



4Q/FY2019 RESULTS

NDR Presentation | February 2020





FORWARD-LOOKING STATEMENTS



The following presentation may contain forward-looking statements by StarHub Ltd (“StarHub”) relating to financial trends for future periods.

Some of the statements in this presentation which are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. These forward-looking statements are based on StarHub’s current views, intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside StarHub’s control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and uncertainties. Because actual results could differ materially from StarHub’s current views, intentions, plans, expectations, assumptions and beliefs about the future, such forward-looking statements are not and should not be construed as a representation, forecast or projection of future performance of StarHub. It should be noted that the actual performance of StarHub may vary significantly from such statements.

INSPIRING DIGITAL INNOVATION – IMPROVING THE LIVES OF OUR CUSTOMERS DAILY

Highly reliable, advanced and secure networks and platforms

Understanding & leveraging customer insights

Best-in-class performance





Deliver market-leading customer experiences



Accelerate value creation from core businesses



Realise growth from new opportunities



Enhance efforts to transform digitally

- “Hello Change” brand promise
- Completion of cable-to-fibre migration
- Improving customer experience
- Digital innovation ongoing
- Driving operational efficiencies through digitisation & simplification
- Workforce optimisation
- New entertainment experience (*Go Max* OTT offering)
- Renegotiate terms of expiring contracts for Procurement savings
- Accelerating cybersecurity through Ensign
- Submitted joint 5G bid with M1
- Exploring M&A opportunities
- Enhanced *MyStarHub* app
- Promoting & enhancing digital sales channels
- Launch of giga! in 2Q2019
- Launched SD-WAN
- Deployed robotics process automation across operations

- Significant 130% YoY improvement in Net Promoter Score¹
- Cost savings identified >S\$210m, 64% achieved
- Pay TV OTT subscribers grew 23% YoY
- +79% YoY cyber security revenue growth
- Currently broadcasting ‘live’ 5G signals from StarHub Green
- Singapore’s 1st 5G cellular-on-wheels
- *MyStarHub* app achieved an improved rating to 4.5; a top-rated app on Apple App and Google Play with over 500k monthly active users¹
- Online sales doubled YoY
- Strong momentum of giga! since launch

¹ As at December 2019

FY2019 AT A GLANCE



S\$2,330.6M TOTAL REVENUE	↓ 1.3% YoY ¹ ↑ 6.3% QoQ ²
S\$1,765.1M SERVICE REVENUE	↓ 3.7% YoY ¹ ↑ 2.1% QoQ ²
S\$558.7M SERVICE EBITDA ³	↑ 7.3% YoY ¹ ↓ 24.4% QoQ ²
31.7% SERVICE EBITDA MARGIN ³	↑ 3.3% pt YoY ¹ ↓ 9.1% pt QoQ ²
S\$186.3M NET PROFIT (Attributable to shareholders)	↓ 7.5% YoY ¹ ↓ 39.9% QoQ ²
S\$218.6M FREE CASH FLOW	↑ 50.5% YoY ¹ ↓ 66.6% QoQ ²

MOBILE

S\$765.5M REVENUE	↓ 7.2% YoY ¹ ↑ 0.5% QoQ ²	S\$40 ARPU (POSTPAID)	↓ 8.6% YoY ¹ ↑ 1.4% QoQ ²	1,451K SUBS (POSTPAID)	↑ 3.5% YoY ¹ ↑ 0.6% QoQ ²
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PAY TV

S\$248.0M REVENUE	↓ 20.3% YoY ¹ ↑ 0.6% QoQ ²	S\$44 ARPU	↓ 12.5% YoY ¹ ↑ 6.8% QoQ ²	329K SUBS	↓ 19.4% YoY ¹ ↓ 4.9% QoQ ²
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BROADBAND

S\$176.4M REVENUE	↓ 5.1% YoY ¹ ↓ 4.9% QoQ ²	S\$29 ARPU	↓ 10.6% YoY ¹ ↓ 3.1% QoQ ²	501K SUBS	↑ 4.0% YoY ¹ ↓ 0.8% QoQ ²
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NETWORK SOLUTIONS

S\$429.5M REVENUE	↑ 0% YoY ¹ ↑ 3.9% QoQ ²
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CYBERSECURITY

S\$145.7M REVENUE	↑ 79.1.0% YoY ¹ ↑ 14.6% QoQ ²
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¹ Refers to FY2019 vs FY2018
² Refers to 4Q2019 vs 3Q2019
³ Including impact from SFRS(I) 16 Leases



FINANCIAL OVERVIEW



S\$'M	4Q2019	4Q2018	Change (%)	FY2019	FY2018	Change (%)
Total Revenue	608.4	619.5	(1.8)	2,330.6	2,362.0	(1.3)
Service Revenue	443.7	457.5	(3.0)	1,765.1	1,832.4	(3.7)
EBITDA	138.4	110.8	24.9	617.1	567.1	8.8
Service EBITDA¹	115.5	105.6	9.4	558.7	520.8	7.3
Service EBITDA Margin (%)	26.0	23.1	2.9% pts	31.7	28.4	3.3% pts
Taxation	(4.5)	(6.6)	(31.7)	(40.0)	(44.9)	(10.9)
Net Profit After Tax <i>Attributable to shareholders</i>	34.9	19.8	75.8	186.3	201.5	(7.5)
Committed Capex²	80.5	75.8	6.2	175.3	202.0	(13.2)
Committed Capex to Revenue² (%)	13.2	12.2	1.0% pts	7.5	8.6	(1.0)% pts
FCF / Fully Diluted Shares (¢)	2.1	(2.5)	N.M.	12.6	8.4	50.4
	As at 31 Dec 2019			As at 31 Dec 2018		
Net Debt to TTM EBITDA Ratio (x)	1.51			1.52		



¹ Service EBITDA = EBITDA less (Sales of Equipment – Cost of Equipment)

² Excluding spectrum

* Numbers may not add up due to rounding / TTM = Trailing Twelve Months

GUIDANCE CHECKLIST

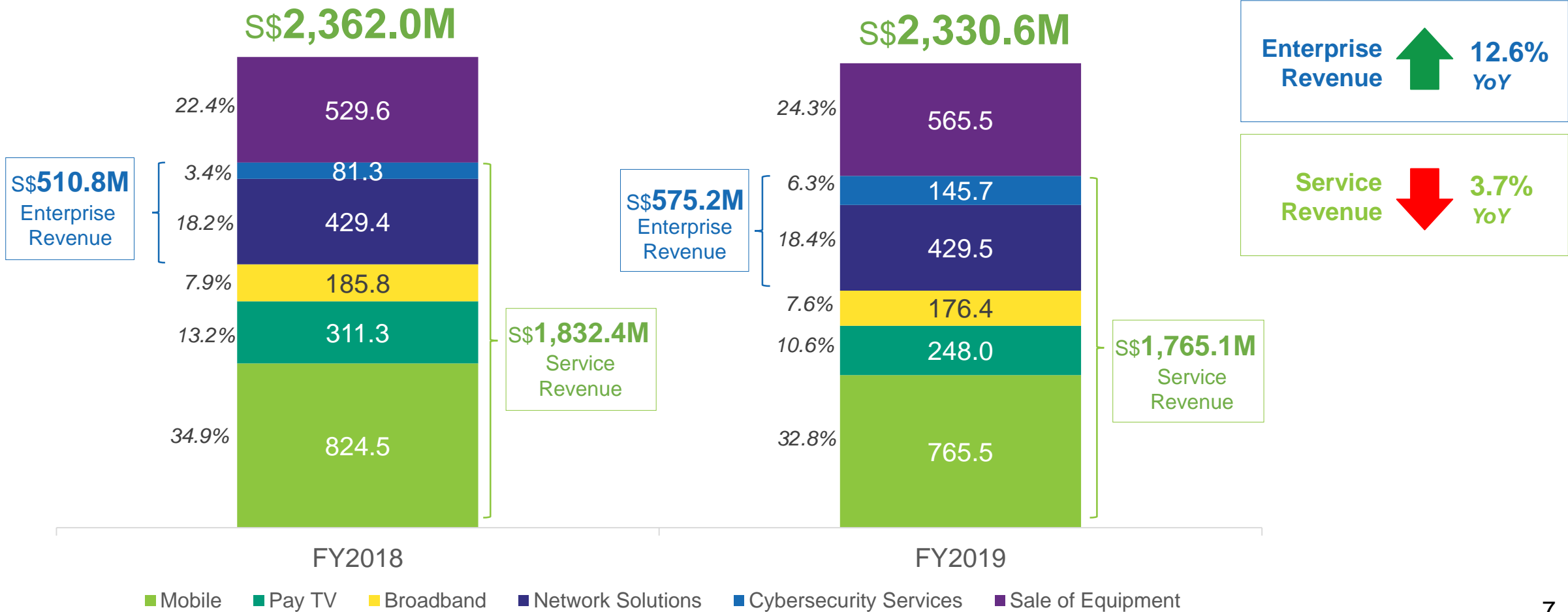


	ACTUAL	GUIDANCE	
SERVICE REVENUE	 3.7% YoY	 2% - 3% YoY	Lower-Than-Expected <i>Due mainly to lower consumer revenues offset by higher enterprise performance</i>
SERVICE EBITDA MARGIN ¹	31.7%	30% - 32%	Within Expectations
CAPEX COMMITMENT ²	7.5% Of Total Revenue	8% - 9% Of Total Revenue	Better-Than-Expected
DIVIDEND/SHARE	2.25 cents Per Quarter	2.25 cents Per Quarter	Within Expectations

¹ Service EBITDA margin after SFRS(I)16 adoption

² Excluding spectrum

TOTAL REVENUE (S\$'M) / REVENUE MIX (%)*



* Numbers may not add up due to rounding

YOY PERFORMANCE & COMMENTARY

QOQ PERFORMANCE

POSTPAID
ARPU



- Lower postpaid ARPU due to lower IDD, excess data usage, roaming, data subscriptions and VAS revenues

POSTPAID
SUBS (K)



- Average monthly churn rate in 4Q2019 was 1.1% (3Q2019: 1.6%; 4Q2018: 1.1%)

PREPAID
ARPU

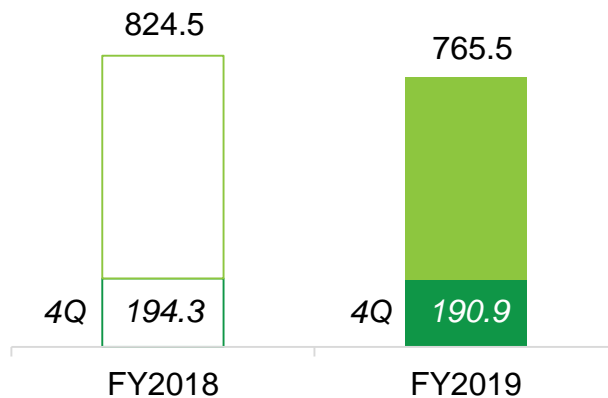


- Reduced customer base resulting from the migration of prepaid customers to SIM-only postpaid plans.

PREPAID
SUBS (K)



SEGMENT
REVENUE
(S\$'M)



- Reduced IDD, excess data usage, roaming, data subscriptions and VAS revenues
- Partially offset by increase in plan subscriptions, enterprise SMS revenues and reversal of loyalty reward accrual following the change in customer loyalty programme (Perx)
- Overall average data usage increased to 8.1GB YoY



YOY PERFORMANCE & COMMENTARY

ARPU

S\$50

S\$44

SUBS (K)

409

329

- Lower ARPU and subscriber base due to promotional activities relating to the cable-to-fibre migration

- 4Q2019 average monthly churn rate reduced to 0.7% (3Q2019: 2.2%; 4Q2018: 1.4%)

QOQ PERFORMANCE

S\$40

S\$42

347

329

SEGMENT REVENUE (\$'M)

311.3

248.0

4Q

71.3

4Q

56.5

FY2018

FY2019

- YoY revenue decrease due to lower ARPU and subscriber base, as explained above

56.1

56.5

3Q2019

4Q2019

YOY PERFORMANCE & COMMENTARY

ARPU



- Lower YoY ARPU due to promotional activities relating to the cable-to-fibre migration

SUBS (K)

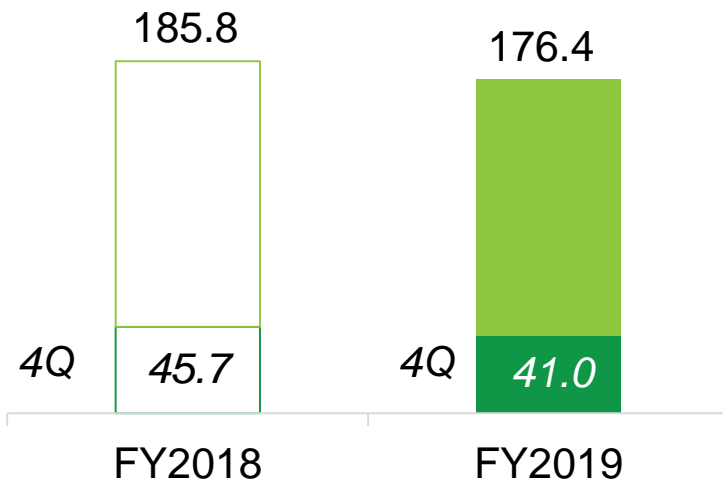


- 4Q2019 average monthly churn rate reduced to 0.5% (3Q2019: 0.9%; 4Q2018: 0.8%)

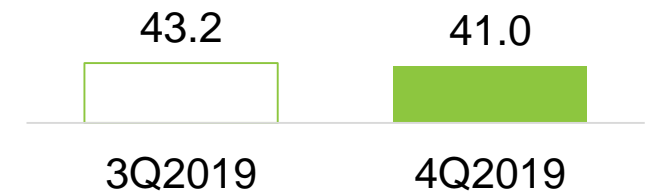
QOQ PERFORMANCE



SEGMENT REVENUE (S\$'M)

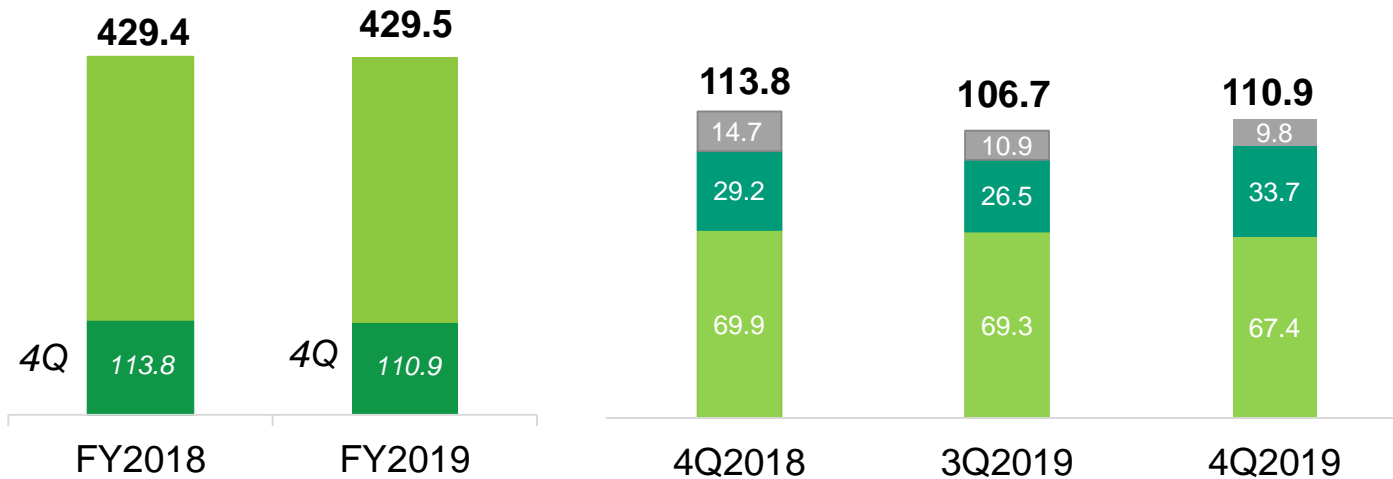
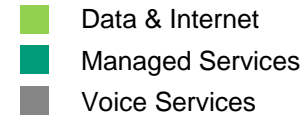


- YoY revenue decrease is due to lower ARPU achieved
- 4Q2019 average monthly churn reduced to 0.7% compared to 2.2% in 3Q2019



NETWORK SOLUTIONS

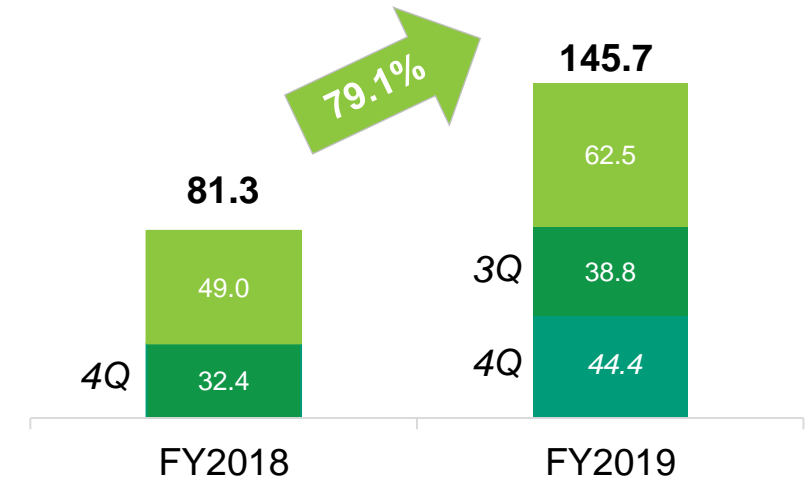
SEGMENT REVENUE (S\$'M)



- Lifted by higher revenue from managed services, partially offset by lower revenues from voice services, internet services and domestic leased circuits
- Managed services recorded higher demands for cloud, cryptographic and digital security solutions

CYBERSECURITY SERVICES

SEGMENT REVENUE (S\$'M)

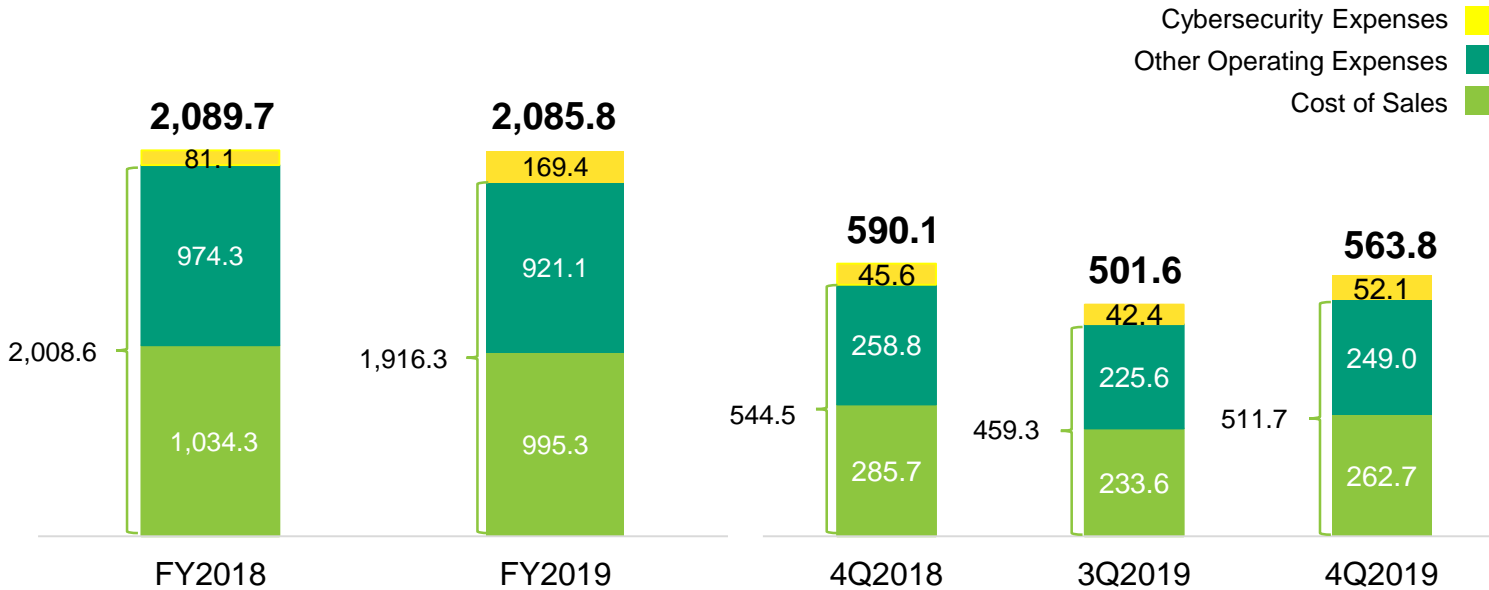


- 79.1% YoY growth in cybersecurity revenue lifted by first year consolidation of Ensign and higher business demand

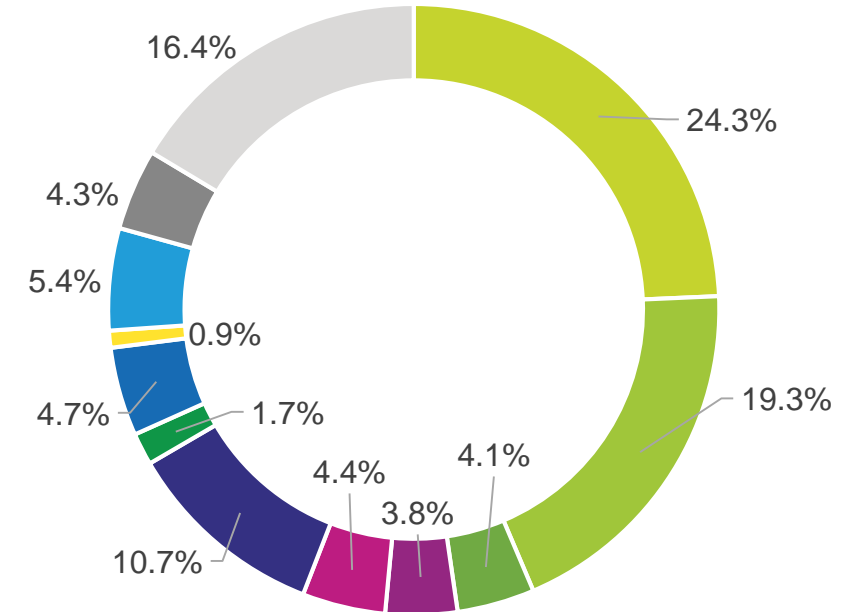
OPERATING EXPENSES



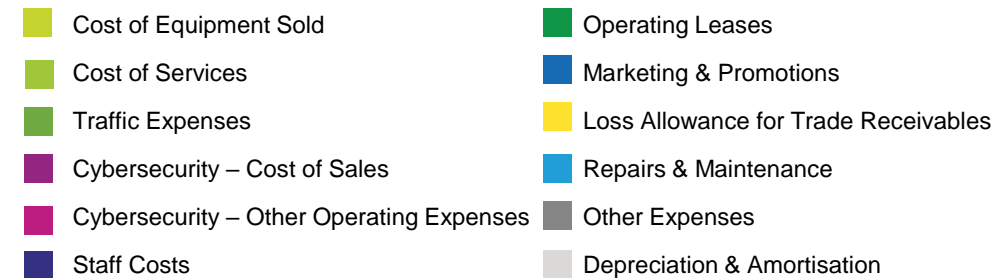
OPERATING EXPENSES (S\$'M)



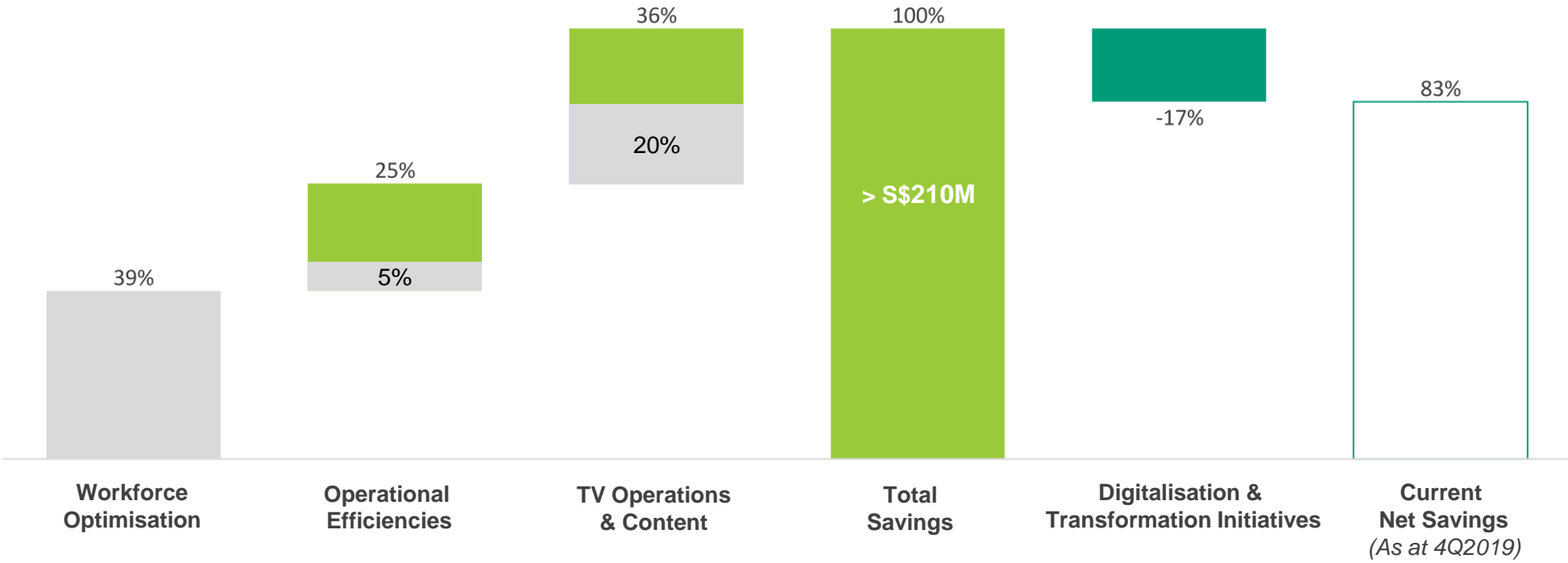
FY2019 COST STRUCTURE (S\$'M)



- Excluding cybersecurity expenses, Opex declined: 4.6% (FY2019 vs FY2018); 6.0% (4Q2019 vs 4Q2018); and 15.7% (3Q2019 vs 4Q2019)
- Higher cybersecurity expenses was due to first year consolidation of Ensign and initial investments in human capital and R&D that are necessary for sustainable future growth



64% COST PROGRAMME EXECUTED



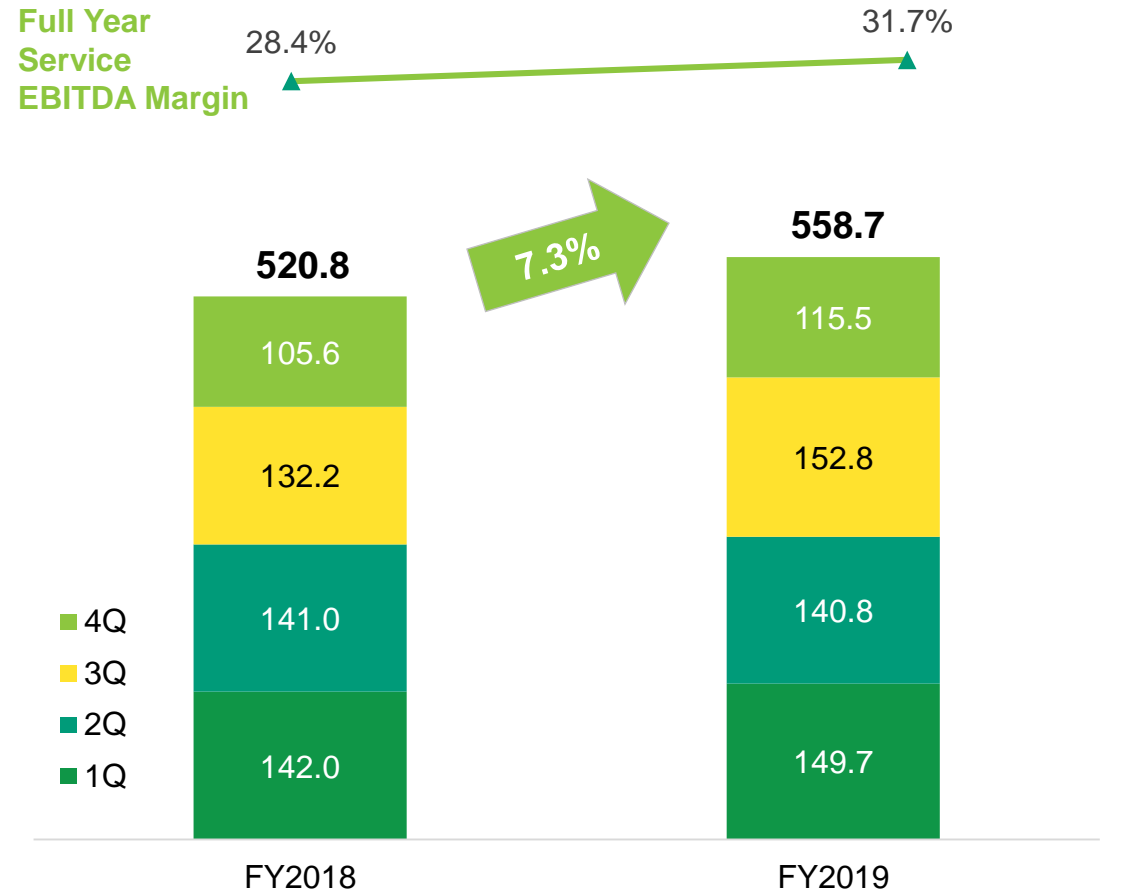
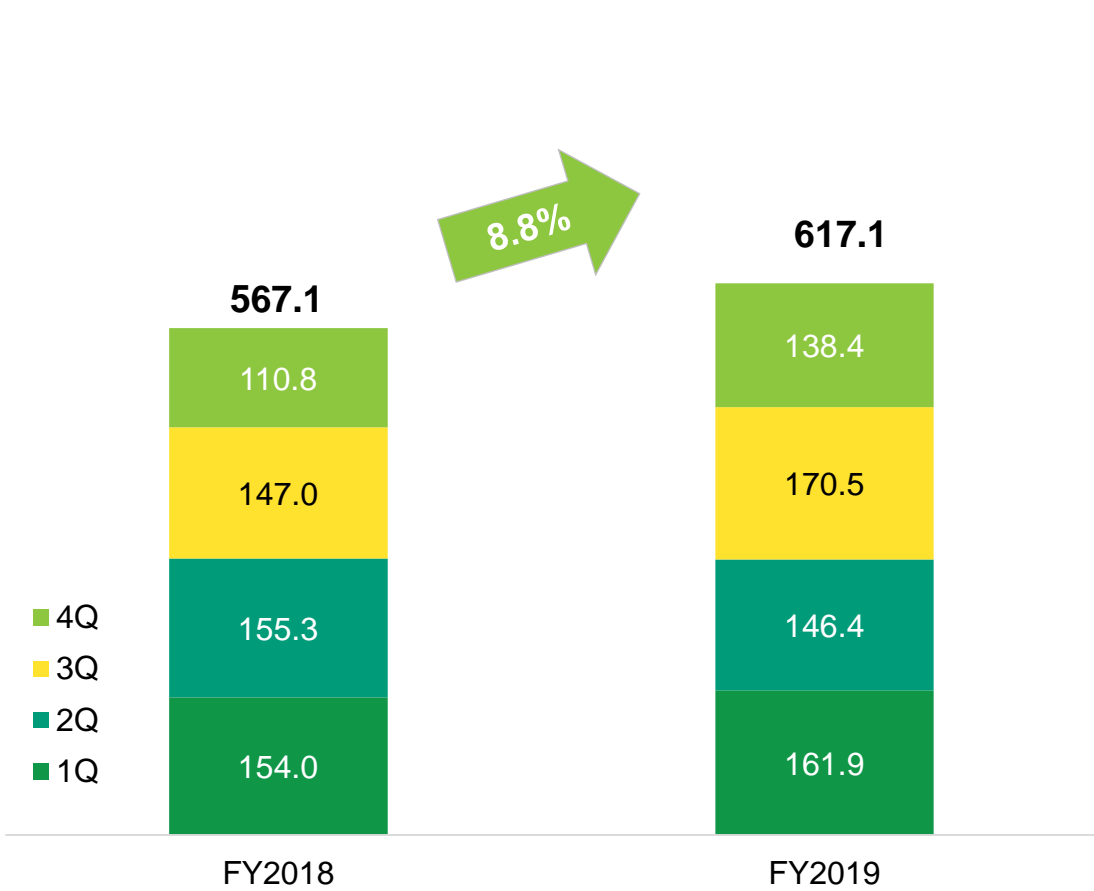
- Planned**
- Executed**
- Current Net Savings**
- Expenditure**
- Current Net Savings**

EBITDA / MARGINS



EBITDA (S\$'M)

SERVICE EBITDA (S\$'M) / MARGIN (%)



PROFIT HIGHLIGHTS

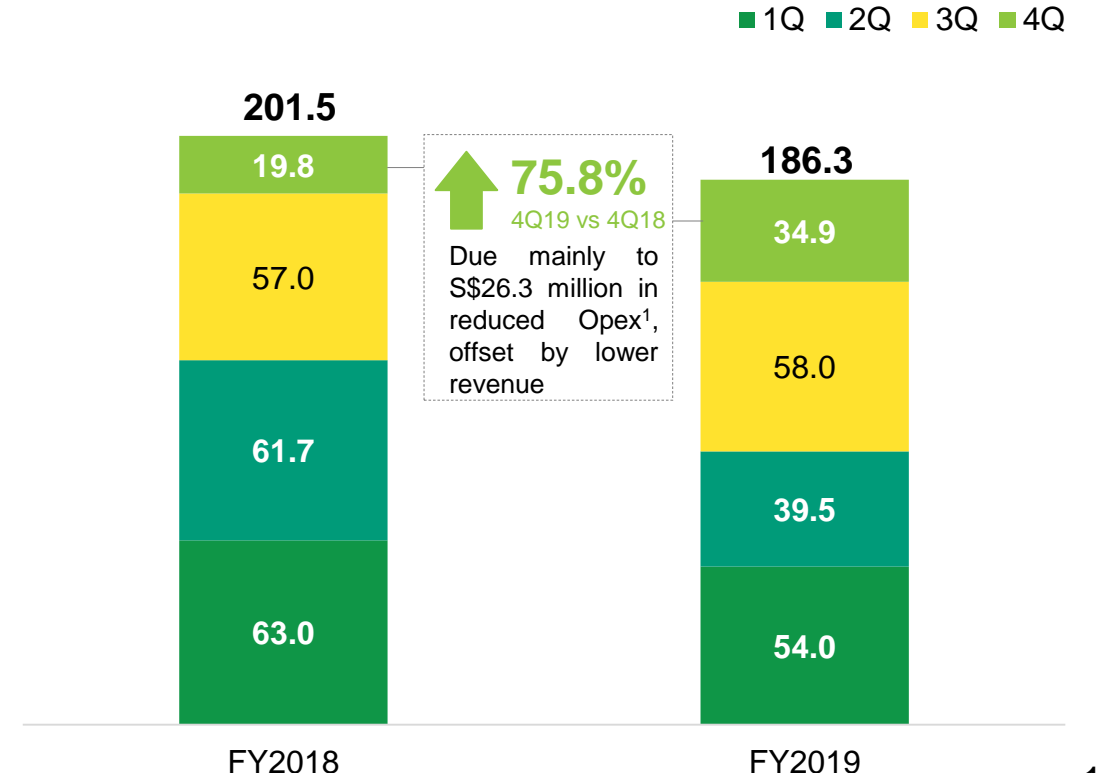
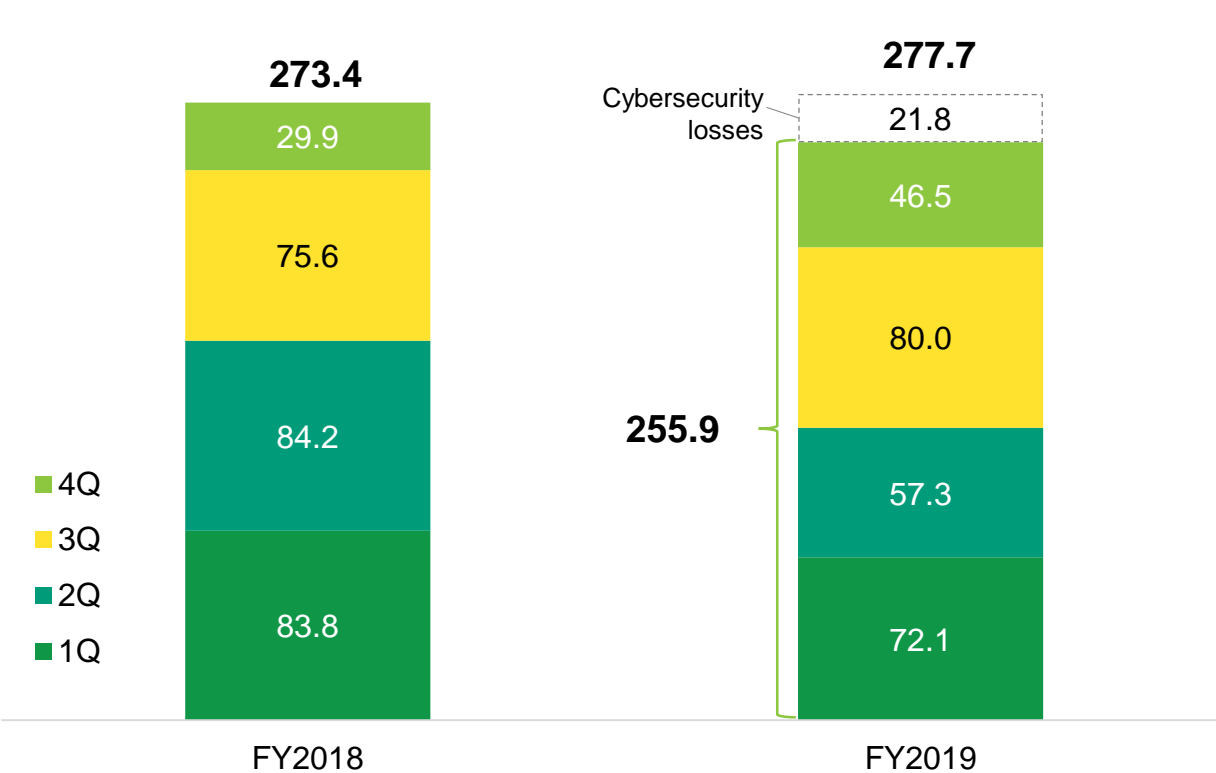


PROFIT FROM OPERATIONS (S\$'M)

- Excluding cybersecurity losses of S\$21.8M, profit from operations would have improved to S\$277.7M
- While the cybersecurity business was initially impacted by initial investments in R&D and human capital – critical components for sustainable future growth – Ensign seeks to aggressively grow its market share to improve profitability.

NET PROFIT (S\$'M)

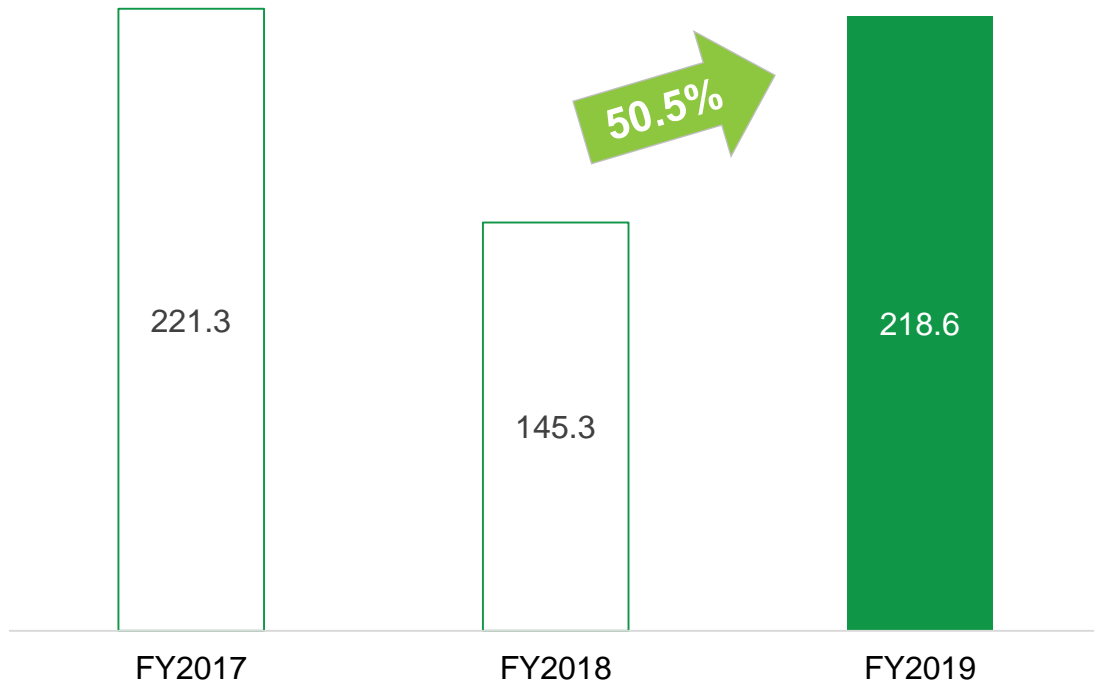
(ATTRIBUTABLE TO SHAREHOLDERS)



BALANCE SHEET HIGHLIGHTS



FREE CASH FLOW (S\$'M)



FY2019 DIVIDEND

9 SGD CENTS
PER SHARE

Responsible & sustainable dividend policy

NET DEBT TO EBITDA

1.51x

Prudent capital management with sufficient headroom for growth

CONSUMER

INTENSE MARKET COMPETITION

- Mobile: 4 MNOs, 11 MVNOs
- TV: Rise of OTTs (fragmented market) and content providers going direct to consumers
- Broadband: Lack of differentiation between operators

CHANGING CONSUMER BEHAVIOUR

- Higher data usage
- On-the-go OTT
- Favours flexibility & simple plans (e.g. no contract / SIM-Only)

NEW TECH CYCLE (5G)

- Consumer: Emerging opportunities in IoT / VR
- Enterprise: Tap 5G capabilities (higher speed, lower latency, prioritization, slicing) to enable innovative solutions

ENTERPRISE

ENABLING DIGITAL TRANSFORMATION

- Leverage the rise of Singapore's digital economy that is driven by the Government's Smart Nation push
- Growing demand from enterprise customers in data analytics solutions, IoT, cloud and data centre solutions

GROWING ADDRESSABLE MARKET

- Adjacent ICT business in Managed Services, Cloud, Analytics and IoT growing at 9% CAGR over 2018 – 2022F¹
- Opportunity to expand reach into underserved SME/mid-market customer segments

¹ Source: Analysys Mason, GlobalData, IDC, Frost & Sullivan, Gartner, Arthur D. Little Analysis, August 2019

JOINT 5G BID



- Exclusive agreement to cooperate and submit a joint bid for a 5G licence
- Network sharing to allow for lower network costs and more innovative solutions

PLAYING AN ACTIVE ROLE IN 5G



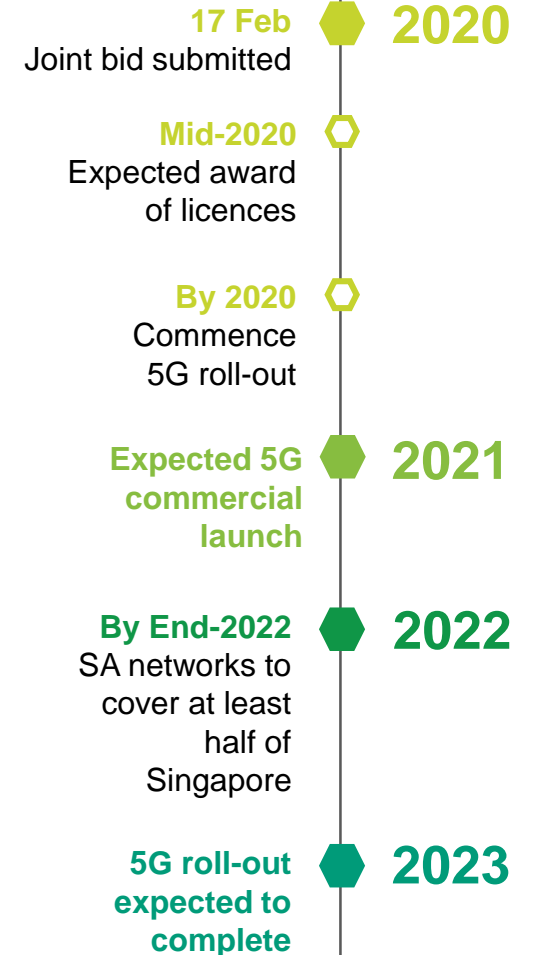
Pop-Up 5G Showcase (Dec 2019)



NYP-StarHub APEX-5G Launch (Jan 2020)

- Engagements at industry events
- Active trials with ecosystem partners including applications for Industry 4.0, healthcare, retail, urban solutions, education & research, amongst others

PARTNERS



GROUP

Transform
For sustainable future growth

Diversify
Revenue Streams;
Geographical Reach

Leverage emerging
5G opportunities

Prudent capital management

CONSUMER

Defensive;
Cashflow Generating

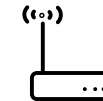
- Enhance customer experience
- Digitalisation – grow digital brands; drive online sales; embrace automation



- Stabilise ARPUs
- Expand subscriber base through innovative offerings



- Shift towards variable cost model
- Move towards innovative offerings & OTT



- Target niche customer segments (e.g. gaming)

ENTERPRISE

Accelerating
Growth

- Expand and grow adjacent businesses
- Explore synergistic & accretive M&As – diversify revenue streams & bolster portfolio of capabilities



- Build upon growth momentum for Managed Services
- Capture greater market share for emerging tech (e.g. IoT, data centre services, data analytics) and in underserved customer segments



- Invest in future growth – human capital & R&D
- Improve profitability by aggressively growing topline

SERVICE REVENUE

 **1% – 3%**
YoY

SERVICE EBITDA

27% – 29%
Margin

CAPEX COMMITMENT

6% – 7%
Of Total Revenue

Excluding spectrum and 5G capex

DIVIDEND / SHARE

9.0 CENTS
Full year distribution

Dividend policy: At least 80% of net profit attributable to shareholders (adjusted for one-time, non-recurring items); payable semi-annually

ADDITIONAL NOTES

- Service Revenue expected to be lifted by higher cybersecurity services revenue
- Lower YoY guidance for Service EBITDA margin due to change in revenue mix
- Continue optimising operations through digitisation and process simplification, while rationalising capex investments on our core business, to stabilise and improve margins
- Dividend guidance takes into consideration short-to-mid term cash flow requirements, as well as results reaped from the ongoing business transformation initiatives



DARE TO EVOLVE

4Q/FY2019 RESULTS

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Investor Relations:
Amelia LEE | IR@StarHub.com