



StarHub Ltd – 1Q2024 Business Update Call Transcript

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StarHub Management Representatives:

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Head, Enterprise	Tan Kit Yong
Chief, Consumer	Johan Buse
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Start of Transcript

Amelia Lee: Hi. Good evening, everyone. Thank you for joining us at StarHub's 1Q24 Business Performance Call. My name is Amelia and I take care of StarHub's investor relations. This evening we have with us our Chief Executive Nikhil Eapen; Dennis Chia, our CFO; Johan Buse, Chief of Consumer and Tan Kit Yong, our Head of Enterprise Business Group. As usual, we start off with opening remarks from Nikhil, followed by Dennis on financials, and then Johan and Kit on business highlights. We will then open the floor to questions thereafter. Nikhil, over to you, please.

Presentation

Nikhil Eapen: Hi everyone. Thank you for joining us for our 1Q24 earnings this evening. Thank you for making the time. So as usual, I'll start off with our financial highlights. So as you can see, just focusing on Service Revenue, we were up 2% year-on-year ("YoY") for 1Q24. Some segments declined, including Mobile which I'll talk about, but some segments improved, in particular Enterprise, but within Enterprise – Cybersecurity and Managed Services.

Our EBITDA was slightly up due to some early efficiencies, despite some revenue downdraft but also, it must be noted, of course, that this EBITDA margin being up was in the face of continued spending on DARE+, and as you know, this is a heavy DARE+ spend year. Now our Net Income grew faster YoY at 8.1%. And this is reflective of early efficiencies, as well as a continuing trend through DARE+ of Capex-to-Opex substitution and improving return on investment as a result. Now, what's not on this page, but



should be noted as I always do, is we had strong free cash flow and our leverage is actually down 1.36 times to about 1.06 times, that's something that we're quite happy with, as it gives us the funding and the financial firepower for our organic and inorganic.

Now, looking forward, we will be reiterating our guidance for FY2024. Also looking forward, we will be reiterating our stated intent to complete 90% of DARE+ spend by the end of this year – FY2024. And therefore, as we approach the end of the year, we will progressively start decommissioning and realising our DARE+ savings, as we have highlighted. Also over the year, we will continue to build DARE+ differentiation. Our IT Transformation will be completed, hence we will have our digital customer journey across all product, which is the Infinity Play vision that we've been talking about for our consumers. We will also have, by the end of the year, our 3C's: Cloud, Connectivity and Cybersecurity converged on single cloud, hybrid multi-cloud platforms for enterprises. And in particular, something that Kit Yong will talk about as it's quite near-term as at launch is DCIX as one of the key examples. So all of this will be in place and commercially launched by end 2024.

Next page, please. So, going to the segments, this was a difficult quarter for Mobile, with continued hyper competition. We had revenue decline YoY 4.6%. We're focused on revenue market share, and we held our revenue market share over the number three player at about the 500 basis points levels. We saw a little bit of erosion in subs and also in ARPU, and we will continue to attack and defend, to defend and grow, continue to report back. Now Broadband was relatively flat and this was a function of two opposing factors. We have in recent quarters withdrawn promotions and premiums. Hence our profitability in the segment has grown YoY, fairly materially. But what we have also done in Broadband is that we have aggressively driven the migration towards high-speed plans, especially 10G XGS-PON, as well as 5 Gbps onto our XGS-PON network. We're first in the market with both and we are seeing very strong growth. So we view this quarter as a reset.

Entertainment also, is similarly a reset of sorts, we saw an expiry of subscribers on a specific content package that was bundled, and on Premier League we saw continuing good growth, continuing good cross sell. So as I said, we view this as an important [inaudible]. And then last, on Enterprise we saw strong growth. Cybersecurity was up very strong; Managed Services within Network Solutions was up very strong; and less strong were legacy connectivity streams.



So FY2024 guidance, we performed in line with our guidance for the year on Service Revenue and Service EBITDA margin; on Capex we outperformed so we saw strong Free Cash Flow and overall we are reiterating our guidance for this year. And on the financial overview, I'll just pass through this quickly, we would like to call out that we have completed the sale of D'Crypt. This aside, we had signed the sale of D'Crypt on December 2023 and we had held it as an asset held for sale from the end of last year. We completed the sale on 29 February 2024. For the two months that we recorded results for D'Crypt, we have shown the impact on our financial results. And then again, I would like to point out at the bottom of the page that we have continued to reduce our leverage. We were 1.36 times at the end of the year, which was reduced a step further by the end of 1Q24 at 1.06 times. So with that I will pass off to our esteemed Chief of Consumer Johan Buse.

Johan Buse: Okay. Thank you, sir. So good evening, everyone. I'll take you through Mobile, Broadband and Entertainment. I would say Mobile was a bit of a whirlwind quarter. ARPU is fairly stable: \$31, mainly impacted due to lower mobile revenue, lower IDD. The reduction in the base is mainly due to free subscribers which are typically bundled in with Broadband and that actually shows you the churn as well, which is fairly stable at 0.9%. We do see, by the way, an interesting uptake of 5G, if you've got questions later on. We do see also an improving NPS on that.

On Prepaid, ARPU is stable, flat; Prepaid subs slightly up quarter-on-quarter ("QoQ"), that's on the back of more tourists; YoY a small decline, and that has resulted in a slight decline in terms of revenue. Noteworthy is that the number of subs in terms of data usage and the amount of data use, which has been increasing, we're actually clocking close to 19Gb per quarter. So that's on Mobile.

Broadband, Nikhil already mentioned quite a fair bit about that. It is a hyper-competitive landscape against the market, actually. We hold the ARPU stable, which I think is a good performance and also the base is sustainable. What has changed in the revenue is the allocation of premiums, which we stopped doing and as Nikhil referred to actually are gross profit on the back of that increase. We do see fantastically good uptake actually on the new XGS-PON network, we call it *Ultraspeed*, by the way. 10GB, we actually launched two weeks ago, 5GB plans as well. And we see a very strong appetite of customers upgrading to those plans, which in time will be value-accretive and will help the ARPU, so that's good news on the Broadband side.



Entertainment, mindful that last quarter, 4Q2023, we had IPL Cricket, which always comes with, I would say, a good appetite of customers signing up. So that's why the base went down and the last quarter in 1Q2024. ARPU remained fairly stable, we also see that the number of subscribers buying more than one content pass actually remain stable. And that actually results in I would say, for this business, a good churn percentage 0.9%, which is really obviously commendable. The revenue is down, but the gross profit for this particular segment is actually YoY significantly up due to smart cost management. So that's the summary for the consumer; a bit more flavour, actually, the next slide.

So I just mentioned that you already have the 5Gbps broadband plan, if you haven't signed up yet, this will be the right time to do so. And that will fuel further on, I will say the revenue and the significance of the broadband product in our portfolio. And then also with that we have taken a more bullish approach in terms of bundling content. So we do have on the backup *Ultraspeed* and also a HomeHub+ bundle, which comes with WiFi 7. And we do see, as I mentioned earlier on, good demand from customers on that. We also see a significantly higher NPS on these tariff plans and bundles. So that's it for my side. And on that note, I hand over to Kit Yong to give you an update on the Enterprise side. Thank you.

Tan Kit Yong: All right. Thank you, Johan. On the Enterprise side, looking at our Enterprise Services, overall, we're seeing a 10% QoQ growth. If we break it down into Network Solution, Cybersecurity and Regional ICT Services, you can see that for Network Solutions, we are still pressured for our Data and Internet (segment), there's the offsets that we are seeing, but we are working on initiatives, later we'll talk about DCIX – how are the initiatives that we are executing to grow our Data and Network Services. Now when it comes to Managed Services, we mentioned that there is a data center and our project services that we're delivering for our modern infrastructure. So some of you may recall in the previous quarter, we've been selling our capacity in our data center, and the client has started to move in, and we are starting to use the data center and contribute to our revenue. And these are all long-term, multi-year contracts. So it is a secured multi-year contract for us. And we are seeing some more demand for our data center, that we may have less capacity now. But we're still seeing good demand from data center services. And we're seeing that we are winning more managed services in terms of model infrastructure in the market and the order book looks good for us.



But when it comes to Cybersecurity, tremendous high growth. Cybersecurity for the project services is coming in. And Regional ICT Services – the nature of this business is more project based (which) is more subject to ups and downs in the quarter, depending on the client spend. And we're seeing that the lower hardware sales of the 1Q24 contributed to revenue decline, due to the spending cycle of the client. That's it for Enterprise Services.

The next slide. Now, how are we going to launch to grow our Data Internet Services. So we're going to introduce a low latency data center connectivity. And we already have some key clients, seeding clients that have already signed on to buy this service with us. And we're also going to make it available in 3Q2024 to launch it for the whole of the market, not just locally, but in the region as well subsequently. So we have some unique value proposition, because what's different between a data center connectivity today, versus what we are offering in a new low latency data center connect. So the key difference is that it's a purposeful-built network services, reduce the number of hops between data centers before it reaches the end data center, measure the latency, and on top of that we're going to future proof it and globally, they will standardise the standards for content encryption. This service is content encryption ready. So once we standardise it will up the latency and content encryption. So again, future proof our services, but most importantly, these services is build upon our Cloud Infinity platform. And this is going to be the way for [inaudible] our services on Cloud Infinity and it will help us to have [inaudible]. All these important features for the future of operating model will be part of this service. Alright with that I'll handover back to Amelia.

Q&A

Amelia Lee: Thanks, Kit. With that, we will now open the floor to questions. To join the question queue, as usual, just raise your virtual hand and we will get to you. Sachin, please unmute yourself.

Sachin Mittal: Hi. Good evening to Management. My question is, could you point out what happened in this quarter or the last quarter or previous quarter, any specific plan, not by competitor that actually we saw mobile ARPU decline quite considerably? So I mean, we understand tourists are still – too many tourists in Singapore, so want to understand the specific competitive dynamic or plans which are hurting; is it lower end plans, why the smaller player are comfortable, if you can validate that - number one.



And number two, a standard question on your transformation costs. How much have you incurred in transformation costs out of 54 million that you've guided for? I think that's the expected for this year. The two questions.

Johan Buse: All right. Thanks, Sachin. For the first question. I'll take that. There is a bit of seasonality as you probably will know, throughout the year when it comes to Mobile revenues. So typically, 1Q is a bit lower than 4Q and 3Q. On the ARPU side, what we see are two things. Thing number one is there is an effect of more and more customers moving to SIM-Only. So that's why the local MRC, the local monthly recurring revenue, ARPU is slightly impacted. And then on top of that, we do see a bit more pressure on the 5G price points in the market. So that's flowing through to certain degree. We do have wonderful, interesting plans in the next few quarters to offset that. So I will say stay tuned. We have some interesting things coming in that space.

Amelia Lee: Sachin, does that answer your question before we move on to transformation costs?

Sachin Mittal: What percentage of our customers have moved to SIM-Only? I mean, this is a structural trend, right? Seems like this will continue, you know, and because I think it's a very small percentage has moved to SIM-Only plans, right? Can you just comment on this structural trend of SIM-Only plans? Is it like a two-year, three-year kind of visibility?

Johan Buse: I hope you will appreciate that we can't reveal detailed numbers, right? I would however, correct a statement that it's very few customers these days on SIM-Only plans. If you scan across the market and validate it with market research, we'll be probably quite surprised to see how many customers have moved to a SIM-Only plan. On top of that, I think you've seen that probably if you look at reports when it comes to CPE device revenues in a wider business beyond telco, we see that there is a bit of pressure due to macroeconomic climate on customers and their renewal cycle on devices. So those two together, alright? Does that answer your question?

Sachin Mittal: Yes. Thank you.



Amelia Lee: Dennis, could you please take the question on transformation cost?

Dennis Chia: Sure. Hi, Sachin. So in terms of the transformation costs, yes, we have previously guided to a number, but we're not looking at executing or accelerating the execution of our initiatives, such that we will be able to generate the outcomes as we intend as early as possible. So the number that we're looking at is slightly north of \$100 million in terms of total transformation expenses that we intend to incur this year. And the breakdown of Capex-to-Opex is about 55% to 45%. And as of the first quarter we have incurred about 15% of this amount.

Amelia Lee: Sachin, does that answer your question?

Sachin Mittal: To understand, you have brought forward the whole transformation program into FY2024? Is it?

Dennis Chia: Yes. You know, so we previously guided that at least 90% will be completed and incurred by the end of the year. But at the moment, we're looking at incurring the balance with very little residual amounts going to 1Q of next year.

Sachin Mittal: Let me confirm your \$100 million, you're talking about \$100 million transformation costs this year, is it?

Dennis Chia: Correct.

Sachin Mittal: Okay.

Dennis Chia: 55:45, Capex to Opex.

Sachin Mittal: Got it.

Nikhil Eapen: Sachin, just to remind you, we had talked about 10% residual for next year, we're going to try and we're on course and going to try to bring forward as much of it as possible to the FY2024. Not



just because we want to spend more money in FY2024, but because we want to get it done and we want to start harvesting as quickly as possible.

Sachin Mittal: Got it. Got it. Okay, thanks Nikhil.

Amelia Lee: Thanks, Sachin. Next up, we have Kenneth. Kenneth, could you unmute yourself?

Kenneth Tan: Hi. Evening, management. Kenneth from CGS here. Thanks for the opportunity. Two questions from me. The first is could you share what was Ensign's operating profit this quarter? Second question is are you able to share how much does data center related revenue contribute to Enterprise segment? Thank you.

Amelia Lee: Dennis, could you take the first question on Ensign operating profit and then Kit can follow through with the DC question.

Dennis Chia: Okay, so, hi Kenneth, you know, in terms of Ensign's actual profitability, we don't actually disclose it. However, I guide to say that typically in the first quarter of every year, and this is consistent with the trends that we've recorded. In the last five years since we've had Ensign as a subsidiary, the 1Q is typically a low quarter in terms of the revenues as well as operating profits because most of the delivery of the projects tend to be in the 2H. So suffice to say, therefore, that there is a slight loss position at the bottom line that is contributed by Ensign; gross margins and gross profits remain healthy as we continue to invest in building talents and our capabilities in the Cybersecurity field.

Nikhil Eapen: Yeah, at Ensign there's obviously a pretty high fixed cost component. So when you look at the revenue seasonality, which implies lower revenues in 1Q and much higher revenues in 2H, that fixed cost component serves to skew operating profit generation towards the back end.

Amelia Lee: And if Kenneth has no follow up questions on that, Kit, could you comment on the data center contributions?



Tan Kit Yong: Yup, so if you look at what we share in the data itself, so for Managed Services versus last year, now we are looking at 29.7% growth or S\$6.8 million – one is data center, project services that we are doing. So we did not provide the breakdown of the numbers. So you can see that from there as contribution. So I will say that it's a good balance between the project services and the data center contribution, because we sold a huge capacity of data center revenue. Does that answer your question?

Amelia Lee: Kenneth, do you have any follow up?

Kenneth Tan: Thank you. No further questions.

Amelia Lee: Thank you. And next, we have Hussaini.

Hussaini Saifee: Yeah, hi. Can you hear me?

Amelia Lee: Yes, we can.

Hussaini Saifee: Yup. Thanks for the opportunity, and, good evening management, A few questions from me. First is on the data center side. Is it possible to indicate or comment how much data center capacity StarHub has? And how much is what, what's the utilisation at this point in time which will allow us to gauge the potential growth in that area, or any potential new capacity addition in the pipeline as well, if there is anything helpful? Then the second question is on the, any comment on industry consolidation, and assuming that the players doesn't come together and consolidate the industry, what other options does StarHub has to potentially try consolidation in the market? In the sense, are there any potential for network partnerships or something of that sort? And finally, just a housekeeping question. I see that the Broadband ARPUs have come off compared to the previous disclosures. So just wanted to understand what contributed to the decline in the Broadband ARPUs. Thank you.

Amelia Lee: Thank you. Kit, maybe you can finish on the latest version.

Tan Kit Yong: Right now, in our data center, not just in Singapore because what you're seeing is Singapore numbers but in Malaysia we also have data center under Strateq. Right, so our broader strategy for data



center is first is we will do a consolidation of our data center business in Singapore and Malaysia. In terms of capacity, actually, we're selling near our capacity, we're left with a few percentage of capacity left and it's very targeted with specific customer. And we are also looking at our existing infrastructure, right, to get more power with our capacity, because we do have [inaudible] that SP Power is unable to give us a power; so and we are applying for this power to extend and maximise the power allocated to our data center.

So with this work in progress, and then of course, if you look at the whole Singapore-Malaysia data center business is growing because of the emergence of the AI infrastructure, and this is also power hungry. So also bear in mind, in Singapore, there is a data center moratorium. And the IMDA will not release it with any exceptions unless it's pure co-location business. So for us, we'll be taking a very different approach in terms of our data center strategy, both in Singapore and in Malaysia. And we are very mindful because we're delivering network services. We're building digital infrastructure for the whole nation for smart cities, smart nation. Data Center is front and center of our strategies, not just for co-location, but is building our low latency network, the AI infrastructure, and is very strategic. It's not a co-location business for us. So with that, I will pause it. I hope I answered some perspective for your question.

Amelia Lee: Hussaini, does that address your question?

Hussaini Saifee: Yes that is very helpful. Thank you.

Amelia Lee: Okay, and Nikhil, could you?

Nikhil Eapen: Yeah. So maybe just rounding off on Kit Yong's answer, before I go to consolidation. So as Kit Yong said, and I would like to emphasize, we're not in the wholesale business today, as we're not in the business of selling large amounts of capacity to hyperscalers, then bundle it and sell it as cloud services. We're in the business of services, which are services which have network connectivity embedded, such as DCIX. And that's a strategy, which, for us, we believe is more capital efficient, with higher ROI. And that's a strategy that we could assume, we're not in the wholesale business.



Now moving on to consolidation. You know, I can't speculate on market conjecture and what has necessarily been written about, operation about. What I can guide you to is what we said in the past on the matter, which is that DARE+ is important while focus is on driving DARE+ organically. But of course, we look inorganically at potential acquisitions to accelerate DARE+; we've acquired in the past, we have low leverage, and even low leverage this quarter, and this gives us financial firepower, to pursue those acquisition opportunities. Those may involve consolidation if and when consolidation happens. But they could also, as I've said before, involve not just acquisitions for consolidation, but acquisitions in the enterprise space regionally, as we build a regional enterprise, the fully integrated regional enterprise basis.

Now you had asked whether, you know, outside of consolidation, or acquisitions, per se, whether there are other avenues to kind of consolidate the market, you alluded to network partnerships. You know, I'd point you to Antina, the partnership that we have with the number three operator on 5G, and clearly we'd like to do more with Antina and evaluating a number of options.

Amelia Lee: Maybe then Johan on Broadband ARPU?

Johan Buse: Yeah, on the Broadband ARPU, actually, the only impacting factor on the Broadband ARPU was the premiums and there is an IFRS component to that. But if you look at Broadband ARPUs YoY, and also QoQ, that composition is changing. So basically, ARPU was being pushed up due to higher speed plans, as I alluded to earlier, and then there is a small minus on the premiums, which over time will disappear. So hopefully that's explaining the ARPU background.

Nikhil Eapen: But just to reiterate, you know what, both you and Johan and I said at this point, the premiums, you know, eliminating the premiums has the ability of improving our profitability, materially in this segment. And what we're doing alongside that is obviously driving the penetration of 2Gbps but really 5Gbps and 10Gbps plans with the purpose of moving our subscribers onto our XGS-PON network. And we will first in the market 10Gbps, first in the market with 5Gbps, as far as I believe were the only ones that have an XGS-PON now.

Johan Buse: Absolutely.



Amelia Lee: Hussaini, have we addressed all your questions?

Hussaini Saiffee: Yes, you did. Thank you.

Amelia Lee: Thank you. Next on the line, Arthur?

Arthur Pineda: Hi, good evening. Thanks for the opportunity. Several questions, please. Firstly, on the Mobile side, I'm just wondering what's driving the decline in the Postpaid base? I see in the decks mentioned that you've seen the expiry of some promotions, but why would that result in a lower postpaid base? Second question is with regard to the ARPUs. I understand that Sachin has asked this earlier. Just wanted to better understand this. So you mentioned there were some price cuts on 5G. Where is this coming from? Are these from the MVNOs or from fellow MNOs. And lastly, just to clarify on the data center segment, you mentioned both Singapore and Malaysia data centers rose in the way that there was a data center in Malaysia are you looking to invest and build out in Malaysia as well for capacities?

Amelia Lee: Johan?

Johan Buse: Alright, so thanks very much Arthur for the two questions and I'm going to try to explain a little bit more detail to avoid any misunderstanding. So first, the Mobile base. So as you may know, most ISPs in the market if they have Mobile in the past that has been traditionally offered with a free data SIM on the side. Very few customers actually use these because there's no value really in it. We've changed the logic of that. And that is the main driver of the decline in the Postpaid customer base, because they're clocked as a Postpaid SIM.

Now ARPUs, you mentioned just now in the recap, that is due to 5G pricing, and that's not what I said. I said, we see increased pressure on 5G pricing, especially on some of the MVNOs, but current ARPU impact for this quarter is coming from two reasons. Number one is more customers who moved to SIM-Only, and within SIM-Only has obviously a more I would say higher competitive pressure. Second is that logically as you will understand as the data bundles in the market have been growing, the amount of



money or ARPU coming from excess data usage, and also voice usage is continuing to decline. So, that is basically the reason why the ARPU was a bit subdued. On the good note, by the way, is that we see rolling ARPU holding fairly well. So that's maybe an interesting side note for you. Hopefully, that's answering your question.

Arthur Pineda: It's very clear.

Amelia Lee: And Kit on data centre.

Tan Kit Yong: Now, for the data center itself, we are definitely looking at opportunities to grow our data center capacity footprint, right in Malaysia as well, not just in Singapore, but take a very careful consideration on the target audience. We are not going to compete with the hyperscaler data center operators, where we build capacity really wholesale off to the OTT players.

Right, we are not looking at disputing COLO, for the sake of building to the OTT because the dynamics of the data center business, especially in Malaysia is so changed. There's a lot of capacity coming up, you have green energy, or traditional carbon-based energy – all are key considerations. And what type of technology stacks that you're going to put in to differentiate your data center and not just a building.

And when we consider a data center in Malaysia, you also take into consideration connecting our Singapore data center to Malaysia data center with the lowest latency and we have done that in our own internal testing for data center interconnect, which is Singapore data center and a KL data center. And we happen to have common clients in Singapore and in Malaysia using the data center. And we can get clients to experience the different network experience between these two data center, because we can control the data center design through the network design between countries; between Singapore network and Malaysia fiber. So that is what we are testing, what is our unique value proposition, if we build a data centre that is a key consideration given that this is a crowded market filled with private equities.

And don't forget our hyperscalers themselves have negotiated land and build data center on their own as well with the government. So they can say that our focus is really on Enterprise market, where we see



that there is more value for us to upsell and put through our Network Services, our Cloud Services, our Cybersecurity rather than pure co-location based on who has the cheapest construction costs, who has the cheapest power. And don't forget, competition in Malaysia is very different. Our companies doing data center, they have a certain cost advantage when they are building data center. So these are many, often key consideration when we think about our data center strategy in Singapore and Malaysia. I hope I answered your question.

Nikhil Eapen: Yeah, maybe I can add to that Arthur. And also reiterate a couple of the comments that Kit Yong made. So we are not looking at just building up not just a data center, but our fibre footprint in Singapore, Malaysia and specific regional locations augmenting what we already have. Now we're not looking to do this. So to build massive amounts of capacity to sell on wholesale, looking at it very opportunistically, very carefully. And then as we move on network to hybrid multi-cloud, we will have a hybrid multi-cloud layer on top of this ring, you may call it, of data center and fibers in Singapore, Malaysia and the region. And we will sell regional cloud services and we have significant early traction. DCIX is one example. There will be more to follow, and we will keep you posted.

Arthur Pineda: And the investments required for these businesses, it's all embedded in your current Capex guidance?

Nikhil Eapen: All embedded in the DARE+ spend that we've outlined, which is \$270 million. You recall, it was \$270 million and then we increased it to \$310 million – for Cloud Infinity, which was a hybrid multi-cloud shift of our network, we brought it back down to \$270 million, and it's within that, yes.

Arthur Pineda: Okay. Thank you.

Nikhil Eapen: And then to reiterate my CFO's point, we're looking to bring that in, you know, as much into 2024 as possible. So that's very, very [inaudible].

Arthur Pineda: Understood. Thank you.

Amelia Lee: Thanks, Arthur. Next question from Neel.



Neel Sinha: Hi, morning. Evening. Also, morning. It's been a long day. Just can you hear me?

Nikhil Eapen: Yup, yup.

Neel Sinha: Kit, I wanted to follow up on Arthur's question, I don't think you mentioned what the capacity you have in data centers is. Did you or did I miss that?

Tan Kit Yong: No, we did not mention.

Nikhil Eapen: I don't think we're really disclosing that. But Neel, you know, again, it's, you know, the matter of capacity is probably less relevant for us than it is for wholesale colocation provider, like a GDC, or a GDS or an Equinix? Because for us, it's about regional cloud services, which DCIX is an example.

Neel Sinha: And if you have a data center, what is the PUE (Power Usage Effectiveness) look like at this point? Just a ballpark number. The reason I asked this is because there's so much capacity coming on and the moratorium has been lifted, there are four new licensees there. So that's the reason like, does it remain competitive? Or it's only for own-use? And then, related to that? My third question is, why be in this business anyway.

Nikhil Eapen: But again, we're not in the traditional data center business, right? We're not providing wholesale capacity. We're providing regional cloud services with ultra-low latency connectivity embedded.

Neel Sinha: Understand, that you could actually piggyback on a third party who has a very modern facility, or it's a new data center, whether it's in Malaysia, Indonesia, Bangkok, doesn't really matter. From an invested capital standpoint, it's quite a capital-intensive business, and unless even if it's for your own use, unless you have massive scale, the ROIC's are not great.

Nikhil Eapen: So again, Neel, we're not looking into going into the wholesale capacity business, which you're absolutely right does require a significant scale. Now, whether we build a data center, buy a data



center or lease capacity, on top of which we provide regional cloud services, what are those options we look at? So we're not looking to spend a lot of capital. We're not looking to increase our capital spending plans beyond what we've already have allocated.

Neel Sinha: So we're not going to see some major bloated spending guidance towards the end of the year. I suppose that's what I was driving at.

Nikhil Eapen: Yup, we already have data centers we have, you know, colocation, we have existing assets. We're looking to optimize those to get better yield out of it. We're opportunistically looking at what's available in the market. But again, it comes back to the fact that we're, you know, we're not ruling out low margin wholesale colocation services to hyperscalers in the way that your players are. We're doing regional cloud.

Neel Sinha: Okay. Understand. Thank you.

Amelia Lee: Thank you. Next up Hussaini.

Hussaini Saiffee: Maybe just one follow up on the Mobile side of the things. So I am going to Johan's earlier comment that the pressure on the mobile side is because of the migration to SIM-only plans and lack of access data usage. Given that how should we see the mobile going forward? If those pressures are there, then the pace of decline should sustain if we do that mathematically, so just wanted to get your view on the mobile outlook going forward.

Johan Buse: Thank you very much, Hussaini. I appreciate the question very much. Without giving the house away here, what I probably can share with you today is that we have been in the past quite successful bundling components on the back of 5G and Mobile. We have plans to continue to do so. Secondly, we still maintain a price premium on 5G, the thing that's defensible like what the customer experience is. And we do have further plans to enhance that. The third element to that is that we will have a closer look between device and SIM-Only plans. My honest views in the market that I think we can do more on the device plans, which could have [inaudible] represented in a market. So I'm quite



confident that we can get through this and compete in the right manner, which is highly effective, which is delivering the customers what they expect, and more we're planning to do.

Nikhil Eapen: Yeah, you know, as an overarching statement, Hussaini. You know, last year, we grew Mobile Service revenue by about 8%. When others declined, the number three, I think, their decline somewhere between 4 to 7%, etc, etc. And we did that, you know, I think the team was really smart, really tactical, use a lot of differentiation to grow a lot of strength. Now, that was phase one, the market continues to be competitive. We have other strategies at play, which Johan, has mentioned, will come back and work on in due course, but those promising strategies, but I would like to emphasize that those strategies are not going to be “Me too” strategies, which are value disruptive, which is sales, cannibalising that others have implemented, we're going to be smart, accretive strategies, because our focus is on revenue market share and revenue non-subscribers.

Amelia Lee: We hope that added more colour, Hussaini.

Hussaini Saifee: Yes, it did. Thanks a lot.

Nikhil Eapen: Thank you.

Amelia Lee: Arthur?

Arthur Pineda: Sorry. Just a follow up question. So when you look at the revenue base, it seems like the Consumer revenues are under pressure all throughout. With most of the growth drivers now really coming from the Enterprise segment. I'm just wondering what can help you drive the ARPUs and improve monetization in the Consumer business going forward?

Johan Buse: Thank you for the question. I first beg to differ a little bit on all lines. I think on Broadband, as we mentioned earlier on is I think doing well. Mobile true enough to your point, it is a very competitive market. And you probably have witnessed that yourself, keeping a close eye on the market. The key differentiation there will be a multiplayer, that's all I can say today, where we coming back to Nikhil's point, there is no use pursuing sales for the sake of SIMs and not getting any revenue, which some of our



smaller competitors are doing. We do have a smart strategy addressing the more premium segment of the market, where we deliver quality on the back of network, and bundling with other products and services.

And Entertainment, by the way in that bigger area is an important differentiator. The middle market, which we address the digital market, I should say, which we address with giga! plans coming out very soon on the back of technical enhancements as well for that particular segment. And then what has been helping us a lot. And that's something you do not so necessarily see reflected in these numbers, is what we call internally bundling with T2 (new consumer verticals) services. So without giving a number away, quite a fair number of mobile customers actually buy today mobile plans with cybersecurity services from us. That's still early days, that's growing quite fast though. And again, it's an important and relevant differentiator for customers. So there's a lot of bits and pieces which are being done. It's not one silver bullet for everything, which over time will make the difference. So hopefully that gives you a bit of a clarification. So it's we need to segment the market and we need to approach the different segments rather than in a relevant way which we're doing. Is that answering your question, hopefully?

Arthur Pineda: Well, it is challenging. I'm just wondering what can help drive up?

Johan Buse: If you see me at one of the next conference calls having a lot of hair, we've cracked it! We'll keep you updated. We've got good plans, and we've been doing well coming to Nikhil's points against the market we've been doing very well.

Arthur Pineda: Understood and maybe finance question. Can you please remind us when 700 MHz band spectrum is due and is this actually even relevant to the basis at this point? Is it that necessary?

Amelia Lee: Nikhil or Dennis?

Nikhil Eapen: Yeah. There are no fixed dates on when the award date will be and what the payment schedule will be. So clearly there is a consultation period that is underway and we'll keep you posted. But it's not just us. It's the other operators, of course. It's an industry. So we'll keep you posted.



Arthur Pineda: Is it still an essential band for you? Because I mean, clearly, it's been delivered how many years behind schedule? At this point, you've all moved to 5G, is it still something quite important, is it something one can walk away from?

Nikhil Eapen: I would say not in the form that was originally allocated, which was for 4G. And as far as the applicability for 700 to 5G and in different areas for different uses, that's probably not something we can comment on today, because it depends on how the original terms and scope of the award can be modified or not. But the original scope, as you correctly point out, Arthur, is no longer.

Arthur Pineda: Understood. Thanks a lot.

Amelia Lee: We have time for maybe one or two more questions? If you have a question, please raise your virtual hand and we will get to your question.

Nikhil Eapen: You know the one we think about having to finish DARE+ and spending money on DARE+ is Dennis won't have to take any more comments so much more DARE+ spend is left and what's the split between Capex and Opex?

Dennis Chia: There'll be outcomes.

Nikhil Eapen: Yeah. We really appreciate it guys. Thank you for you know, being always so educated, focused on our story and transformation.

Amelia Lee: Okay, as we have no more questions I think we can end early today. Thank you very much for joining us this evening. And as always, if you have more questions, you know how to get me. So with that, have a good evening and we will see you next quarter. Thank you.

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