

**Company:** StarHub  
**Title:** Q1 2018 Results  
**Date:** 3 May 2018  
**Time:**

### Start of Transcript

Jeannie Ong: Good evening, ladies and gentlemen, and welcome to StarHub's first quarter 2018 results announcement briefing call. My name is Jeannie and it is my pleasure to welcome both the media and investment community to join us at this call. Let me first introduce our panel of speakers. We have a special guest star tonight in the form and shape of Terry Clontz, our Chairman, together with Dennis Chia, our CFO; Dr Chong Yoke Sin, our Chief of Enterprise Business Group; and Howie Lau, our Chief Marketing Officer. We have also invited our Chief Technology Officer, Siew Loong, to join us on the call. With that, let me invite Terry to say a few words to all of us.

Terry Clontz: Good evening. So it's been about a year since I've had the opportunity to address you in an earnings call, so I'm delighted to be here. But I want to make it very clear I'm not crossing the line, I'm not an executive; I'm still a non-executive director. But I thought under the circumstances it would be good to start the call and just tell you a little bit about the incoming CEO, Mr Peter Kaliaropoulos. We call him Peter K because some of us have difficulty saying his last name. He's an Australian with 35 years of highly relevant experience in our industry. He's led teams in the fixed, wireless and integrated telco space. He brings a depth of experience in both consumer and the enterprise markets. He's worked extensively in Asia Pacific and in the Middle East and as you probably know, he's presently CEO of Zain in Saudi Arabia and will join StarHub in July.

By the way, he has lived in Singapore and some of you may know that he worked for us in 1999 and 2000, when we were preparing for our commercial launch on 1 April 2000 and was very instrumental in putting together our launch portfolio. So we're looking forward to Peter's arrival in July and for those of you who have not met him yet, I think you'll enjoy meeting Peter because, as I say, he's got a wealth of experience. So I just wanted to give you a quick introduction, Peter and I'll turn it back over to the management team to carry on and walk you through the results announcement.

Jeannie Ong: Dennis, please.

Dennis Chia: Okay, thanks Terry. I'll move right on to slide number 4 and the key highlights of our results for quarter 1 2018. Service revenue was lower by about approximately 1.4%. Service EBITDA [technical difficulty].

Operator: Ladies and gentlemen, your speaker has just disconnected. Please stay connected [technical difficulty].

Jeannie Ong: Shall we continue from where we left off? Hi, ladies and gentlemen. Apologies for the inconvenience caused. We shall ask Dennis to go through the slide presentation again. Dennis, please.

Dennis Chia: Okay, thanks, Jeannie. So in the first place I forgot to say good evening to everyone, so I will start off by saying good evening. And I will also say that for Q1 2018 and going forward we will be reporting our results based on a full IFRS 15 basis, or the SFRS(I) 15 basis and on that basis our service revenue was reported for Q1 slightly lower at 1.4%. Our service EBITDA was lower by 3.7%. Going forward, we will be reporting the service EBITDA margin, so we'll be reporting service EBITDA over service revenue and that ends up at 32.1% for quarter 1. And our [unclear] NPAT, net profit after tax, was lower by 13.1%.

Operational highlights, we continue to see strong growth, double-digit growth, in our enterprise fixed revenue and that was registered a growth of 18.2%. We saw subscriber base growing in our pre-paid segment and we continue to see low churn rate for our mobile, TV and broadband segments.

Moving on to slide number 5, our total revenue was \$561 million versus \$589 million a year ago. That translated into a 5% decline. Service revenue was \$451 million versus \$457 million, that's a slight 1% decline. Our total EBITDA was \$152 million versus \$160 million and that's a 5% decline. Our service EBITDA was \$145 million versus \$150 million and that's a 4% decline. Our service EBITDA margin is 32.1% versus 32.8% a year ago. Net profit came in at \$63 million versus \$72 million a year ago and that's 13% lower. CapEx payments were \$68 million for the quarter, including the payment for the purchase of a building. That translated to 12.1% of revenue. And our free cash flow per diluted share is \$0.006 versus \$0.067 last year and our net debt to EBITDA or trailing 12 months EBITDA for the quarter ended at 1.09x.

Moving on to slide number 6, we've got mobile revenues coming in at \$205.1 million and that translated to a \$15.6 million decline. This is largely due to usage and voice, voice usage and data usage revenue decline. Our TV revenue was \$80.7 million or \$8.9 million lower. Broadband revenues were stable at \$47.5 million for the quarter. Our enterprise revenues grew by \$18 million to \$117.5 million and our sales of equipment for the quarter was \$110.2 million for the quarter.

On slide number 8, the revenue mix now sits on a post IFRS basis. You'll see that mobile revenues are now at 36.6% of our total revenue. Our pay TV is at 14.4%, 8.5% for broadband and our enterprise segment still continues to be our second largest segment in terms of revenues at 21% and our sales of equipment registered 19.6% of our total revenues.

I'll move on to the financial slides on slide number 10 on EBITDA. EBITDA was \$152 million for the quarter. Sorry, I've got the wrong page here, but anyway, on \$152 million on EBITDA versus \$160 million a year ago.

The next slide shows the service EBITDA. Service EBITDA would exclude the CPE margins that are included in the total EBITDA and that's \$145 million versus \$150 million a year ago and that translated to 32.1% versus 32.8%. The slight decline in EBITDA or service EBITDA is largely due to the lower service revenue on a post-IFRS basis.

Moving on to cost of sales, cost of sales is \$247 million for the quarter versus \$260 million. If you look at the components of cost of sales, they are largely in line with the revenues. In terms of the lower equipment sales revenue, therefore we have a lower cost of sales in respect of equipment. We've got lower traffic costs as well and that's in line with lower domestic and international traffic volumes. Cost of services were higher largely because of the consolidation of the two acquisitions we made of Accel back in July last year and D'Crypt, which was completed in January of this year.

In terms of other operating expenses, in total they were \$3 million lower at \$233 million versus \$236 million. We've got higher depreciation, largely due to the amortisation in respect of the spectrum that we've acquired. Marketing and promotion expenses remained fairly stable, while other general administrative expenses decreased slightly due to operating lease savings and lower allowances for doubtful debts.

Net profit after tax is at \$63 million versus \$72 million a year ago and \$63 million for the quarter translates into \$0.036 on an EPS basis.

On the CapEx payments, it was \$68 million for the quarter versus \$34 million last year. Excluding the payment for the building, the CapEx payments would have been \$36 million or 6.5% on total revenue.

Moving on to the free cash flow, we generated \$10 million of cash in the quarter versus \$117 million a year ago. This is largely due to the additional capital expenditure we incurred during the quarter, as well as working capital uses in terms of the increased level of inventory and lower levels of payables.

With that, I hand the floor over to Mr Howie Lau, our Chief Marketing Officer.

Howie Lau: Okay, thanks, Dennis. Good evening, everyone. I'll take you through the business update for mobile, TV, as well as broadband. So if we jump to page 17 on mobile, on a year-on-year comparative total customer base was decreased by 8000 and pre-paid and post-paid ARPU was lower by \$2.

On page 18, the closed quarter 1 made 2.283 million subscribers, comprising of 918,000 of pre-paid, which is slightly higher compared to a year ago and 1.365 million of post-paid customers.

On page 19, you will note that the monthly churn rate remains low at 1.0% compared to 1.1% a quarter ago, but slightly higher as compared to a year ago at 0.9%.

On page 20, we closed the quarter at \$205.1 million in terms of revenue compared to a year ago at \$220.7 and as Dennis mentioned, this was as a result of lower subscriptions IDD and voice, mitigated by higher roaming usage as well as pickup of mobile [busses]. We do see that the customers continue to use more data. The average data now is 4.9 gigabytes as compared to a year ago at 3.9 gigabytes.

On page number 21, the mobile ARPU for pre-paid we closed at \$13 as compared to \$14 a quarter ago and \$43 under the current post IFRS modelling compared to \$46 a quarter ago.

Let me jump to pay TV, pay TV on page number 23. The revenue was lower by 10%, ARPU remains stable at \$51 and on a full-year year-on-year compare the customer base is lower by 38,000. As we've said in previous quarters, the TV business continues to be faced with challenges from alternative viewing means, as well as increased piracy. The total customer subscribers at the end of quarter 1 was 449,000, lower by 9000 compared to a quarter ago. Churn rate remains stable at 0.9% compared to a quarter ago as well as a year ago.

On page number 25 on the revenue side, we closed quarter 1 at \$80.7 million. This was as a result of lower subscription revenue, as well as lower seasonal ad sales. As said in the previous quarter, between quarter 4 we have higher ad sales for the festive period, quarter 1 ad sales is lower. In terms of ARPU, we continue to maintain flat at \$51 for the ARPU for TV customers.

Let's go to broadband. On page number 27, on the broadband, overall revenue has been stable and ARPU is flat at \$33. On a year-on-year basis the customer base has decreased by 1000.

On page 28, we closed quarter 1 at 469,000 subs, a slight increase compared to a quarter ago at 467,000. The monthly churn remains low at 0.9% compared to last quarter as well as a year ago.

On page number 29, the revenue we closed at \$47.5 million, which is relatively flat compared to a quarter ago, as well as compared to a year ago at \$47.2 million. In terms of the ARPU, it remains flat at \$33 compared to a year ago.

So with that, let me hand over to Dr Chong for the update on enterprise fixed.

Yoke Sin Chong: Hello and good evening. The enterprise fixed sees a steady growth in terms of the three components that are listed here. Data and internet revenue increased by 1.7%, managed services increased by 124%, of which half of which is actually due to the recognition of the newly acquired D'Crypt and Accel companies. However, voice revenue decreased by 31.4%.

Over to page 32 for the breakdown. On a year-on-year basis for enterprise fixed, that grew by 18% from \$99.6 million in 2017 to \$117.5 million for this quarter of 2018. And the components of that are for data and internet, data and internet continues to see a good uptake at \$72.9 million, which is actually a 1.7% growth year-on-year compared to 2017. On

the managed services side of the equation there is a healthy growth of \$16.4 million the first tier of 2017 to \$36.8 million this Q and half of the growth of \$18 million of the \$36.8 million was actually due to the Accel and the D'Crypt acquisition. But managed services itself continues to see a good growth and is an integral part of the ICT strategy for enterprise.

Voice services, however, saw a decline by 31.4% year-on-year. With that, let me hand over to Dennis.

Dennis Chia: Thanks, Yoke Sin and I'm on slide 36 for the outlook. We're maintaining the outlook in terms of service revenue to be lower by about 1% to 3% compared to a year ago. For the service EBITDA margin, we're now guiding to 27% to 29% on a service EBITDA margin basis. For capital expenditure we are guiding to the fact that we are keeping our guidance to 11%, excluding any payments, so spectrum or any building purchase. And for the full-year outlook in terms of dividend, we're maintaining or guiding to the fact that we're keeping our \$0.04 per quarter for dividends.

With that, we have gone through the slides and we'll open the floor and I'll hand this back to Jeannie.

Jeannie Ong: Thank you, Dennis. Before we begin to take questions, a reminder if you do have a question please key star-one. If you wish to withdraw your question please key star-two. First question, Luis from Maybank Kim Eng.

Luis Hilado: (Maybank Kim Eng, Analyst) Hello, can you hear me?

Jeannie Ong: Yes, we can.

Luis Hilado: (Maybank Kim Eng, Analyst) Good evening, I just had three questions. The first was just to confirm that after the new IFRS changes it's only a presentation that - it's only impacted yourselves in terms of presentation in terms of your marketing plans and the rest of the way you do business, it's business as usual?

Second question is regarding the Sunseap deal. Just wondering what other bills to the home or any other hubbing bills that you are planning to implement going forward besides this deal and whether you're open to also providing the service to other electricity market providers.

Third question is just wondering, the MyRepublic disclosure is out. I'm just wondering if there are any terms in the MVNO deal contract which will prohibit them from bundling their fixed broadband with your wireless, or you're okay with that.

Howie Lau: Okay, Luis, thanks for your questions. This is Howie, let me just take the Sunseap as well as the MVNO question. The Sunseap background is that we have the opening up of the energy market in Singapore and as we looked at this opening up of the market it was a really nice opportunity for us to extend our hubbing proposition to include energy, because of the convenience that it brings to the customer. So you're right in that our aim in mind is to build upon our hubbing proposition so that it makes it easy for customers to go to a similar source for their utilities needs, for support and otherwise. As this energy market is still in its initial phases we will continue to work with Sunseap as we go past this pilot phase into the full implementation. But we do expect that the - the current response has been very positive and encouraging and we'll continue to push down this path.

For the question regarding the MVNO, or the MyRepublic announcement, for us our aim in mind is very simple. It's to make sure that we continue to provide customers more choices, more options to address the previous needs across the different segments. We have spent time with MyRepublic to understand their go to market and we feel that it's very complementary to ours. So as such, we feel that it does make sense to be able to offer to our Singaporean customers both our own offerings as well as our MVNO partner's offering.

Dennis Chia: Luis, this is Dennis, I'll take your first question on the IFRS. With the implementation of the new accounting standards, just implies that we account for and recognise revenue on a different basis as we did previously and the reallocation of revenue is primarily between the mobile service revenue line and the sale of equipment bucket in

the various segments of our revenue that we report. It does not change the cash flow of the company, as we've guided to the market previously.

Luis Hilado: (Maybank Kim Eng, Analyst) Okay, thanks a lot, Howie and Dennis.

Jeannie Ong: Thank you, Luis. Next, we have Wei-Shi from BNP Paribas.

Wei-Shi Wu: (BNP Paribas, Analyst) Hi, thanks very much for the opportunity. My question is with regard to the free cash flow. So free cash flows have been relatively thin in recent quarters and barely enough to cover your quarterly dividend payment. I just wanted to get management's thoughts and if Terry would care to give some comments on what you would say to investors to assuage any concerns around your ability to sustain the dividend payment in 2018, as well as beyond this year. And related to this, would you care to provide some guidance on your free cash flow for this year and potentially for next year as well?

Terry Clontz: Maybe you'll take the first question and I'll talk about the future.

Dennis Chia: Okay, so Wei-Shi, your question of free cash flow, it was relatively lower this quarter at \$10 million or \$0.006 per share. We did say that there was a relatively higher capital payment in regards to the purchase of the building, approximately \$31.6 million. But in addition to the additional CapEx payment that we made, there were additional working capitals usages during the quarter which primarily is a timing issue. So we don't expect this working capital usage trend to persist during the year. We do expect to generate relatively healthy free cash flow during this year. We don't provide free cash flow guidance or any other guidance beyond the current year.

Terry Clontz: Yes, this is Terry. So let me just comment that with respect to capital management policies we've been fairly consistent over the years in stating at the beginning of the year our intent to commit to a dividend throughout the year and we review that each year. So it would be inappropriate and out of practice for us to comment on what we intend to do in future years, but I can tell you that we will - as we always have - we will review at the end of this year, beginning of next year, our views on capital management and dividend policy going forward. So that would be our view and the way that we would think about that in the future.

Wei-Shi Wu: (BNP Paribas, Analyst) Thanks very much for your comments.

Jeannie Ong: Thank you, Wei-Shi. Next, we have Rama from Daiwa. Rama, are you there?

Ramakrishna Maruvada: (Daiwa Capital Markets, Analyst) Can you hear me?

Jeannie Ong: Yes.

Ramakrishna Maruvada: (Daiwa Capital Markets, Analyst) Hi, I have a couple of questions. Firstly, with regards to your post-paid revenues I would like to understand how exactly the amortisation of the contract assets work if they stay in debit on the revenue side. The reason is your voice minutes actually appear very stable, data is rising, so I'm just trying to understand why the post-paid revenues were down 7% year-on-year.

The second one is with regard to your operating levers, that seems to be very volatile quarter-to-quarter, so if you could provide some colour on how we should be thinking about this going forward. Thank you.

Dennis Chia: Rama, hi, this is Dennis. So in terms of the mobile revenue items of the contract assets, so we recognise contract assets in accordance with the new accounting standards in respect of the remaining life of the contract which is still in place, in respect of the customer contracts that we've got for the mobile - primarily for the mobile revenue. And so in respect of any contract that, for example, is within a 24-month period, we do look at the trends of customers who would re-contract typically earlier than the expiry of the 24 months and then we would then amortise that contract asset

off our balance sheet. And this is backed off against our service revenue, the service revenue line on the mobile line. We do recognise that there has been a lower IDD usage and voice usage, as well as access data usage, as Howie has mentioned during his sharing of the mobile business segment. So that accounts for primarily the lower service revenue for the quarter year-on-year.

In terms of operating leases, there were certain adjustments that we made in quarter 4 of last year. I believe that's what you're referring to. Backing off those adjustments that we made in quarter 4 of last year, operating leases are on a declining trend and you can use the current operating lease numbers in the quarter as representative of what the lease run rates are.

Ramakrishna Maruvada: (Daiwa Capital Markets, Analyst) Okay, thank you very much.

Jeannie Ong: Thank you, Rama. Next we move to Arthur from Citigroup. Arthur, are you there?

Arthur Pineda: (Citigroup, Analyst) Hi, can you hear me?

Jeannie Ong: Yes.

Terry Clontz: Yes.

Arthur Pineda: (Citigroup, Analyst) Hi, Chairman. Okay, three questions for you please. Firstly on the EBITDA margin, I notice that your guidance is around 27% to 29% on service revenues versus 32% that you see in Q1. What pressure points are you seeing for the margins to decline to that level?

Second question I had is with regard to the mobile business. I'm just wondering if you can give us any colour on the mobile subs numbers, why that's been on the decline.

And lastly, I'm just wondering is it possible to provide details on the revenue model and revenue potential on the Sunseap deal? Thank you.

Dennis Chia: Arthur, I'll take your first question on the margin. Consistent with how we've reported our actual performance on a quarterly basis, you do see the quarter 1 to quarter 3 EBITDA margins relatively higher than the fourth quarter, in which we simply incur higher subsidies in respect of the seasonal launches of the smartphones, in terms of timing. So we do report typically a lower quarter 4 margin compared to the rest of the year and therefore, we see that as balancing off the relatively higher margins that we report in the first three quarters. And therefore, we do it as a full-year view of what the margins are going to look like to guide the market.

Howie Lau: So Arthur, regarding the mobile landscape in Singapore, it's now fragmented as well as very competitive. So if you look at the actual numbers, the pre-paid last quarter we lost 20,000, the previous gained we gained, I think, 40,000. Last quarter for post-paid we lost 3000, but the previous quarter we gained 70,000. So what we are managing is to make sure that the promotions and the offers on the quarterly basis that goes up, is that's able to meet the customers' needs. Because recognising that in the market today it is rather fragmented and the offers are very competitive. So our main focus is to make sure that our offers continue to be relevant for our customers. So the mobile subs is an area that we will continue to keep an eye on, but more importantly the relevance of the offer.

In terms of the model, the business model for Sunseap, unfortunately we're not able to disclose the financial modelling, but our aim in mind is to leverage this opportunity of the market opening up to bring a new service to our customers. It is still in the pilot phase, but we are hopeful that given the initial response that this will become a potentially interesting proposition for our customers.



Arthur Pineda: (Citigroup, Analyst) So, I guess, to clarify in a sense that model, is this mainly as a churn management tool? Or is it something where you think you can actually generate meaningful revenues out of?

Howie Lau: I think in reference to other countries, other telcos who have done similar bundling and they have seen churn improvements.

Arthur Pineda: (Citigroup, Analyst) Understood. Okay, thank you.

Jeannie Ong: Thank you, Arthur. Next we move to Gopa from Nomura.

Gopa Kumar: (Nomura Securities, Analyst) Yes, hi. Can you hear me?

Jeannie Ong: Yes.

Gopa Kumar: (Nomura Securities, Analyst) I just wanted to follow up on the previous question. I'm just wondering, did you cut your EBITDA margin guidance? Or was it more or less restated just as far as - I'm just wondering on a like-for-like basis was there any cut in the EBITDA margin guidance for 2018? This was number 1.

Question number 2 is again on the mobile revenue weakness of 7% drop. Is my understanding correct that it's primarily due to IDD [unclear]? May I know what percentage of your mobile revenue is from IDD business? I'm just trying to understand how the trajectory is going to be.

Lastly, on the MyRepublic arrangement, I heard a mention that it's going to be complementary. Can you talk a bit more on why do you think or why do you look at it that way? Is there any particular subscriber segment that you think MyRepublic will help you target, where you are not present now? Thank you.

Dennis Chia: Gopa, your first question on the service EBITDA margin, so when we went out to the market in February to announce our February results, we guided the market on the pre-IFRS basis. We guided the markets 24% to 26% on EBITDA margin. We adjusted EBITDA margin service, EBITDA margin of 27% to 29% is in line with that. That does not represent a cut in our guidance.

Howie Lau: So let me just touch on the mobile, a quick recap of the mobile revenue, was as a result of lower IDD, voice, as well as access data. The access data part as our customers now have bigger data bundles, including our weekend unlimited plan. The opportunities for customers to exceed the data becomes lesser as well, so that's part of the contribution of the lower data, the mobile revenue. Unfortunately, we don't break down the details of the composition of how much is IDD and the rest as well.

MyRepublic, as mentioned earlier, I think for us the Singapore market is small; it's 5.5 million people. I think what's important is that our aim in mind, together with our MVNO strategy is to grow total mobile in this evolving landscape. So as mentioned earlier, what we did was to make sure that we spent time with MyRepublic to make sure that their go to market is complementary to us. Because I think they have stated the market they're going after and our aim in mind is to make sure that between ourselves and our MVNO partners we are able to offer our customers additional choices, the other offerings that may be in the market. So there will be some level of overlap, but we are confident that what they are doing and what we're doing are very complementary.

Gopa Kumar: (Nomura Securities, Analyst) Just a follow-up question on this MyRepublic, I'm not sure if you can share it, but is it going to be on a revenue share arrangement? Or is it on an arrangement where they buy traffic from you guys? How's it going to be?

Howie Lau: In terms of the MVNO?

Gopa Kumar: (Nomura Securities, Analyst) Yes.

Howie Lau: Basically, we offer them a wholesale rate.

Gopa Kumar: (Nomura Securities, Analyst) Okay, so if I can squeeze in one more follow-up on this mobile service revenue, you mentioned that there is an impact from the data promotion. So is it fair to assume that the current weakness in mobile could continue in the near term?

Howie Lau: Sorry, I missed that. It was a bit muffled. Could you repeat it?

Gopa Kumar: (Nomura Securities, Analyst) On the mobile revenue side, you mentioned that there is an impact from the unlimited data promotions in the market. So is it fair to assume that some of the current weakness will continue, given the fact that IDD also would be on a structural decline?

Howie Lau: Exactly a good crystal ball question because on one hand we see the average data usage per customer going up, but on the other hand we see the average data bundles that are being offered in the market going up as well. So whether the level excess data usage will continue to exceed or optimise, I think we will continue to see how this evolves, but it's a bit hard to crystal ball gaze to see how that will pan out.

Gopa Kumar: (Nomura Securities, Analyst) Okay, thank you.

Jeannie Ong: Next we have Srinivas from Deutsche Bank.

Srinivas Rao: (Deutsche Bank, Analyst) Hi, thank you very much. My first question to Terry, if you can help us, you had a search and the new CEO is going to be coming on board. What will be the - say at least the high-level target which the board is - what would you ask the new CEO to achieve? So i.e. any feedback on the guidelines of what you would have negotiated with the new CEO? That would be helpful.

Second, my question is again on the margin guidance. Now your margin guidance is SFRS so - and use of the SFRS EBITDA margin. Now that number should not be volatile like it was in the previous accounting standard. So based on what margin has come up in this quarter versus your guidance, which is a falling number, it does suggest that you're expecting at least profitability to be lower in the next three quarters. Am I getting this wrong? On the SFRS that number should not - that should be stable and should not be affected by the equipment numbers. So that's my second question.

My third question is on the enterprise side, the two acquisitions. At least prima facie they don't seem to have - because of the margins we have had difficulty trying to compare, but it looks like the margin impact has not been material. So they seem to have come on board without making a material impact on margins. Is my understanding correct? Because I haven't managed to put down the numbers to take a look on a sequential basis, but if you can help us on that, that will be helpful. Yoke Sin, if you can make some commentary on that, that will be helpful. Thanks.

Terry Clontz: Yes, maybe I'll take the first question and give the other chaps a chance to think about your second and third question. So as I mentioned earlier, Peter is quite experienced. He's had a number of assignments in the past from start-ups like StarHub to turnaround situations and he's done quite well, he's got a very impressive track record. So because of that and because he has that experience and knowledge, he has certainly begun to look at the market in Singapore, the issues that StarHub is wrestling with today in regards to the market itself, the entry of a fourth operator. He's well aware of industry trends with respect to over the top video, over the top apps and that sort of thing, that have whittled away at the revenue. So he's not coming in as a newbie in the industry.

We've had a number of discussions about the things that he will focus on and the timing is perfect because it's the season for us, in the July and August timeframe, to renew, refresh our strategy. So he'll come in on the front end of that, as we think about any tweaking to the strategy going forward. Then he'll have an opportunity to take ownership for that



and execute that along with the team for the future. So I must say we've got fairly high expectations of Peter and his ability to change some things at StarHub and address some of the again issues that are more industry related but a few that are more Singapore specific like the entry of a fourth operator.

I might also add that for those of you that have looked into his background, he spent a good deal of time marketing to enterprises around the region and domestically including New Zealand and Australia, and of course the Middle East. So he's the perfect individual to come in and help Yoke Sin as we think about how better to attack in the enterprise market. So with that let me turn it over to Dennis.

Dennis Chia: Thanks, Terry. To the question on the EBITDA margin, when we went out to the market to announce or guide the market to our 2024 to 2026 pre-IFRS implementation margin that represented a lower margin guidance compared to what we reported for the full year in 2017 of 27.9%. So the lower guidance was attributed to primarily the lower service revenues in respect of our business as usual or traditional lines of business, which is the mobile and the TV revenues.

But otherwise the new basis of guiding our margins does not represent any change from what we guided previously so - well the volatility in the EBITDA margins going forward would not be as significant as what you have seen in previous times. You will still see the same traction on a quarterly basis.

Chong Yoke Sin: All right, this is Yoke Sin, I'll answer the question about the margins that accrue from XL and D'Crypt. If you look at chart 33, data and internet actually has a larger margin than managed services. For the XL and D'Crypt, which is actually classified under managed services and they account for about half of that amount of revenue of 36.8%, these margins are in line with the managed services typical margins.

So if you ask about whether it has actually made a difference, they have actually sustained the profitability of the sector. Of course, as we mentioned, data and internet still remains the more profitable sector and that actually accounts for a larger proportion of the entire enterprise fixed revenue. I hope I've answered the question.

Srinivas Rao: (Deutsche Bank, Analyst) Yes, thank you very much all, this is helpful, thank you.

Jeannie Ong: We next move to Varun from Credit Suisse.

Varun Ahuja: (Credit Suisse, Analyst) Hi, thanks, everyone, I've just got three questions. First on the mobile side, if you look at your competitor M1 and you, the performance difference is quite glaring and it's been increasing over the last quarter by quarter over the last nine months or so. Their revenue increased by 3%, around 2% to 3%, your revenue declined by 7%, so in the same marketplace I just wanted to understand in your view what is causing these differences in performance. I understand that they have CirclesLife, is it fair enough to say that the difference is broadly because of them and do you think coming of MyRepublic will help you bridge that underperformance. That's number one.

Number two, I just want to rephrase what Srinivas was trying to say. Based on an earlier discussion when we met around IFRS guidance, our understanding was that the quarterly seasonality should ease off, rather fourth quarter can be strong because you have high handset sales and then probably the margins may be higher, so that the service EBITDA level or the service revenue performance level that variation should not be there in 4Q.

But if you look at the numbers that you have mentioned 2017 4Q seems to be down and then again 1Q goes up, the seasonality seems to be persisting and it's pretty high. So I just wanted to understand why is this happening, is there any specific costs which are causing it? Because on a service revenue basis the usage in fourth quarter may be higher so I don't get the reasoning why the service revenue also kind of - unless it's because of competitive pressure or anything else which is causing the decline in fourth quarter.

But again, the seasonality seems pretty apparent in the performance. So that's number two. Number three, there are various one-time charges in this quarter so is it fair enough to say that your EBITDA one-time charges would have been lower by around S\$6 million if you incorporate all those one-time reversals that you have done in operating costs, thank you?

Howie Lau: Varun, this is Howie, let me just take the first question regarding the difference between StarHub and M1. I think on a broad level you are right that the M1 number does include the roll up from Circles.Life, whereas the StarHub number is just purely what we do today. So as we introduce our MVNO partners then hopefully there'll be a better basis for comparison as the quarters pan out.

But having said that, we are also confident that we do have key differentiators in our mobile offerings in the market. For example, recently we announced that in the second half of this year we'll be rolling out 1 gigabit speeds for our network, and that would be available for StarHub customers as well as our MVNO customers and I think that will be a difference. The data busses as well as the unlimited weekend plan has also been very well received by the customer. But I think primarily the question you are asking is that the delta between our numbers as well as M1 is that M1 does include the Circles.Life number.

Dennis Chia: Varun, your question on the seasonality of the EBITDA, so as I indicated earlier the absolute service EBITDA will not fluctuate as significantly as it would in the past. However, in terms of the quarter four service revenue that we report, typically the denominator is higher than the rest of the quarters. So in terms of the mathematical computation of the service margin, service EBITDA margin percentage, it would generally be lower compared to the rest of the quarters.

So, on a balanced perspective that's why we believe that all in all you've got the guidance - we stand by guidance that's based on the visibility of the business as we see it today. Also, in terms of the lines of business that we have, in terms of traditional [unclear 47:36] business versus the increase in the managed services that we are now selling to enterprises, there is a difference in the mix of services and the margins in respect of [unclear 47:47] services.

So that also accounts for the relatively different margins that we report on a quarter basis, bearing in mind that typically in quarter four we recognise a higher enterprise revenue in respect of managed services. Your third question on adjustments, we've got about S\$10 million adjustment in the quarter. We have represented that in our MD&A, the bulk of which are reversals in respect of certain share programs that are no longer required.

Varun Ahuja: (Credit Suisse, Analyst) Right, so your EBITDA would have been lower by S\$10 million if we include those one-off adjustments.

Dennis Chia: That's correct, yes.

Varun Ahuja: Okay, and secondly, I was talking about margin, I understand the revenue may be higher but on an absolute basis if you look at your - in fourth quarter your service EBITDA in slide 10 it goes down to 124 and then it moves up to 145, 3Q it was 150. So on absolute basis also pure on service EBITDA there is significant variation in fourth quarter, and given you are saying that your managed services or enterprise business is higher in 4Q I would have expected 4Q EBITDA to be much more higher than 3Q.

Dennis Chia: Well, in terms of the quarterly service EBITDA that we are reporting, it's adjusted quarter to quarter based again on the traction in terms of each of the lines of business and how that's adjusted against service revenue going forward. So, for example, if in quarter four we've got a higher level of equipment sales that we typically report then there will be a higher adjustment against the service revenue in quarter one which we've experienced this year. So that is how the accounting works in respect of the new accounting standard. So that fluctuates from quarter to quarter and it's adjusted against the absolute service EBITDA that we report.

Varun Ahuja: (Credit Suisse, Analyst) Sure, no worries, I'll take this offline, thank you.

Jeannie Ong: Next we have Annabeth Leow from Business Times.

Annabeth Leow: (Business Times, Journalist) Hi, good evening. I just want to follow quickly on the question earlier about Peter coming in. I wanted to check whether with all the global experience that was mentioned in different markets there are plans during the mid-year refreshment strategy to look at building up your geographical footprint as well.

Terry Clontz: Could you repeat that please, Annabeth?

Annabeth Leow: (Business Times, Journalist) Sure, does bringing Peter on board and looking at refreshing your strategy in the middle of the year point to an internationalisation, international plan?

Terry Clontz: Thank you, I understand. Annabeth, we've never had a hands-off on international plans, it's just that it made a lot more sense here to date to focus our energies on the Singapore market. Clearly a few of the acquisitions have the potential to move beyond Singapore and if we see the right opportunities beyond the Singapore market we will certainly pursue those. But there are no specific plans today to do that but in the future that's always possible.

Annabeth Leow: Okay, so when you say the acquisitions you're referring to the enterprise fixed, the cybersecurity cryptography?

Howie Lau: Correct.

Annabeth Leow: Okay, thank you.

Jeannie Ong: Right, last one, it's Piyush from HSBC.

Piyush Choudary: (HSBC, Analyst) Hi, good evening. Can you hear. Since you have Terry, I wanted to check on two things. Firstly, with the new incoming CEO, I missed your earlier comment but what are the key objectives or deliverables which have been agreed with the new CEO? Does the Board set target on market share or is it more on free cash flows, how do they both think about management deliverables? Secondly, is there any change in the management incentive structure for the new CEO, thanks?

Terry Clontz: There will be no material change in the structure so I've answered the second question first. With respect to the focus, we have from day one been focused on generating or optimising free cash flow so I don't believe that - and in particularly in today's market it makes a lot of sense to focus strictly on market share at the expense of free cash flow. Again, our process of reviewing and selecting the next leader for StarHub was based a lot on their past performance and alignment of the way they see things and the way the Board sees things.

So I don't expect you're going to see a change in the things that we focus on in terms of what we hold dear. But in terms of dealing with the challenges that StarHub has, primarily on the consumer side, where it's a fairly crowded market and getting more crowded, I think that there will be a lot of focus on defending that turf and then looking for the opportunities to grow the business as we mentioned earlier, for example, in the enterprise space. I think that Peter will bring a lot of talents to the table to assist in that regard.

Piyush Choudary: (HSBC, Analyst) Thanks a lot but can I check like I've seen his experience but is there any market where Peter was when Peter was there that they have been new operators entering the market. Has he been instrumental in such kind of markets in his position?

Terry Clontz: Well, if you look at his sort of background, he's got, as I mentioned earlier, 35 years in the industry and has been faced with a number of different challenges. The number of companies that he has worked with and for

included in his early days British Telecom, particularly in the Asia Pacific region, where again he was driving across the region what they referred to as strategic sales, and this is primarily enterprise market and MNCs, multinational corporations.

He went on to work at Telstra, he was Managing Director of the mobile business. At Optus he was Managing Director of the enterprise business, at Clear in New Zealand he was CEO, and at Telco he was Group CEO, at Ooredoo in Kuwait he was Chief Operating Officer, and of course more recently CEO of Zain in Saudi Arabia where he'd recently turned the company profitable. So again, we looked carefully at the challenges he's faced over the years in the industry and the way he's addressed it and his performance and success and felt that he would be the right leader for StarHub in the future.

Piyush Choudary: (HSBC, Analyst) Great, thanks a lot, Terry.

Jeannie Ong: Next we have Ranjan Sharma from JP Morgan.

Ranjan Sharma: (JP Morgan, Analyst) Hi, good evening, thank you for the presentation, just a couple of questions from my side on MVNOs. Firstly, on MVNOs, the players that we have seen so far in the market have not really been competitive on pricing and my guess is that this is because of the wholesale agreements that they have with the host operators. Could MyRepublic be similar that they can't - that the pricing is going to be more expensive than the host operator and that does not really lead to ARPU declines in the market?

The second question is that even though a company like CirclesLife's plans are not really competitive they've still been able to gain market share and gain customers even ahead of the plan. So is there something that you have seen from this strategy which could be a learning experience for the incumbents, thank you?

Howie Lau: Thanks for that question. I think what you've pointing to again is consistent that the market is fragmented where we not only have the traditional MMOs we have a number of MVNOs. Typically, MVNO wholesale arrangements would be the same and we would not be able to speak for MyRepublic or any other MVNOs in terms of how they will be pricing and modelling their models.

I think what the end in mind for us is to make sure that the MVNOs we work with, their plans, their thinking, are complementary to what we are trying to do because the market over the course of the next period will obviously play out and the different players where it's MMOs and MVNOs we'll adjust our plans in order to meet the market requirement, especially with the entry of the fourth operator come year end. So it's hard for us to comment on what MyRepublic will be coming out into the market on but I think this space will continue to stay fragmented especially with the entry of the fourth operator.

Ranjan Sharma: (JP Morgan, Analyst) Okay, on the second part of the question that even though MVNO pricing has not really been competitive they have been able to gain market share and gain customers even ahead of the plan. Is there something that you see that they're doing right which could be a learning experience for the incumbents?

Howie Lau: I think the - [obvious] just offer a generic feedback and observation because at the end of the day similar to StarHub's principle, everything starts with understanding the customer well enough so that we are able to meet the needs better than others. So while we can't comment on some of the other MVNO's strategy it's important for us to be always learning from the market as well as from a customer what makes sense and then adjust our plans accordingly.

Ranjan Sharma: (JP Morgan, Analyst) Okay, I mean the reason I was bringing this up was I mean a company like CirclesLife has probably gained more customers than all the operatives combined in the previous quarter while StarHub has lost customers so they must be doing something different.

Howie Lau: Yes, so again, Ranjan, it's not appropriate for me to comment on CirclesLife's plan but I think it's important that the focus - what we can control is the plans that we go to market with. So apologies, I can't really speak specifically to CirclesLife's plan.

Ranjan Sharma: (JP Morgan, Analyst) All right, thank you.

Howie Lau: Thanks, Ranjan.

Jeannie Ong: Ladies and gentlemen, with that we have come to the end of our first quarter results briefing call. A transcript of this call will be posted onto our website tomorrow. On behalf of Terry and the management team here, we'd like to thank you for joining this evening and we look forward to speaking with you soon. Good night.

**End of Transcript**