StarHub Ltd – 3Q2024 Business Update Call Transcript

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StarHub Management Representatives:

Chief Executive	Nikhil Eapen
Chief Financial Officer	Jacky Lo
Head, Enterprise	Tan Kit Yong
Chief, Consumer	Johan Buse
Head, Investor Relations	Amelia Lee

Start of Transcript

Amelia Lee: Good evening everyone! Thank you for joining StarHub's 3Q2024 business performance update call. My name is Amelia, and I take care of StarHub's Investor Relations.

This evening, we have with us our senior management led by our Chief Executive, Nikhil Eapen. We'd also like to give a warm welcome to our new CFO, Jacky Lo, on his first earnings call. We also have Johan Buse, Chief of Consumer, and Tan Kit Yong, Head of Enterprise Business Group, with us tonight, both of whom you're familiar with.

As usual, we'll start off with opening remarks and an overview of our performance from Nikhil, followed by Jacky on financials, and then Johan and Kit who will share their views on our business and performance. We'll then open the floor to Q&As thereafter.

Nikhil, over to you please.

Presentation

Nikhil Eapen: Good evening, thanks for taking the time to join us as usual. Let me with that start with our financial highlights. As you can see, starting with Total Revenue and Service Revenue. And of course, I'll focus on Service Revenue, we are flat here today. We are down QoQ. The reason we are down QoQ is Ensign, our Cybersecurity business, which has revenue recognition timing associated with it. While it fell short in 3Q2024 we expect those revenues to come in strongly in 4Q 2024 and stay on forecast for the full year. At this point, as a note, when you look at our Service Revenue, irrespective of those timing issues around Ensign revenue coming in, which has created the downdraft in 3Q2024 YoY - we expect that to come back, and we expect no change to our full year forecast, which has YoY growth.

Now, moving on to Service EBITDA, we see good growth in EBITDA, as you can see from these numbers here, that's driven by growth in our Enterprise segments, high margin growth in our Enterprise segments, which we'll talk about later, as well as cost and Opex efficiencies that we have been driving. Now, zoning in on the bottom right side, as usual, as you have seen with us in many prior quarters, our net profit growth exceeds our EBITDA growth, and it's the same reason as we've talked about before. We are driving Capex to Opex substitution across the business as we use shared cost structures like Antina, and as we migrate our On-Prem systems to cloud and SaaS-based systems, which are more Opex oriented. This is, of course, something that generates superior ROI for us. It's reflected in lower depreciation, and we cross-correlate that against our strong free cash flow, which, as you know, historically over the past many quarters, and continues to run at about 50% higher than our net profit, providing good buffer for our dividend obligations and to fund our growth.

Now, staying on the subject of free cash flow, we continue to reduce our leverage with our strong free cash flow, and our Net Debt to EBITDA is now 1.25x. This, as I always say every quarter, gives us strong firepower. We use that firepower to aggressively drive multi-market segmentation in the Consumer business, to aggressively scale our Enterprise business and to make acquisitions. We are always asked the perpetual question around domestic consolidation, and we remain open, but we also want to increase the scale of our regional Enterprise business, which is growing well and has strong customer traction around Modern Digital Infrastructure. So we want to deploy some acquisition dollars to scale that business.

Now, moving to the next page on segment revenue, which is quite interesting, starting with Mobile. So, our Mobile revenue declined 5% on a YoY basis, and 6.5% on a YoY basis looking at 3Q2024. However, when you look at our QoQ revenue attrition, we were actually down to about 0.8%. I'd like to draw a little bit of a comparative, if you will permit me. So, we were down 0.8% on Mobile Service revenue QoQ. This compares to the third operator, where we saw Consumer revenues decline by 6% QoQ, and the leading operator, which announced this morning, where we noticed that Mobile Service revenues declined 4% QoQ. So, we're quite happy with this 0.8% contraction, because it shows that we are close to flatlining revenue attrition on the Mobile side, certainly versus our competitors. And we did this by aggressively competing. And in fact, we added 55,000 subs in 3Q2024, over 2Q2024. Most of the

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revenue impact for that has not yet come through. Some of it has, resulting in this modest contraction QoQ, but the revenue effects will start coming through next quarter onwards in full.

Now, the strategy that we're adopting in Mobile is multi-brand, multi-market segmentation. We see the market as Johan will talk about, divided into Premium, Digital and Value, and we're aggressively competing in all segments and growing our revenue market share. Talking about Revenue Market Share, we are a strong number two in terms of Service Revenue market share, and our lead over that number three operator has widened to about 520 basis points, we believe.

Now, moving on to Broadband, we were actually able to grow YoY for the quarter. But again, looking at the QoQ numbers, we grew 2.8%. Now, again, drawing the comparative, we grew 2.8%. The number one operator, we noticed was flat, and we believe the number three operator declined actually about 3%. Now, how did we do this? As we've talked about, we aggressively drove penetration of our UltraSpeed and high-speed plans, and in fact, we've doubled the number of subs that we have on high-speed and UltraSpeed plans since from this time last year. So, the percentage of our base that we have on UltraSpeed plans and high-speed plans is actually quite significant and growing rapidly, leading to ARPU increase and superior economics for us.

Entertainment, we declined QoQ and YoY, and we'll talk about that some more. But I'd like to focus on Enterprise, which performs strongly. So overall, YoY, Enterprise grew. The impact of that was a little bit muted by 3Q2024 for our Cybersecurity Business, Ensign, where revenues did not come in for 3Q2024, but will be coming in 4Q2024 very strongly. And as I said, we reiterate our full year forecast for that business and for our business as a whole.

Now, when you look at other segments of our Enterprise business, they grew strongly. Network Solutions grew 9.4% YoY, and within that, as Kit Yong will go through, we grew our Managed Services Business by about 25% YoY. Our Regional ICT business grew 29% YoY. And as we have talked about, we are going to be integrating that business into our Enterprise business in Singapore so we can drive Modern Digital Infrastructure, which is a driver of our growth in a way that's unique and platform-based around Hybrid Multi-Cloud and ubiquitous connectivity, and we are doing this in Singapore, and we're going to be doing it in the region. With that, I will pass on to, as I always say our esteemed CFO and welcome Jacky to his

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first earnings call with us, but certainly not his first earnings call as a seasoned practitioner. So over to you, Jacky.

Jacky Lo: All right, thank you, Nikhil. Good day, everyone. I see some familiar faces as well as some new friends on the line, and I'm excited to get to know each of you better in the coming quarters, and I look forward to sharing our latest updates and discussing our company's progress with you. So, before I go into detail, just a reminder that the numbers on this slide, they all exclude D'Crypt as the divestment was completed on February 29 this year.

So overall, we are reiterating our full year 2024 guidance. So, against the guidance of Service Revenue of 1-3%, we ended 9M2024 flat YoY, mainly due to the timing of revenue recognition of our Cybersecurity segment which Nikhil mentioned, but we expect full year revenue to be in line with expectations. And for Service EBITDA margin, it's slightly above expectation at 22.6%. up 0.9 percentage points YoY for the 9M2024 period. And for the full year, we reiterate our earlier guidance of 22%. On Capex commitments, which tend to be relatively higher in the second half of the year, is within expectations at 7.1% including investment. And we have earlier declared three cents as interim dividends in August, and at this juncture, this remains unchanged. We reiterate our earlier guidance of six cents for the full year, and we remain committed to our dividend policy, which is at least 80% of our net profit after tax ("NPAT"), excluding one-off, non-recurring items.

Next page, please. So, some quick call-outs on slide seven. So, Nikhil has given you an overview on headline numbers, so I won't repeat those numbers. So, if you look at EBITDA for the quarter, it was $114.6 million. For 9M2024, it was $341.2 million. So overall, EBITDA is up both YoY and on a YTD basis. And NPAT remains strong, we closed the quarter 11% higher YoY at $40.4 million. For 9M2024, we are up 9.5% at $123.7 million. So this represents roughly seven cents on an EPS basis. On free cash flow, for 9M2024 is at $167.2 million or about 9.7 cents per share. So, our leverage remains low at 1.25x, putting us on solid ground for financial flexibility. So with that, Johan will take you through the Consumer business highlight. Johan, over to you.

Johan Buse: Thank you, Jacky

So, good afternoon and evening, everyone. Let me take you through sort of the Consumer highlights. Quite a few things have been covered by Nikhil. I'll browse through and give you a bit more context and flavour to some more important strategic elements to that. So let's move, next slide. Mobile ARPU flat, which I think in this market is a great achievement. ARPU is holding well, sub-base is up 63k, also alluded to by Nikhil that on the back of strong growth in MVNOs. So, that's really a great performance. Monthly churn rate, we kept that low at 1.1%, so in the light of the current market context, that's a great achievement too. Prepaid ARPU flat, Prepaid ARPU base marginally down as we move more and more to SIM-only, and segment revenue Nikhil related to you.

More interesting is actually on the next page. So, the next page shows you that we have been quite aggressively and diligently, I would say, deploying a multi-brand strategy, and we are emphasising in each of those categories of competitiveness. So, *Premium* segment is all about bundling on the Starhub brand. *Digital* is driven by our giga! brand, which has been doing well. And under the *Low Cost*, we have stepped up, and that's where a lot of our growth is coming from. It's not only connection, we actually also do additional elements to make sure that we differentiate. So, we're taking a very active eSIM adoption strategy. We're embracing the migration to SIM-only across all segments where relevant, but we do not lose focus on things like device. We saw a really great iPhone launch in the last quarter, which continues to help us to differentiate also in tariff plans with device. And we're actively addressing Cybersecurity concerns consumers have by offering, where we can, applicable Cybersecurity solutions as a VAS, which we see significant uptake. In fact, that's part of a vertical which we call, internally, T2 and you see it highlighted here on the slide in green. Actually, we crossed the 5% contribution of Mobile revenue from that vertical. That's giving you a strong indication of how that is moving. And of course, we continue to focus on the shift to digital.

Moving to Broadband, we really had a very good quarter in Broadband. We basically grew ARPU, we grew subs, and on the back of that, we basically saw an uptick in revenue. Now a lot of that is driven by very proactive approach driving higher speed tariff plans. We call them internally, and in the market, they're known as UltraSpeed, so anything which is higher than 3Gbps, and we see very significant uptake of customers on those plans, which is good for customers and also for ARPU. Churn remained low, 0.8%, slightly up compared to the previous quarter, but we believe in the market that's a great achievement, and we continue to focus on that. And of course, Broadband, as you will see later on, we never look at

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Broadband individually. We combine Broadband, in most of the cases, with bundling of Entertainment and other services. So, let's move there, because the revenue numbers we will refer to.

Entertainment on its own, ARPU down slightly, and steady decrease, I have to say, from consumers on the back of continuous cord cutting. But we manage profitability of this particular line of business very carefully. And I'm very pleased to say that we manage the cost in tandem, so our profitability remains steady and good. The churn is slightly higher. No reason for alarm. There is a bit of an effect of OTT churn and flowing through on that. But all in all, we're very pleased with the performance in that particular category as well.

Now, as I mentioned, as we move to the next page, we look at Broadband and Entertainment, often in tandem, and I would like to use the opportunity just to highlight the reason for that. Often Broadband, people in the business refer to as a connectivity unit, utility, commodity service. Therefore, it's very important to differentiate, so we do that on two angles. The modest Broadband itself; we were the first mover to XGS-PON network, which we're very proud of. And I think it's paying off in the performance, see a very strong adoption, and that also positions us very well for the upcoming government grants which have been communicated to the market.

Now in Broadband, we differentiate on service. I mean, we have a very skilled force of what we call Hubtroopers, ensuring that we do a great installation, and also for web service when needed, and we bundle hardware as well as IoT on the back of that. So, as a customer, you don't only buy a Broadband product, you actually are ensured of great service and support all along. And then we differentiate on the back of Entertainment. And in Entertainment itself, we have taken, three years ago, a diligent approach to focus on Entertainment which matters for customers. We all know about piracy of mainstream entertainment, but there is definitely a segment in the market which is willing to pay for premium content, which we see today. And we're pleased, actually, that we have progressively been expanding our Entertainment product portfolio. In sports, we added FA Cup for the season, and we do see a constant and strong uptake on subscriber base, both for Premier League as well as the sports in general. And that helps us to differentiate as well. And obviously, not only is churn lower of bundled Triple-Play customers, as we call them here, churn is eight times lower than standalone, which pays off as well. But on top of that, customers have a significantly higher ARPU. So that's important to make sure that we stand aside from the rest of the market. And on that note, I'll hand you off to Kit Yong for Enterprise updates. Thank you.

Tan Kit Yong: All right. Thank you. Right, for Enterprise itself, you can see that overall, YoY, we are having a growth of 5.4%, but QoQ, you can see a decline of 3.1%, Now, let's break down into where the growth areas and where are causing the revenue to come down. First for Network Solution itself, we are holding our Data and Network Business, reducing churn, and we're growing our Managed Services itself, so we are able to expand our client base to strategic partnership with our partners, technology partners. We are going into competitive mode, taking over the installed base of our incumbents. There is a different technology provider, so we are getting market share by offsetting the existing incumbents in our Managed Services, and we are also going into our value-added Managed Services as an inclusion to differentiate ourselves from a traditional SI or pure telco play. So, we're increasingly seeing the differentiation, and clients are getting to see the value. And we need to continue to get more clients as a reference, and only when using our services then they can differentiate and share with others, so called colleagues or friends in the same industry, to share the advantage of using StarHub Enterprise Services itself.

Now, come to Cybersecurity Services. So, you can see in a QoQ, there's a decline, because of projects timing, right, but for the YoY itself, it's still on the growth trend. Now, if I move into the Regional ICT Services, it is on the growth trend from QoQ, and YoY is on the growth. But having said that, we are also looking at the fact that there's a lower hardware sales. But then the team is working on towards a Managed Services where there's higher value and higher margins, and start to pivot our position from hardware resale to a value-added service provider in the markets that we operate.

Next – so scale our Enterprise business in the region, right. So, how we going to do this differently here is not a traditional SI mode nor a pure cloud-native Managed Service provider, but combining both together with our unique connectivity solutions that we now we call "Ubiquitous Network" that is backed by our Hybrid Multi-Cloud architecture. So, that creates a very unique value proposition where we can partner with all hyperscalers, and we can help them to build On-Prem private clouds. And the last more connectivity to the edge and collect. And once we extend to the edge, we collect data that they never had, and introduce digital services, through the application modernisation. And with the data that we have, we collect at the edge, create new possibilities in data and AI use cases, and then with our new integration of our omni-channel platform, they're coming together to create a better client experience.

That's what we have been busy building this Modern Digital Infrastructure powered by our 3C's and also part of the Cloud Infinity roll out as a base infrastructure for us to do this. Now, as we look at the use case that we have, not on a concept of a technology, but actual use cases like JTC, you know that it's coming to a completion, the building's going to T.O.P at the end of this year, we are all busy fitting things up. We're going to build new use cases after we deploy the network that is data-driven. And during our Analyst and Tech Day, we had the Moove Media CEO share with most of you, or some of you, how they use our data, and through collaboration, use our data AI capabilities to help them to grow their business through the data. And then we have SBS Transit, that did a Design Thinking Workshop with us to co-create a use case that is to improve passenger experience during train disruption, using our Modern Digital Infrastructure capabilities to deliver the services and the infrastructure capabilities to solve a business problem. And one of them, we didn't state the client name because it's still work in progress with the client before we can declare anything, in a Smart Retail Platform that again, leverages on the data that we have and leverage on our services capabilities, improving analytics, even introducing Gen AI as one of the use case and you will see soon, in the next few months, where the industry will start to spread the news of our capabilities in embracing and delivering a use case on emerging technologies like Gen AI. Right, with that, move on to the next slide. Let me hand over the key priorities that we are facing to Nikhil. Thank you.

Nikhil Eapen: Yeah, so we always get the question on DARE+ expenses, and it's a very good question and very important, so I'm pleased to announce that we are on schedule to complete our DARE+ build, and by virtue of that, we are also on schedule to finish off our DARE+ spend. So, by the end of the year, we will have, as we have told you, in the past, $27 million of spend left, out of the $270 million flowing into 2025 which should be spent in 1H2025, and that has remains unchanged, and that's something that we'd like to reiterate. So that's something that you can factor in as you look at our outlook.

Next page, please. To reiterate our priorities, we talked about our Consumer Business and through multi-brand, multi-market segmentation, which we're driving very aggressively. And as you saw, our QoQ trend lines are significantly superior to the market. Our focus is on retaining our revenue and potentially even growing in time. We believe, in terms of retention, we're quite close to that point. As we drive the offsets with multi-brand, multi-market segmentation, we are also focused on cross sell and upsell, because very soon we will have our Data Lake and our IT transformation completed, and that'll allow us to do interesting things across the range of our Infinity Play products which are not really available to the industry.

The second thing that we want to do with our Consumer Business, or rather, the third, is to through our IT Transformation, and our Cloud transformation is to increasingly automate. That journey has, of course, already started with platforms already on our Cloud stack, and as we complete the Cloud transformation, we will be increasingly automating to reduce cost as we drive this multi-brand, multi-market segmentation model of a common platform. You heard from Kit Yong about Modern Digital Infrastructure, which brings together hyperscale capabilities, ubiquitous connectivity, with core tech and tools, with ourselves as the primary consumer, and then we make that available to our government and Enterprise customers on a multi-tenant basis. And we are going to be driving this and we have been driving this hard. We're going to be ramping this up even more, both in Singapore as well as regionally, as a regionally-integrated Enterprise Business.

We've been talking a lot about our IT and Network Transformation that will drive automation or drive scalability, that will drive new levels of observability down to the very end point, in a way, that is a little bit of a different paradigm from what is in the industry today, and that journey will again, be complete, you know, quite soon.

Now, with all of that, we're incredibly focused on driving Total Shareholder Returns ("TSR") for our shareholders. One piece of it is, of course, completing our DARE+ transformation spend on budget and on time, which as I've communicated and reiterated, we will. That allows us to harvest cost efficiencies in our Consumer Business by digital engagement, but also digital efficiencies at the middle and the back-end and automation at the core.

On Enterprise, we've talked about this many times, we are not driving an SI model. We are driving a more high margin, scalable model in our Enterprise Business that brings together, as we talked about hyper scale capabilities, ubiquitous connectivity, with, you know, with things like applications, modernisation, etc. So, by virtue of that, it's a more scalable high margin model, and certainly not SI or ICT, and that, we will be driving harder to generate returns for our shareholders.

And then, of course, M&A, we will look to do, and we will look to do it in an accretive manner that is protective of our dividend and our dividend trajectory. On the one hand, we are open to consolidation. On the other hand, we are very, very keenly focused on growing our regional Enterprise Business, not just organically, but inorganically, by acquiring capabilities, but also expanding our footprint to other Southeast Asian markets.

And then, last but not least, prudent Capital Management. We will maintain a healthy cash position and our commitment to our dividends, irrespective, one of the things that we've all been calling out is the impending 700MHz spectrum which will be awarded, and our payments in that regard. And to reiterate, we will be maintaining a strong cash position, very strong leverage position, funding firepower, and our commitment to dividends, despite. The second point is sort of similar to my first, which is we're very focused on paying the dividends and driving TSR. And then, as we look to allocate our capital, organic is important, we will aggressively compete, but in accretive manner, as we've done so far. We continue our commitment to dividends and other capital return strategies, and we will continue to do accretive M&A. So, with that, I would like to culminate and pass this back on to Amelia. Thank you.

Q&A

Amelia Lee: Thank you. We'll now move on to Q&As. The only request that I'll make today is that, because of the technical issues, I will have to mute and unmute my audio, so then it will be like a walkie talkie system. So you know, as usual, if you have any questions, please raise your hand, and then I'll call upon your name and you can converse in a conversation with management. Okay, first up, we have Sachin.

Sachin Mittal: Hi, thank you and congratulations on a good set of numbers. Two questions. I mean, thank you. First of all, I think I really acknowledge that you have disclosed the transformation Capex and Opex, just little bit more colour - How much of that $52 million has been done in the nine months, or anything you can disclose by 3Q2024? That's question number one. Now secondly, I noticed that your Mobile metrics are much better than your peers, you know. I can clearly see that you have gained subscribers in the Postpaid without ARPU dilution, which is quite surprising to me, because when I look at your peers, I think both of them are struggling. So, you know, could you tell us, is it sustainable? And I saw that, maybe this related question is, I saw that 5% of your Mobile revenue is from new services. So, could you throw some light here, you know, is there any target, what are these new services? Is there any target for you to take these 5% to 10% to 15% in what time frame, and what are the margins on these services? Thank you.

Amelia Lee: Thanks. Sachin. Let's have Jacky answer the first question for transformation.

Nikhil Eapen: Actually, before you do that, I'd just like to be a little bit cheeky and welcome Sachin back to this call. I think you missed the last one, Sachin, so it's good to see you on top of the roster. And also, we, also, on behalf of staff, like to wish you a happy birthday. Happy birthday, Sachin. But with that, I'll pass on to Jacky.

Jacky Lo: I just want to make sure the question is on DARE+?

Amelia Lee: Yeah, DARE+ transformation. He was asking how much of the $52 million was already spent in the nine months?

Jacky Lo: I think, as mentioned, we are actually not changing the guidance. We are targeting for the whole project of $270 million, and we expect to spend about $90 million by, like, through the end of this year. And roughly, I think we have spent, I think, on track, if you look at the $52 million is basically spaced out for the year. So 4Q2024 there will be a portion coming in roughly about $10 million to $15 million.

Sachin Mittal: Okay, that's great. Thank you.

Amelia Lee: And then let's have Johan on the second question around Mobile and the new verticals, please.

Johan Buse: Thanks very much for the question. Two parts to the question. Number one is the performance of Mobile, and thank you very much for appreciating and for seeing our performance compared to competition in the markets. So, no ARPU decline, I agree. We're particularly proud of that as well. The main reason for that is, I think that the team has done a very, very solid job in terms of segmenting the market and having a very segmented approach. And unfortunately, I wish I could give you more details behind some of the logic, but I would giving away our secret sauce, which I can't do obviously, but we even saw on some of the underlying segments, marginal ARPU growth on some of the things the team has done related to pricing and inclusion.

Whether that's sustainable, time will tell. We are definitely having, I would say, a very well calibrated set of initiatives lined up for the next 12 months, not only to continue to grow market share in the various segments, but also to monetise in the right way. And obviously that will be subject to competitive pressure in the market as we go forward, but we have our plans. So, that's number one.

Number two, and that's an even more interesting topic, the 5% ratio in terms of new revenue, we believe that, we always have believed that for the last sort of 24 months as we have been preparing for that, that there is a quite a significant opportunity. And to untap that opportunity, we need to have basically two things in place. And one is linked to the DARE+ transformation, which is what we call the ITX program, is the user journey, which, in the past, used to be pretty clunky, and is a little bit slower than I would like it to be, but we're definitely speeding up on that. That journey has been improving. That's number one.

And number two is the product range which we're offering. So, there's one in particular, interesting driver, which is related to Cybersecurity, which we started to offer as an add on and bundling. And we see significant uptake, and we do have a calibrated roadmap going forward to expand also that and bring, I would say, differentiated services to consumers which really, really matter. So, we're hopeful and very determined to make that grow further as part of a total portfolio. And then in the back of that, we also have things like gaming, which is ramping up. So yeah, I would say, stay tuned in this particular segment. Thank you very much.

Sachin Mittal: So can I say that Cybersecurity forms the bulk of that new services in the Mobile. Is it Cybersecurity as a bulk of that?

Johan Buse: Yes, Sachin that is totally correct.

Sachin Mittal: Okay, okay. All the best to you. I think that's a very commendable performance. Johan and Nikhil, thank you.

Johan Buse: Thank you so much.

Amelia Lee: Thanks, Sachin. Next up we have Arthur, please unmute yourself.

Arthur Pineda: Hi, good afternoon. Three questions, please. Firstly, on Mobile. How do you see competition here evolving? Are you seeing increased inroads by the fourth player, is there escalation on Mobile and Broadband? I'm just wondering, is the softness in revenues driven by competition, or is this mainly owing to migration to SIM-only plans? Second question I had is, regarding the 700MHz band spectrum, what are the plans for this, when do you take delivery and payment? And last question is, with regard to Nikhil's earlier comments and consolidation, just wanted to be a bit clearer in this, does this pertain mainly to Enterprise, or are you still open to possible Mobile consolidation? Thank you.

Amelia Lee: Thanks, Arthur. So, let's have Johan answer the first question on mobile first.

Johan Buse: So, to the question, Arthur, around Mobile softness, if I may use your words. Obviously, there isn't a very lively competition in the market going on. We deliberately timed some of the initiatives in the MVNO space the way we've done. A lot of that initiatives resulted not in a full quarter impact. So, what you will see going forward is that that's going to ramp up fast and furious, and that's, in a way, the explanation for a slight softness in that sort of respect for this particular quarter, because we didn't harvest the full quarter on the back of that, and the flywheel is only started to turn the second part of the quarter.

The other thing, which I think we're doing well in relation to that is to defend the device customer base. No doubt there is pressure on that, but we had one of our best iPhone launches actually ever, and that's again, kudos to the team in terms of execution, positioning and branding and also relation to pricing. So yes, there is temporary softness from what we see and an opportunity on the other side, and back again to also Sachin's point, the rest is subject to how the market will evolve. It will remain competitive, no doubt, but we'll compete in each segment with the right tools, and we'll ensure that we deliver a good experience, very solid experience, in each segment.

And by the way, which I didn't mention, also last quarter, we actually started really on giga! 5G and again, that's good. I'm giving a bit away, a bit more information that's helpful in terms of ARPU and also customer perception and NPS. So there's a lot of things going on, but we're on it. Thank you.

Amelia Lee: Thanks, Johan. We will now have Nikhil answer the next two questions on the 700MHz plans and consolidation.

Nikhil Eapen: Yeah, thank you, Arthur, great to chat with you. Thanks for joining us. So, on 700MHz, you know, as far as timing, I guess you've seen the two barbells, right. You've seen, I believe, SingTel announced that they will be looking to take receipt of the new bands and look to launch services quite early in the year. And on the other end of the barbell, you have probably heard from the Keppel announcement that they will be doing the same, but really on a much more back-ended timeframe, but no later than July 1, right, which is kind of the regulatory requirement. So, I would say we, our intent, I don't want to really disclose when we're launching the services on the back of 700MHz, but needless to say, we're sort of in between those two barbells, to what extreme I won't say.

The other thing to keep in mind is obviously that, you know, we operate 5G through Antina, and there's an element of close cooperation with M1 in that regard. Now, on consolidation again, I'll say, you know, we are, of course, quite laser focused on expanding our regional Enterprise footprint and our capability set to drive Modern Digital Infrastructure. But we are also highly interested, and continue to be interested in consolidation.

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As I always said, it's healthy for the market. It's resulted in strong, synergistic outcomes in multiple other markets around us. We believe we're well-positioned as an acquirer. You know, from a market share standpoint, we're big enough for it to matter, but we're, you know, regulatorily, I guess, able to do material acquisitions. We have strong firepower, we have strong funding capability. We have low leverage. We've done acquisitions, you know, I think we are quite pleased with our operating performance and the traction of our transformation. So, we're kind of here and ready and able, but we can't really speculate, or we can't really comment on market speculation, and we can't really talk about the details or timing of any potential consolidation at this point, so stay tuned.

Arthur Pineda: Understood. Okay. Thank you.

Amelia Lee: Thanks, Arthur. Next up we have Paul.

Paul Chew: Yeah, thanks again for the presentation. Just a few for me. On the 700MHz, could you just remind us again the amount payable? And you mentioned there were services on top of the 700MHz. I thought 700MHz would just give you some extra bandwidth, which I'm not sure you actually need it, but anyway, just some elaboration on that. The second question is, on the subscriber growth for Mobile, I just wanted to confirm, is it from Premium, giga! or do you actually include MVNO in it? Which I don't think you do, but just wanted to clarify on that. And the last one would be regarding DARE+. So, you mentioned harvesting cost efficiency, so did we see that this year because the first two years you already spent almost $200 million? And related to that, just some housekeeping, 3Q2023 EBITDA margins was unusually low because it's below, I think, like 19%+. Was there any particular reasons why? Just some housekeeping there. Thanks again for taking all my questions.

Amelia Lee: Hey, thanks, Paul. Maybe let's have Nikhil continue the 700MHz topic.

Nikhil Eapen: So, Paul, the price of the 700MHz spectrum was roughly about $90 million per band. And, you know, in the 2018/2019 auction we, you know, we won three bands. Now in terms of capabilities, you know, and value creation of the 700MHz business cases are obviously being built. Needless to say, it will improve the coverage experience, and particularly in-building coverage experience and consumer experience. There may be also some things that we can do in our Enterprise Business which are meaningful, of course, because we talked about the fact that we're pushing into ubiquitous connectivity, running our network of hybrid multi-clouds, and that really brings 5G together with fibre broadband, together with optical networking, in a way that customers are frankly indifferent. So, 700MHz can be an interesting part of that, particularly as we drive into smart city environments. But that work process is underway, clearly with some lag, as usual, you know, some time required. We're looking to optimise our position on the 700MHz in terms of, you know, the number of bands, etc. And we're looking to optimise, you know, aspects such as, you know, the way in which we roll out the timing of such rollout. And, you know, trying to get some value creation out of the 700MHz in time.

Amelia Lee: Paul, before we move on, do you have more questions around the 700MHz?

Paul Chew: Yeah, just one. Sorry, to keep us talking about this topic anyway. How was the amortisation like, because, although it won't impact your EBITDA, but you know, you have a dividend payout up to 80%, so just wondering, how would that impact your net profit, and, of course, ultimately, could also impact your dividends? Thanks.

Amelia Lee: Sure. Nikhil, please.

Nikhil Eapen: Yeah. I, you know, it's a bit premature to comment on our 2025 guidance, but let me give you a few key principles. Number one, of course, we're committed to our dividend payout. So I will reiterate that in terms of 2024 as well as 2025 in terms of our policy, and we're committed to, you know, TSR. And, you know, keeping our dividends in place. Beyond that, I can't really say anymore, other than to, you know, wait for February 2025, where we'll release our formal guidance. But rest assured, we're focused on maintaining our dividend.

Paul Chew: How long is the amortisation period?

Nikhil Eapen: Well, it's 15 years, but a little bit subject to the date of award. And the date of award is no later than July 1 (2025).

Paul Chew: Okay. Yeah. Thanks, Nikhil.

Amelia Lee: Okay. And then let's have Johan address the question on Mobile subs.

Johan Buse: Yes. So, Paul, thanks for that question. Maybe first clarify, we've always reported MVNO numbers as part of the Mobile number, so they always have been there. So that's definition clarification. Second part of your question was, where exactly is the growth coming from? And obviously the growth is across all segments, but primarily on the MVNO and Digital side. So, hopefully that's answering your question to satisfaction.

Paul Chew: Yeah. Thank you.

Johan Buse: Thank you.

Amelia Lee: Okay. And Jacky on the DARE+ cost efficiencies and comments on margins.

Jacky Lo: I think DARE+ we going to gradually realise the benefit from that. But as you know, like a lot of that will be like decommissioning some of the legacy systems, which is going to take time to phase out. And the benefit will gradually come throughout 2025 and 2026, but it's going to be like a step process.

Paul Chew: Okay, so obviously, legacy-wise, you are running both systems, so that's why you have a duplicate cost, is it? For me to understand it?

Jacky Lo: Yeah, that's right. That's going to be some time for overlapping because of migration, etc. And it's going to take some time to decommission the legacy system. We're going to run some of the systems in parallel, but we will gradually decommission the legacy system.

Paul Chew: Okay, yeah, thanks again for taking all my questions.

Nikhil Eapen: To add on Paul, I think you asked about the margin improvements to date and versus last quarter. As you heard from Jacky, the DARE+, efficiencies haven't really come in yet. So the margin efficiencies that you're seeing are from other areas.

Paul Chew: Okay, yeah, sure, thanks, just at the third quarter of last year was unusually low. I mean, I should remember this, but I just thought was there any particular reason?

Nikhil Eapen: Yeah, no, nothing in particular.

Paul Chew: Okay, okay, sure, thanks.

Nikhil Eapen: Just ongoing efficiencies.

Paul Chew: Okay, thank you.

Amelia Lee: Thanks, Paul. As a reminder, just raise your digital hand and we'll get to your question. I don't think we have anyone in the queue right now. Oh, okay, Michael, please.

Michael Fock: Hi, thanks for having the call. Just two questions from me. So basically, first off, can you just remind us of what's your current cost of financing? And secondly, because now we've come close to the end of DARE+, and with the expenses like Nikhil mentioned, it's going to most likely be expensive in the first half. Can I just get a bit more of an update on the benefit realisations that we've had to date, and what should we expect for the upcoming year in terms of these realisations? Thank you.

Amelia Lee: Thank you. Nikhil, would you like to address the second question first?

Nikhil Eapen: As you have pointed out Michael, we're on course with our DARE+ plan to tail off within the first half, and there's only $27 million left for next year. The second point that I'd like to reiterate is the efficiencies that we've achieved so far are not really associated with DARE+ efficiencies, or if they are, they're early DARE+ efficiencies, not really the bulk of it coming through. As Jacky pointed out, those will start to come in the second half of 2025 progressively into 2026. I can't really, at this point, point to

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numerical impacts, unless my CFO would like to, but we'll save that for our 2025 guidance, and we'll give you a directional sense at that point.

Amelia Lee: And Jacky for the question around cost of financing.

Jacky Lo: Michael on the cost of financing, we never really disclosed the exact number. But if you look at our debt profile, I think about 90% are fixed rates, and we actually entered into the debt arrangement, I think, when the interest rate was relatively lower compared to the current interest rate. So that will give you an idea of what's our cost of financing at this point.

Amelia Lee: Michael, I hope those answers your questions.

Michael Fock: Yeah, okay, thank you very much.

Amelia Lee: Thank you. Do we have more questions from the floor?

Neel Sinha: Hi, Amelia, can you hear me?

Amelia Lee: Yes, we can hear you, Neel.

Neel Sinha: Sorry, for some reason I can't seem to find my raise hand function on the same. Nikhil, I'm just going to repeat a question that Arthur asked. Between the two, I mean, you've got the balance sheet, but between the two operators, what would be more attractive for Starhub in a consolidation scenario? I mean, do you want subscribers, or do you just want to get the spectrum?

Nikhil Eapen: By two operators, you mean, SIMBA and M1?

Neel Sinha: I'm leaving Singtel out of this. It's SIMBA and M1.

Nikhil Eapen: Yeah, you know, I may have to take the fifth on this, if you don't mind. You know the various pros and cons. And you know, scale is a function. I don't think spectrum is a function, by the way, as much as scale and cost efficiencies. But the other lens I would look at, other than scale and cost efficiencies, is also multi market segmentation. And as I said, you know, we look at the market as divided between premium, which is SingTel, and ourselves, digital which is Circles, GOMO and giga!, and Value, which is where SIMBA is a leader, but we have made great strides. So, those are the three lens I would look at it at, you know, scale, cost and Capex efficiencies and multi market segmentation. But beyond that, Neel, if you don't mind, I'll take the fifth on this one.

Neel Sinha: Yeah, I understand, I understand it's conjecture, and it's probably stuff that all three of you all are working on. If I can have a quick follow up. What I've heard in the market is that Circles has its own sort of pathway, right?, and doesn't want to be. Is that true or that's just something I've heard in the market, and I'm trying to figure out Circles is, yeah, it's an attractive asset in M1's portfolio. So, or you're gonna take a fifth on this as well?

Nikhil Eapen: I can't really comment on Circles. I think you make a correct point that at least based on the data that we have, yes, Circles is, I believe, a significant portion of M1's portfolio, as measured in, you know, sort of almost any respect. But beyond that acknowledgement of your statement, yes, I'm going to have to take the fifth on this as well.

Neel Sinha: All right, thank you. Nikhil, sorry, I sort of suspected that you couldn't probably give clear answer some of these questions. The results stuff is very strange.

Nikhil Eapen: Full marks for trying, Neel. No, you know, no bias.

Neel Sinha: Alright. Thank you.

Amelia Lee: Thanks, Neel.

Nikhil Eapen: You know what, I guess, what I would say is, I'm, you know, against a shifting M&A landscape, I personally am quite pleased with our situation. You know, I believe we're the only acquirer…

Neel Sinha: …I am too trust me. Like I used to cover execution markets like Hong Kong and ages ago, and they used to be like six, seven operators back then…

Nikhil Eapen: ... their competitive marketplace. So whichever way the market landscape shifts, you know, I'm feeling pretty confident that we can play this to the right outcome, and as you surmise, we have choices, right?

Neel Sinha: Agree, as I said, I used to cover Taiwan and Hong Kong years ago, and there were six, seven players, and consolidation was the best thing that ever happened in those markets.

Nikhil Eapen: Yeah, it always happens, right? It's not a question.

Neel Sinha: Right, thank you, Nikhil.

Amelia Lee: Thanks, Neel, I see Sachin has his hand up.

Sachin Mittal: Yeah, actually, since we have time, I think we should utilise, Nikhil's time also, and just to if you we have this $80 million, you know, in savings. I remember when we started the transformation program, we talked about that $80 million savings from that program. So, could you just remind us a little bit on that $80 million savings? Anything has been saved so far? How much is the room from here on, and will it be just cost savings, or it is a combination of higher revenue and, you know, and the cost savings? You know, if you could just go back to that, when we started the transmission program, the original thesis of $80 million benefits to earnings, right? I think that's where we started. Are we on track for that? And is there any division and in what form, revenue and cost in there?

Nikhil Eapen: Yeah. So, Sachin, just to be clear, we did guide as the outcome of DARE+ program to have an incremental NPAT of $80 million on top of our 2025 net income, which I believe was $145 million, right? So, $225 million or so. So, I would say at this point, there is no change to that. In terms of how that breaks up into revenue and cost and all of this, you know, those are things that continue to evolve. And with the full year behind us, and as we remap our plans against the landscape, both competition as well as opportunities, you know, we'll obviously be, you know, taking another look at those numbers to see how we can meet that $80 million incremental NPAT.

Sachin Mittal: That's five plus 80, right? You're talking about that, right?

Nikhil Eapen: $80 million in incremental Net Profit After Tax, on top of our 2021 Net Profit After Tax, which is when we initiated DARE+, right, at the end of FY2021, and that number was about $145 million.

Sachin Mittal: Yeah. So, that looks very ambitious target. I mean, from here on, right? Because we're talking of almost, you know, 80- 90% jump in our earnings for to achieve that, right?

Nikhil Eapen: Yes, so be it, you know, I think you heard Jacky talk about, you know, this is not linear. You know, a lot of it is back ended, particularly, as efficiencies start to come through, from platforms having been built, and then decommissioning happening, and efficiencies being realised, and then, of course, revenue outcomes being realised as well. So, by function of that, you know, it's obviously back ended. The market has obviously moved significantly since we started this. The macro has moved significantly. We've been pretty consistent in reiterating that target, but the hows and the whys of how to get there will continue to evolve. And where we sit today, as we end the year, we'll take a look at how we can achieve those targets.

Sachin Mittal: So, it's largely cost savings and not really new revenue opportunities, right?

Nikhil Eapen: No, I think both. I think the ratio that we looked at last time around was of the $500 million which achieves the $80 million. $280 million were cost and $220 million were revenues, and I wouldn't say that ratio has changed dramatically. So for now, you can probably use the same ratio, but don't hold us to the ratio, because this is an evolving analysis that we have to do as more data comes in, and as we, you know, put more time behind us in a changing landscape.

Sachin Mittal: Okay, that's very helpful. Nikhil, thank you.

Amelia Lee: Thanks, Sachin. We can probably take one last question before we end the call. We'll just give it a few more seconds.

Okay, no more questions. Otherwise, we will end the call for today. Thank you very much for joining us, and you know how to get us if you have additional questions. Thank you very much. And have a lovely evening. Bye.

Nikhil Eapen: Thanks guys, thanks for making the time. Thank you, and happy birthday again, Sachin.

- End -

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