

**Company:** StarHub  
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### Start of Transcript

Eric Loh: Good evening, ladies and gentlemen, and welcome to StarHub's third quarter 2016 results announcement. My name's Eric, and with me this evening we have the CEO, Tan Tong Hai, the CFO, Dennis Chia, the CMO, Howie Lau and the CCO, Kevin Lim, who will be walking you through the quarter's results.

Now, before we go into the presentation proper, if you want to ask a question later on, press star-one. If you want to withdraw your question, press star-two. Now, with that, let's welcome Tong Hai to give us some highlights of the quarter.

Tan Tong Hai: Thanks, Eric. I'm going to cover more of the year-to-date performance because this is the third quarter, and I will leave my team members to share more details about the quarter performance itself. So if you look at the financial in the overview, total revenue decreased 3%. Service revenue decreased 1%. EBITDA is stable, EBITDA margin at 33.8%. Net profit after tax decreased 1%.

Operationally, you see we have seen revenue growth in residential, broadband and enterprise fixed, subscriber growth in both pre and post-paid mobile and a low post-paid mobile churn rate of 0.9% maintained. If you take a look at the key financial highlights, if you take a look at the column on the right itself, you see that the total revenue in year to date is down by 3%. That is mainly due to less equipment sales. And service revenue is down 1%. You will notice that later on that it is mainly due to mobile as well as less pay TV subscribers.

EBITDA, almost flat. EBITDA margin year to date is 33.8%, above our guidance of 32%, and cash CapEx - cash CapEx payment is about S\$240 million. Percentage of CapEx to revenue is 13.6%, within our guidance of 13%. Free cash flow, S\$0.132, and net debt to EBITDA at 0.78 times. Take a look at the chart seven, which shows you the revenue contribution. If you look at the year-to-date performance, as what at the beginning I've shared that the revenue drop is mainly due to the drop in mobile, and that is mainly due to usage by both roaming, IDD and excess data usage. Pay TV dropped by 2.4%, mainly due to less subscribers, but we see healthy growth in broadband. This is our seventh consecutive quarter of growth in broadband and also steady growth of our enterprise fixed.

We have less equipment sales. You can see that about S\$37.8 million lower, 24% lower, and that resulted in less total revenue, because of less handset sales. If you take a look at chart eight, this shows you the revenue mix. Mobile is still our main contributor at 51.3%. The next in line is actually enterprise fixed at 16.6%, followed by pay TV, 16.1%, broadband, 9.2%, sale equipment only 6.8%.

Chart number nine shows you the hubbing scorecard. The number of hubbing households is now 769,000. It is lower than a year ago because there are less pay TV households that resulted in less hubbing households, but we have also seen a growth in the single-service households from 311,000 to 320,000. With this, I hand over to Dennis, who will cover the financial highlights. Dennis, over to you.

Dennis Chia: Thanks, Tong Hai. Moving on to slide number 11, on EBITDA, we had an EBITDA of S\$179 million for the quarter, compared to S\$199 million a year ago. This represented 32.8% of EBITDA margin compared to 35.7%. The lower EBITDA is due to the lower service revenue, as well as higher operating expenses during the quarter. For the nine months, we generated EBITDA of S\$554 million versus an EBITDA margin of S\$556 million and an EBITDA margin of 33.8%.

Moving over to slide number 12 and the cost of sales. Cost of sales for the quarter was S\$232 million compared to S\$236 million a year ago. The movements in the cost of sales components included lower traffic expenses as a result of lower domestic and international traffic volume, slightly higher cost of services as a result of higher volume of fixed services provided. Cost of equipment for the quarter was relatively flat, at S\$96 million [sic - see slides, S\$97 million]. For the nine months, the cost of sales was S\$679 million, compared to S\$748 million a year ago. This was largely represented by lower cost of equipment, so for the nine months period of the current year.

Moving on to slide number 13, on other operating expenses, for the quarter we were at S\$247 million compared to S\$248 million a year ago. For other operating expenses, we had lower marketing and promotion costs as a result of lower acquisition and re-contracting costs, as we continued to leverage off our data analytics capabilities. On the general and administrative costs, this was higher as a result of higher staff costs due to staff cost adjustments, as well as higher repair and maintenance costs for the quarter and a slightly higher allowance for doubtful debts during the quarter.

For the nine months period, the operating expenses were S\$754 million compared to S\$745 million a year ago. Moving on to net profit after tax, for the quarter it was at S\$86 million or S\$0.05 on an EPS basis, compared to S\$119 million. This was - if you exclude the impacts of the S\$15 million of gain from divestment of our interest in MediaHub that was recorded in the third quarter of 2015, the decline in net profit would have been 17.4%. For the nine months, net profit after tax was S\$287 million, or S\$0.167 per share, compared to S\$292 million a year ago.

On cash CapEx payments, for the quarter it was standing at S\$150 million compared to S\$67 million a year ago. This included an S\$80 million payment for spectrum, which was in respect of the 2013 award. Excluding the payment for the spectrum, the cash CapEx payments for the quarter would have been S\$70 million or 12% of revenue. For the nine months period, the total CapEx payment was S\$240 million, or 13.6% of revenue. Excluding the payment for spectrum, this would be 9.1% of revenue.

As a result of the relatively higher cash CapEx payments for the quarter, we generated S\$2 million of cash flow. Excluding the spectrum payment, this would have been S\$82 million or S\$0.047 per share. For the nine-month period, we generated S\$229 million of cash or S\$0.132 per fully diluted share. As of 30 September 2016, our cash balance stood at S\$432 million, and with that, I pass the floor over to Mr. Howie Lau, our Chief Marketing Officer.

Howie Lau: Thanks, Dennis. So I'll take you through the business highlights for mobile, TV, as well as the broadband. So if you jump to page 18, for the nine months of 2016 compared to the prior year, our total customer base of both a combination of pre and post-paid expanded by 98,000, and our post-paid ARPU remains stable at S\$70. If you go to the next level of details on page 19, you would see that we have added subscribers for both the pre-paid and the post-paid business.

On a quarter to quarter compared, we have added about 9,000 of post-paid and about 30,000 in the pre-paid. Moving to chart number 20, the quarter three mobile revenue compared to quarter two is due to the drop in roaming as well as IDD. The percentage of tiered data plan customers has gone up to 66.7%, as compared to 66.3% a quarter ago and 63.4% last year, the same period.

On page number 21, this is the mobile ARPU. Pre-paid quarter to quarter remains stable at S\$16. For the post-paid ARPU at quarter three we closed at S\$69, and on the nine months of the period, compared to last year, it remained stable at S\$70. The next page, 22, the percentage of post-paid non-voice services is now at 62.1%. We've also noted that the data usage per customer has gone up from the previous quarter of 3.3 GB to now 3.5 GB. The percentage of customers exceeding the data plans is at 25.7%, compared to a year ago, which was at about 22%. We have also noted a low post-paid market churn rate of 0.8%.

Let me now take you through the pay TV business. If you go to page number 24, period to period, compared to the nine months, revenue decreased by 2%, but we held ARPU steady at S\$51. The customer base has decreased by 35,000.

On page number 25, we ended this quarter with 507,000 subscribers. This decline is due to a continued availability of alternative viewing options by customers, as well as the lower OOC (out of contract) base. The churn rate is at 1%, similar to quarter two.

On page number 26, TV ARPU remains for the nine month period stable at S\$51, but as a result of the lower sub base, quarter three revenue is lower than quarter two. Now let me jump to broadband on page number 28. For the same period, revenue has increased by 10% and ARPU has increased S\$4 to S\$37. The customer base has decreased 2,000 as compared to the previous period. If you go to chart number 29, you will also note that on the quarter-to-quarter basis from Q2 to Q3, we've added 2,000 of additional subscribers and that the monthly churn rate has reduced to 1%.

Page number 30, as Tong Hai mentioned, we have booked our seventh consecutive quarter of increase in terms of quarterly revenue, and on the year-to-date basis, it's S\$162 million, as S\$148 million in the previous period last year. As a result of more customers adopting the higher-speed plans, we also see that the year-to-date ARPU is S\$37, which is S\$4 higher than the period last year of S\$33. So with that, let me pass over to Kevin, who will take us through the enterprise sector.

Kevin Lim: Thank you, Howie. I'm on slide 32. When we look at the enterprise fixed business for the year-to-date nine months of the year, year on year, data and Internet revenue was higher by 3%, while voice revenue was lower by 3%. Going to the next slide on slide 33, we'll see the absolute, so we ended the quarter at S\$98.4 million and this was lower year on year, contributed mainly by voice, right?

For the year to date, the overall revenue ended at S\$292.8 million, and this was higher versus the same period a year ago. Going to more details on the next slide, when we look at the voice revenue, we ended the quarter at S\$12.8 million. This was lower and, as mentioned, the lower IDD, international interconnect, as well as domestic voice, contributed to lower revenue for the nine months period, as well, ending at S\$39.6 million. However, when you look at the data and Internet revenue, although the quarter ended at S\$85.6 million, which was relatively flat, the nine months period saw an increase to S\$253.2 million, and this was contributed mainly by our managed services, IP-based services.

With that, I'll hand it back to Tong Hai for the outlook.

Tan Tong Hai: Thanks, Kevin. For the 2016 full-year outlook, revenue - we'll maintain service revenue to be about 2015's level. We will maintain EBITDA margin on service revenue at about 32%, maintain cash CapEx to be about 13% of total revenue. This excludes spectrum payments and dividend payout of S\$0.05 per share. We intend to maintain annual cash dividend of S\$0.20 per share for the financial year 2016.

Eric Loh: With that, we're going to open the floor to Q&A. Just a reminder here, if you want to ask a question, press star-one. If you want to withdraw your question, press star-two. First on the line, we're going to welcome Gopa from Nomura.

Gopa Kumar: (Nomura, Analyst) Thank you for the opportunity, a few questions from me. Firstly, on the mobile side, can you please help me understand the weakness in the revenues a bit more in terms of key reasons? Your data usage seems to have been pretty good, subscribers exceeding data bundles have gone up, so is the revenue weakness also due to any pricing pressures, apart from the whole IDD and roaming issues?

Second, your outlook is for flat service revenue this year, so do you think that the weakness in 3Q, especially in the mobile side on revenues is a one off? And would you expect improvement in the 4Q? That's for two questions.

Secondly, on the pay TV segment, the revenue decline has picked up, so what are your thoughts to stabilise the revenue here? Do you think that you would have to change in terms of your hubbing strategy? And lastly, in the fixed line segment, your cost of services seems to have gone up, but the fixed-line revenue hasn't seen any growth. Can you please help me understand this? Thank you.

Howie Lau: Okay, Gopa, this is Howie. You're right in that the mobile revenue decline is largely due to the decline in IDD and roaming. And that's just an industry trend that we see. We are happy to see that we continue to be able to add subscribers and the data usage continues to go up as well. In terms of the pay TV, we do recognise that customers still value the content, and for us it's about making sure that we package the right content and make it available and target the customers who would see value in watching it.

So we are using data very carefully to satisfy the customers and the type of content that they would value, so that we can approach them with the right value proposition.

Kevin Lim: This is Kevin. On the question on the fixed line in terms of the cost of service going up but the fixed line revenue not reflecting the growth, many of these services are project based, so it would have the upfront costs incurred, including infrastructure costs that will be incurred upfront. But what happens is that the revenue then is spread over a period throughout the contract. So we would normally recognise, we will have a cost upfront.

Dennis Chia: To add to that, as we migrate more customers to the NGNBN, we've got the variable cost of the migration of these customers to the fibre broadband.

Tan Tong Hai: And your comment about the outlook looked flat, well, it looks flat but there are different elements. If you look at it, we have growth in our broadband, growth in our enterprise fixed, but then the mobile drop, as Howie has explained, is mainly due to usage, and that roaming as well as IDD and pay TV due to higher out of contract base. As a result, we have lower subscriber base. Of course, there are other factors, like other viewing options.

We want to continue to drive margin through the growth in the mobile, because while you see the revenue drop, the margin is maintained, because it is outbound roaming revenue. It doesn't affect our margin that much. So we'll continue to drive margin through mobile, and the growth in enterprise, which is now our second-largest contributor, will also contribute to margin.

So we intend to drive margin through the growth in mobile, as well as the enterprise fixed. And that's how we are running it, though outwardly it may look relatively flat, but from a margin perspective, I think we're still working on growing the margin. In this way, we intend to drive the business forward.

Gopa Kumar: (Nomura, Analyst) Thank you. Sorry, just to clarify, my question was your expectation to maintain service revenue to be flat this year. So does it imply that the weakness that we have seen in this quarter, in third quarter, should be a one-off in revenues and in third quarter you should see revenue growth coming back to the business? Is that a fair assessment?

Tan Tong Hai: I think if you look at the usage part, yes, seasonally you see a higher roaming usage. But then year on year, you still can I would say match the year-on-year rate. So you do see in seasonally fourth quarter we have more festive promotion and all this to drive the business. And of course in the enterprise side, typically year end, the companies try to complete the projects. So that has always been the trending, but we are looking - as I say, guiding, we are sticking to our guidance of stable revenue, service revenue.

Eric Loh: Thank you, Gopa. Next, let's welcome Wei-Shi from BNP.

Wu Wei-Shi: (BNP, Analyst) Hi. Thanks very much. So I'd like to dig a little bit deeper into the mobile revenues, specifically on post-paid, so I noticed the ARPU was down relatively significantly this quarter, and I noted your comment about rising and IDD usage coming off. But I also wanted to check if there was any pressure from subscribers downtrading on the back of the data upside plans. And if that was the case, I just want to get management's thoughts

on whether there's the need of the Company and the industry in general to be so aggressive in your data offerings, given that clearly the increase in data revenues is not sufficient to offset the reduction in roaming and IDD for now.

Secondly, can you elaborate a little bit on the other expenses this quarter. That was up quite a lot on a year-on-year basis. Then finally, in terms of the cost of equipment, that was up quite significantly on a quarter-to-quarter basis, despite just a very small increase in equipment sales. Can we get some details around what was driving that? Thank you.

Howie Lau: Okay, Wei-Shi, this is Howie. Let me take the first question. The revenue impact is essentially due to the IDD and the roaming. What we do notice is that with the introduction of the Plus 3, there has been a good pickup, and the mix of our plans actually has remained very stable, so partly because we do see that customers continue to have a bigger diet of data requirements in their plans. But the revenue impact is as a result of IDD and roaming.

Obviously for us, we continue to keep a very close eye on all these trends in terms of data usage, IDD and others so that we can continue to adjust our plans as necessary. So currently we don't see that the offers that we put up there are overly aggressive.

Dennis Chia: Wei-Shi, this is Dennis. On your question on other expenses, there were three components of the movement or the variance between the year-on-year other expenses, one which is the mark-to-market impact of the fair value of financial instruments - in other words, our hedging contracts. Two, the catch up of licence fees and three, the increase in allowance for doubtful debts, as we had more corporate customers aging out their payments.

We have, however, no reason to believe that there are issues here, but we do this as a matter of prudence in accounting principles. The cost of equipment was slightly higher only in the quarter because of the higher broadband equipment - the handsets, in terms of the cost of equipment for the handsets is relatively flat, but the cost of equipment in relation to broadband was slightly high.

Wu Wei-Shi: (BNP Paribas, Analyst) Thanks. I'm just trying to get down to the relationship between the cost of equipment and the sales of equipment, because sales of equipment was only up marginally during the quarter in absolute terms but was up quite a lot in terms of cost of equipment. So was there an increase in maybe subsidies or the cost, the underlying cost of the equipment that was offered?

Dennis Chia: Yes, so insofar as cost of equipment is concerned, we recognise - so you're absolutely right. So as far as subsidised equipment being provided to customers, whether it's in relation to broadband, set-top boxes or whether it's the routers or whether it's handsets in relation to mobile, we recognise as a matter of accounting treatment as far as StarHub is concerned the cost of equipment sold upfront, so that's how we accounted for it up to date.

Tan Tong Hai: Also, if you look at this third quarter, the broadband, we have grown the fibre broadband, and of course we also have promotions with equipment, routers and all this, bundled in. Okay, so it is not just the handsets alone, so this quarter I would say - I will attribute also to the growth in the broadband CPE equipment.

Eric Loh: Thanks, Wei-Shi. Next is Roshan from Bank of America.

Roshan: (Bank of America, Analyst) Hi. Thanks for the opportunity. Two questions. First on mobile, is it possible to get a sense of how much voice IDD and roaming contribute in total? And in terms of a timeframe, when do you see stability or uptrend in mobile revenue, looking ahead?

The second is pay TV subscriber losses, it seems to be accelerating. What's driving this? And if I look at the price point or the ARPU, it's reasonably stable at S\$51. Is this sustainable, particularly when customers have alternative OTT-based services? So is a meaningful downside risk to current ARPUs not there? And if not, how do you see - how do you hope to defend this kind of pricing on pay TV? Thank you.

Howie Lau: Okay, thanks, Roshan. The pay TV side, we observe a couple of factors. One is that the OOC, the out of contract base for quarter three was large. But at the same time, we also do recognise that the customers have many other alternative viewing options out in the market, and those options continue to be widely available and in fact increase in options.

So as we go ahead, there's a couple of things that we stay very focused on. That one, there will be a group of customers that continue to see a lot of strong value in the pay TV proposition. And that's the reason why we're able to maintain the ARPU at S\$51. At the same time, we also find that there are certain customers that will prefer a more on-the-go type of offering, and that's where we have the StarHub Go offering.

We have also announced that we will have BBC Player available. We have also made an announcement that we are partnering with Netflix, so for us, it's very clear that while we see the shifting consumption patterns of customers, it's important for us to make sure that we have different offerings that meets their needs. So we note that there is a decline in subs on the pay TV side, but at the same time, the actions we're taking hopefully will continue to address some of the customers' requirements as the consumption pattern shifts.

Dennis Chia: Referring on your question of percentage of revenues contributed by voice, what we do disclose is an approximate percentage contributed by voice versus non-voice. It's approximately about 40% contributed by voice. We don't disclose the IDD separately. However, we can tell you that the IDD revenues do not constitute a significant portion of mobile revenues. On roaming, we also do not disclose that separately, but that is also not a significant portion of our total mobile revenue.

Roshan: (Bank of America, Analyst) Okay, thanks for that. Just on the TV, could you give some colour if the subscriber losses are predominantly driven by OOC or due to customers switching to other options? And just some thoughts on the medium-term thoughts on the TV pricing or ARPU, are you comfortable with maintaining these kind of price points over the next two to three years? And on the second response, mobile, any sort of sense of when we can see some sort of stability in mobile revenue? And in terms of timeframe, I meant.

Howie Lau: Sure, let me just touch a bit on the pay TV side. It is a combination of both the customers who are out of contract as well as the availability of alternative viewing options, so both have contributing factors to the lower subscriber base. We do recognise that continued work in terms of the type of pricing and content is going to be key for us, because we do recognise that customers have very different types of requests for content. So our focus is making sure that the high-ARPU customers continue to stay with StarHub, at the same time make sure that there are other options available. For example, if you are always on the go, you can subscribe to StarHub Go S\$9.90, which is a lower-price option.

Tan Tong Hai: With regards to the mobile, if you're asking when can we - kind of like you're seeing a downward trend because of the drop in usage, just on average, we see growth in subscription revenue. Subscription revenue on the whole is improving. It's just that the usage revenue has dropped, and the usage, although we have added on more what we call either you can buy more data and all those, it's data buying is still not enough to cover for the drop in the roaming.

Now, this is a trend that we see across all telcos, but what you see eventually, it will stabilise. But at this moment, we are still seeing the downward trend. Wei-Shi also just now asked about questions about are we being too aggressive in all this Plus 3 and all the data that we are giving? I think maybe offer this as an add-on service. They are buying it on a recurring basis, so once they buy it on a recurring basis, actually it adds on to their usage, rather than we count on them to exceed data usage occasionally.

In a way, if they buy this kind of data plans, it's actually good for us because they are taking it on a recurring basis. So at this moment, of course, there's pretty aggressive promotion, and we do see that and we have to be competitive. But

what I would like to say is you noticed our churn rate has been kept low. That is something you need to notice at this 0.8%, and we are growing our subscriber base.

The competitiveness part is something we have to make sure that we are on par, but I think from a health status perspective, growth in data subscriber base, low churn rate, that's something you need to acknowledge.

Eric Loh: All right, next, it's Rama from Daiwa.

Ramakrishna Maruvada: (Daiwa Securities, Analyst) Hi, good evening. A couple of questions from me, please. Firstly, with regards to the cost side, could you comment on your traffic as well as the operating leases? I know that operating leases, you said there are adjustments. I'm wondering whether is it for the third quarter or are they primarily in the first half? The second one is with regards to your content costs. When do you expect content costs - you have actually pulled back from pay TV channels. Wondering when these cost savings would actually filter through and what would be the rough magnitude you expect?

Finally, with regards to your IDA grants, could you update on how much grants you have already recognised and more importantly, is there anything left to be recognised, either on a cash or on an accounting basis? Thank you.

Dennis Chia: Okay, Rama, this is Dennis. I'll take your two questions on operating leases and on the grants. On operating leases, there were adjustments both in 2015 and in 2016. If you back off those adjustments made in the period, the operating lease number would be on a normalised basis higher by 2% for the third quarter on a year-on-year basis and 1% on a year-on-year basis for the nine months. That's backing off the adjustments, okay.

For the grants, we have advised that the grants would be recognised on the cash basis as and when we get the cash from the regulators. So this would be on the number of subscribers that we migrate to the required fibre on both the residential and non-residential. We can advise that we are at the tail end of receiving those grants, so that's where we are on the grants, yes.

Howie Lau: Rama, on the content costs, a couple of things. One is that our pay TV business, we're very focused on making sure that we run it with an eye on profitability. We make sure that the cost effectiveness and efficiency is there. So a couple of factors - one is obviously the different content to be up for renewal at different periods, and as we come up for renewal for each of this, we use a lot of the data analytics internally based on viewer pattern analysis to make sure that we buy the relevant content at the most efficient cost. So content cost is a continued focus area, but it's a function of the renewal date, as well as the contribution to the overall pay TV profitability.

Ramakrishna Maruvada: (Daiwa Securities, Analyst) Yes, if I can follow up on the operating leases. I understand the commentary, but it's a little bit difficult to back out two years, so could you just give some clarity on what the sustainable lease rate would be? Is 3Q this quarter a recurring run rate, or were there any adjustments made this quarter as well?

Dennis Chia: There were adjustments made in the quarter. So as the recurring run rate, you can use the nine-months lease number, operating lease number, which is about 1% higher than last year as the reference.

Eric Loh: Piyush from HSBC, you have a question for us.

Piyush Choudhary: (HSBC, Analyst) Yes, hi. Good evening. Thanks a lot for the opportunity. Two questions. Firstly, on the post-paid segment, could you help us understand what percentage of your subscribers would have migrated to the Plus 3 plan? And are you seeing any subscribers moving down to a lower monthly contract at the time of re-contracting?

Secondly, on the CapEx, in the nine months, our CapEx to sales is at 9%, so are we expecting any lump-sum cash payment in fourth quarter, which has led to maintain the CapEx guidance at 13%?

Howie Lau: Piyush, this is Howie. On the take up of the Plus 3 plan, I think for the case you have used that the take up has been healthy and very welcome by the customers, but I don't think we can give you the breakdown. In fact, we're also happy to share that due to the popularity of the plan, we also have offered it to youth and NSFs. If they sign up for 24 months, then we offer this free because the youth and the NSFs, typically they use a lot of data as well. So it's - we're very encouraged by the take up and this is an area we'll continue to focus on. I missed the second part of your question regarding post-paid, if you could repeat it a bit.

Piyush Choudhary: (HSBC, Analyst) No, it was more due to this Plus 3, like when we have subscribers are recontracting, are they moving to a lower monthly contract plan because they have a higher data allowance due to the Plus 3?

Howie Lau: No, we're actually seeing a very nice stability in terms of the mix. I think that points to the fact that all of us as customers are using a lot more data in our daily lives. So we see a continued sustaining of the mix that we have. So no downgrading.

Dennis Chia: On the question of CapEx, no, there is no lump-sum payment that has been scheduled for Q4. However, this is in accordance to payment terms for CapEx payables, as per normal based on the negotiated payment terms with our vendors. So this is just a reflection of the timing of the payments that we need to make in Q4.

Piyush Choudhary: (HSBC, Analyst) Okay. The reason I asked was is there a probability that this could be significantly lower, because our run rate was still at 9% of revenue?

Dennis Chia: My answer to you would be no.

Tan Tong Hai: Piyush, we also look at not just reserve CapEx and excess CapEx. Next year, remember we have a spectrum auction and all this, so take that into consideration, the overall payments. So this year, we have guided the 13%, and I believe that there are activities that we are seeing not just this year and next year, and across this two years, we think that the CapEx will be around this level.

Eric Loh: Okay, moving across the causeway, [Prem from Macquarie.

Prem Jearajasingam: (Macquarie, Analyst) Hi. Good evening, gentlemen, and thank you for the opportunity. Two questions from me, largely on pay TV. First of all, to what extent is piracy having an impact on the subscriber churn numbers that we are seeing? Because we've seen that in some of the other markets, and to what extent is that happening in Singapore, and is there any way we can stem that, or is it something that we just have to expect as the norm?

And then following on from that, from a content cost perspective, I do appreciate you are able to go out and get lower contract prices, et cetera, on content. But what about changing the model and should we look at using some of the existing OTT service providers as the new platform rather than going and investing in content if we can't make money on it?

Howie Lau: Okay, thanks, Prem. It's Howie again. The alternative viewing options are there. Obviously, besides the OTT options, there would be also illegal options that would be out there. We have been working very closely with our content partners where possible to take relevant actions against some of these providers, and this is something that we will continue to do, because it's important for us to also redirect customers to the valid options and the bona fide options that is available in the market, whether it's on the pay TV platform or an OTT platform.



So as mentioned earlier, that's the reason why we make sure that for beyond the pay TV option, we make sure that we promote the StarHub Go option, the BBC Player, we promote the Netflix, we promote the HBO options and all this, to give customers the variety. In terms of content costs, it's a good question, because at the same time, while we look at using data to look at how best to optimise the content renewals, we're also looking for new content that potentially would bring value to the customers and then for us to be able to monetise.

So you may have read that we've recently announced a partnership with Astro to bring TV commerce into Singapore. This is a proven model that has worked in Malaysia by Astro. And in partnership with Astro, we said that given that it's been proven, let's bring it to the Singapore customers and look for ways to be able to monetise it as well. So you're absolutely right. We don't just look at a traditional content. We look across and say what are customers consuming? What should we bring based on the data of viewing patterns we see, and then we look at opportunities to monetise.

Eric Loh: Thanks, Prem. Next, let's welcome Goldman Sachs.

June Supapannachart: (Goldman Sachs, Analyst) Hello. Hi. Thank you for the time. Just a few questions from us. Firstly, in terms of SIM only plans, could you be able to share with us in terms of take up and possibly whether you still see the plans as being relatively neutral on your EBITDA? Secondly, in terms of broadband, so you've seen pretty solid growth in the past few quarters.

I'm just wondering where you think growth will come on from here on out, so like subscribers, whether you think penetration might increase or whether you think you might be able to increase ARPUs from here on out. And then lastly, in terms of marketing expenses, I think you mentioned that they came down largely as a subscriber re-acquisition costs and recontracting costs came down due to data analytics. So just wondering whether you think that this cost could trend down further or whether you think it will remain more flat here on out. Thank you.

Howie Lau: Okay. Hey, June. Thanks for the questions. This is Howie. On the SIM only, we see that the majority of our customers still prefer the traditional plans, the subscription plans for the phones. So the take-up for SIM only continues to be relatively stable ever since the launch. On the broadband side, I think you may have seen that from a fibre standpoint, the take up has gone from the previous quarter at 328,000 up to 351,000. At the same time, the increase in ARPU as compared to last year, this was largely because we see more customers taking up higher speed plans, as well.

So we do see that from a plan standpoint, there will be continued interest by customers to take the different kind of plans available, and at the same time, we also recognise that customers still see a lot of strong value in hubbing. So beyond the traditional hubbing of a home hub, where we put TV and broadband together, we've also introduced a new hubbing plan last quarter, which is SurfHub, which is a combination of mobile as well as broadband. So this caters to customers who look for seamless connectivity.

So we find that the broadband side, connectivity has become essentially for our customers here, so it's just about making sure that the different options that customers will value are available. And in terms of marketing expense, what we've done increasingly so is to make sure that we leverage the data that we have on our customers so that we can get a lot more targeted. That allows us to optimise our marketing dollars, but at the same time, we do recognise that the - while we use the data to target our customers, there is a continued focus on making sure that the balance of the spend across the different mediums continues to be there as well. So we will continue to find ways to optimise the marketing spend.

Eric Loh: Next on the line is Navin from UBS.

Navin Killa: (UBS, Analyst) Hi. Thank you for the opportunity. I had three questions. First, just wanted to confirm your CapEx guidance as a percentage of revenue excludes spectrum payments, if you can confirm that? The second

question was any update on the fourth potential entrant in the mobile space? It looks like the IDA has taken a little bit longer to pre-qualify. Anything you can add there?

Then the last question I had was on your dividends, so if you look at your S\$0.20 per share, obviously that number is exceeding your free cash flow numbers, and then going forward starting I guess 2017, the NBN grants will also stop. Are you comfortable maintaining this number over the next two to three years, or do you think it might make sense to bring it down and link it to free cash flows and earnings, I guess from a sustainability perspective? Thank you.

Dennis Chia: Navin, this is Dennis. I'll take your two questions on CapEx, and the simple answer to your question is yes. It excludes - that 13% excludes the spectrum payment, so this is for the CapEx. So in question, in dividends, we guide to dividends for the current year, and we have guided that we will maintain S\$0.20 dividend for the current year. We have also always guided the market that we will pay dividends on a sustainable basis based on cash flows that we can generate on a sustainable trend, and so this is something that we will continue to look to guide dividend payments in the subsequent years.

Tan Tong Hai: In regards to your question on the fourth operator, this is the second extension of 20 days. We had one earlier, and I think that is as much as we know, because the regulator is quite tight lipped about this, because there are many factors for them to consider. So this is not simple, so I would - I think we know as much as they do, as what they are sharing.

Eric Loh: Thank you. Next, we have a question from Channel NewsAsia, Calvin.

Calvin Hui: (Channel NewsAsia, Reporter) Hi, Calvin here from Channel NewsAsia. Just wondering if you might be able to provide an update on the broadband disruptions and specifically how many homes were affected and any impact on revenue.

Tan Tong Hai: Calvin, we can't share with you how many homes were affected, but just want to share with you that this affected our consumers - our home broadband and is only intermittent for some subscribers, because of the DDOS attack. We can't share with you the details about how many homes were affected, but we are helping these homeowners. Just to share with you, we actually ran the extra mile to give them routers and all this to help them to make sure that their devices are all back and working well. As of now, I would say we have managed it as best as we can.

Calvin Hui: (Channel NewsAsia, Reporter) Any plans for preventive measures going forward?

Tan Tong Hai: Well if you look at what we have done so far, we were able to handle this, the situation, because we have actually increased our server capacity, so this is the current situation, I don't think anybody can say that they are fully prepared, everything is all there. Because every one of us had this - of course a breach or been attacked, but so far we have been able to ensure that we are back and up and be able to fend off the attack.

Calvin Hui: (Channel NewsAsia, Reporter) And finally, any impact on - sorry, any impact on

Tan Tong Hai: Are you asking whether they impact our revenue or not. Certainly I think if you look at it, from what had been covered, there were many concerns, but we have been assuring our customers that this doesn't affect our enterprise business. Our enterprise business is well defended. Our mobile is also okay. It only affected some of our home broadband users, but it's intermittent. It's not like it's completely out. We were able to increase capacity, divert all those traffics in order to ensure that it is back to shape.

Eric Loh: Thanks. Thank you. Next is Credit Suisse, Varun.

Varun Ahuja: (Credit Suisse, Analyst) Yes, hi. Thanks for the opportunity. I've got three questions. Number one, Singtel has launched DataX3 plan last month, so just wanted to check generally it's very uncharacteristic of other two not to respond. So just wanted to know the thought process of not responding to Singtel's DataX3 plan, where they're tripling the data lines. Are you look at the market per se to measure your response, or do you think that plan is not having an impact on you?

Number two, on the grant side, I understand that you mentioned that it's at the tail end, but is there any hard deadline date beyond which IDA will not accept any of the grants that you put forward to IDA? And lastly, on pay TV, I just wanted to check your thoughts. There's a lot of - as you mentioned, you can call it IPTV boxes which are available in many, many of the malls or IT shows. Have you kind of raised it with the IDA, are all these a legal means?

So just wanted to understand how the regulator will be looking at these things. Thank you.

Howie Lau: Okay, thanks, Varun. This is Howie. I'll take your two questions on data as well as pay TV. On the data side, I think first of all we know that customers are using more data. So we what we have launched, as mentioned earlier in September, is our SurfHub offering. So what we have offered in that package is exactly a combination of three choices where they go in 12 GB, 15 GB or 24 GB. So for customers who essentially look for seamless connectivity across broadband and mobility, in fact, we've gone out to offer this very exciting package of 12 to 24 GB for customers to choose from.

On the data, Plus 3, besides offering it to new customers, we've actually also extended it to existing customers, and similarly the pickup has also been very positive. On the pay TV side, I think in terms of working with the different stakeholders, whether it's government or the content partners, we continue to do that, so it's not just us working in isolation. We work closely with the content partners as well as the regulators to address some of the concerns around pirating.

Dennis Chia: On your question on grants, the official expiry of the grants on the residential migration was at the end of last year. As we say - as we have guided, we recognise grants as and when the IDA actually -- or now the IMDA approves our grant submissions. So it is therefore still on. The grants in respect of the non-residential migration will continue until 2018.

Eric Loh: Right now, we have time - we have time for two more callers. The next one is going to come from CIMB, Foong.

Foong Choong Chen: (CIMB, Analyst) Yes, hi. Thanks for the call. Two questions from me. Firstly, on the broadband business, the ARPU seems to be quite steady Q on Q in the third quarter and compared to how it's climbed over the past four quarters, so I just wanted to get some sense as to the trend of subscribers upgrading to higher-speed packages. Is that - do you still see that happening quite a lot in the market? And how is competition in the broadband market these days, and do you still expect the ARPUs to be going up in the coming quarters?

And then my second question, on the enterprise space, the data and Internet revenue appears to be flat around the S\$85 million level over the last five quarters. Any colour there as to why we're seeing that trend and do you expect growth to resume in the coming quarters and when should we see that inflection point? Thank you.

Howie Lau: Okay, Foong. This is Howie. Let me take the question regarding broadband. I think broadband, the market continues to be competitive. I think in Singapore, we always see a lot of competitive offers in the broadband space. I think we're unique as a provider in that besides offering the fibre plans that's available, we're the only provider that also provides cable, because there will be some homes and some places that doesn't allow fibre, it's inconvenient to fibre. So we also make that available to our customers.

And at the same time, we want to make sure that there are some customers who look for different hubbing propositions, and we make that available as well. So I think for us, competition in the market from both ends is a given, so it's just basically about making sure that every one of our packages continued to be attractive to our customers. We're unable to give a whole view in terms of what ARPU will look like, but certainly it's in our interest to continue being able to drive growth in this space.

Kevin Lim: Foong, this is Kevin. On your question on the data Internet business, this particular segment - this particular business is made up of multiple things, including a lot of our leased circuits, as well as the managed services and Internet services. So the trend is that towards the end of the year, where we complete most of the projects, the revenue is recognised, so sometimes it's just a timing.

But we are also facing some price erosion in terms of some of the types of products out there. So give and take, but at the end of the day, if you look at the year-to-date number, which is more reflective, you can see that there is still steady growth in the business year on year.

Eric Loh: Okay, the last caller for this evening is going to be Srini from Deutsche Bank.

Srini Rao: (Deutsche Bank, Analyst) Hi, thank you very much. This is Srini here. My question is on the mobile and on the consumer environment here. We have seen the overall consumption environment being quite weak domestically. Are you seeing any signs of that on your domestic revenues, specifically in mobile? Because of your fall in your top line driven by roaming, it's hard to make that out. But any commentary on how the mobile revenues are trending ex of that would be very helpful. That is my first question.

On the second question, on your enterprise business, and I can go back to someone who asked, given that Singtel is so dominant, one would expect a slightly higher acceleration in the revenues considering StarHub is coming from a fairly low base. What are the challenges you are facing?

Eric Loh: Hi, Srini, we lost you there. Hi, Srini? Okay.

Unidentified Company Representative: His line dropped.

Eric Loh: Srini, what we'll do is we'll catch up with you offline. In the meantime, thank you very much, ladies and gentlemen, for joining us this evening. We look forward to speaking with you again in the next quarter. Goodnight.

**End of Transcript**