

**IN DISCUSSION WITH  
SENIOR EXECUTIVES**



# CHIEF EXECUTIVE

Peter Kaliaropoulos



StarHub believes that using communications services at home and in the office should be simple, easy and affordable.



**Please share your expectations and aspirations for StarHub three to five years from now, and the active steps taken to achieve this.**



As I reflect over the last 20 years since StarHub's entry into the market, technological innovation and elevated customer expectations have been the driving force impacting and transforming the way we operate.

Fixed and wireless; fast and secure communications delivering information; entertainment; cybersecurity; and an abundance of applications have positively improved personal lives and reshaped many industries in Singapore and globally.

Our industry has created a culture of instant gratification for consumers based on exchanging real-time information via one's fingertips or voice commands, transcending individuals' expectations and immersing them into new experiences; augmenting reality today with the benefits of the virtual world that is only a click away.

Businesses are bracing themselves for further disruption and new business models. Machine-to-machine communications complementing personal communications will create new business opportunities and efficiencies whilst disrupting the current operating models. Data Analytics and Artificial Intelligence will be the new norm for businesses of any size hoping to understand customers' behaviour to deliver better services and products by improving its own competitive advantage.

In the next few years, the pace of change and disruption, which underpins the ongoing evolution of our industry, will continue unabated. StarHub, confronted by and contributing to technological disruption, has the opportunity to create a better pathway for a brighter future.

StarHub believes that using communications services at home and in the office should be simple, easy and affordable. Inspiring our customers to embrace digital transformation should result in increased personal satisfaction, an improved business operation and an advanced society.

In the last 12 months, we have initiated our DARE transformation strategy to drive improvements in customer experiences, better efficiencies, invest in growth opportunities, re-energise our culture and introduce digital transformation of our own core business. There is an ongoing list of initiatives to make our business more relevant to our customers in the fiercely competitive Singapore market.

Over the next few years, our challenger spirit will drive us to identify business opportunities from adjacent segments to our traditional pure communications, across regional geographies. We are acutely aware that we require a solid foundation – strong capabilities and results – as we pursue new investments and growth opportunities.

Additional effort and focus will be spent exploring and leveraging technological innovation, and delivery of asset-light services to new market segments – especially for small enterprise clients and major customers. We will concurrently optimise cash flows from our consumer operations and make new investments through M&A to increase our operating footprint and introduce diversification of operations and services.

Over the horizon, I envision that StarHub will continue to be a great customer experience-driven brand in Singapore and a fully-integrated solutions provider to enterprise customers. We will invest in our 5G network and related applications, and diversify into regional markets delivering cybersecurity services, systems integration and enterprise ICT solutions.

Key ingredients to ensure our vision becomes a reality depends on our challenger spirit and employee engagement to drive innovation in everything we do, to serve customers with pride and delighting them wherever they may be located.

We have started our efforts to deliver the vision for the future.

Having identified the necessity of protecting businesses in a digital economy, and the gap in our suite of capabilities, we are growing our cybersecurity business into one of the region's largest pure-play cybersecurity companies with integrated capabilities from managed security services to cryptography. Today, Ensign's business spans Singapore, Hong Kong, Malaysia, Brunei, Myanmar and Thailand, and it will continue to expand its presence across Asia as it seeks to aggressively pursue topline growth and improve profitability.

We have submitted a joint bid to build a nationwide, advanced 5G network to allow new use cases for consumers and enterprises in Singapore in the emerging, hyperconnected, smart nation of the future. While multiple machine-to-machine communications can be supported by our network today, its proliferation will require the support of a low latency network that is only possible via advances in 5G network technologies.

We will continue to improve our processes and deepen digital transformation to deliver better customer experiences and efficiencies. Meanwhile, we are committed to a disciplined and prudent approach to capital management for long-term value creation for our shareholders and stakeholders.

Our future depends on how well we execute today and how quickly we pivot our business to take advantage of emerging opportunities around us. Backed by 20 years of experience and proven track record, I am confident that the StarHub team is driven and will continue to break new boundaries, creating better value for all stakeholders.

Simplicity in our vision creates a tougher execution challenge in the years ahead. We are aware of the challenges and tremendous hard work ahead of us. With strong teamwork, challenger spirit, genuine care for our employees and focus on customers, I believe we can create a bright future.

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# FINANCE

Dennis Chia  
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We are committed to optimising operations through digitalisation and process simplification, while rationalising capex investments in our core business.



## FY2020 Guidance

As at 20 February 2020

Q

**StarHub has articulated the possibility of exceeding the identified \$210 million cost savings in its three-year programme. Where are the additional savings coming from and what reinvestments have you identified?**

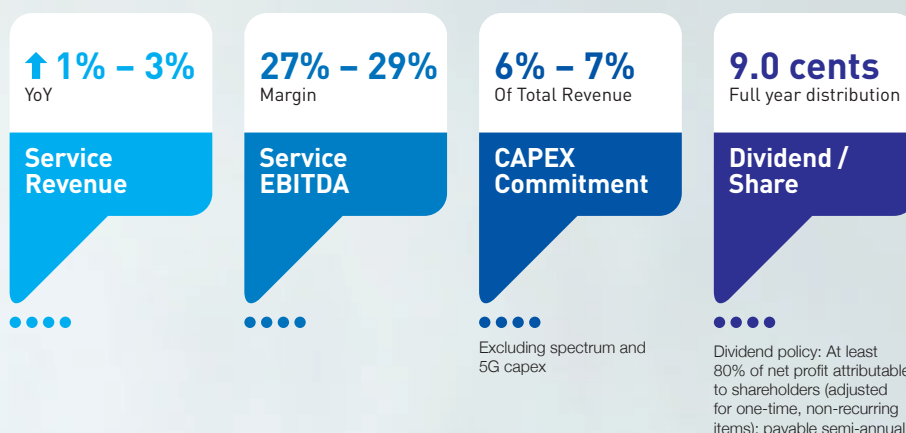
A

The three-year \$210 million cost programme is ongoing, and as we relook and refine our business processes and procedures, we continue to find new areas where we can further enhance or streamline that will allow us to exceed our target.

In terms of cost savings, we have made good headway in reducing our three largest cost items – staff costs, content costs and handset subsidies. We have optimised our workforce and are continuously reviewing handset subsidies offered in this competitive market. On content costs, we have moved most of our Pay TV content arrangements from a fixed cost to a variable structure, as we continue active talks with remaining content partners to do the same. Apart from tighter controls on expenditure across the company, we are also renegotiating new or expiring contracts with various partners and vendors to yield further cost savings.

Value creation from our core businesses and assets is just one of four key pillars of the DARE transformation programme. While we've seen some of these cost savings reflected in a year-on-year reduction in operating expenses, most of these savings are reinvested into initiatives that will allow StarHub to drive long-term sustainable growth and capture emerging opportunities. As at 31 December 2019, we expect to reinvest 17% of the identified cost savings into digitalisation and transformation business initiatives.

We will also be redirecting some cost savings into acquisitions of complementary businesses with innovative capabilities. This is in line with our intention to identify and invest in adjacent growth areas to stabilise and enhance our overall margins.



We believe by such strategic, well-placed investment of resources, we can remain ahead of the curve in the long-run amidst a challenging operating environment.

Q

**What is the capex guidance for FY2020, and how much of this is going towards 5G? What are the capex requirements for the 5G roll out should the StarHub-M1 joint bid be awarded the licence?**

A

Our capex guidance for FY2020 is expected to be between 6% and 7% of total revenue, excluding 5G capex and spectrum fees. We have on 17 February 2020 submitted a joint bid with another MNO for a nationwide licence, and the regulator is expected to award the licences by mid-2020. After which, should we secure one of the two licences, we will be able to communicate our views, strategies and capital expenditure guidance to the investment community.

We believe in the merits of sharing network infrastructure that will lower costs and enable more innovative solutions. In consideration of the regulator's rollout schedule, 5G capex will likely be progressive, spanning five years.

Q

**How do you plan to fund the higher capex requirements and acquisitions for inorganic growth? Do you expect gearing to increase significantly in FY2020? Can dividends be sustained at the current level at least for the next few years?**

A

As at 31 December 2019, we have a healthy net debt to EBITDA ratio of 1.51 times, while FY2019 free cash flow has improved 50.5% year-on-year to \$218.6 million. With sufficient headroom and a healthy balance sheet, we are well-equipped to pursue growth opportunities as they arise.

While we are committed to our 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 – we have guided to a dividend of 9.0 cents for FY2020. Apart from demonstrating our commitment to enhance shareholder value, this dividend guidance takes into consideration short-to-mid term cashflow requirements, as well as results reaped from the ongoing business transformation initiatives. We continue to employ a prudent and disciplined approach to capital management, maintaining a long-term view on business growth and value creation.

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# ENTERPRISE

**Charlie Chan**



**What are your immediate priorities since your appointment in January 2020?**



The overarching theme to bring our growing Enterprise business to the next level is to “Drive the core, accelerate our growth”.

First, we will work our “core” connectivity assets harder. We have established ourselves as the preferred challenger brand, driving the best value and providing customers with agile solutions that best suit their needs. While we acknowledge pricing pressures in the market for these traditional connectivity services, there are still pockets of viable growth opportunities in targeting underserved customer segments through differentiated offerings, such as the SME segment, amidst a government-led push for businesses to innovate and digitalise.

Next, we want to “accelerate our growth” by building innovative, end-to-end solutions for our clients that will help them capture a bigger share of the markets they operate in. The range of products and services under our Enterprise business is comprehensive but within this portfolio, our Managed Services stands out for registering the strongest growth. For the first time, it has crossed the \$100 million revenue mark. We will build upon this strong growth momentum to step up the cross-selling of our capabilities, products and solutions.

Concurrently, we are bolstering our suite of capabilities to become a trusted one-stop solutions provider to our customers. For instance, cybersecurity has become a top-of-mind priority for businesses. Having a pure-play cybersecurity partner in Ensign provides us the ability to offer customers advanced consultative and design capabilities to thoroughly assess and protect against cyber threats.

We have also strengthened our capabilities in emerging technologies, such as data analytics, Internet of Things and data centre solutions, amongst looking into other new technologies such as 5G, SD-WAN, and SD-LAN that will enable differentiation through innovative and unique solutions.



# CONSUMER

**Johan Buse**

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**Q**

**Are we seeing results from the new Hello Change brand promise? What is the status of the TV transformation?**

**A**

In just one year, we have managed to achieve significant improvements after the Hello Change campaign was launched, promising simplicity and greater value to consumers.

For Mobile, we recorded a 130% year-on-year improvement in mobile net promoter score ("NPS"), reflecting higher customer satisfaction of our simplified mobile plans. To defend ARPUs amidst sustained intense market competition, we are pursuing higher-value customers with measured subsidies – the effectiveness of which is reflected in our improved postpaid ARPU and growth in subscriber base across 3Q2019 and 4Q2019.

On Pay TV, we completed the cable-to-fibre migration in October 2019 that gave customers island-wide access to greater speeds and a seamless entertainment experience that was coupled with refreshed entertainment passes offering customers the flexibility to toggle between passes with 24-hour notice.

The migration was the right opportunity for us to transform the Pay TV business model to one that will withstand the test of time and disruption from OTT players. We have since started moving towards an integrated OTT/IPTV platform, which better serves shifting patterns in the way consumers enjoy content. With all these changes, NPS for our Pay TV segment improved by 70% and our OTT subscriber base grew 23% year-on-year.

Meanwhile, we have converted most of our content agreements from a fixed model to a variable cost per subscriber model. As content cost is one of the main cost drivers for the Pay TV business, the variable model will result in a significant improvement in the segment's margins.

While we have achieved considerable success after one year of the Hello Change campaign, we continue to enhance customer experience and loyalty by working with strategic partners to deliver even more innovative and exciting offerings to our customers – such as a partnership with Perx Technologies to build in a digital loyalty programme in the enhanced My StarHub app; and extending the Amazon Prime membership to all our mobile customers.



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# NETWORK

**Chong Siew Loong**



**Q**

**What does 5G network sharing mean for StarHub – are we compromising control and service differentiation for cost savings?**

**A**

The upcoming 5G network is a new radio network infrastructure that will run on a new spectrum at 3.5GHz. With a joint bid that was submitted with another MNO on 17 February 2020, the cost of rolling out this new radio infrastructure will be shared, but there will be no compromise on radio coverage, network quality and the innovation that we offer to our customers.

The radio network is merely the infrastructure layer, which connects and enables the transmission of high-speed mobile signals to the devices. The value added by operators through its offerings and solutions will be the true differentiator amidst a crowded market. With greater speeds, lower latency as well as unique slicing and service prioritisation capabilities of the new 5G technology, the possibilities are endless. StarHub will strive to gain a key advantage by delivering such services and applications in value-added packages to both our consumer and enterprise clients.

**Q**

**What are your thoughts on network virtualisation – is this something StarHub is looking into?**

**A**

As businesses evolve digitally, network technologies have also advanced in tandem. We recognise the benefits of virtualising network functions, which optimises the utilisation of our network resources, thereby improving network efficiency, agility and responsiveness. Hence, we started on this digitalisation and virtualisation journey in 2017 and are making good progress on this front, having moved many of our network functions into Virtualised Network Functions (VNFs).

As we progress further on this journey, we would be able to eke out better efficiency and benefits from our investments, while information from different network functions can also be seamlessly exchanged digitally to enable better insights and the creation of new services and capabilities. As network traffic continues to grow, we learn to make better predictions on traffic patterns, as well as support a higher level of automation with the right level of security protocols, so as to increase the efficiencies of our networks.



# CUSTOMER EXPERIENCE

**Chris Lipman**



**As a preferred Challenger telco brand, how is StarHub pushing new boundaries in terms of elevating customer experience?**



We drew up a clear roadmap for FY2019, in line with our aspirations to be a clear market leader in providing seamless and innovative customer experience at every touchpoint.

To achieve this, we needed to measure and track our progress over the year. Hence, we introduced several metrics in FY2019, including the measurement of our efficiency in meeting customers' requests for our call centre and HubTroopers – our dedicated team of technical experts in home networking and home entertainment solutions. We can now quantitatively track how quickly we can resolve customers' issues, which is closely correlated with customer satisfaction. Since then, we have exceeded our own targets set in the beginning of 2019 by 16%. This also contributed to a year-on-year 130% improvement in NPS that exceeds industry benchmarks.

In 2019, we streamlined our digital customer journey by 50%, which means customers halved the time spent to complete a transaction online via our simplified sales process. Our online capacity have been tripled and we are well-placed to handle a higher volume of transactions that includes coming up with data-driven, personalised offers, to drive greater value to customers.

This level of personalisation is made possible by leveraging proprietary data analytics that monitors customer sentiments through a new real-time and robust detractor analysis system. This gives us an accurate sense of customer sentiments on specific products, services and/or touchpoints, to make prompt and accurate business decisions.

We have seen tangible results from our strong commitment, including a significant reduction in call centre volumes due to our focus on addressing pain points and customers' willingness to use our enhanced digital touchpoints, while NPS for our sales service channels are at an all-time high.

Moving into 2020, we continue to look at ways to bring more convenience to customers through new customer channels and touchpoints, as well as deeper personalisation for a tailored customer journey. We are constantly looking at ways to serve customers better as lifestyles and preferences shift rapidly in today's digital age, and we continue to live by our mantra "Customer Happiness Is Everything".





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# DIGITAL

**Adam Stewart**



**What is StarHub's digital vision and top priorities, and where are we now on the progress of these initiatives?**



We have made great headway in FY2019 on our digital transformation. Apart from digitalising our Consumer business and its touchpoints, we have also strengthened our analytics and intelligence capabilities through an enterprise solution, "SmartHub". This platform gives our enterprise customers almost real-time and a deeper understanding of the psychographic differences of their customers, allowing them to meet and anticipate their customers' needs and interaction preferences, thereby making more targeted business decisions.

As we continue our digital journey, we have drawn up and are executing a number of immediate priorities to meet and exceed the needs of our customers.

For our customers – we are creating "hyper-personalised" and differentiated experiences to change our digital interactions. We are also refining the way we engage and transact with our customers through our digital touchpoints, which is rapidly becoming the primary channel of choice for customers.

For StarHub – we are building best-in-class digital teams, supported by evolved IT capabilities and systems to further our digital journey and enhance efficiencies company-wide. These elements will enable greater agility and cross-functional collaboration allowing StarHub to accelerate execution of our digital strategy. The digital team will be spearheading delivery of new capabilities and innovation including facial recognition, Artificial Intelligence, Robotics Process Automation, emerging customer interfaces and new business models to further capitalise and unlock new growth value in the market quickly.