

StarHub Reports 2017 Fourth-Quarter and Full Year Results

Singapore, 14 February 2018 – StarHub Ltd today announced its results for the quarter and full year ended 31 December 2017.

For the quarter, total revenue increased 2% year-on-year (YoY) to S\$649.0 million and for the full year, it was slightly over S\$2.4 billion. The increase for the year was attributed to higher revenues from Enterprise Fixed services and sales of equipment. For the quarter, the Group EBITDA was lower by 29% YoY to S\$96.8 million while the full year Group EBITDA decreased by 11% to S\$613.9 million. EBITDA margin as a percentage of service revenue was 16.9% for the quarter and 27.9% for the full year.

The decline in Group EBITDA was partly due to one-off provisions made for certain staff benefits to rationalise and retain talent in recognition of the business challenges and operating conditions, and for a leasing contract related to the cable network. Given plans to migrate cable customers to fibre broadband and IPTV services, the economic benefits expected from the lease is lower than the contractual cost.

Excluding these provisions and other reversal of prior year accruals, underlying EBITDA for the quarter was 10% lower YoY to S\$107.6 million and by 7.3% lower YoY to S\$609.7 million for the full year. This was mainly due to higher cost of sales and lower income grant, but mitigated by higher service revenue and lower operating expenses. The underlying net profit after tax would have been S\$23.2 million for the quarter and S\$246.8 million for the full year.

Including the provisions and other reversal of prior year accruals, in 4Q2017, net profit after tax was at S\$14.3 million and free cash flow was at negative S\$31.7 million. Compared to a year ago, net profit after tax decreased S\$39.7 million for the quarter and 27% for the full year to S\$249.6 million. Free cash flow was at S\$221.3 million for

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the full year. Cash capital expenditure (CAPEX) was at S\$95.3 million for the quarter and at S\$295.9 million for the full year.

Business Highlights

Service revenue for the quarter was 1% YoY higher at S\$571.7 million but 1% YoY lower for the full year at just under S\$2.2 billion.

Mobile revenue decreased 4% YoY for the quarter and 2% for the full year to S\$301.0 million and just under S\$1.2 billion respectively. Compared to a year ago, post-paid ARPU decreased by S\$2 to S\$68 for the quarter and the full year. Pre-paid ARPU was lower by S\$1 for both the quarter and full year to S\$14 and S\$15 respectively.

Pay TV revenue decreased 7% YoY for the quarter and 8% lower for the full year at S\$86.9 million and S\$348.9 million respectively. The decrease was mainly due to a reduced customer base to 458,000 households. For the quarter and full year, Pay TV ARPUs were at S\$50 and S\$51 respectively. The average monthly churn was kept low at 0.9% for the quarter and 1.0% for the full year.

Broadband revenue was stable at S\$54.2 million for the quarter compared to a year ago. Full year revenue was 1% lower at S\$214.0 million. This was contributed by a lower residential broadband customer base. The base decreased by 6,000, ending the quarter with 467,000 customers. We saw ARPUs stable at S\$37 for both the quarter and the full year. The average monthly churn for the quarter was at 0.9% and 1.0% for the full year.

Enterprise Fixed revenue increased 21% YoY for the quarter and 9% for the full year. For the year, Data & Internet services revenue increased S\$43.6 million to S\$390.7 million from a year ago. The increase was primarily driven by higher revenues from managed services and cyber security solutions. Voice services revenue decreased S\$6.6 million to S\$46.2 million for the year mainly due to lower domestic and international traffic usages.

“Our Enterprise Fixed business plays a key role and it has registered a strong finish to the year with a second consecutive quarter of double-digit revenue growth. The strategy we have executed for our growth, such as our acquisitions of Accel and D’Crypt, is yielding results for us,” said Mr Tan Tong Hai, CEO, StarHub.

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“In 2018, we will be taking our customer-centric approach a step further by adopting a higher level of artificial intelligence to anticipate our customers’ needs and recommend new services to them. The year will also usher in changes to the competitive landscape and we are ready to seize opportunities offered by the market,” added Mr Tan.

Outlook for FY2018

The Group will be adopting SFRS(I) 15 (Revenue from Contracts with Customers), effective from 1 January 2018. Under the new standard, service revenue is expected to decline mainly due to the allocation of service revenue to sales of equipment revenue. As a result, service revenue will be lower while sales of equipment revenue will be higher compared to the current accounting treatment. Group EBITDA margin for 2018 will increase due to the upfront revenue recognition of sales of equipment based on standalone selling price and the reduction in service revenue.

Based on the current outlook, we expect our guidance on our Group’s 2018 service revenue to be 1% to 3% lower YoY. Group EBITDA margin is expected to be between 24% to 26% (before SFRS(I) 15 adoption) of service revenue, while EBITDA margin is expected to increase by another 4% to 6% (after SFRS(I) 15 adoption). In 2018, CAPEX payment is expected to be 11% of total revenue, excluding spectrum payments. We intend to pay a quarterly cash dividend of four cents per ordinary share for FY2018.

For more details on the Group's performance for 4Q2017 and outlook for FY2018, please visit www.starhub.com/ir. Materials available at this website include the audio conference link, investor presentation and audited results for the full year ended 31 December 2017.

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About StarHub

StarHub is Singapore's fully-integrated info-communications company, offering a full range of information, communications and entertainment services for both consumer and corporate markets. StarHub operates a mobile network that provides 4G and 3G services. It also manages an island-wide HFC network that delivers multi-channel pay TV services (including HDTV, Internet TV and on-demand services) as well as ultra-high speed residential broadband services. StarHub operates an extensive fixed business network that provides a wide range of data, voice and wholesale services. Over Singapore's fibre-based Next Generation Nationwide Broadband Network, StarHub offers a broad range of home and business broadband plans, as well as commercial and residential IPTV services.

Launched in 2000, StarHub has become one of Singapore's most innovative info-communications providers, and the pioneer in 'hubbing' - the ability to deliver unique integrated and converged services to all its customers. StarHub, listed on the main board of the Singapore Exchange since October 2004, is a component stock of the Straits Times Index, the MSCI Singapore Free Index, the SGX Sustainability Leaders Index and the SGX Sustainability Leaders Enhanced Index.

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