

In Discussion with StarHub's Executives

CHIEF EXECUTIVE

NIKHIL EAPEN



Q

The DARE+ programme is multi-year and complex. What are the near-term catalysts/milestones/metrics that management is using to track progress? What can shareholders look forward to in the next year?

A

StarHub is underway with our multi-year DARE+ transformation, repositioning beyond telco toward a digital ecosystem platform. The premise of DARE+ is to harness the power of cloud and digitalisation across our platform, to deliver enriching digital experiences for Singapore consumers and to enable digital transformation for Singapore enterprises. In so doing, we want to drive unprecedented value to all stakeholders – consumers, enterprises, investors and employees.

We spent 2022 building this vision. We expanded Infinity Play, our continuum of Consumer product offerings. This expands our income streams and drives consumption amongst and beyond our current customer base. We built new Enterprise capabilities with an ecosystem of partners to drive new product platforms and are uniquely positioned to converge connectivity, Cloud and Cybersecurity. We are underway with the transformation of our IT infrastructure toward cloud-based platforms, to achieve agility of our business model at pace. We have now initiated our Cloud Infinity network transformation, to converge our Fixed and Mobile infrastructure onto cloud-based platforms to take us to the next level of network scalability, service provision and edge cloud and product capabilities.

With all of these initiatives put in place in 2022, we intend to continue and accelerate our re-platforming toward cloud and digital product and platforms over 2023, enabling, amplifying and accelerating our DARE+ objectives.

Measuring the Progress & Success of DARE+

StarHub's DARE+ transformation runs on a playbook of closely interlinked re-platforming initiatives. These are mostly implemented across FY2022, FY2023 and FY2024 and expected to start delivering value from FY2024. We track our DARE+ progress closely in terms of initiatives as well as impact – from transformation execution milestones to financial and business indicators.

Over FY2022, we have continually updated stakeholders on our transformation execution milestones – expanding Infinity Play, driving new product platforms in Enterprise, cloud enabling and transforming our IT and Network, amongst many other initiatives.

We also set financial targets for FY2022 to reflect the impact of our DARE+ transformation, across Service Revenue, Service EBITDA and Capex Commitment in a guidance offered to the market in February 2022; alongside internal targets for Free Cash Flow. Service Revenue growth is a key indicator of our transformation progress, and we materially exceeded our guidance for FY2022, with secular growth across every business line. We were also able to manage within our 20% EBITDA margin target, exceeding our guidance alongside higher revenue. Notably, we were able to absorb unanticipated macro and inflationary costs while managing within or outperforming our financial targets for DARE+ in FY2022.

We keep track of key business indicators to ensure our business verticals continue to perform and reflect our DARE+ investments and progress made. With Infinity Play, we track indicators such as the take-up of not only our traditional connectivity, but also newer products such as OTT streaming, cloud gaming, consumer cyber products and many others. We also look holistically at the number of services taken up by a customer, Net Promoter Score to gauge customer satisfaction, Average Revenue Per User, subscriber churn rates, customer lifetime value and revenue market share.

For Enterprise, we look at pipeline build up, order book and contract wins, both from traditional connectivity as well as new focus areas within ICT and digital services. These business indicators offer a more sensitive and timely view on the effectiveness and results from key projects and initiatives as we move at pace.

Positioning for FY2023 and Beyond

While our FY2022 financial results have seen short-term impact from our DARE+ investments, these investments are focused on building growth, efficiency and competitiveness for the long-term. Excluding one-off impacts from these investments and macro and inflationary cost factors, we observed strong exit run rates for our business lines in FY2022 with robust operating trends and growth. We believe FY2022 was a profitability trough for DARE+. We intend to accelerate our DARE+ initiatives in FY2023 and harvest from FY2024.

Over FY2023, we intend to further deliver on transformation execution milestones with the expansion of Infinity Play product releases on our cloud-based IT and app platform, further repositioning toward growth enterprise verticals across Cloud, Cloud Connectivity and Cybersecurity and to make significant progress on our Cloud Infinity network transformation.

We also intend to continue driving key business indicators forward in FY2023 and beyond, around new- and multi-product take up, customer satisfaction and customer lifetime value in Consumer and Enterprise pipeline build-up, order book and contract wins with a sharper focus on our growth areas.

Last on financial indicators, we reiterate our DARE+ long term target to achieve \$500 million of growth and efficiency outcomes from FY2022 to FY2026, absorbing increased investments for Cloud Infinity as well as increased macro and inflationary costs. We also reiterate our short-term targets for FY2023, to achieve continued revenue growth against investments that will be reflected in our EBITDA margins and Capex. An important interim goal is to achieve our "breakeven" target of achieving a run rate of \$500 million in EBITDA within FY2024 and to harvest incremental returns from DARE+ thereafter.

We are applying a disciplined approach to harvesting our DARE+ investments. As we onboard new cloud-enabled and digital platforms, we are executing on a number of strategic cost management initiatives to migrate or decommission legacy systems and processes. We are focused on this critical re-platforming of our business to drive cost efficiencies, quarterly run-rate EBITDA and profitability steadily toward achieving the full potential of DARE+.

We believe that our focused delivery of DARE+ will bring value to stakeholders – consumers, enterprises, employees, investors and Singapore society as a whole. With DARE+, we intend to deliver measurable and meaningful total shareholder returns – through capital gains and dividend growth supported by sustainable business growth.

In Discussion with StarHub's Executives

CHIEF FINANCIAL OFFICER

DENNIS CHIA



Q

In FY2022, StarHub achieved \$16 million in revenue and cost synergies from integration efforts of its subsidiaries. What can we expect in FY2023? Are there plans for more acquisitions this year?

A

Encouraged by the early outcomes of our integration efforts in FY2022, we will focus on accelerating synergies across the StarHub Group in FY2023 and beyond.

First, we seek to accelerate the development of our Regional ICT Services to provide us with critical scale that could potentially unlock and increase shareholders' value in the future. On this front, we will continue to develop scalable and vertical-focused solutions to differentiate our ICT offerings and pursue opportunities beyond Singapore and Malaysia. For Strateq, we will seek to expand its hospital information system offering and EdTech platform, allowing us to strengthen its pipeline and onboard a greater number of clinics in Malaysia.

We will also focus on building and scaling our near-shore delivery capabilities, which can be deployed across a larger customer base and broader footprint to enhance our competitiveness. We will combine our talent pool and expertise in Singapore and Malaysia to hire the right talents, ensuring that we are able to deliver quality and value to customers in a tight labour market. We expect to realise cost savings of up to 50% with cost advantages in training and talent acquisition.

Lastly, we will streamline and standardise operational functions across the Group to optimise operational efficiencies. These initiatives include establishing a common back-end platform to support our regional growth, and the consolidation of our procurement functions to realise greater cost savings and leverage economies of scale. Furthermore, we will continue to explore opportunities to better optimise our infrastructure and share costs via our Antina joint venture.

We are uniquely positioned in the market and continue to maintain a long-term view on our business. Towards this end, we will continue to explore synergistic and accretive M&As to augment our capabilities and market position, as well as to increase our scale.

Q

Taking the higher bound of your FY2023 Capex Commitment guidance, this implies about \$200 million in investments to be committed in FY2023. Coupled with the investments already made in FY2022, does it mean the bulk of the \$310 million in DARE+ investments will be made in FY2023? Can we expect a better performance in FY2024?

A

When we first launched DARE+ in November 2021, we envisaged \$270 million in investments to realise DARE+. This was based on the business initiatives and operating environment at the time of the programme's launch, and the timing and scope of our planned deliverables. The \$270 million investment quantum includes both Operating Expenses ("Opex") and Capital Expenditure ("Capex"), such as costs relating to the build-out of a skilled and experienced team to ensure the successful delivery of our DARE+ objectives and programmes, as well as the acquisition of tool sets and licenced IT platforms to enhance and complement our internal capabilities, amongst others.

A year on, in December 2022, we announced an upward revision of our DARE+ investments from \$270 million to \$310 million. The incremental \$40 million is primarily earmarked for the development of our Cloud Infinity network transformation and several other business initiatives. When completed, these initiatives will elevate and accelerate our DARE+ ambitions.

In FY2022, we incurred 24% of the \$310 million, or approximately \$75 million in Opex and Capex investments. Together with approximately \$31 million in provisions made at the end of FY2022, the aggregate amount of approximately \$106 million represents 35% of the \$310 million investment amount. We endeavour to accelerate execution and expect to deploy most of the remaining \$200 million in Opex and Capex investments in FY2023, and a smaller proportion in early FY2024.

With most of our DARE+ investments expected to be completed by mid-FY2024, we target to start harvesting DARE+ savings and benefits by 4Q2023. Accordingly, we aim to return a relatively better performance in FY2024.

FY2023 GUIDANCE

Service Revenue

YoY At Least

8% - 10%Service EBITDA
Margin

Approx.

20%

Capex Commitment

(As % of Total Revenue)

BAU Capex¹**5% - 7%**Including Investments²**13% - 15%**

Dividend/Share

**At Least
5.0 Cents**or Dividend Policy³

¹ Excluding 5G Capex and spectrum right, as well as investments relating to DARE+ and IT Transformation.

² Excluding 5G Capex and spectrum right, but including investments relating to DARE+ and IT Transformation.

³ To distribute at least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items), payable on a semi-annual basis.

In Discussion with StarHub's Executives

CONSUMER JOHAN BUSE



Q

What exactly is Infinity Play, what is the progress of this, and your vision for the Consumer business at the end of the DARE+ programme in FY2026?

A

Ever since we launched our service more than 20 years ago, our challenger spirit and focus on delivering a superior differentiated product experience have been embedded in StarHub's DNA. This is evident in Infinity Play, the cornerstone of the Consumer Business Group's strategy to deliver the best possible customer experience.

Centred around an unparalleled digital experience, Infinity Play combines world-class connectivity with new unique services beyond StarHub's traditional portfolio. Through Infinity Play, we have introduced new verticals such as GameHub+ (gaming), ProtectHub+ (cyber protection and insurance) and LifeHub+ (digital healthcare monitoring).

We are progressing well with Infinity Play, both in terms of capability building and commercial delivery. We expect to complete the transformation of our entire technical system at the end of FY2023, sunsetting all legacy systems and implementing an end-to-end digital customer experience to drive online sales and service transactions. Early results have demonstrated that Infinity Play has provided us with distinct differentiation, contributing to stable and improving ARPUs across all lines of business.

Our DARE+ transformation expands the Consumer Business Group product portfolio in two dimensions. Firstly, by offering new adjacent products and services in in-demand areas such as gaming, protection and healthcare monitoring. Commercial progress in these areas has been strong. A case in point is GameHub+, which has recorded steady growth since its launch in 3Q2021. We have plans to take the "one-stop" shop for gaming beyond NVIDIA and into the region.

Secondly, we will offer more OTT products and services powered by our brand-new All-In-One app ("AI1"). This will enable StarHub to sell directly to any customer without the need or prerequisite for the customer to have connectivity services with StarHub. StarHub customers will naturally enjoy preferred pricing when subscribing to services on our AI1 app.

The completeness of our offering presents opportunities for bundling, cross-selling and up-selling. As testament to this, Mobile ARPU continues to grow as a result of more roaming, while Broadband is benefiting from a higher speed plan mix and will be supported with the introduction of higher bandwidth plans, such as the 10 Gbps plans that were introduced in February 2023. Entertainment ARPU continues to be stable as a result of pricing initiatives and bundling of new OTT services, while Gaming has shown encouraging ARPU growth last few quarters.

Our DARE+ platform will offer both efficiency gains and create new and incremental revenue streams. We expect our new GameHub+, ProtectHub+ and LifeHub+ verticals to contribute to total Consumer service revenue over the mid-term, and for the Group to begin harvesting efficiency benefits from FY2024.



We would like to invite you to learn more about the achievements and progress made by the Consumer Business Group on page 34 of this annual report.

Q

What are the key growth levers of StarHub Enterprise? What excites you in the space of Connectivity, Cloud, and Cybersecurity?

A

At StarHub Enterprise, we believe in “Every business is a digital business”. However, many companies do not possess the knowledge, resources nor the necessary technology capabilities to digitally transform. Being uniquely positioned to offer converged capabilities in Connectivity, Cloud and Cybersecurity (“3C’s”), this presents us with an attractive proposition.

StarHub would like to take an active role in supporting our commercial and enterprise customers regardless where they are in their digitalisation journey. We endeavour to achieve this by delivering on our core value: “Deliver Today, Construct Tomorrow”.

We “Deliver Today” traditional connectivity through our Enterprise Connectivity and Mobility service lines that form the backbone of every digital service provider. We have differentiated these traditional connectivity services by delivering exceptional customer experiences and creating new value propositions.

As a forward-thinking organisation, we continue to “Construct Tomorrow” by anticipating the future needs of our customers and the Enterprise market. What sets us apart, is our collaborative approach to co-create innovative next-generation solutions alongside customers, partners and our acquired subsidiaries, who are leaders in their own fields. This approach encourages the creation of a symbiotic ecosystem that pushes the boundaries of innovation, especially in our new growth verticals – Future of Work and Green Tech Managed Services. With our DARE+ transformation, we will establish StarHub as a leader in designing and implementing customer-first,

network-centric digital solutions for enterprises.

The 3C’s are exciting digital sectors with significant growth potential in today’s markets. We are able to leverage technologies, know-how, and capabilities from each of these sectors to deliver customised Enterprise solutions for our customers in any industry. On this front, we continue to work with our partners and clients to enhance digital workflows and utilise cloud technologies to organise, analyse and visualise operational data, leveraging Enterprise connectivity services across wired, wireless and mobile platforms. We also continue to deliver Smart, Safe and Sustainable solutions, which are also known as Green Tech Managed Services that leverages our 3C’s capabilities.

Looking ahead, we will continue to co-create new in-demand solutions and services for a variety of industries, especially in the pertinent areas of digitalisation, sustainability and hybrid workforce. We will leverage on the 3C’s to improve Enterprise operational efficiency, employee engagement and customer experience. In addition, we will advance our integration efforts across our enlarged Enterprise ecosystem to create more synergistic opportunities and derive incremental value.



We would like to invite you to learn more about the achievements and progress of the Enterprise Business Group on page 40 of this annual report.

ENTÉPRISE

TAN KIT YONG



In Discussion with StarHub's Executives

NETWORK

AYUSH SHARMA

Q

Cloud Infinity sounds complicated. Please explain what this all means for StarHub, customers, and shareholders. When will StarHub start reaping benefits from Cloud Infinity?

A

During Investor Day 2022 last December, we announced that we would embark on a brownfield transformation, Cloud Infinity, to boost the customer experience and productivity through asset-light, high-performance digital Infrastructure. The Cloud Infinity architecture serves our DARE+ growth and cost control initiatives and imperatives.

The central idea of Cloud Infinity is to unify our Mobile, Fixed, and media network infrastructure into a unified and autonomous digital infrastructure that is auto-responsive and dynamic to customer experience and needs. We are now developing our intellectual property ("IP") for this unique digital infrastructure that will put us ahead of the curve, addressing future challenges and capturing new business opportunities using cloud-native simplified architecture, and operating and delivery models.

To monetise our efforts, we are collaborating with leading cloud providers such as AWS, Google Cloud, NAVER Cloud, and Nokia to jointly develop a range of use cases for ultra-low latency cloud, communication, security, and entertainment services. We are currently working with NAVER Cloud to deliver a unique 5G solution for a company that operates thousands of autonomous and robotic systems; while working with other partners and Enterprise customers across a multitude of industries to co-engineer Minimum Viable Products (MVP) and use cases such as zero-touch retail services that will be anchored on advanced automation and artificial intelligence technologies.

Keeping simplicity in mind, we have identified progressive and achievable milestones for implementation. We are now in the "Hygiene" phase, collapsing all our

existing infrastructure into one unified cloud entity that will enable the next phase, "Motivation." This next phase will create a cloud-brokerage marketplace with four key platforms – Network-X, Cloud-X, Security-X, and Content-X – to engage and deliver solutions to key customers. We are moving quickly and plan to launch the first platform in FY2023. From FY2025 and beyond, we intend to replicate and scale our offerings in the "Acceleration" phase of the program to extend our reach beyond geographies and segments.

For StarHub, the revenue diversification advantages are clear. There will also be Capex avoidance and Opex efficiencies after the sunset of legacy network infrastructure in favor of our future-proof and asset-light agile cloud model.

For Consumers, Cloud Infinity will amplify Infinity Play to a whole new level, unlocking innovative services that will address future work, live and play demands, supported by an unparalleled network experience.

For Enterprises, being vendor agnostic, we will be able to address key pain points on cloud workloads faster, more flexibly, and more securely. Larger Enterprises will be able to tap our IP and capabilities for purpose-built solutions. At the same time, the smaller SMEs can leverage our expertise and resources for plug-and-play solutions in our marketplace.

And for Shareholders, we should be able to harvest early results from FY2024, starting with cost savings alluded to above and initial traction from early adopters. The market potential is significant, with great scalability beyond Singapore to create substantial value for all stakeholders.

Q

StarHub has disclosed that there are slight delays in IT Transformation in FY2022. Given the complexity of the multi-year programme, how are we managing the risks of execution? When will StarHub be able to start harnessing benefits from IT Transformation?

A

Our multi-year IT Transformation through DARE+ will radically simplify our legacy IT systems and replace them with in-demand technologies and advanced solutions such as Cloud and Software-as-a-Service. Concurrently, we continue to focus on optimising and simplifying our wide range of product offerings and processes to provide a better experience for Consumers and Enterprise customers.

To this end, we have de-risked our large-scale transformation by structuring our complex IT transformation program for our Consumer and Enterprise businesses into a series of releases to be implemented progressively over 18 and 28 months, respectively. Through this approach, customers will benefit from a vibrant digital channel that is continually refreshed to keep pace with the evolving needs of customers.

We successfully deployed the first release for our Consumer IT Transformation in 4Q2022 with the launch of our versatile and feature-rich All-in-One app ("A11"). The digital app exceeded internal expectations with a significantly higher app utilisation rate compared with the legacy mobile app. We have also partially transitioned into the new IT stack and will ride on the momentum of the successful first release. The rest of the IT Transformation will be delivered via a number of future "sprints" and we aim to complete our Consumer IT Transformation journey by end-2023. We moved ahead with our Enterprise IT Transformation in February 2023, which is a more challenging undertaking given the breadth and complexities of Enterprise products. We remain focused in accelerating execution, and plan to roll-out the other programmed

releases in the coming months with completion expected by end-FY2024.

To minimise the impact of execution risks, we continue to work closely with our business stakeholders to avoid replicating legacy practices into the new IT stack and leverage out-of-the-box SaaS capabilities to accelerate the roll-out of the new IT stack. Our IT division, alongside our business divisions, will continue to work closely with our appointed system integrator to ensure a smooth and timely deployment of our new IT stack, and streamline the operating model to align with our future needs. Moreover, we have implemented additional guardrails around programme governance and incentives for our IT partners to align our interests for the success of our transformation programme.

Over time, these transformation programmes will deliver business benefits and cost savings, enabled by a lighter cloud and SaaS IT stack. We strive to deliver radically simplified processes and hyper-automation across the board to improve the productivity for our enterprise and wholesale customers as well as operational efficiency for our service teams. By doing so, we will elevate customer experiences as we shift towards truly digital and personalised user journeys, shortening time-to-market. We are confident that our efforts will result in better sales and customer retention through improved customer experience; and collectively deliver our DARE+ outcomes of cost savings and revenue growth alongside all business units as one unified Team StarHub.

INFORMATION SERVICES

KEE YAW YEE

