

IN DISCUSSION WITH STARHUB'S EXECUTIVES

CHIEF EXECUTIVE

NIKHIL EAPEN



Q It has been a couple of months since you assumed your new role as CEO of StarHub. What are your top priorities, and should we expect a major shift in strategy for the company?

A It is my honor to take on this role and lead StarHub. We have an exceptional, driven team that is passionate about our company, our customers and our community, and I am privileged to work with them to take StarHub to the next level.

We do not intend to change our strategy significantly – our transformation strategy is the right strategy and our team has delivered on our transformation targets. My goal is to drive our execution and roadmap, accelerate our delivery cadence and raise the bar on our aspiration.

We have built our strategy across all lines of our business centered around digitalisation. We have moved forward on every metric across digital sales, digital conversions and digital processes. We intend to accelerate and double down on our digital initiatives.

On the Consumer side of our business, we want to empower our customers with a unique digital gateway through which they access StarHub's rich portfolio of connectivity, content and lifestyle products and build the packages that match their wants and needs. We are applying a similar approach for our Enterprise business, empowering our large corporate and mid-market customers to digitally manage their own virtualised network, driving their own cloud and digital transformations.

Concurrently, we continue to evaluate and explore synergistic M&A opportunities that accelerate this strategy, expand our markets and enable greater innovation and diversification for StarHub.

In summary, we will build upon the strong momentum to continue executing our strategy with digital at the core of our roadmap. This will allow us to accelerate our transformation and expand our growth aspirations. We look forward to share more about our next phase of this strategy at an opportune time.

Q You have background in global ICT and investment banking. How do you intend to drive growth for the business, through an M&A strategy or otherwise?

A The last year has been difficult across countries and communities, but a milestone year for technology adoption. COVID-19 has accelerated digitalisation across markets, with customers dramatically onboarding cloud-based solutions that enable digital workspaces and agile and distributed work practices, with efficiency, security and connectivity being paramount. We launched 5G non-standalone ("NSA") services in 2020 and we expect to swing into full 5G adoption in 2021. In combination, cloud technology and 5G will truly enable enterprises to harvest value from concrete Internet of Things ("IoT") strategies, and IoT devices and platforms across their businesses.

We intend to leverage momentum from these growth drivers – cloud, 5G, IoT – all of which are interlinked. Enterprises need to connect to their Cloud and SaaS service provider from remote locations, with a distributed workforce, harvesting data from thousands of edge devices, in turn creating demand for new cloud workloads and data-driven solutions. This makes ultra high-speed connectivity and high-quality network infrastructure so important. We intend to deliver our network connectivity via a digital platform that is effectively virtualised, with propositions and solutions that enable enterprises to fulfil and control and bring together their cloud workloads, applications, devices and people.

Our journey is underway. We launched our 5G IoT proposition in early 2021, in partnership with Software AG, designed for mass adoption and delivered as a service. With the multiplicity of connected devices and the capabilities and efficiencies 5G brings, we expect enterprises to move to the next phase of gathering and applying data to drive business growth. We intend to do much more with partners and customers in the evolving 5G ecosystem.

Our M&A strategy is supported by a rigorous research-driven selection and evaluation process delivered by a strong and experienced team. Our Cybersecurity and Regional ICT Services segments have added revenue growth while enhancing our Enterprise focus with new capabilities and broader addressable market. A case in point is our acquisition of Strategq in July 2020. Strategq is a data-driven business solutions and information and communications technology (ICT) company, which plays to higher growth data-driven trends across larger regional markets. Strategq's addition strengthened our internal capabilities in the areas of cloud, data centers and data analytics. We would like to realise more acquisitions like Strategq; adding companies which establish growth beachheads for our Enterprise aspirations in Singapore and the region.



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FINANCE

DENNIS CHIA



Q Is StarHub being overly-conservative with its FY2021 guidance, given the expectation of a year-on-year decline in Service EBITDA margin? What are StarHub's views on the pace of recovery in FY2021?

A While we see some early signs of recovery, we remain cautious about the pace of recovery in FY2021. We expect higher contribution from our Cybersecurity and Regional ICT Services segments, offset by lower revenues from Network Solutions, Mobile and Pay TV. With the ongoing travel restrictions, we have factored in some roaming recovery in late-FY2021, compared to one quarter of roaming revenue recorded in 1Q2020. In consideration of the prevailing business environment, we expect FY2021 service revenue to remain stable.

Our expectation of a year-on-year decline in FY2021 Service EBITDA margin is a result of a change in revenue mix; lower Job Support Scheme (JSS) payouts; and initial investments related to our IT Transformation, 5G infrastructure and data centre rollouts in FY2021 to fuel future growth. We continue to drive greater cost efficiencies in the last year of our D.A.R.E. transformation programme and identify further cost optimisation from our ongoing investments in transformation initiatives. We expect our operating margins to improve in the medium term.

Despite a challenging year, we have generated strong cash flow, maintained low leverage and kept our funding costs low while maintaining adequate liquidity for financial flexibility to fund growth initiatives. Regarding our dividend guidance for FY2021, we continue to maintain a sustainable and sensible approach to optimising the level of our dividend payout to optimise shareholder value. For FY2021, we will take into consideration factors including the impact of the ongoing COVID-19 pandemic, our ongoing investments in our digital transformation, and returns from our transformation initiatives.

Q StarHub's FY2021 capex guidance excludes 5G and spectrum. Could you provide some guidance on the expected 5G capex required for FY2021? How will the joint venture company with another operator ("JVCo") be accounted for in StarHub's books?

A In mid-FY2020, we guided that StarHub expects to invest approximately \$200 million in 5G over the five-year rollout period. This includes (i) StarHub's 50% share of investments into the JVCo; (ii) StarHub's 50% share of the 3.5GHz spectrum fee; and (iii) StarHub's own investments beyond the JVCo. Additional 5G investments beyond the guidance may be considered, and will be driven by business demand.

In terms of the pace of our investments, 5G Capex will be front-end loaded, alongside the pace required to meet regulatory obligations of attaining 50% nationwide 5G standalone coverage by FY2022. We have paid our 50% share of the 5G spectrum fee in 4Q2020 and will continue to invest in 5G over the next few years.

In terms of the accounting treatment for the JVCo, we will apply the equity method. Hence, we will incur a wholesale fee to the JVCo (Opex) instead of consolidating the JVCo's Capex into our books. StarHub's share of profit and/or loss from the JVCo will be reflected in the profit and loss statement under the "Share of gain/(loss) of joint ventures" line item.

For more information, please refer to note 3.1(v) in the Notes To The Financial Statements of this Annual report.

FY2021 GUIDANCE

SERVICE REVENUE

Stable

SERVICE EBITA

24% - 26%
(margin)

CAPEX COMMITMENT¹

9% - 11%
(Of Total Revenue)

DIVIDEND PER SHARE

Higher of 5.0 Cents or Dividend Policy²

¹ Excluding 5G Capex and spectrum rights.

² Dividend Policy: At least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items), payable on a semi-annual basis.

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ENTERPRISE

CHARLIE CHAN



Q

**What is StarHub's 5G Enterprise strategy or focus areas?
When can the Enterprise business meaningfully monetise 5G?**

A

StarHub's early-mover advantage in Singapore's emerging 5G market provides us with a competitive edge to realise new business opportunities in the high-growth enterprise market.

We have been actively engaging customers to discuss and explore the potential of 5G, and we are observing increasing interest from early adopters of 5G solution trials alongside the rollout of our standalone ("SA") network in 2021.

We have signed MOUs with companies in the education and events sectors to develop 5G use cases, and will continue to work closely with industry partners and solution providers to develop 5G solutions and enable customers to operate, manage and monitor digital assets more efficiently.

The industry expects millions of smart sensors and connected devices to come online in the next few years as Internet of Things ("IoT") becomes a must-have resource in the digital world. It is predicted that by 2025, the number of connected devices worldwide will increase to 56 billion, 75% of which will be connected to an IoT platform¹. To manage these devices, the low latency, and high connectivity capabilities of a 5G network connection is required.

To this end, we launched our 5G IoT solution in February 2021, uniquely designed for massive IoT and delivered as a service. Our 5G IoT platform service intelligently connects, manages and monitors millions of IoT devices deployed for different applications, creates customisable analytics, and provides APIs to integrate with existing and new systems. We want to bring 5G IoT platform to businesses, acting as a key enabler for decision making, and allowing full flexibility, instant scalability and financial prudence. We are seeing emerging opportunities in industries such as construction, logistics and manufacturing that require solution partners to manage the complexities of integration between devices and enterprise systems. Our 5G IoT solution is well-positioned to serve these needs.

With the 5G SA network well underway, we are looking forward to the immense potential brought forth by this new technology. We believe 5G will play a critical role in the future of work and enterprise networking will be transformed in the coming years.

¹ Source: IDC Asia Pacific, July 2020.

CONSUMER

JOHAN BUSE



Q What is the traction of StarHub's 5G Mobile+ plans? Do you think the ARPU uplift for 5G is sustainable?

A 5G is a new-to-market technology, and we are confident that the industry will price 5G products and services that commensurate with the incremental capex required to roll-out and operate 5G effectively. We have observed encouraging signs confirming appropriate and viable pricing trends, giving us the confidence as we continue with our 5G build-out.

Our 5G strategy is based on differentiation and innovation. To this end, we will market our 5G product and service offering through cross-product bundling. This is a similar approach we employed for the successful roll-out of our Mobile+ plans, packaging together content and gaming services to enable consumers to reap the full experience, potential and advantages of the 5G technology that will enable enhanced experiences – such as enhanced video quality, augmented reality, mixed reality and cloud gaming.

We recently announced our exclusive Disney+ offers on our higher-tier 5G plans and are working on solidifying other first-in-market content and gaming partnerships that we will introduce to the market at the appropriate time. StarHub remains committed to driving greater value to our customers through innovation as Singapore's favourite challenger brand.

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NETWORK

CHONG SIEW LOONG



Q What is the status of the 5G SA rollout since commencement in 4Q2020? Is there anything you are doing differently from past network rollouts?

A Our 5G standalone ("SA") network rollout is well underway and will cover the 5G SA core, radio, security, and monitoring services. We are on track to launch a 5G SA data service for our customers in 2021 and to meet our regulatory obligations to achieve 50% nationwide coverage by 2022.

Looking back at the rollout of our 4G service, a key difference in the rollout of our 5G network is our 5G Next Generation Core ("5G NGC") that is based on Cloud Native technologies and architecture. The 5G NGC allows new services to be created faster with increased extensibility, leveraging the service-based interfaces to enable innovative new use cases. Utilising Cloud Native technology simplifies network operations significantly through orchestration of workflows, such as in the case of software upgrades required.

The 5G SA upgrade will allow us to run 5G technology independent of existing 4G network technology. With a consistent and elevated user experience, the 5G SA technology will enable Enterprise use cases and is able to simultaneously connect a large number of devices and offer game-changing mobility solutions that thrive on ultra-high speed, low-latency, secure campus networking capabilities. We are excited by the new possibilities and are eager to tap the vast potential of the new technology that offers elevated capabilities.

Utilising the 3.5GHz spectrum, customers will enjoy new digital services powered by our new 5G SA architecture, such as augmented reality for entertainment, education and healthcare. The industry will be able to deliver massive Internet of Things, allowing interconnection of many devices and applications for a smarter society. Businesses will be able to leverage the technology to deliver e-sports, augmented reality/virtual reality live feeds, and host AI-based solutions such as facial recognition services and to deploy other advanced IoT solutions.

CUSTOMER EXPERIENCE

CHRIS LIPMAN

Q What are the key areas of focus for Customer Experience in 2021 and beyond?

A At StarHub, customer experience is everything. All our business units across the organisation are fully aligned to earn the trust and affinity of customers and become a brand that they truly deserve. In today's crowded and hyper-competitive market, we believe that the quality and authenticity of customer experience is the key differentiator that will ensure sustainable growth in the years to come.

Our commitment to customer experience, begins in the way we scientifically approach how we measure, track and quantify our progress. We have refined and applied the Net Promoter Score ("NPS") across all of StarHub's products and services, which we monitor in real-time to provide valuable and actionable feedback to our businesses, which aids in our responsiveness and competitiveness.

Having established a direct correlation between NPS and long-term business value, we have identified three interconnected focus areas to drive market-leading customer experience:

Firstly, we aim to continuously fine-tune our metrics, including NPS, to reflect customer sentiments more accurately. This will also offer rich data points that will add value and drive meaningful innovation as we continue making strategic investments in new touchpoints and a digitalised customer journey.

Secondly, our digitalisation and automation initiatives will bring us closer to a customer-centric, zero-touch customer experience. This empowers customers to proactively manage their needs through future modes of operation, such as chatbots, and in turn increases internal efficiencies for StarHub.

Finally, the aforementioned focus areas will allow us to optimise our service channels and redefine processes to offer a seamless and hyper-personalised experience for our customers.

The gears have been set in motion and we have started to yield results. This year, we recorded a 24.5% year-on-year incremental improvement in NPS, and the redesign of our processes has led to a market-leading 99% on-time arrival rate for our Hubtroopers. This gives us the confidence that this strategy is the right one, as we continue to raise the bar for a best-in-class customer experience.

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DIGITAL

ADAM STEWART



Q There has been a lot of emphasis on StarHub's digital transformation. How will these digital strategies impact customers?

A Our brand promise is to deliver a world-class personal digital experience and we are doing that through three key focus areas in combination with our transformation plans: customer-centered experience design, AI-powered personalisation, and Agile delivery.

The core mission of our customer-centered experience design teams is to create frictionless digital experiences that makes customer interactions as seamless and convenient as possible. This is no mean feat – with hundreds of journeys and screens to optimise across multiple touchpoints, a thorough analysis to simplify takes place continuously towards this goal. We obsess about our customers' digital experiences and review key customer satisfaction signals to continuously surprise and delight them.

We take this a step further by embedding AI-powered personalisation into our digital interactions. This allows us to anticipate our customers' needs and bring to the forefront any action they need to take. Think of this as our virtual sixth sense, working hard in the background to deliver automated intelligent personal experiences.

Finally, how we deliver to our customers is more akin to how digital native companies operate, in an Agile way. This means cross-functional teams come together to focus on addressing customer pain points and iteratively deliver towards solving those points. This allows StarHub to adapt and deliver at scale in a nimble manner to exceed the needs of our customers by faster speed to value.

This is an exciting journey for StarHub – our customer-first focus, powered by digitalisation – continue to deliver a bold transformation of our customer experience.