



## StarHub Ltd – FY2024 Business Update Call Transcript

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### StarHub Management Representatives:

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| 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

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**Amelia Lee:** Once again, thank you for joining us this morning. We have Nikhil our CEO, Jacky Lo our CFO, Chief of Consumer, Johan and Head of Enterprise, Kit Yong. We will start off with a presentation, just a quick run through of our performance for FY2024 by Nikhil and the management team, and then we'll head on to Q&A thereafter. Nikhil please.

### Presentation

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**Nikhil Eapen:** Let me start again, and sorry for all the interruptions and back and forth. Welcome everyone to our FY2024 results. I'd like to talk about FY2024 as a full year, but also the second half of the year and then specifically on a number of matters. I'd like to point out some key trends for 4Q2024 as some leading indicators. Now I'd like to talk about ourselves, our business lines and the market, both in terms of challenges as well as where we see some real opportunity.

Moving on to the high-level financial results, next page, please. I'll start from the top right-hand side of the page and focus on Service Revenue. For the full year, we grew by about 4%. For 2H2024 YoY, we grew by 5%. Now on Service EBITDA, for the full year, we grew 3% - roughly in line with revenue. And as you know, we continue to spend materially on our transformation in 2024 as well as in the second half of 2024. Net Profit - we were able to exceed our EBITDA growth, growing our Net Profit at 7.7% for the year, and this is very much in line with our strategy, as we've talked about in the past, or moving from Capex to Opex, and asset heavy to asset light, which really comes from two things. It comes from



our transformation, where we're shifting from legacy to Cloud and SaaS platforms, and then also shared cost structures, like we do with our 5G joint venture, Antina.

Last but not least, what's not on this page, which Jacky will elaborate on, is our strong free cash flow and our low leverage of 1.29 times, which is very low relative to regional telecom peers. This gives us the firepower and the ability to continue to fund our transformation, which is at its very tail end, as well as to continue our commitment to shareholder return, both in terms of dividends and otherwise, as well as position for M&A when it comes due and becomes available.

With that, I'd like to spend some time on the next page, which is really our segment performance. But I'd also like to talk about the market and open up the aperture to a little bit about our strategy. So Mobile, as all of you know, is an incredibly challenging segment with hyper competition. Johan calls it very exciting, and he'll talk about that in a bit. And you have seen the results come in from a couple of others. You saw the results come in in Mobile from the incumbent, which shrank a little bit QoQ. And you saw the results come in from the number three operator, which shrank, we believe, QoQ, by well over 3% but with a loss for the quarter of 71,000 subs. Now, in comparison, QoQ, we were stable to up slightly, 0.4% for the fourth quarter. And for the fourth quarter, we added 94,000 subs.

So as a result, our Revenue Market Share has grown. It is now somewhere between 500 to 600 basis points over the number three player so it continues to escalate in terms of that lead. We're also materially higher in subs which we're less focused on, because we're focused on Revenue Market Share, but nevertheless, something to point out.

Now our strategy, as we've been talking about, is multi-brand, multi-market segmentation, to maximise our Revenue Market Share in every segment and to be a leader in every segment. Now in *Premium*, which is an important segment for us, where the incumbent and ourselves pretty much operate alone. It's terribly important with device plans, with high quality, with service bundling, and we will always be there focused on quality and incredible customer experience. On *Digital*, it's a relatively crowded space, and we have a market leader, giga!, which has a differentiated proposition and ultra-high NPS. And in *Value*, which is somewhere we didn't play in the past - we're quite aggressive now, as the market shifts to the Value segment. And again, we have a very differentiated but simple proposition in the segment, which is



growing extremely rapidly. So I would like to close out my comments in Mobile by stating that, yes, this is a market leadership strategy and a Revenue Market Share maximisation strategy, but it is also a profitability accretive and a value accretive strategy, because all of our brands and all of our platforms are run off the same core platform, which every day that passes, will be more automated, more data driven, and more lean and mean. So that's Mobile.

Now on Broadband, despite the market shrinking for others, we were able to grow, and we grew in 2H2024 at about 2.6% and we grew QoQ at the same pace by 1.3%. Now, as you know, in the Broadband segment, we are the number one player, and similarly, we have grown our Revenue Market Share over the quarter. We drove exponential growth in our UltraSpeed base, migrating our platform to 10Gbps XGS-PON which has allowed us to do that. And similar to Mobile, we operate with multi-market segmentation, but with a bit of a difference. With StarHub, we're focused on high quality, UltraSpeed, rich bundling propositions. With MyRepublic, we're focused on an extremely tech savvy gamer base that is really a litmus test for quality and speed. We don't really play in the *Value* segment, which is really only focused on by the number three, number four operator and a few others. We believe that segment is still small, but we keep an eye on it. I'd like to close off my comments on the Broadband segment by stating that we have driven ARPU increase in line with the migration of our base to UltraSpeed plans. We have and will continue to drive a profitability focused and value accretive strategy.

Last but not least, shifting to our Enterprise segment, which is very important. As you can see, we saw growth in all three segments of Enterprise. In Cyber, YoY, we drove growth of 26%; in Regional ICT, we had growth of 13.1%; and in Network Solutions, we had growth of 5.6%. And what I'd like to talk about is really double clicking on Network Solutions, and in particular Managed Services within Network Solutions, where we grew over 20% YoY. This is a big business that's approaching a \$200 million book of business, where we have grown order book extremely rapidly. Now this segment is all about large scale, Smart City, Infrastructure-centric use cases, with tech and tools embedded, but focused on digital and data driven solutions. And we offer that in a way that is underserved by the current market offerings, which is really, you know, one or two telcos and a small handful of SIs, which really do it in a way that's monolithic and clunky, and what we have been doing it in a way, is in a way that's full stack, bringing together a Hybrid Multi-Cloud with ubiquitous connectivity, with tech and tools and data driven solutions. All as a full stack that's highly scalable with fast time-to-value and lower total cost of



ownership. That has been reflected in the growth of our Managed Services business, as well as in the growth of our order book.

I would like to point out two things as part of my closing comments on this segment and on Managed Services in particular. One is that this is a profitable and value accretive segment. Our margins, as I pointed out in the past, are not at the systems integrator level, because this is a platform centric model with infrastructure embedded. They're roughly in between systems integrators, which are in the mid-teens and telcos, which are sort of 80 plus so the margins are attractive, reflecting the platform centric model that we're deploying. Number two, importantly, we are actually in the process of integrating our Regional ICT business into our Managed Services business. And the objective for that is to be able to do the same high margin platform centric called Hybrid Multi-Cloud connectivity use cases focused on Smart City developments, not just in Singapore with large government and corporate contracts, but also in Malaysia and beyond, with large government and corporate contracts. With that, I would like to hand over to our esteemed CFO for a few comments.

**Jacky Lo:** Thank you, Nikhil. Good morning everyone. We concluded FY2024 with a strong balance sheet and solid free cash flow generation. These financial trends allow us to stay committed to delivering dividends. Our operating cash flow remain robust, growing YoY to \$361 million. If we look at our free cash flow, which is something we monitor closely, we generated \$162 million or 9.4 cents per share on the back of higher YoY Capex investments. In terms of dividends, we propose a full year dividend of 6.2 cents per share for FY2024 - that's a total payout of \$107 million. By year end, we had \$540 million in cash and bank balances.

Our Net Debt-to-EBITDA ratio remains low at 1.29 times, improving from 1.36 times last year. We also have strong liquidity, with available lines of credit and access to public debt markets, giving us plenty of flexibility for future investments to drive growth. Our interest cover remains solid at 10.7 times, well above industry norms. A quick note on borrowings, about 90% of our debt is on fixed rates, mostly locked-in during COVID-19, when rates were significantly lower. So as you see in our disclosures, we have some refinancing due in 2025 and we do expect some increase in finance costs post refinancing, but with our strong banking relationships, we are confident we can manage any potential increase in finance costs effectively.



Now let me take you through what we have achieved for FY2024 on the next page. We met our guidance across all metrics for the full year. On Service Revenue, we achieved 3.9% YoY growth, exceeding our guidance of 1% to 3%. Next on Service EBITDA margin, this is in line with expectations of approximately 22%. On Capex commitment, including investments that came in at 9.5% below our guided range of 11% to 13%. Lastly, as I mentioned earlier, we are proposing a full year dividend of 6.2 cents per share, higher than our 6.0 cents guidance. For 2H2024, we propose 3.2 cents on top of the 3.0 cents declared in 1H2024. This aligns with our dividend policy of paying out 80% of net profit attributable to shareholders, excluding one off items.

Nikhil has given you an overview on some headline numbers, so I won't repeat those. But excluding D'Crypt, which we divested in February 2024, our Service EBITDA for 2024 was up YoY at \$437.4 million, with a 21.7% margin. Net profit after tax remains strong, closing the year 7.7% higher at \$161.7 million. While free cash flow dipped slightly due to our Capex investment, it still remains healthy at \$162.2 million. As mentioned earlier, our leverage remains low at 1.29x putting us in great position for financial flexibility moving forward. And with that, I'll hand it over to Johan, who will take you through the Consumer business highlights.

**Johan Buse:** Thank you, Jacky, and good morning to the most vibrant and exciting marketplace. We'll start with Mobile today. As you can see, Mobile, we grew market share a lot in 4Q2024. We had a close 100k postpaid subs. And as Nikhil mentioned, we are very determined and very excited about our multi-brand strategy, where we play in different segments in the market successfully. ARPU declined marginally - that's mainly out of bundle revenue, which is coming down, which is to be expected. Prepaid is fairly flattish, I would say, in terms of base and ARPU. And also a note on that, going forward, we will combine post and prepaid into one, because the market lines are blurring in that respect. Noteworthy is actually churn. We keep churn at a low level, at 1% in this very competitive market. So with all that, we actually managed to solidify a number two position, both in Revenue Market Share, as well as the subscriber market share. Last note I want to call out on this page is what we call our T2 revenue, which is basically new verticals, which comprises, for example, of Gaming and Cybersecurity, which we add to our Connectivity services. We generate well over 5% of our revenue in this particular segment of total - and that's growing, which is good. So that's diversification right there.



Moving to Broadband. Broadband is based on our computations, is that the entire revenue growth in the market we basically collected on StarHub brand, and that's reflected in an increase in ARPU, as you can see here, and also YoY growth in terms of revenue. What is driving that? Driving that is a very successful deployment of higher speed plans which we call UltraSpeed, I'm sure you're familiar. 19% at the end of 4Q2024 is UltraSpeed plans, and that is helping us significantly when it comes to ARPU and revenue, and also it helps us in maintaining churn at a low level. You can see that 0.9% - so that's a successful product category.

Entertainment. Everyone is familiar with Entertainment on the next slide. Entertainment is characterised by a slow but steady decline in terms of subscribers due to cord cutting, but ARPU remains very healthy at \$45 and we continue to believe, and that's what we see as well - that Entertainment is a very important differentiator added to our connectivity services. Interestingly enough, churn decreased to 1.2% in 4Q2024 which is again an attribute to the team's great efforts doing cross and upsell and retention policies in a very competitive market. To summarise, the consumer market, is competitive. Yet I think we're doing very well in all product categories, growing market share, both on revenue, but in most categories also on subscriber. We're confident that on the back of a multi-brand strategy, we're well positioned in FY2025 to continue that momentum. Thank you for your attention, and I'll hand over to Kit Yong for Enterprise. Thank you.

**Tan Kit Yong:** Thank you. Johan. Let me run through the Enterprise overview. Earlier, Nikhil has talked about the growth in all three segments. If you look closer, starting with Regional ICT, it's a 13% growth of revenue. We have continued to increase the share of wallet of our existing clients, and that really helped us to continue grow our business, and as they evolve, we have the ability to provide with more complex solutions, where we do the regional integration. When it comes to the Cybersecurity services, we see strong momentum of 26% growth. There's a strong need for the Cybersecurity solutions, and the Cybersecurity team is doing very good job. It has become one of the most recognised brands for Cybersecurity in the region.

Now moving to Network Solutions - Nikhil mentioned Managed Services growth. This is very important as it is organic growth. It differentiates us from the competition that we have won contracts over - from



global SIs to local players. We are winning large deals with iconic brands. We are now seeing momentum with platform-based plays - not a pure SI or pure connectivity, but a platform base with integrated services and sophisticated tools that we invested in as we built Cloud Infinity and extended it to the Enterprise environment. We have received very good feedback from Enterprise clients that we engaged with. (They shared) that these are tools they wish they had, and are very glad that StarHub has invested in. They are very willing to partner with us for support in building resilient infrastructure that results in interoperability and resiliency for them. We are in a good state for Managed Services, we have a registered material growth and we'll continue to do that right. With that, let me hand over to Nikhil.

**Nikhil Eapen:** In concluding we just have two pages with respect to our FY2025 Outlook. Number one, what do you want to achieve for the year? In Consumer, we want to continue to grow our Revenue Market Share whilst maximising leadership in each and every segment with our multi-brand multi-segment strategy. We want to continue to drive Infinity Play with real focus to add additional revenues on top. We want to continue in Broadband to the migration of our base to UltraSpeed plans, thereby uplifting ARPU steadily and driving profitability and value accretion like we do in Mobile. Very importantly, we will be completing our transformation in the first half of this year.

With the completion, we will achieve a number of things. Number one, we will have the most highly automated, most hyper personalised, most data and AI embedded customer journeys in the market. Number two, we will have the enhanced ability to drive product and bundling, continuing with the heritage that we have in the past, but really in a way that is much more value creating and data driven with more precision. Number three, we will be moving, over time, our Consumer business, but really the whole business, to a lean and mean cost structure that is attuned with the needs of the business.

Now on Enterprise side, as we've talked about, you would like to aggressively continue the scaling of Modern Digital Infrastructure with Cloud Infinity embedded, with Managed Services, with AI and data embedded. Second, we are in the process of integrating our Regional ICT business into Managed Services to more aggressively drive the sort of large scale Government and Enterprise Smart City based contracts that we do in Singapore, in Malaysia and beyond. Number three, we continue to work on synergistic acquisitions to expand our Enterprise footprint and add capabilities in the Southeast Asian region.



We will continue to drive costs down. But in particular, what I would like to highlight is that we have completed the transition of our network to a Hybrid Multi-Cloud with tech and tools, what we've been calling Cloud Infinity, with data and AI embedded. And what that really moves us from is this really sort of monolithic - call it base station approach of the telco paradigm of the past to establishing a new paradigm around network performance and observability down to the very edge, which will translate into better experience for customers and a greater ability for us to drive automation and cost.

Last but not least, we look forward to driving total shareholder return. This comes from our organic evolution, where we continue our commitment to dividends, but we will also, of course, continue to keep our eye focused on value accretive M&A.

Moving on to the last page. In terms of our outlook on Service Revenue, we are moving away from providing percentage Service Revenue guidance, and that's in general, but there are three reasons for that. Number one, we want to retain flexibility, to compete aggressively in the declining consumer business, to take Revenue Market Share and maintain leadership and increase our leadership, to drive retention and in time, growth. Number two, we intend to aggressively drive our Enterprise Managed Services and Regional ICT, which is an offset, obviously a positive offset. And then the third thing I'd like to point out, which is not on the page, is clearly there's a propensity for acquisitions, but also potentially for some deconsolidation, which don't necessarily have anything - which are neutral to positive in terms of value impacts, but do affect potential revenue in terms of what's consolidated and what's not.

Now moving on to EBITDA. You know, absent percentage revenue guidance, we are actually shifting our EBITDA guidance to commit to stable EBITDA for the year. This will be enhanced and supported by an aggressive and focused cost optimisation effort as we complete our transformation. So really moving to build to harvest, both in terms of customer journeys, but also in terms of automation, enabling aggressive cost reduction. Number three, on Capex, we continue our outlook and guidance of 9% to 11% of total revenue. Our transformation investments are at their tail end. Now, what we are not including here is the one time spend for 700Mhz spectrum, which continues to evolve. We will provide an update and we are, of course, very well-funded, both through our cash generation as well as our leverage capacity to take on, the financial commitments associated with 700Mhz spectrum without material financial impact.





Last but not least, we continue our commitment to total shareholder return, which is organic growth, as well as returning capital to shareholders via dividends, as well as other means. Our leverage, as you know, remains low and our funding firepower is strong, our Cash Generation is strong and our cash balance is strong, and we continue our dividend policy of no less than six cents per share or 80% of net profit, whichever is higher. With that, I'd like to conclude the presentation and hand it back to Amelia to open this up for questions.

## Q&A

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**Amelia Lee:** Thank you. Nikhil. As usual, for Q&A, please use your virtual hand and we'll get to your question. First in line, Arthur, would you please unmute yourself?

**Arthur Pineda:** Hi, good morning, everyone. Firstly, on the dividend, can I just clarify how we get to 6.2 cents? If I look at your Financial Statements, you're getting 8.8 cents EPS, which means you should have paid around 7.0 cents based on the 80% payout ratio, or 6.0 cents, or whatever is higher, right? What adjustments were made so that the EPS actually came in lower than 8.8 cents for you to get to 80%? Second question is, again, on the dividend, what is the commitment to this on keeping a 6% or 80% payout? Could M&A occur in the market? Is this number safe? Last question I had is with regard to the EBITDA outlook, it seems to be stable YoY. However, you've had a big transformation project being booked over the last few years, with it winding down this year. Why are we not seeing margins uplifting or EBITDA uplifting, given that those costs should be fading into FY2025 and FY2026?

**Amelia Lee:** Nikhil do you want to start off with some opening comments since these are all about the outlook? Jacky can add on.

**Nikhil Eapen:** On the first, I'll pass it on to Jacky. On the second, yes, the commitment is safe. We don't see any issues with that, which is why I made the statements around our funding position, our cash generation, and our free cash flow, as well as our existing cash position. On EBITDA - again, I'll hand it off to Jacky, but I guess the overarching comment is, yes, we're completing our transformation, and we are aggressively moving into harvest. But harvest takes time, so there's some timing and phasing issues over the year where you really start to see the full scale of the impact in FY2026 and beyond. Not to say



that there isn't anything happening this year. We're working hard this year. We realised savings, but they will be through the year. So you don't really see the full impact of it, within the one year, FY2025 but with that, maybe Jacky you can elaborate on all three.

**Jacky Lo:** I'll just clarify the calculation first. If you look at the policy definition, it says 80% of our net profit, but excluding one-off items. And as we disclose in the MD&A, there are certain one-off items during the year, particularly that some DARE+ related cost provision that we utilised during FY2024 which we consider as one-off. So that's actually removed from that calculation. So that explained the 6.2 cents. On EBITDA, Nikil has already pointed out, that we invest, and we are close to the tail end of the transformation investment, but that's going to take some time to realise all the benefits. The benefits will be coming from reducing legacy costs, enhancing our service capabilities and driving long term operational efficiency. All this will gradually be realised this year and mostly from next year as well.

**Amelia Lee:** Arthur, does that answer all your questions?

**Arthur Pineda:** Yeah, sorry. I'm confused in terms of DARE+ and transformation related bookings. Where are we related to this? What percent has been executed versus what's remaining for FY2025?

**Jacky Lo:** If you look at it for our transformation, it's related to Network, and also IT Transformation. So I think mostly for the Network part it is done, and mostly what remains is the IT Transformation. We shared before we are looking at Capex and Opex investment roughly \$270 million, and through the end of FY2024, we have roughly spent the investment about 90% so the remaining 10% we plan to use up in 1H2025, and that is mostly on IT Transformation.

**Nikhil Eapen:** So no change Arthur.

**Arthur Pineda:** Understood, but that's actually what confuses me with the EBITDA margin guidance, or the flat EBITDA because you were just down to 10% booking. Why are you not seeing a stronger outlook on EBITDA?



**Nikhil Eapen:** I think it goes to two blocks of things. As one is, you know, the three items that I pointed to in terms of the revenue outlook, which is our flexibility and the ability to compete in the declining Consumer business, similar to what we have been doing. Growing our Managed Services business acquisitions and consolidations. But then secondly, it's also what I talked about, which is the timing and the phasing of the harvest associated with our transformation, which is decommissioning legacy systems, which is digitising and automating at the core, digitising our customer engagement. Moving everything, to new platforms, which is an exercise that takes some time. We will not see the full effects of that within FY2025, we will see some effects, but more in FY2026 so it's a system of offsets.

**Arthur Pineda:** Got it. Thank you.

**Nikhil Eapen:** We'll provide more details over the coming quarters, Arthur, as well as updates and timeline.

**Amelia Lee:** Okay, next in line, Hussaini.

**Hussaini Saifee:** Thanks and good morning everyone. Thanks for the opportunity. Just a few questions. First is guidance, on the Mobile side, it is mentioned that StarHub will aggressively compete, to defend or grow market share. If you can throw some light on which segments you are going to compete in, and if you are going to compete in the Value segment, what is the risk of your *Premium* segment down trading into the Value side? The next question is on Cybersecurity, which has done extremely well. If you can help us see where the profitability is, and what are the future plans in terms of potentially the IPO side, and then finally, maybe going to Arthur's questions. Once again, on the flattish EBITDA guidance means just trying to understand it is the decommissioning of those legacy systems which is leading to some delays in harvesting the cost benefits and maybe the final one is on the spectrum side, it is mentioned that you are in ongoing discussions with the regulator. Maybe, if you can give some colour on what kind of discussions they are. Thank you.

**Amelia Lee:** Thanks Hussaini. Maybe let's start off with Johan on the competition.



**Johan Buse:** Yeah, thanks Hussaini for that question. So maybe if I can structure the answer to the question into a few components. Let's start with Mobile, because mobile is the more pronounced market and also more sizeable. The market is probably diverging at this point in time, where you clearly can distinguish three I would say, I wouldn't even call it segments, but sort of three buckets. One is a *Premium* segment. Second is the sort of, I think you use the word Value segment, or no frills, as we call it, internally. And then there is the *Digital* segment. They have different dynamics due to change in Consumer behaviour, competitive dynamics and also technology changes. And I refer in this respect, for example, to eSIMs.

What is our strategy? Our strategy is to compete in each and every segment, and they come with a specific operating cost model. And it won't surprise you that, for example, if you talk about giga!, a *Digital* brand, the cost operating model is a fraction of what it is compared to the main brand. By competing in different segments, we basically managed to grow not only market share, often subs and revenue, but also preserve the margin. So that's how we look at it. And Broadband that is not so pronounced at this point in time. We are obviously very focused on differentiation in terms of quality and service, and that has served us well for the last one year, and we will plan to continue that direction. And obviously, Broadband consumer expectations are slightly different. Quality and Brand are the two key parameters for customers to buy. So we tap into that and deliver what customers would like us would like to have, which is quality and better network. So hopefully that gives you a bit of colour and context around how we see the market and how we plan to compete in the different segments. Thank you.

**Amelia Lee:** Thanks Johan. Jacky, would you like to take the question on the EBITDA outlook and the delay on the decommissioning of systems.

**Jacky Lo:** I think we mentioned that on the decommissioning there will be phasing and we have started this already in the year, but that's going to carry forward into FY2026 for us to realise the full benefit of decline in the legacy system cost, it is going to mostly be realised in FY2026 as it's a gradual process.

**Amelia Lee:** Nikhil, can you take the last two questions on cyber and spectrum?



**Nikhil Eapen:** I'll talk about those. And just to add just one note of caution on top of Jacky's statement, not caution, per se, but you know, the cost efficiencies. To be very clear, don't just come from decommissioning. There are a number of areas where we're going to be automating and getting cost efficiencies, not just decommissioning. All of those have different time frames to implementation and harvest, and we will continue to provide more detail as the quarters pass.

Now, moving on to Cyber - the business has grown well, right? So, as you have seen, they are ending up the year close to about, you know, approaching really close to about \$400 million in revenue. And as we have said, as they approach and get to \$400 million in revenue, that is kind of the point at which, you know, they look to really focus and drive profitability. And that is very much of the focus to now position the business towards greater profitability. There are many ways of doing that, which are being which are going down, I would say.

But roughly speaking, the business is divided into three segments, right? Or three business lines, shall we say, which are interconnected. They don't just operate solo. There's the Project business, there's Managed Services, and we're talking about Ensign here. And then there are core technology platforms with IP right, which go to things like automated, algorithmic threat detection, etc, etc, command and control, some of the things I think you saw in our Investor Day FY2023. Now the intent is to obviously drive the Managed Services business harder and core tech harder, which realises margin uplift and improve profitability, so that, in general terms, is kind of the goal for Ensign, which should realise improving profitability over time - it's a multi-year journey. On IPO, that's not something that I can really talk about. It's a highly nuanced matter, also to do with the nature of the contracts and the business that we do, which is of a sensitive nature. But all avenues are possible. But I would caution against any kind of discussion of those kinds of financial strategies. We're really more focused on the business.

In terms of 700Mhz spectrum, we do have a commitment to the 700Mhz spectrum. We do believe it will realise returns over time in the form of improved coverage, improved capacity and improved customer experience, as well as to fill out our Enterprise offering for Managed Services, not in terms of 5G use cases, but in terms of Hybrid Multi-Cloud use cases with embedded, ubiquitous connectivity. Having said that, it will take some time. I'm not really at liberty to talk about the nature of the discussions that we have with regulators, but we'll keep you updated over the coming quarter.



**Hussaini Saifee:** Sure, this is super helpful, maybe, if I can have one follow up. To Johan's point on the cost to deliver giga!, it is almost a fraction of that for *Premium* PostPaid customers. From the absolute EBITDA point of view, are the absolute EBITDA for giga! and the *Premium* offerings similar? That's what I'm trying to understand. If it is similar, then all this competition doesn't hit the EBITDA, because if customers were to switch, the EBITDA is preserved. So just trying to understand the cost economic.

**Johan Buse:** Alright, you're asking a very detailed question Hussaini, which I appreciate - now, as you will understand, I can't disclose absolute accurate numbers, because I will call them company confidential, but let me try to give you a bit of directional reassurance on this one, okay? If you look at percentage wise - margin, and then you can compute it probably for yourself, the dollar value is very healthy, like-for-like. Now you need to look at this in a wider context as well, because there are, as you probably can imagine, indirect costs, other developments in terms of market shares, market volumes and so forth. So in the mix, I would like to reassure you on that one, that it's a healthy exercise for us, so that's what I can disclose in direction to your question. I hope that helps you a little bit. Thank you.

**Hussaini Saifee:** Sure. Brilliant. Thanks a lot.

**Nikhil Eapen:** Yeah, Hussein, it kind of goes back to my opening comments, which is, you know, we want to maximise Revenue Market Share in each of the three, you know, for lack of a better word, segments - *Premium*, *Digital* and *Value*. But this is a profitability accretive and a value accretive strategy, because the incremental margins outside of the *Premium* segment are healthy, yeah. But the other comment I'd like to double click on you on if you permit me, is, let's not forget *Premium*. It is really important as well. It's really significant, and really there are only two players in *Premium*, right? And that's where we also see a lot of juice from our transformation and driving some pretty delightful, highly automated, data centric customer journeys. It also lends itself to a broader strategy, which is a bundled strategy. So yes, you know, for better or worse, the approach to consumer is highly nuanced with a lot of different flavours. It's about multi-market segmentation. It's about bundling, but every segment is important, and every segment will drive value accretion and profitability accretion, and in tandem with other products, will also drive cross sell and upsell. We like the fact that we have a lot more firepower and tools at our disposal than others in the market, particularly with the transformation almost completed.



**Johan Buse:** Can I add one thing on the back of what Nikhil mentioned, also, again, I think for you, Hussein and the others, maybe to get a bit of a better triangulation, we obviously measure and manage churn in the different categories. And one of the things really, in a *Premium* segment, where really, I would say, obsessed on is managing churn. And our churn in that category is super low, and the team also is very active in what I would call value creation in terms of cross and upsell in that particular segment. And as Nikhil mentioned, we have one competitor. And I wish I could give you a bit more information, but I would cross the boundary in terms of our relative performance to that. But you can probably conclude. Rest assured, we play in each segment or each value bucket in the market with the objective to win, and we do so - thank you.

**Amelia Lee:** Next up, we have Kenneth.

**Kenneth Tan:** Hi, good morning, management. Thank you for the opportunity. Just two questions for me. First is on the net profit target. I think if we take into account the current level of competition that we're seeing, plus your flat EBITDA guidance, should we still be expecting that \$80 million incremental NPAT targets at FY2027 and will there be a revision to this? Second question is on the split - Could you just give us a rough sense of how much of Mobile revenue is between *Premium*, *Digital* and *Value* and add on to that, do you have a longer term revenue proportion target for the value segment? Thank you.

**Amelia Lee:** Thanks Kenneth. Maybe let's start with Johan, since he just answered the last question on Mobile. He wants to know the proportion between the various segments.

**Johan Buse:** Thank you very much, Kenneth, for that question. That's a little bit I would say proprietary. As much as I would love to answer your question, I don't think I can. Sorry for that. What I can maybe give you directional is that we believe going forward, there will actually be four big buckets in the Mobile market. One bucket which we didn't discuss as such, is basically what I would call eSIM, travel SIM which is a segment on its own. Then you have low cost or low price, then you go *Digital*, and then you got *Premium*. They have different dynamics. And I would give away competitive information, if I would answer your question in more detail, so I would hope you respect me for that. Thank you.



**Nikhil Eapen:** Yeah, just to add to Johan's comment, Kenneth in a nutshell, our intent, by driving our strategy this way across segments with the tech and tools and firepower that we have at our disposal is to be, kind of neutral or Zen to the way the market shifts between segments, because we're a leader in each and we leverage, all the firepower and tech and tools that we have at our disposal, and we make money in each segment, we drive value in each segment. And that's not the position of the other players in this market. So that's what we want to do.

Now, to your question on our net profit after tax target, it obviously is very much our intent and our target to get to that number by FY2027. Having said that, I would say the market continues to evolve in a very rapid way, and I think particularly in Consumer, it's evolving in a way that we haven't seen in the past? So we are doing a lot of work around what is under the hood, what we hope to achieve in the Consumer segment, what we hope to achieve with our transformation, what the opportunities are for scaling our Enterprise business aggressively as we have been, and we'll continue to provide updates as we go through the next few quarters.

FY2027, is in this world a long-time away Kenneth. So I think it's less about that, and perhaps more about the planning that we're doing and the replanning that we're doing. Both positive and negative, as well as defensive and offensive, which we'll continue to update you on.

**Kenneth Tan:** Thank you very much.

**Amelia Lee:** Amanda, could you please unmute yourself,

**Amanda Tan:** Hi, thank you for the presentation. One question from me - any colour on depreciation next year? Could it drop further into lower figures? Thank you.

**Jacky Lo:** I think we mentioned this actually on the last call. With the spectrum roll out, we expect higher depreciation expense in FY2025.

**Amelia Lee:** Amanda, does that answer your question?





**Amanda Tan:** Okay, thanks.

**Nikhil Eapen:** I think you're certainly going to see a lag between depreciation versus any kind of return on the 700Mhz spectrum, whether from Consumer or Enterprise. So, yes.

**Amelia Lee:** Okay. Next up we have Hong Wei.

**Wong Hong Wei:** I have a couple of questions. The first one I noticed is that the new verticals in Mobile contribute more than 5% of Mobile revenue. How fast is this really growing, and is it profitable? That's my first question. Then my second question is that, to be more specific, like, how much firepower are you like setting aside for acquisitions? I know that there's quite a number of opportunities out there. But just like, roughly, how much should we be thinking about?

**Nikhil Eapen:** Great question Hong Wei.

**Johan Buse:** I was about to say thank you very much for that question. So the accurate number is actually 6% which is the contribution of what we call T2 and I'll come back to classification of what T2 means out of the Consumer Service Revenue. Now that grows, and I can't disclose really the growth percentage, because again, I think I would be helping my dear competitors, who are probably listening in somewhere as well.

Now, what does that comprise of? There are three categories in that particular bucket. Number one is Cyber, and I'll come to add in more detail, number two is gaming, and number three is health. And on the Cyber there's also some other insurance products. The fastest growing, and that won't surprise you, is anything related to cyber security, which we offer as an add-on service and most plans to our customers. And you're the one which has a good performance at the moment, is gaming, and what we call Life-Up, which is health related, marketplace, is a bit smaller.

Are they profitable? That was your part two of the question - absolutely they are, and they deliver a very healthy margin as well. They typically come on a variable basis, so we don't have any fixed cost structure in the back, and we actually are very much in line with our One-App strategy, offering this across the



board, both the subscribers of StarHub connectivity service, as well as non-StarHub customers. The last point I want to call out is that, and it's an interesting footnote that gaming actually we offer. Okay, I'm going to give some information here, but that's fine beyond Singapore. And actually, seven out of our 10 gaming customers come from outside of Singapore. So that gives you a bit of context in terms of how we look at that. And yes, this is a very important part of our business, because it's a growth business, so stay tuned. Thank you very much for the question.

**Amelia Lee:** And Nikhil on the M&A firepower.

**Nikhil Eapen:** I'm hesitating Hong Wei, because I don't want to put a dollar number out there, which might be misread, depending on how people might read it, and the constituency that they're coming from. Look, all I can say is, we're at 1.29 times Net Debt-to-EBITDA, right? And, you know, the telco median is about 2.5 times you know, with small to mid-sized M&A, you know, people can comfortably, and I think we could stay comfortably under the telco median, for instance, in Enterprise, right? But for large scale M&A, you know, what you typically see is people will go above the telco median, and then they'll kind of de-lever over time as the synergies come through. So that's kind of how I would dimension it, I just want to stay away from dollar numbers. We also obviously have, a very strongly committed bank group, and we have free cash flow generation YoY. I would answer the question, perhaps by saying that funding and firepower is not so much of our issue. It's more about the opportunity, the value creation case, and if and when these things happen, right?

**Amelia Lee:** Thanks Nikhil. Do you have any follow up questions Hong Wei?

**Wong Hong Wei:** That's all for me. Thanks for answering that. I think that's very comprehensive, actually.

**Nikhil Eapen:** Thanks Hong Wei.

**Amelia Lee:** A couple more minutes, and since we started a few minutes late, we'd be happy to stay on a little longer.

**Nikhil Eapen:** Yeah, sorry about that.



**Amelia Lee:** If you have a question, please raise your hand.

**Nikhil Eapen:** Okay, I think we're good then, right?

**Amelia Lee:** As there are no more questions, happy Friday and let us know if you like this morning format. And you know at any time, if you want to catch up with management, let us know you know how to get me. Have a good Friday and thank you for joining us.

- End -