



## StarHub Ltd – 1H2024 Results Call Transcript

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### StarHub Management Representatives:

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

### Start of Transcript

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**Amelia Lee:** Hi, good evening, everyone. I hope you can all hear us. Okay, if you can't, leave us a message. Thank you for joining us this evening. As usual, we have with us: Nikhil, our CEO; Dennis, our CFO; Johan, who heads up our Consumer Business; and Kit, who heads our Enterprise Business. So as usual, Nikhil will start off with some opening remarks, and we'll go through the deck pretty quickly. And then, followed by Q&A. Nikhil, over to you.

### Presentation

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**Nikhil Eapen:** Thank you, Amelia, and good evening to all of you. And thank you for joining us for our 1H 2024 numbers. Without further ado, I'll go to the financial highlights. And starting, as always, with Service Revenue, we were up 2.4% for the year. Now this was driven largely by our Enterprise Business, which grew about 10.8% overall, with the star being Managed Services, which grew 33% year on year. This was offset to some degree by Mobile overall. Now, Service EBITDA went up 2.9% for the 1H 2024 YoY. This was a reflection of the Service Revenue growth as well as a little bit of early cost efficiencies, I would say, but not really coming from the DARE+ bucket, which is where we expect to harvest moving into next year, so that is still to come.

Now, on the net profit side, as always, our net profit growth was in excess of service EBITDA growth. So net profit growth for the 1H 2024 came in at about 8.7% YoY. And the fact that, as always, it was above our Service EBITDA growth was a function of a number of things. Number one, with DARE+ our



ongoing move to asset light and shifting CAPEX to OPEX, which has the benefit of achieving our goal to improve our total shareholder return and our return of equity. And as we move from 2024 to 2025 we would like to reiterate that we expect our DARE+ spend to come down significantly. We expect to complete the last bulk of our DARE+ spend at the end of this year.

Also as we move into next year, we hope to start harvesting cost efficiencies from DARE+ by decommissioning legacy systems. And then, last but not least, we hope to start making money with new platforms enabled by the DARE+ transformation, platform building and IT transformation which Kit Yong will talk a little about that. Now what is not on this page is our strong free cash flow, which has been consistently above our net profit, increasing that cash leverage and this, of course, gives us the ability to support what has been, as you know a rising dividend for us. But it also gives us firepower for three things, really, to be more aggressive in the marketplace and what is obviously a competitive marketplace, but more important, number two, to drive our organic growth platforms. And then number three, to the extent of organic opportunities available we hope to acquire across the business.

So with that, I'll move into the key segments. Now the mobile market, overall experience, attrition, as you know, as you've seen from some of our competitors elsewhere, the YoY fall off was actually quite dramatic. We did have a bit of ARPU deflation, which Johan will talk about later in the reduction of excess usage. But our goal for this segment is to maximise our revenue market share, to preserve and grow our gross profit, to minimise our revenue attrition. And really, we remain focused on monetisation. And we hope to do this by driving what is increasingly a multi-brand strategy.

Now on the Broadband side, we were actually stable YoY when you extract the fact that we had zero margin premiums and promotions that we did at this time last year. So absent that, we are nett year on year for Broadband. Now versus competition, this is a good result; again, in an increasingly competitive marketplace. One of the things that we're doing as cornerstone of our strategy in this segment is drive UltraSpeed packages, so 3GB, 5GB, 10GB, very aggressively. This is taking our ARPU up in slow increments, and also it will take up our gross profit.



Number three on Entertainment, we had a reduction YoY. This was a function of a couple of things we are flushing out, you know, low value promotional subs, which we are actually replacing with high value bundles. So this shift, you can see what's evidenced in our increase in ARPU YoY. Now, as we move forward to the rest of the year, we expect our Entertainment revenues to grow. We have a new Premier League (PL) season coming up. We wrapped up the season in the 2Q 2024 this year, and we have new season starting, and we hope to continue our journey of adding Premier League subs, but also across selling and up-selling into broader Entertainment service packages. And then last on Enterprise, we saw strong growth, 10.8% YoY; Managed Services was the star with 33% growth, Cyber also did very well. We're also containing attrition in the legacy segments. And then last but not least, within the Regional ICT business, we were able to grow our Malaysia business this year.

So with that, I will pass on to our esteemed CFO. Dennis Chia.

**Dennis Chia:** Thank you, Nikhil, and I will provide an update on our 1H 2024 results. And our very good set of results against the guidance that we gave at the start of the year. So to recap, we started the year guiding to 1% to 3% growth in Service Revenue. I just want to state as a preamble that all these numbers exclude D'Crypt, the divestment of which was completed on 29 February this year.

So in terms of financial statements that you actually see in the financial reports and the MD&A, they include the few months of results for D'Crypt. These numbers exclude D'Crypt results, because going forward, we will not have them as part of the StarHub Group results. So against the guidance of Service Revenue of 1% to 3% we ended the 1H 2024 with 2.4% growth in Service Revenue. We had guided to 22% of Service EBITDA margins, we ended 1H 2024 at 22.8% which is a slight increase from last year if you look at the margins YoY. CAPEX commitments, which tend to be relatively lower in the first half of the year compared to the second half. Notwithstanding that we had a 1H 2024 CAPEX commitment 7.7%, which includes all the 5G investments, as well as our DARE+ investments. And against the commitment on 6.0 cents, at least 6.0 cents of dividends or 80% of net profit after tax, whichever is higher, the board has declared an interim dividend of 3.0 cents for 1H 2024.



Just some key numbers on Slide 7, we ended 1H 2024 with revenues of slightly under \$1.1 billion, and Service Revenue growth, as mentioned, of 2.4%. Service EBITDA margins of 22.8% against an EBITDA of about \$227 million. Our Net Profit After Tax Attributable to Shareholders was \$83.3 million and that represents 4.6 cents on EPS basis. \$101.6 million is the free cash flow that we generated for 1H 2024, representing 5.9 cents per share. We ended 1H 2024 with \$564 million of cash and cash equivalents; a leverage ratio well with below industry average of 1.23 times on the back of very strong and positive working capital changes. And with that summary, I hand over to Johan.

**Johan Buse:** Yeah and thank you very much. So good evening, everyone. Nikhil was so kind to go through most of the important parameters. So I'll just give you some colour and context here and there. Also anticipate some of the questions you may have.

The drop in ARPU is mainly a result of the shift from device to SIM Only and to a lower revenue from the outside of bundle VAS and usage, which you will understand in this market where data bundles have become so abundant. Customer base, you see there are nice uptake in the 2Q 2024 and YoY we're up 22k. That's mainly driven by SIM Only and the fact that we have onboarded a few MVNOs.

And in the current climate of the market, which is quite competitive in Mobile, we managed to keep the churn modest and low, almost similar to the previous quarter. Prepaid is a bit more seasonal, so ARPU is flat, customer base is flat, so you can do the math yourselves, not going to elaborate for that. And that results in a slight drop in terms of Service Revenue, and that's on the back of an increased data usage. So that's Mobile and if we move to Broadband, which is on the next page.

Broadband ARPU is flat, you will see a decline in Service Revenue, at the bottom, of a little bit more than 1%. That's fully the result of a lower premium revenue that's related to tactical promotions. If you peel that off, actually the Service Revenue just on Connectivity is stable, and actually the ARPU is inching up a little bit, because we have been seeing a more than expected traction of customers picking up and taking on the higher speed plans, the 5GB and the 10GB, the UltraSpeed plans, as we call them. And you can see that the churn remains really at more or less the same level, 0.7%, so that's really well managed by the team.



Last section to cover is the most exciting as always - for sure, you'll get a lot of questions in this one. Entertainment, we had a real great Premier League season, and that's reflected also in the ARPU uplift from \$45 to \$46. Then you may be wondering, hey, that's great, but we do still see a decline in terms of subs. That's to a large degree a result of ending a number of tactical promotions, and a decline in revenue is to a large degree due to commercial advertising. If we look at the subscriber base, we see continuous interest in sports packages. It continues to grow. Also, our Premier League sub base has been continuously growing, and we do see a strong flow through of Entertainment customers latching on to Broadband and Entertainment. So on that note, I'll hand over to Kit Yong so he can give you a bit more.

**Amelia Lee:** You got one more slide. Not so fast. Johan.

**Johan Buse:** Sorry about that. That's actually the exciting part which I was just explaining. You may have been tracking us over the last couple of years on giga!. We had a big shift on giga! last quarter. We launched 5G on giga! and eSIM, and that resulted in a very strong growth for giga! on the back of a continuous, I would say, strong performance on Net Promoter Score.

And also on the Starhub brand, we have been pushing what we call T2 services, which are Cybersecurity Services, Smart Protection Services, and that has resulted in a double-digit growth in terms of those vertical revenue streams.

Broadband, after some discussions with people, it seems that people think, hey, broadband is all the same, anticipating some of the questions, you could not be further from the truth. There are common parts between ISPs when it comes to broadband connectivity delivery, but we have been investing quite a fair bit of money in new XGS-PON network, we're first in the market. And we see very strong NPS in those products. And we see a very strong growth, you basically see on the right-hand side that we have grown that particular base on a high-speed plan by 12-fold. And that's obviously helping us on the ARPU side. And we combine that also with WiFi 7 to enable customers to have not only a wider coverage at home, but also much faster connectivity. So that's good there.



And then on Entertainment, we have been continuing our expansion on sports. I would really dare to call us the Home of Sports. We've added Premier League, and we have good reasons to believe that will do us good. We had a first in the world, and of last quarter when we ended the Premier League season, which was an event where we broadcasted the final round 10 games simultaneously. We had over 5000 visitors, and they all rated us extremely high. And we started off last week, and actually with the first game in, if we can call it that way, British football, Premier League football, which was a community shield, which went perfectly well. We got the customer feedback, and then that flows through with the whole business. So that's it from my side, and now this time I really have to hand it over to Kit Yong. Thank you very much.

**Tan Kit Yong:** Thank you. Now for the Enterprise part, Nikhil has mentioned that we have a good growth in Enterprise Business. So starting with Network Services, right. So we're moving up the value chain in what we offer in our Network Services from a product, now we need to provide the service and the solution. So this is the outcome of when we transformed our operating models over the past year to form service lines rather than product groups. We're able to deliver more solutions that is relevant to the market, especially the Enterprise market. So we are putting together the Telco services plus the Enterprise Services coming together, in order for us to create a value proposition that's differentiated in the market, and the client will value these services that we offer.

Now, we move to Cybersecurity for Ensign itself. They have had a good pipeline and orderbook, and it's now turning into revenue for them as they deliver the projects. So, these are the drivers for growth. When it comes to Regional ICT Services, Strateq is doing well, YoY growth, versus JOS Malaysia which is focused on End-User Computing services. So last year, they have a good orderbook and the time is now involving the inventory and purchase. So it's now at the downside of the buying cycle or the project repair cycle. Hence the performance is weaker in the End-User Computing. But having said that, JOS Malaysia has also moved into the Network Solutions business, like what we're doing here in Singapore. Leveraging the same customer base that they have in order to grow their business.



Now NUS, you may have seen us on the news having MOU with NUS to support them in a vision to be a Borderless University. This enablement by our services and solutions, is powered by our 5G and Cloud Infinity platform. NUS will get a differentiated, dedicated data network team; and using eSIM to enable seamless connection and access to their own Enterprise Network. So we're doing a bit of Enterprise Services and Telco integration on the mobile side to enable this so that the outcome they want to deliver is a seamless experience for the students, researchers, lecturers, in accessing their intranet network seamlessly, whether in campus or island wide. So that's the goal that we are coming together to overcome and provide them a secure communication connectivity between their secured Enterprise Network where research is confidential but seamless connectivity when they're outside the university. Now that enables secured borderless access. And through this initiative, you can also collect data through the eSIM to look at the performance, to look at new data insights that will enable us to have a very data-driven decision-making process to introduce new services such as AR/VR and real time data analytics. It is the new possibility that we can offer using our network connectivity and cloud content platform.

**Amelia Lee:** Nikhil any closing comments?

**Nikhil Eapen:** I just leave for you to consider and to have at hand our strategic priorities for the rest of the year. I don't want to dwell on it too much, as these are consistent with the priorities that I've laid out for you in the past. We will be providing an update on these priorities as we as we go through our 3Q 2024 results in November as we reach near the end of the year, and we can talk more then. So Amelia, back to you, and I suppose we have quite a lot of time for Q&A, right?

## Q&A

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**Amelia Lee:** Yes, we do. So as usual, if you have a question, please raise your hand and then you can unmute yourself and converse directly with management. First up, we have Hussaini. Hussaini, could you please unmute yourself?



**Hussaini Saifee:** Yeah, sure, thanks and good evening everyone and thanks for the opportunity. I have five questions, and probably I'm hijacking the call. So the first is on the spectrum payments, which is due for 700 MHz, any colour on that side? And given the fact that 5G is mostly being rolled out in Singapore. Is there a way, or there is potential for the Telcos to optimise the payment on the side? So that's question number one.

The second question is on the Managed Services, wherein there was a very strong growth. So just wanted to understand, how should we see the growth going forward? Is it the nature of the business, is that it is going to be lumpy, or is it more sustainable in nature?

The third question is on the Postpaid churn rate, which has inched up. So just wanted to understand, are there areas of concern, or is it still quite okay?

The fourth question is, on the CAPEX side; the CAPEX run rate in first half is much lower than the full year guidance. So just wanted to understand, should we expect to see it accelerating in 2H 2024?

And finally, on the dividends, and correct me if I'm wrong, that when I compute your EPS, it is coming to around 4.6 cents to 4.7 cents, and 80% of that is a higher number compared to three cents. So just wanted to understand, and if I'm missing anything over there, thank you.

**Amelia Lee:** Alright, thank you. Hussaini, maybe. Let's start with the spectrum payments. Nikhil, would you take that?

**Nikhil Eapen:** Yeah, yeah. So on 700MHz, just to recap a little bit, as you know, the 700MHz spectrum was auctioned, and to some degree, you know, allocated, I believe in 2018 or 2019?

**Dennis Chia:** 2018

**Nikhil Eapen:** Thank you, Dennis, well before my time. So the circumstances were quite different. At the time it was allocated 4G. As 5G was not being planned for at the time and spectrum for 5G had





not been awarded. And of course, it was different market circumstances, right? I think the fourth operator had either not entered into the market, but was fairly imminently poised to do so.

So thinking through all of those three things and where we stand today. The use of 700MHz spectrum, obviously, is it's got to be 5G, not 4G. Having said that, 5G rollout is extremely advanced, and we have been hitting our coverage requirements in line with regulatory constraints and serving our customers with 5G for quite a period of time now, and also rolling out Enterprise use cases. And then on the last factor, obviously, the market circumstances are quite different.

So with that, in all that in mind, we are obviously in active engagement with the regulators around some of these nuances and complexities. But at the same time, obviously, we are planning and doing our network planning and our business planning and our optimisation, as well as our monetisation planning for 700MHz and what it allows us to do. So that's a complete exercise, that is complex. It is underway, and it is and it's something that we're engaged with the regulator on. So beyond that, I can't really comment, because those discussions are obviously something - the nature of the discussions are between us and the regulators and not ready to share.

**Amelia Lee:** Okay, Kit on Managed Services growth.

**Tan Kit Yong:** When it comes Managed Services growth, it's been growing on the double-digit growth YoY, and we expect this to continue to grow. And we have grown from strength-to-strength, from a normal, Silver-tier technology partner now to a Gold/Platinum technology partnership. And we are seeing good pipelines ahead of us, replacing incumbent technologies with our immediate value proposition that we are creating that integrates not just an Enterprise network, but also Telco Services to create a new value proposition.

Now the question on whether it is lumpy or monthly recurring, we actually provide flexibility to our Enterprise clients. There are clients who prefer to do it on a CAPEX model and become multi project services. And there are clients who prefer to be on a monthly recurring or multi-year contract with us, so we give the flexibility for the client to decide and control where they are comfortable with business



considerations in terms of business model that they want to engage with us. So we are growing Managed Services through offering flexibility, being agile and with a challenger mindset. It gives us a value proposition that's integrated with Cloud Infinity. That's how we're going to continue to grow Managed Services.

**Johan Buse:** Okay, alright on your third question. Thank you very much for that one, is whether we are concerned about the marginal increase in the Postpaid churn rate. The answer is no, and it's perfectly well explainable as the market shifts from contractual device two-year plans to SIM Only, it is unavoidable and logical that there is a inching up on the Postpaid churn rate. That's a function of the fact that SIM Only always has a slightly higher churn rate than contractual device plans and is well within boundary and being monitored. So no concern at that point in time. Thank you.

**Amelia Lee:** Okay, and Dennis, maybe the last two questions on CAPEX and dividend.

**Dennis Chia:** Okay, hi Hussaini, and on your question on CAPEX commitments, as I mentioned, typically in the first half of each financial year, the CPEX commitments are relatively lower in second half. That's as we, you know, as we go through the year, our management continues to look at our CAPEX and OPEX spends and investments, and we rationalise it along the way. So typically, in the first half, you know, it will be relatively lower, so we expect to then catch up in the second half, and as we look to completing as much of our DARE+ spending in 2024 and leaving behind a very small portion in 2025. That's consistent with the guidance that we've been giving up to this point.

On your fifth question on dividends, the 80% of Net Profit After Tax, or 6.0 cents, whichever is higher, is applied to the full year results. So as at the half year mark, we had committed to 6.0 cents as the minimum, and therefore, on that basis, we are just declaring half of the 6.0 cents, that's 3.0 cents when we complete and announce our full year results, typically in February of next year, depending on what the Net Profit After Tax number will be at that point in time. We will then apply that dividend policy in declaring our final dividend, and then, therefore the total dividend for the year will then be applied that point in time. I hope that answers your question.



**Amelia Lee:** Hussaini, I hope we've addressed all your questions.

**Hussaini Saifee:** Yes, very helpful. Thanks a lot.

**Amelia Lee:** Thank you. Okay, next in line we have Arthur.

**Arthur Pineda:** Hi, good evening. Thanks for the opportunity. Three questions please. Firstly, just to clarify in the margin, so 1H 2024 was trending ahead of your targets, so are these basically back ended spending on DARE+ and IT upgrades, or are you actually finding new areas of proficiency at this point?

Second question I had is with regard to spectrum again. I know you may not be able to disclose much on this, but are there any options on rejecting the 700MHz band at all, given that you are fully rolled out on 5G anyway, and when will the payments actually come due for this?

And third question is on broadband, I know that your competitor SIMBA, had been very aggressive on Consumer and Enterprise Broadband plans. Is this a cause of worry for you, or do you find trends to be stable given the bundling activity? Thank you.

**Amelia Lee:** Dennis, maybe the first question on margins.

**Dennis Chia:** Okay. Hi Arthur. On margin, on an ongoing basis, the management team continues to look at the areas of what we call strategic cost management, and this is applied across the entire group, not just the telco operating units, but also in our subsidiary's Regional ICT business as well. So across the company, we had undertaken this initiative a couple of years ago, and this is an ongoing exercise, and through that exercise, we've been able to then rationalise certain areas of our spends to then manage the margins, and obviously with a view to improving the efficiency and cost efficiencies, as well as the operating margin. So that's something that we continue to do as we tail off the DARE+ spending into the 1H 2025, we expect to then generate the outcomes from these investments into 2025, and into the outer years as well. So this is the trajectory that we expect to be able to continue and improve over a period of time.



**Amelia Lee:** Okay, Nikhil, the question on the spectrum for you, please?

**Nikhil Eapen:** Yeah, I'm trying to, I apologise for this. We're trying to differentiate the nuance to the question from the one before. Could you maybe just repeat that?

**Arthur Pineda:** So, on the 700MHz band spectrum, I'm just wondering, are there any options from just walking away from it? This was, you know, taken in the context of 5G and that you've already fully rolled out on that side. And when do the payments actually come due for this?

**Nikhil Eapen:** Yeah, so on the first question as to whether there are options to return the spectrum, you know, there are no real viable options to return the spectrum. You know, the spectrum was auctioned. We and others participated in auctions. The spectrum bands were awarded and allocated. So there are no real feasible alternatives, certainly from where we view the situation to return the spectrum, per se. Now, in terms of timing and optimisation of payment, I'll kind of put that in the bucket of discussions that we continue to have with the regulators, which we update you on in due course.

**Arthur Pineda:** Understood.

**Amelia Lee:** Okay. And Johan, the question on Broadband, on SIMBA.

**Johan Buse:** Oh, that one, yeah. Sorry I was a distracted. Broadband is, I think we discussed it last quarter as well. Broadband is a fundamentally different business than Mobile. Broadband is not something people like to, as a customer you cannot experiment with Broadband as you can with Mobile.

For Mobile, you can just buy SIM Only, you can try it out. We like it, you like it, and blah, blah, blah. Broadband, no - your minimum commitment is 12 months, and it's typically a service people do not



like to gamble with, because there's too much at stake. It's important to have good connectivity at home, for work from home, studying and so forth. That's number one.

Number two is that Broadband, unlike Mobile, does require in certain cases, at least for the peace of mind of customers. The mental reassurance that you can fall back on a well-established service operation if needed. And that's what we're known for. The second point. Third, today, still a large majority, not a majority, a large part, let me be very careful what I'm saying here. A large part of the customers opt for what we call HomeHub, meaning combining Broadband and Entertainment, because, as you know, we aggregate quite a fair bit of OTT, and we've made entertainment very relevant in today's context of households, and that's driving, obviously, differentiation and uptake from a customer perspective.

Fourth, almost like I'm doing a sales pitch here, but giving you back what we see from research and listening to customers, is that CPE, Customer Premise Equipment, matters more than ever before. Customers are very aware about the quality of routers and ONTs, and they basically base their decision in a lot of cases on those as well.

Fifth, I want to take away a myth today. A lot of people think that because of NLT, all the broadband is the same. Wrong, myth dispelled. And I'll explain you why. There is part of the infrastructure which is common, which is delivered by NLT. You can also significant part of the infrastructure which is operated on, and we have invested as the first to market, by the way, the XGS-PON network, and not only that, as a differentiator, also the way we build resilience redundancy in the network and enable international gateways and access to overseas servers, which delivers a very different experience altogether.

So not all the things are the same, and we're in a good position to be differentiated. And that's also what we have seen, specifically the last two quarters, with a very significant amount of customers opting in for higher speed plans, and that has helped us in terms of NPS, as well as in terms of underlying ARPU. So that was a holistic answer, quite detailed. I hope that serves the purpose.



**Nikhil Eapen:** Can I maybe just add a sort of maybe some one or two specific comments on this matter to follow up on your main point. You know, we believe the parties that are most vulnerable to SIMBA's competitive incursion are parties which don't focus on ultra speed or high speed plans and don't have that capability, but focus instead on low speed plants, 500Mbps and 1Gbps, which they sell for legacy high prices, and are therefore vulnerable to undercutting, parties who don't focus on service delivery, don't focus on technology delivery, and certainly don't have the ability to put together broadband with compelling propositions. And I think you've seen some of those signs in the market, particularly in the last quarterly reporting where there's been dramatic fall off in Broadband subscribers.

**Amelia Lee:** We hope that's clear. Arthur.

**Arthur Pineda:** Very clear. Thank you.

**Amelia Lee:** Thank you. Right next, we have Paul.

**Paul Chew:** Hi, thanks everyone for the presentation. I've five questions. No, I need three. Not so hard working. Yeah. So my first question is just on Mobile. You know, Mobile Service Revenue declined in 1H 2024. So just wondering, where is competition hurting Mobile, be it roaming or is it as usual, the low end and so forth?

My second question, just again, the usual update on DARE+ spending and maybe could you also narrow it down to which line of the OPEX? Of course, it's a bit harder to see this time because of the D'Crypt exclusion, but at least which part of the OPEX line is where this DARE+, the operational part is, has been included.

My last one is just on Entertainment. You touch a bit, I think, on some additional revenue streams, if I'm not mistaken, so I'm just wondering what additional revenue streams or bundling opportunities that you're going to do, for at least this upcoming new EPL on season. Yeah, thank you.

**Amelia Lee:** Thank you. Johan.



**Johan Buse:** Okay, I'll take question one and three in one go, if that's okay with you, Paul. Thanks for the question by the way. So, the mobile service revenue, you sort of alluded it to yourself, is it the low end of the market? It's definitely the result of an ongoing process of customers moving from 3G Device Plans to Sim Only, and then, obviously, in the Sim-only space, you do have quite a fair bit of pressure on the low end, and in particular because even in Sim-only, you can pay a range from \$10 all the way to \$40, so that is definitely there.

That's also why you probably have observed that we have become definitely more aggressive, deploying what we would call a MVNO multi brand strategy, where we start positioning certain MVNOs in relation to those segments, and that basically, you know the game typically first comes with an increase of customers, then your revenue, which you basically see in customer uptake of the fourth operator.

Having said that, we're very mindful to deliver quality subscribers on the MVNOs which we tie up with. And that's why we play that very mindful to make sure that we balance it out. And StarHub is a premium brand. It has been seen by customers like that and we do everything needed to make sure that it continues that way. So that's from Mobile Service Revenue.

On Entertainment, you asked me, as a more commercial person, a heartbreaking question, because I would love to explain you in all the details of what we have in mind for the next two quarters. I can't, but what I can allude to is that we will continue the path of smart bundling of relevant pieces of content together with a number of features. So I have to ask a little bit of forgiveness and patience on this one. I would basically like to ask - watch this space for the next four months and see what comes out of that.

**Nikhil Eapen:** But Paul, I just wanted to clarify, were you also talking about how a lot of the Infinity Play stuff outside of Entertainment. So, for instance, we have been seeing, you know, very good traction and strong build up in Smart Support and Cyber, right? So, that doesn't fall within Entertainment.



**Johan Buse:** No. So maybe I can allude to that to give full context. So we have Entertainment, then we got SafeHub+, GameHub+ and LifeHub+. We have seen double digit growth both on SafeHub+ as well as on GameHub+ YoY. We've expanded our GameHub+ proposition from the Cloud gaming NVIDIA, including some other things, and I would love to say what is coming, but need to bite my tongue here.

And on SafeHub+ also there is a lot of developments. We saw really good, strong growth there as well, and we have whole plans in the coming quarters to expand that further. So that's definitely to Nikhil's point, the space to watch. And we are really greatly positioned to latch that back to Home, Mobile and differentiate on Connectivity.

**Nikhil Eapen:** Yeah, so stay tuned. We're going to be doing that in a way which is, I think goes against a conventional telco wisdom and a conventional telco way of doing things. So stay tuned. Yeah.

**Paul Chew:** Sorry, can I follow up? So sorry to interrupt you. Is it okay? Just a quick follow up. I missed that part when you mentioned, like, how does having aggressive MVNOs kind of complement the overall strategy? Apologies if I didn't understand that part?

**Johan Buse:** No apologies needed, Paul. Thanks for that clarification question. Let me think how I best phrase that answer. Let me try to give at least the way we look at the Mobile market. At the moment, the Mobile market, you can cluster in three distinct segments. At the moment, you've got premium bundle play, which is ourselves and a competitor not to be named. Then you have the digital space, which is for us, giga! and then I can't spell them up, but you can probably map two other brands against them.

And then there is the real price sensitive segment, which is driven by usual suspects. That segment, unlike what people think, is not particularly an online segment. A lot of activity happens in that segment on an offline basis. And part of those segments are related to, I would say, topography more than anything else. So you're talking about specific corridors which work in Singapore, which have a specific reason to be here and so on, that requires a specific go-to-market approach. So for example,





I'll take what we announced last week together with China Unicom, which is really addressing the Chinese diaspora here in Singapore, students, workers, enabling them a SIM card with two numbers for a great experience. So that's a good example, which they can do, which we probably can't do ourselves. And that's complementary. And we've got a few other segment MVNOs playing in different segments. So, that hopefully is answering your question clear.

**Nikhil Eapen:** But I would say, you know, whereas in the past, we focused on, you know, I guess the high monetisation segments, which are really the first one talked about, and the digital segment, you know, it's a little bit of a tweak in our strategy, where we want to play in all the segments, but we do it very scientifically, without cannibalisation.

**Johan Buse:** The other one, which I don't mind mentioning, is Red One which is on the network which is obviously targeting the Malaysian segment, and that's, again, something they do better than we can.

**Amelia Lee:** Paul, I hope that answers your question before we move on

**Paul Chew:** Yeah, thanks. Thanks. Just on the again and a quick follow up on the EPL, is advertising a large part? Of course, it's a pure profit part, but just one, is it a large part of earnings or revenue as well?

**Johan Buse:** Yeah, and I don't mind explaining that, interestingly enough, advertising on EPL has been doing very well. It's actually the traditional channel advertising revenues which are under pressure, which, again, tells you that in content - content unfortunately is king. If you have premium content, it's really great to monetise advertising. It's a little bit yesterday's channels, which are unfortunately increasingly difficult to collect money for advertising, but we got wonderful plans there. So again, we'd love to talk about it, but maybe when we meet on Strategy Day, take me aside and we'll explain that in detail to you.



**Nikhil Eapen:** Yeah, but Johan, I think it's fair to say the traditional advertising revenue is quite de minimis. And obviously, as Johan talked about, we want to skew that towards advertising alongside, you know, great and forward-looking content, exactly like Premier League.

**Johan Buse:** Exactly, so Premier League is doing us very well in advertising.

**Paul Chew:** Yeah, thanks. I find myself watching a lot of your ads, actually, yeah. I can name you all the ads, but I won't, it's in my head somehow. I'm not sure why.

**Nikhil Eapen:** Thanks for being a customer. Thank you.

**Amelia Lee:** Dennis, on the DARE+ spend, where is it visible in the OPEX lines?

**Dennis Chia:** Okay, Hi, Paul. So if you look at the DARE+, obviously the nature of the investments dictate where we record it. So, in so far as, for example, software licenses, in terms of new platforms, they are recorded in the line item called repair and maintenance. In so far as investments in talent, you know, to develop new platforms, as well as to develop new technologies, they are recorded in staff cost. In so far as third-party consulting costs that we may partner third-party firms or other partners to develop something, they are recorded professional fee. So, it's various lines that capture. There's no one single line that captures it. It depends naturally on the nature of the investment required.

You had a question that's linked to it, in terms of the spend. We had guided to \$270 million of total spend. Last earnings call, we had guided to the fact that we expect to incur about 10% of that \$270 million in 2025 – that still remains intact. So we expect to complete about 90% of that total spending by the end of 2024.

**Amelia Lee:** Paul, I hope that answers your questions.

**Paul Chew:** Yeah, thanks so much. Dennis.



**Amelia Lee:** Thank you. Okay, just another gentle reminder. If you have a question, please feel free to raise your hand. We still have quite a lot of time, so we're happy to get to your questions. Which one, this one? Oh, alright. Kenneth

**Kenneth Tan:** Hi. Thanks for the opportunity. This is Kenneth from CGS. Just one question from me. It seems that Ensign's 1H 2024 losses seem to have widened. So just wondering what's driving this, and really, what are the levels that we can pull to ramp up profitability ahead. Thank you.

**Amelia Lee:** Nikhil or Dennis, would you like to take that question?

**Nikhil Eapen:** Yeah, you know. So this question, you know, inevitably comes up every quarter, and the way we talk about Ensign is, so it's an active analysis, and it's really a MoM, and a QoQ analysis and but it's an analysis that keep in mind a couple of things. One of the things that we keep in mind as we figure out how to actively shift from growth to profitability is the fact that, you know, the tailwinds in the security space are strong, and those growth tailwinds are not getting weaker. And unfortunately, those growth tailwinds have to do with the complexity of cyberspace, and therefore the hallmarks of being a cybersecurity services provider, but they also come from a, you know, a fairly complex macro and geopolitical landscape and a lot of cybersecurity threat activity. So number one, the tailwinds are strong.

Number two, you know, consequent with the tailwinds, we're focused on growing value as a business and expanding the scale of the business, and therefore we continue to invest in people, in technology and in platform development, and that's what we're doing. So we're focused on growing the set of capabilities, but also growing the bulk of business. So that's number two.

Now when we see the right inflection point between the growth tailwinds, you know, potentially moderating, and when we get to a point where we believe the balance should shift more to harvest, rather than building capabilities and growing our book of business, then we will, you know, we will shift the business posture towards harvesting more profitability.



But for the two reasons that I've mentioned, that time is not today. The nice consequence of the strategy that Ensign has embarked upon is that it's focused on growing value. So when we assess the value, you know, the enterprise valuation of Ensign, based on market comparables against its growth rates, and otherwise, the assessments that we have done, and of course, third parties have been involved, is that we're more than double our investment value when we contributed assets into Ensign. But that's kind of how we think about it for now.

**Amelia Lee:** Kenneth, I hope that answered your question.

**Kenneth Tan:** Yeah, thanks.

**Amelia Lim:** Okay, thank you. Next up we have Michael.

**Michael Fock:** Okay, thank you. Thanks for presentation. And I think there have been quite a few questions that I wanted to ask that have been asked. So just one question from me. Earlier, I think Nikhil mentioned there was a lot of free cash flow. So I assume, apart from CAPEX, this will just go into investments. But just wondering, are there any further uses or intentions for the use of cash? Thank you.

**Nikhil Eapen:** I'm not sure what you may be alluding to Michael, but I don't think so. You know, I suppose we could repay debt, but we're also already quite under levered. You know, we're at a Net Debt to EBITDA of 1.23x, you know the regional comps are about 2.8x. So we're already quite levered. I suppose at some point we could, you know, relook at our dividend strategy and our capital return strategy. That's always on the table, but that's not something, you know. I think it's a little bit premature for that, but it's obviously an active discussion.

The third thing, which I suppose you may be alluding to, is obviously inorganic strategies and acquisitions, I would say acquisitions that we would look to make. And we're always on the lookout for good, accretive acquisitions in the Enterprise space and domestic consolidation or otherwise. So



yeah, I guess those are the three potential uses of our cash. But beyond our cash, our funding firepower, you know, there could be one other, which is, you know, we, by virtue of hybrid, multi cloudifying our IT, as well as our network that gets, gives us a set of capabilities, which, as I've mentioned, were externalising, seeing some signs of that.

So as we get early proof points on our success, which we're already generating at some point, we put some real scale behind some of those, some of those organic global initiatives. But to be honest, those don't take up a lot of capital at all, because they leverage the core infrastructure investment that we've already made. So it's essentially an approach of eating our own dog food by doing these things for ourselves and we are externalizing those platforms. So, you know, the organic growth and the scaling of the new platforms that we developed, to be honest, it's not expensive at all because, because most of that spend is already done for our internal needs.

**Amelia Lee:** We hope that answers your question, Michael, or is there something else that?

**Michael Fock:** No, fully answered. Thanks a lot.

**Amelia Lee:** Okay, great. Okay, we still have some time to get to more questions. If you do have questions, please raise your hand. We'll give you another minute or so. Kit hasn't had any airtime, so maybe somebody can give him a question. Dying to tell you more about our Enterprise Solutions.

**Nikhil Eapen:** Anything else, gents or ladies?

**Amelia Lee:** Okay, going once, going twice. Okay, then I think we can take an early end to today's call. Oh, is there a question? Oh, in the chat, okay. Peggy has a question – “Is there any cost savings after the retirement of the 3G network?” Dennis?

**Dennis Chia:** Oh yes, absolutely. So, you know, there is what we call operations and maintenance costs on any infrastructure, whether it's a 3G or, you know, whether it's a Broadband or Fibre or Sub-Marine cable. So any infrastructure that we retire, there will always be savings. Insofar as the quantum of



savings that you're looking for, I would not be in a position to share that number. But, you know, I mean, suffice to say, it's in the millions.

**Nikhil Eapen:** So there are two groups of decommissioning savings that we will be exploiting. You know, over the, I guess the coming year and beyond. The first group is just infrastructure. That's kind of end of the infrastructure system that's just, you know, we're phasing out. 3G is a good example. There are others, for instance, things like, you know, you saw us transition from Cable TV; out of Cable TV in the past. You know, we've already launched an ongoing, well, a long time, for a long time on TV plus, which is a hybrid, you know, OTT platform, and IPTV is obviously technology and platform that will be knocked down. So that's the first group. And there are some other examples in that bucket. The second group is all the stuff and the legacy systems that we have, these will be decommissioning, and as a result of our transformation to Cloud-based systems. Now that will start, really only in 2025, as early in the year as possible. So stay tuned. We hope to exploit functional value cost savings.

**Amelia Lee:** Thanks, Nikhil. Thanks Peggy. Okay. Last call for questions. Okay, I think we can end the call for the quarter. Thanks for joining us this evening. As always, if you have additional questions, you know how to reach me. Thanks, everyone. Have a good evening.

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