

IN DISCUSSION WITH STARHUB'S EXECUTIVES

Nikhil Eapen



CHIEF EXECUTIVE

Q

The DARE+ vision is very ambitious, and you've spoken about enhancing total shareholder returns. Please share your views on the expected time frame and key performance indicators shareholders should track to assess progress?

A

DARE+ is a fundamental realignment of our strategic positioning and our operating model to move beyond telco to a Connecting your Digital World and Digital Services platform.

With DARE+, we are investing upfront to drive our transformation. We continue to roll out more digital and cloud-based product as we move from quad-play to Infinity Play. We are building digital and cloud platforms, accelerating from giga! to a broad-based Super App engagement with our customers. We continue moving our world class network forward across 5G, fixed network and cloud-based edge functionality to enable Anytime, Anywhere access to our customers across any device.

We intend to achieve total shareholder returns through revenue growth from 2023 and beyond; and growing profit to support rising dividends as we move from 2023 to 2024, and beyond. With DARE+, we have targeted to increase our run-rate net profit after tax, by an additional \$80 million per annum on a steady state basis. This excludes recovery in roaming as well as synergies from existing acquisitions and the effect of future acquisitions. We have achieved credibility by outperforming our DARE 1.0 cost savings targets by over 30% and by materially outperforming our FY2021 guidance on every metric. We hope to similarly exceed expectations with DARE+.

Underlying our DARE+ financial targets are ambitious objectives and indicators across our business that reflect how we engage our customers with digital

products and digital platforms that add real value to the ways in which they live, work and play. Stakeholders should expect us to roll out more and more digital products within our existing verticals and to also launch new verticals – more content, gaming, Peace of Mind products, amongst many others – for our customers. This will drive consumption and upgrade to higher value plans within our connectivity platforms.

Within our Enterprise business, stakeholders should expect continued growth in our Cybersecurity business, Ensign, and our Regional ICT businesses – Strateq and HKBN JOS Singapore and Malaysia. We intend to pivot our Network Solutions business toward growth by building platforms where connectivity is applied to bind cloud and cybersecurity toward high value, critical use cases around 5G internet of things and broad-based automation across industrial, commercial and residential environments, particularly with a green agenda and sustainability focus.

Our stakeholders should expect us to do all of the above with increasing levels of digital engagement, reflected in increasing levels of digital sales and digital services that fundamentally improve engagement and reduce costs. We intend to support our product and our engagement with cloud-based IT and network platforms that drive improving levels of agility and efficiency.

Last but not least, our stakeholders should expect us to continue to serve our community here in Singapore, matching their values and providing the most enriching digital lifestyle experiences as well as the digital services that enable their own transformation.

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Dennis Chia



Q

FY2022 to FY2024 will see heavy investments into your digital platform, 5G and new business initiatives. Does that mean lower dividends over the next three years?

A

While we will incur relatively higher upfront investments in FY2022 and FY2023, we intend to maintain our dividend of at least 5 cents for the following two years to demonstrate our commitment to preserving and enhancing shareholder returns in the near- to long-term. Taking into consideration our strong free cash flow generation of 27.5 cents per share in FY2021, balance sheet capacity and expectations for new DARE+ contributions to materialise from the latter half of FY2023, we believe this level of dividend is sustainable and we will endeavour to meet and exceed expectations through our sharp focus on the execution of our DARE+ strategy.

Q

You have undertaken a relatively greater number of M&As in the recent years. Do you anticipate that this trend will continue and how do you expect this to impact the leverage levels?

A

We have completed several acquisitions over the last few years – the formation of Ensign in 2018, acquisition of Strateq in 2020 and most recently, the acquisitions of MyRepublic Broadband and HKBN JOS Singapore and Malaysia. Since its formation, Ensign has recorded double-digit revenue growth annually and added to our breadth and capabilities in the Cybersecurity space. Similarly, Strateq has delivered strong results in its first full-year contribution as well as contributed to our suite of Enterprise solutioning capabilities. We continue to actively work on harnessing revenue growth and cost synergies from all of our portfolio companies.

M&As will continue to be a key pillar of our growth strategy to accelerate our trajectory, creating diversified revenue streams; broadening our reach, geographical presence and customer segments; and most importantly – to significantly augment our technological capabilities and bench strength for us to move up the value chain. We will continue to evaluate synergistic acquisitions that are adjacent to our core business, which will be integral to achieving our DARE+ vision.

We will continue to exercise prudence in our acquisitions, with a strong focus on financially-accretive regional businesses with a robust growth track record and future-proof business model. Our strong free cash flow position and low leverage ratios equip us with the financial flexibility to execute on these acquisitions on an ongoing basis.

Q

Given that you've always exceeded your guidance, is your FY2022 and FY2023 guidance overly conservative? Stripping out the effect of these investments, please comment how StarHub's normalised performance for FY2022 compares to FY2021 levels.

A

FY2022 margins are expected to be impacted by a steep increase in electricity tariffs; upfront operating expenditure ("Opex") investments for IT and Digital Transformation, talent acquisition, entertainment content, ongoing network rollout – all of which are integral to achieving our long term DARE+ growth initiatives. We also expect to see impact from the continued intense competition in our core connectivity business segments.

Margins for FY2023 are expected to improve with higher revenue lifted by initial contributions from DARE+ business initiatives such as the rollout of 5G products and services; and DARE+ cost savings from our digital push.

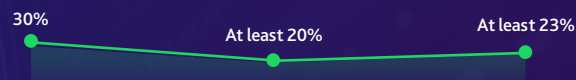
These projections do not include potential upsides from roaming recovery as international borders reopen gradually; revenue and cost synergies to be harnessed from recent acquisitions; as well as additional M&As that we may execute on in the coming years.

We will enter an investments phase in FY2022 and FY2023, to put in place the right IT and digital platforms, network infrastructure, and attracting and developing the right talents to execute our ambitious DARE+ strategy. While margins will be impacted over the next two years, we expect to start reaping results from DARE+ from the latter half of FY2023 and more significantly from FY2024. We are focused on improving on our overall profitability following the successful execution of this strategy, and as we work towards achieving a stable state incremental net profit after tax run rate of \$80 million per annum from FY2026.

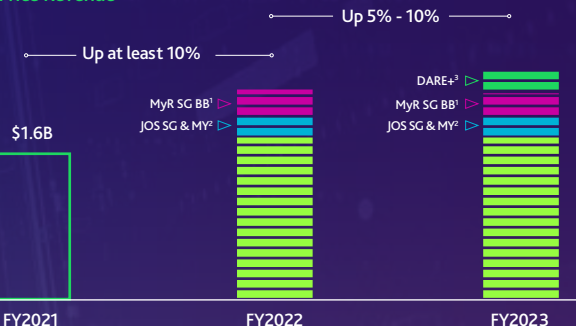
FY2022 GUIDANCE & FY2023 OUTLOOK

SERVICE REVENUE & SERVICE EBITDA MARGIN

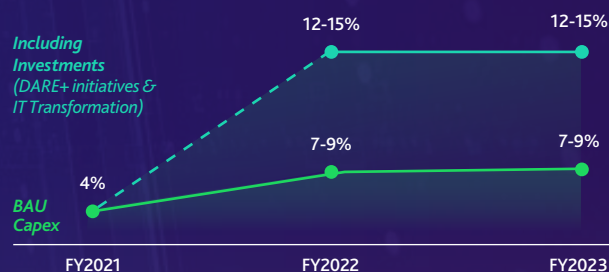
Service EBITDA Margin



Service Revenue



CAPEX COMMITMENT⁴ (As % of Total Revenue)



¹ The acquisition of MyRepublic Broadband was completed on 21 March 2022

² The acquisition of HKBN JOS (Singapore & Malaysia) was completed on 3 January 2022

³ Initial contributions expected from new DARE+ business initiatives

⁴ Excluding 5G Capex and spectrum right

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Q

Could you elaborate on your vision to become a Green Digital Service Provider, leveraging opportunities from the Singapore Green Plan 2030 national agenda? Please share with us what is the value proposition for StarHub's Enterprise business and what kind of new revenue streams this presents.

A

The Singapore Government unveiled the Singapore Green Plan 2030 to advance the nation's economic, climate and resource resilience. As part of this 10-year sustainability plan, GreenGov.SG, was launched in July 2021 to drive the execution of sustainability targets in carbon abatement, resource efficiency and function as an enabler of green efforts. Additionally, plans are afoot to advance sustainability efforts through green financing with \$35 billion worth of public sector green projects identified¹.

By 2030, the public sector has set ambitious targets to reduce energy and water usage. Apart from adhering to new industry standards, all new and retrofitted public sector buildings are encouraged to achieve Green Mark Platinum (Super Low Energy) where feasible. This will require digitalisation, cybersecurity, cloud expertise, as well as network communications and engineering capabilities, which are key enablers for digitalisation. This is where we are able to play a vital role in Singapore Green Plan 2030.

As a leading local digital services provider, we have the experience and capabilities to digitalise end-to-end green tech services for government and enterprises by bringing together high-quality connectivity, sophisticated cybersecurity and cloud solutions, augmented by our ecosystem of partners and their domain expertise.

Our partnership with NUS illustrates the possibilities. We are working together closely to incorporate StarHub's latest 5G and Internet of Things solutions to drive smart campus innovations and to support the university's goal of becoming a smart, safe and sustainable campus. This joint exploration will bolster the university's ability to manage campus facilities proactively and more efficiently, drawing from 'live' data which can be consolidated from a network of sensors regardless of the number, type or brand.

We believe 5G will play a key role in transforming processes, operations and infrastructures, driving operational efficiencies through new technologies in this digital-first world. With deep expertise and proven capabilities in connectivity, cybersecurity and cloud, StarHub Enterprise is well-positioned to benefit from the high-growth sustainability enablement industry.

Charlie Chan



¹ Source: Ministry of Finance, Budget 2022, Budget Statement

Q

StarHub's DARE+ strategy sounds very exciting. What does DARE+ mean for the Consumer business and what are the key deliverables?

A

The foundation of our DARE+ strategy is StarHub's best-in-class connectivity services from the latest 5G technology to fibre broadband. Over the next five years, DARE+ will see our Consumer business building unparalleled experiences that leverage the capabilities of our cloud-native network.

The gateway to connectivity starts with My StarHub app, which will welcome an update in 4Q2022 that will be a big step towards our Super App implementation. Placing our customers at the heart of the app's transformation, we will deliver significant improvements in customer experience and product simplicity. We endeavour to create a seamless customer journey regardless of the channel – be it on the app, online or at our stores. StarHub customers can look forward to a variety of new app features and enhancements, including the integration of products from our new verticals to offer customers a seamless experience to manage and consume services via a single app platform. This offers great convenience, deeper customer engagement, and services that will not only enrich our customers' lives, but also help them navigate the evolving demands and risks in an increasingly digitalised world.

Central to our transformation beyond telco is the way we serve customers. All activities across our online and offline touchpoints will be powered by rich analytics, which will allow StarHub to better personalise and simplify the customer journey.

2022 will also be the year we advance our Infinity Play vision through the addition of services across the Gaming, Entertainment, and Peace of Mind verticals. Our recently-launched subscription-based cloud gaming service, NVIDIA GeForce NOW Powered By StarHub, continues to see strong uptake with non-StarHub customers accounting for more than 50% of subscribers. We expect a similar reception from the gaming community as we gear up to launch another gaming proposition in 2Q2022. We also recently launched CyberCover in the Peace of Mind vertical – the first among our new suite of cybersecurity products to protect customers from impact of heightening online threats. We also plan to expand the Infinity Play spectrum in 2Q2022 into other adjacent verticals.

On Entertainment, we will continue bringing unique and exclusive content across 2022 that will offer distinct market differentiation across all three lines of businesses – like what we've done with Disney+ and most recently, the homecoming of the English Premier League to our platform.

Through the range and depth of our transformative developments, we hope to be deeply integrated in our customers' digital lives to drive long-term value for them, and for shareholders.

A portrait of Johan Buse, a man with glasses and a black polo shirt, standing with his arms crossed. The background is a blue and purple abstract design with a circular graphic element behind him.

Johan Buse

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Q

An excellent network is the backbone to StarHub's DARE+ vision. What competitive advantage does your 5G network have, especially since you are sharing a network? Apart from 5G, are there other key network enhancements are you working on?

A

StarHub's new 5G SA network will be cloud-native, with software-based features and interfaces to enable on-demand services as we execute on a larger range of products and services, both for Consumers and Enterprises.

DARE+ is anchored on digital strategies, and our network needs to front-run digital enablement to allow direct service activation and provisioning. Our 5G standalone network gives us an opportunity to redesign our network and take a big step forward by having the core network software ready.

Our strategy is two-pronged. First is to ensure the highest network reliability at the infrastructure layer. Secondly, through a combination of software development and IT operations (DevOps), we will shorten the systems development lifecycle and provide continuous delivery for a more agile IT and Network infrastructure. This will allow us to implement faster service activation through applications such as on-demand services and e-SIM, amongst many others.

To put it simply, a joint network is only a shared radio which allows for shared access to a spectrum. Our network experience – the true service differentiator – is designed end-to-end to offer a seamless quality experience. This is supported by our portfolio of low-, mid- and high-band spectrums for comprehensive coverage. Network security continues to be a top priority and our Defence-In-Depth and Zero Trust cybersecurity approach ensures that our Mission Critical infrastructure remains secured and protected.

In addition to our focus on bringing new-to-market 5G infrastructure, technology and solutions, we will continue to modernise our fixed network, allowing for a greater number of services and solutions to be developed on our high-quality network. This will create additional revenue streams and allow us to maximise returns from our core assets.

Chong Siew Loong



Q

StarHub has been named the world's most sustainable telecommunication service provider. What is StarHub doing differently, or especially well, to have been recognised as an ESG leader globally? How will you continue to raise the bar?

A

2021 was a year of achievement and recognition for StarHub Sustainability.

We are proud that our efforts have been internationally recognised, having recently been named the World's Most Sustainable Wireless Telecommunication Service Provider, and Singapore's Most Sustainable Telco¹. We believe our key differentiator is the heightened awareness and strong support from all business units across the organisation that has helped us raise the bar in optimising energy usage, reducing waste, adopting green practices and upholding the highest level of governance.

Looking ahead, there is still much to be done. As a responsible corporate citizen, we endeavour to use our technology and skills to do good, better the communities which we serve, and mitigate the effects of climate change.

With the resolve and commitment of the Board of Directors and Management to enhance our ESG efforts, we are boldly taking a leap to set StarHub's Sustainability Goals towards 2030. On this front, we are working towards halving our carbon emissions by 2030, taking reference from 2019 as our baseline year. We also commit to increase our usage of renewable energy to 30% of total consumption by 2030 by adopting various energy optimising measures.

Our leadership and first-mover advantage in 5G continues to present exciting Green Tech opportunities for StarHub and our customers. Our bold and transformative plans to accelerate digitalisation under DARE+ is in sync with our vision of a connected world for our customers, allowing us to optimise processes and systems, and realise incremental efficiencies across the Group.

Just as we have partnered closely with Singapore NGOs, such as Community Chest, Care Corner, and The Food Bank Singapore in recent years, we will continue to extend our support to the community in 2022 and beyond. Underpinned by the StarHub Challenger Spirit, we seek to deliver meaningful and tangible outcomes through our CSR efforts to bridge the digital divide – a critical cause as the world transitions to a digital economy.

Our path is clear and our resolve is unwavering. We are confident that with the collective purposeful efforts of StarHubbers, we will be able to make a meaningful impact for all stakeholders.

Veronica Lai



¹ 2022 Corporate Knights Global 100