaropoulos: Thank you.

Operator: Thank you, Varun. That's all the time we have today. Thank you, everybody, for joining us this morning. As always, please feel free to reach out to us if you have further questions. Until our next update call, stay safe and have a great day ahead.

Peter Kaliaropoulos: Thanks, everyone. Stay safe. Bye.

Dennis Chia: Bye.

Charlie Chan: Bye.

Female: Bye.

Chong Siew Loong: Bye.

Charlie Chan: Bye.

End of Transcript