



**STARHUB LTD**

Co. Reg. No. 199802208C

**22<sup>ND</sup> ANNUAL GENERAL MEETING & EXTRAORDINARY GENERAL MEETING**

**Responses to Substantial & Relevant Questions  
Submitted by Shareholders**

**Singapore, 21 May 2020** – StarHub Ltd (“StarHub”) thanks shareholders for their interest in submitting questions in advance of our 22<sup>nd</sup> Annual General Meeting (“AGM”) to be convened and held by way of electronic means on 22 May 2020 at 10.00 a.m. and our Extraordinary General Meeting (“EGM”) on the same day at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the AGM).

Responses to all substantial and relevant questions received relating to the resolutions tabled for approval at the AGM and EGM are as listed in the Appendix. The Appendix also includes StarHub’s responses to questions from the Securities Investors Association (Singapore) as part of its Q&A on Annual Reports initiative. Most of these topics will also be addressed in the CEO presentation during the AGM by our Chief Executive Officer, Mr Peter Kalioropoulos. The CEO presentation deck is enclosed, and made available on our StarHub Investor Relations website, for your information.

For full details on StarHub’s latest financial and business performance update for the quarter ended 31 March 2020, including the outlook statement and the withdrawal of FY2020’s guidance, please visit the Results Centre section on StarHub’s Investor Relations website at <http://ir.starhub.com>.

Following the conclusion of the AGM and EGM, the outcome of the AGM and EGM will be uploaded on SGXNet and made available on StarHub’s Investor Relations website. The minutes of the AGM and EGM will be published on SGXNet and StarHub’s Investor Relations website by 21 June 2020.

## **APPENDIX**

### **I. COVID-19**

#### **1. In view of COVID-19, kindly update guidance on revenue and dividend for FY2020.**

- We indicated in our 1Q2020 business performance update released on 6 May 2020 that the Board and management decided to withdraw the FY2020 guidance due to uncertainties brought about by COVID-19.
- The guidance will be updated once there is greater visibility on the aggregate nature of the COVID-19 impact. We expect to provide comments on the outlook for the remainder of 2020 upon the release of the 1H2020 results in August 2020.

#### **2. Would the Board/ management help shareholders reconcile why it withdrew its FY2020 guidance due to lack of visibility and yet determined that it was prudent to carry out a share buyback?**

- The guidance was withdrawn due to COVID-19 uncertainties. The recent share repurchases on 11 May 2020 were carried out for the purpose of fulfilling the vesting of the annual grant of share awards to non-executive Directors of StarHub under the StarHub Restricted Stock Plan as part of their remuneration for FY2019, subject to shareholders approval at the AGM.

#### **3. Has the Board/ management had the opportunity to evaluate the long-term impact, including the changes in consumer behaviour and needs, due to the pandemic?**

- The approach taken to-date is rapid adaptation to the COVID-19 situation, which will be followed by a series of initiatives to accelerate recovery, alongside priorities to safeguard our stakeholders' safety and well-being during these challenging times.
- We maintain a disciplined approach to capital management and managing liquidity. We have secured refinancing for bank loans due in 2020 (no further refinancing is required until 2022), alongside proactive initiatives to strengthen our cash position.
- Digital transformation will be accelerated to support online sales and customer care, which includes rationalisation of traditional call centre capabilities.
- We will collaborate with partners to capture growth areas like remote healthcare, education and other digital services that serve homes and offices.
- Despite the short-term challenges brought about by COVID-19, we continued the implementation of major transformative initiatives, including obtaining the 5G provisional licence to ensure long-term growth and competitiveness; a multi-year IT transformation programme to optimise IT operations and lower costs; and the acquisition of Strateq that will bolster our Enterprise capabilities and delivery, as well as offer diversification and growth.

- Productivity improvement plans based on various recovery scenarios will be developed and a review of the Consumer and Enterprise business models is underway to ensure we meet customer expectations via more agile and digital means.
- 4. When the government implemented the circuit breaker measures, did management observe that its “Hello Change” campaign provided it with the agility to proactively offer solutions to help customers (including businesses) with their telecommunication needs, for example, fibre connections to facilitate work-from-home arrangement?**
- The Hello Change campaign refreshed our brand promise by offering simplicity and flexibility for mobile, Broadband and Pay TV services.
  - Various promotional offers are available to customers for fibre services to the home – when installation activity slowed down during COVID-19, customers were offered wireless routers upon application for fibre service, enabling customers to enjoy fast broadband immediately until fibre service could be provided by NetLink Trust and StarHub. Due to challenges arising from the pandemic that had led to a resource crunch at NetLink Trust, our engineers filled the temporary gap and eased fibre installation delays for customers.
  - A rapid response team was also set up within our Networks unit to ensure Enterprise customers were provided with additional services required within hours during COVID-19 – a much faster turnaround time than standard provisioning schedules.
  - Additionally, we have taken a proactive stance to support customers and the community during these difficult times – including business continuity planning support for Enterprise customers such as free converged solutions and heavily discounted mobile broadband, as well as ~40 channels on free preview and enhanced video-on-demand content for Pay TV customers.

## II. 5G

- 5. Congrats on being awarded one of Singapore's 5G licenses. Please provide more clarity on the strategic roll out and Capex plans. How do you plan to finance the 5G-related Capex?**
- On 29 April 2020, we were awarded the 5G Provisional Licence by the regulator, and there are further technical details to be discussed and agreed with the regulator before the full licence will be awarded, including the selection of the technology partner. Hence, we are unable to provide detailed comments and guidance at this juncture. Once the full licence is awarded, StarHub will provide the appropriate guidance to the investment community on its 5G plans.
  - The 5G radio access network-related investments will be shared with M1. We believe strongly in the merits of a strategic cooperation and network sharing model, which will optimise infrastructure and spectrum costs.

**6. Will 5G investments affect the Company's cash flow and dividends?**

- Our net debt to EBITDA remains healthy at 1.4 times as at 31 March 2020, giving us the financial flexibility and sufficient headroom to pursue such investments and growth opportunities. We have also successfully negotiated the refinancing of bank loans due in FY2020 and secured additional committed credit facilities for working capital and capex requirements.
- We continue to employ a disciplined approach to capital management and are committed to drive greater cost efficiencies across the organisation.
- Our free cash flow has improved 5.6 times year-on-year to S\$118.9 million in 1Q2020.
- While we have suspended our dividend guidance, we remain committed to enhancing shareholder value, and will take a balanced view on dividends with due consideration given to overall financial performance, short-to-medium term cash flow requirements and the ongoing COVID-19 impact.

**7. When do you expect 5G-related business to start contributing to earnings?**

- As outlined in our response to question 5, we will offer guidance on our 5G plans and investments once the full license is awarded by IMDA.

**8. Please share the type of industries the Company is looking to serve with 5G? What kind of new services and use cases is StarHub going to launch?**

- With its high-speed, low-latency and unique capabilities (such as network slicing), 5G is an enabler for new innovations and technologies such as Virtual Reality, Augmented Reality, real-time data analytics, Internet of Things and many others, that will accelerate Singapore's digital economy and delivery of many essential services.
- 5G is about creating an ecosystem for a smarter, more innovative and interconnected society as a result of combining 5G, devices, applications, data analytics and artificial intelligence.
- StarHub is excited about the new services and opportunities to come and will announce more details about StarHub's 5G services closer to commercial readiness.

**9. Who would be the early adopters of the 5G technology?**

- While 5G is expected to support speed and scale for many enterprise use cases, adoption for consumers is expected to be faster, driven by the release of 5G-capable handsets already in the market and available sports and entertainment content.

**10. Will StarHub consider a merger with M1 given the current extremely difficult operating environment going forward? In fact, both Telcos already have much cooperation before and the latest being a successful joint bid for 5G licence.**

- The 5G strategic partnership with M1 is a specific collaboration that will allow cost sharing on rolling out the new 5G radio network infrastructure, and this is mainly at the infrastructure layer. Both MNOs will launch their own offerings and solutions for customers with separate go-to-market strategies.
- Mergers depend on market conditions, are subject to regulatory approvals, and driven by value creation requirements for stakeholders. Beyond the 5G strategic collaboration, no intent nor discussion of any kind is underway at this stage that may lead to a merger.

### **III. CYBERSECURITY**

**11. What caused the Cybersecurity business to post a significant loss in FY2019? With its investment in talent acquisition and a Security Operations Centre in 2019, is the heavy investment phase over and would the segment be able to grow in a profitable manner?**

- FY2019 was the first year we consolidated Cybersecurity into our accounts. To build strong foundations to support future growth, Ensign made significant investments in R&D and human capital – both critical elements to ensure Ensign’s long-term competitiveness.
- Despite the losses in FY2019, Ensign reported a strong 79.1% growth in revenue. We take a serious view on improving Ensign’s profitability – with strong foundations in place, it plans to aggressively grow its topline and benefit from scale so as to optimise margins.
- Notably, Ensign reported a ~\$5 million profit in 1Q2020 on a 136.8% growth in revenue on the back of the delivery of key projects during the quarter. The sustainability of Ensign’s profitability for the year will depend on the extent of COVID-19 impact that has inevitably led to cautious spending by corporates, and project/ tender delays.
- Ensign is still in its growth phase; we maintain a long-term view on business strategies and will continue to strike a balance between accelerating growth and enhancing profitability.

**12. Can management help shareholders understand the services provided by Ensign in its cybersecurity segment?**

- Ensign is the region's largest pure-play end-to-end cybersecurity services firm. It provides services across Cybersecurity Consulting, Systems Integration and Managed Security Services to help its customers better secure themselves, regardless of where they are on their security journeys:
  - The Cybersecurity Consulting business helps customers determine how secure they are and how to better protect themselves through services such as security assessment, penetration testing, cybersecurity advisory, red-teaming and wargaming exercises, incident response and training.
  - The Systems Integration business helps customers design, build and deploy an effective security architecture, even across complex network environments and use cases.
  - The Managed Security Services business has the expertise to run security operations on behalf of customers to monitor, detect and respond to cybersecurity threats in their environment on a 24/7 basis.
- In addition, Ensign also carries out R&D in-house through Ensign Labs, developing new technologies and solutions to counter advanced threats.

**13. What are the major opportunities in the next year or two?**

- Ensign has identified growth opportunities from the sectoral, geographical and technological perspectives:
  - Sectoral: Traditionally strong industries like the public sector and financial services continue to spend on security services to better protect themselves amidst a complex and dynamic threat landscape. Additionally, there are also sectors with growth opportunities in the short-to-medium term, such as the industrial and manufacturing sector, as companies think about securing their industrial environment in the face of increased digitalisation; as well as healthcare, as protecting sensitive patient data becomes an increasing priority.
  - Geographical: The Asia-Pacific market that Ensign operates in is showing strong growth and is poised to be the fastest growing region for cybersecurity spending globally in the near term. There is promising demand coming from various markets across Asia Pacific, and Ensign intends to leverage its regional footprint to tap on this demand for accelerated growth.
  - Technology: Ensign recognises opportunities in cloud as customers increasingly transition their operations to a cloud environment as part of their digitalisation efforts; industrial cybersecurity, given the trend of increased digitalisation impacting industrial environments as mentioned above; and with the deployment of 5G networks, being able to secure these environments will be a key priority for governments and telcos globally.

**14. Are the cybersecurity services offered by Ensign generally more stable and recurring in nature?**

- Many of Ensign's customer contracts are multi-year service contracts, in which customers pay a recurring fee for the provision of services by Ensign. This is especially prevalent for its Managed Security Services business, as well as many of its large-scale Systems Integration projects.
- In the case of one-time deployment or consulting contracts, Ensign is seeing a healthy rate of repeat business from existing customers, and is confident that this is a sustainable trend with the level of expertise and capability that it brings to the market.

**15. Does management have an estimate of Ensign's market share?**

- In less than two years since Ensign's establishment in October 2018, it has achieved about 16% share of the cybersecurity services market in Singapore, which makes up the majority of Ensign's business today.

**IV. DIVIDEND**

**16. When is the final dividend payment date?**

- The date of the final dividend payment of 2.25 cents per ordinary share for financial year ended 31 December 2019 is 12 June 2020, subject to shareholders' approval at the AGM.

**17. As an income investor, I would like to know the company dividend policy/outlook going forward. Is there a further reduction due to COVID-19 and is it temporary? Is there a change in the dividend policy?**

- As we have indicated in our 1Q2020 business performance update released on 6 May 2020, the Board and management decided to withdraw the FY2020 guidance due to the uncertainties brought about by COVID-19, and this includes suspending the 9 cents dividend guidance for FY2020.
- The guidance will be updated once there is greater visibility on the aggregate nature of the COVID-19 impact. We expect to provide comments on the outlook for the remainder of 2020 upon the release of the 1H2020 results in August 2020.
- While we have suspended our dividend guidance, we still have our dividend policy in place – to distribute at least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items), payable on a semi-annual basis.

**V. OTHERS**

**18. The recent internet disruption caused a lot unhappiness among customers. Does the company have any preventive measures and also ways of keeping customers happy and also attract new customers?**

- We apologise unreservedly for the inconvenience caused by the intermittent disruption of home broadband services to some customers on 15 April 2020.
- We have extended a one-time 20% rebate to our affected customers on their Home Broadband monthly fee. This is equivalent to six days of free home WiFi service.
- This incident was not caused by any out-of-date equipment, capacity shortage nor a cyber attack. Our network infrastructure is robust; we utilise hardware and software from global technology leaders, and redundancies are built in as part of our extensive business continuity planning.
- The root cause has been identified as an internal network change management process. We have since taken immediate steps to implement measures to prevent a recurrence, and we are enhancing relevant processes.
- We will continue to ensure a robust and resilient high-quality network for a seamless customer experience.

**END**