MEDIA RELEASE

StarHub 4Q2019 Profit Grows 115.6% to S$33.3M; Reports S$178.6M Profit for FY2019
- Sustained double-digit growth from Enterprise and Cybersecurity operations
- Stabilised Consumer business revenues on quarterly basis
- Final dividend declared at 2.25 cents for 4Q2019 and 9.0 cents for FY2019

Singapore, 20 February 2020 – StarHub today announced its unaudited consolidated results for the quarter (“4Q”) and full year (“FY”) ended 31 December 2019, reporting a 115.6% growth in net profit for 4Q2019 to S$33.3 million compared to the corresponding period a year ago. FY2019 profit was S$178.6 million, 10.9% lower than FY2018, while full year total revenue was S$2.33 billion, reflecting a 1.3% year-on-year (“YoY”) decline.

Commenting on the results, StarHub’s Chief Executive, Mr Peter Kaliaropoulos, said, “FY2019 was the first year of our DARE transformation programme. We diversified and consolidated our cybersecurity and cryptography business, migrated our entire Pay TV customer base to fibre, re-energised our innovative and challenger brand via the “Hello Change” initiatives delivering simplicity and better value to customers, focused on improving customer experience and delivered better efficiencies from our operations.”

“Despite ever increasing competition, our Consumer business has stabilised its quarter-on-quarter revenues for the first time following years of decline. Meanwhile, our Enterprise business continues to register double-digit growth, and our Managed Services segment achieved over S$100 million in revenue for the first time.”

“Our strong customer focus, innovative solutions and desire to improve efficiencies resulted in a strong performance for our core business despite a 1.3% decline in Total Revenue. Excluding about S$22 million in losses from our cybersecurity business, profit from operations would have improved by 1.6% in FY2019 to S$278 million compared to S$273 million in FY2018.”

“In FY2019 we pursued a disciplined approach to capital management and delivered a lower 7.5% capex-to-revenue ratio and a 50% improvement in free cash flow to S$219 million. Our FY2019 net debt to EBITDA ratio remains healthy at 1.51x. We are now in a stronger position to invest in growth and diversify our business, including a 5G network in Singapore and pursuing new M&A opportunities for inorganic growth.”

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1 Refers to 4Q2019 vs 3Q2019
Against prior guidance for FY2019, Service EBITDA margin and dividend per share were within expectations at 31.7% and 2.25 cents per quarter, respectively. FY2019 Service Revenue slid 3.7%, exceeding the guided 2% to 3% YoY decline, mainly due to lower consumer revenues offset by improved enterprise performance.

Capex commitment for FY2019 was 7.5% of total revenue, better than the guided 8% to 9% of total revenue. YoY, operating expenses declined S$26.3 million or 4.5% in 4Q2019 to S$563.8 million and S$3.9 million or 0.2% in FY2019 to S$2,085.8 million. Excluding cybersecurity expenses, operating expenses declined 6.0% in 4Q2019 to S$511.7 compared to 4Q2018 and 4.6% in FY2019 to S$1,916.3 million from a year ago.

On its balance sheet, StarHub’s free cash flow improved 50.5% to S$218.6 million in FY2019 compared to S$145.3 million in FY2018. Its net debt to EBITDA ratio lowered to 1.51x in FY2019 compared to 1.52x in FY2018 as the Group continues to employ a disciplined approach to capital management.

**Business Highlights**

**Mobile**

The mobile business recorded a 1.8% and 7.2% YoY decline in segment revenue for 4Q2019 and FY2019 to S$190.9 million and S$765.5 million, respectively. Postpaid ARPU of S$40 in FY2019 was lower compared to S$43 in FY2018 while postpaid subscribers grew to 1.5 million from 1.4 million across the same comparative periods.

Quarter on quarter ("QoQ")\(^2\), the mobile segment has seen signs of stabilisation, with postpaid ARPU rising to S$40 in 4Q2019 compared to S$39 in the preceding quarter ("3Q2019"), coupled with a rise in postpaid subscribers to 1.5 million from 1.4 million. This also contributed to a rise in segment revenue to S$190.9 million in 4Q2019 from S$190.0 million in 3Q2019.

Prepaid ARPU YoY and QoQ\(^2\) remains stable at S$13, while the prepaid subscriber base continues to reduce in line with the growing trend of prepaid customers switching to SIM-only postpaid plans.

To navigate the challenging market, the Hello Change plans that enhances flexibility and simplicity for consumers recorded a 130% YoY increase in NPS, indicating a vast improvement in customer experience. gigal, which allows StarHub to remain nimble in this dynamic market, continues to record growth in its subscriber base and achieved a record-high NPS for its end-to-end digital experience.

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\(^2\) Refers to 4Q2019 vs 3Q2019
Pay TV & Broadband

Both segments were impacted in FY2019 by the cable-to-fibre migration that had caused higher churn and lower ARPUs due to related promotions to incentivise customers to migrate. Pay TV recorded a 20.3% decline in FY2019 revenue of S$248.0 million due to a lower ARPU of S$44 in FY2019 compared to S$50 in FY2018 and a decline in subscriber base of 329,000 from 409,000 across the same periods. Similarly, broadband revenue declined 5.1% to S$176.4 million on lower ARPU of S$29 in FY2019 compared to S$32 in FY2018, despite a YoY increase in subscriber base to 501,000 from 482,000 in FY2018.

With the completion of the migration, and remaining cable customers churned in 4Q2019, both segments are seeing signs of stabilisation. QoQ², Pay TV’s ARPU recovered to S$42 in 4Q2019 from S$40 in 3Q2019, and the average monthly churn rate lowered to 0.7% in 4Q2019 from 2.2% in 3Q2019 and 1.4% in 4Q2018. Broadband’s ARPU remained steady at S$27 while average monthly churn rate declined to 0.5% in 4Q2019 compared to 0.9% in 3Q2019 and 0.8% in 4Q2018.

The Pay TV business is in the midst of renegotiating contracts with content partners, shifting towards a variable cost structure. It is also reviewing the way customers consume content as it moves towards an OTT model. The new simplified “Hello Change” TV plans launched in 2Q2019 and the all-in-one Go Max OTT pack launched in September has seen a strong uptake and improved NPS.

Meanwhile, the broadband business plans to launch more innovative and differentiated offers targeted at the niche gaming segment as it explores more opportunities to enhance customers’ broadband experiences.

Enterprise

Enterprise segment revenue rose 6.3% YoY in 4Q2019 to S$155.3 million and 12.6% in FY2019 to S$575.2 million, lifted by higher revenues from cybersecurity and managed services. There were lower contributions from voice and internet services and domestic leased circuits that are facing pricing pressures.

The burgeoning Managed Services business contributed S$111.2 million in FY2019, a 12.6% rise from S$98.8 million in FY2018. This marks the segment crossing the S$100 million mark for the first time, as it sees higher demand for cloud, cryptograhic and digital security solutions.

Riding on an increased need for enterprises to continue upgrading their network as they adopt cloud services as part of their digitisation journey, StarHub expects its traditional telco services to remain stable. Meanwhile, it seeks to grow the Managed Services business and drive higher adoption for emerging technology such as data analytics, internet of things and data centre-related services.

Cybersecurity revenue rose 79.1% to S$145.7 million in FY2019 from S$81.3 million in FY2018 as a result of the first-year consolidation of Ensign’s results and higher business demand.
Maintaining a long-term view and investing in its future growth, Ensign incurred higher expenses due to initial investments in human capital and R&D that had resulted in a loss recorded for the cybersecurity segment in FY2019. Having established a strong foundation, Ensign seeks to aggressively lift its strong topline growth trajectory to expand its market share and improve profitability as it rides on an increasing awareness of cybersecurity needs amongst enterprises.

**Active 5G Role**

StarHub had on 17 February 2020 jointly submitted a bid with M1 to the regulator for one of two nationwide 5G standalone networks. The Group believes a shared network will encourage more innovative solutions resulting from lower network costs.

While the regulator is expected to award the licenses by mid-2020, StarHub continues to play an active role in 5G, participating in industry events and active trials with ecosystem partners for focus areas such as Industry 4.0, healthcare, retail, amongst many others.

**Pursuing Diversification & Inorganic Growth**

StarHub intends to seek opportunities to diversify revenue streams and geographical presence through synergistic and accretive M&As that will bolster its suite of capabilities and strengthen its value proposition as an end-to-end provider of innovative digital solutions.

**FY2020 Guidance & Dividend**

Based on current business conditions, and in consideration of possible COVID-19 impact, StarHub expects a 1% to 3% YoY rise in service revenue in FY2020, lifted by higher contributions from the cybersecurity business, offset by lower Mobile and Pay TV revenues. FY2020 Service EBITDA margin is expected to be at 27% to 29% due to a change in revenue mix.

Excluding spectrum and 5G capex, StarHub expects capex commitment to be between 6% and 7% of total revenue as it continues to carefully manage capex investments and optimise operations through digitisation and process simplification to stabilise and improve margins.

StarHub is committed to its dividend policy to pay out at least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items), payable on a semi-annual basis. Taking into consideration short-to-mid term cash flow requirements, as well as results reaped from the ongoing business transformation initiatives, StarHub intends to maintain a dividend per share of 9.0 cents for FY2020.

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*For more details on the Group’s performance for FY2019, please visit [http://ir.starhub.com/](http://ir.starhub.com/). Other materials available on StarHub’s investor relations website include the investor presentation, announcement of the unaudited results for FY2019, as well as the audio webcast archive to be made available after 21 February 2020.*
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About StarHub

StarHub is a leading homegrown Singapore company that delivers world-class communications, entertainment and digital solutions. With our extensive fibre and wireless infrastructure and global partnerships, we bring to people, homes and enterprises quality mobile and fixed services, a broad suite of premium content, and a diverse range of communication solutions. We develop and deliver to corporate and government clients solutions incorporating artificial intelligence, cyber security, data analytics, Internet of Things and robotics. We are committed to conducting our business in a sustainable and environmentally responsible manner. Launched in 2000 and listed on the Singapore Exchange mainboard since 2004, StarHub is a component stock of the SGX Sustainability Leaders Index and the SGX Sustainability Leaders Enhanced Index. Find us at www.starhub.com, or connect with us on Facebook, Instagram, LinkedIn, Twitter and YouTube.