



MEDIA RELEASE
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StarHub delivers FY2020 net profit of \$157.9M on \$2,028.8M total revenue

- *Operating Expenses decreased 11.8% YoY, driven by ongoing cost transformation efforts*
- *Free Cash Flow rose 77.3% YoY; Net Debt to EBITDA lowered to 1.41 times*
- *Final Dividend of 2.5 cents per share proposed*

Singapore, 19 February 2021 – StarHub today announced its unaudited consolidated results for the fourth quarter (“4Q”) and full year (“FY”) ended 31 December 2020. 4Q2020 and FY2020 revenue declined 4.8% and 13.0% year-on-year (“YoY”), respectively, to \$579.5 million and \$2,028.8 million. Net profit attributable to shareholders (“Net Profit”) rose 3.5% YoY to \$36.1 million in 4Q2020 and declined 15.2% YoY to \$157.9 million in FY2020.

Commenting on the results, StarHub’s Chief Executive, Nikhil Eapen, said, ***“FY2020 was a challenging year with strong COVID-19 headwinds. We remained focused on our transformation to optimise and simplify our processes, evolve our cost and business models, complete the acquisition of Strateq and commence our IT transformation to empower our digital strategies.”***

“While we see early signs of business demand picking up with Phase Three of the economic reopening, the macroeconomic environment remains uncertain. We plan towards a gradual recovery in 2021 and continue to focus on transforming StarHub into an agile business for a digital future. We will pursue growth through new opportunities such as 5G, and continue to create value for customers through innovation, unparalleled network quality and customer experience.”



StarHub has met or exceeded expectations against a prior guidance updated in August 2020. FY2020 Service Revenue of \$1,589.2 million was 10% lower YoY, against the guided 10%-12% decline. Service EBITDA margin of 31.1% for FY2020 exceeded the guided 27%-29%, while Capex Commitment was at 4.4% of Total Revenue, lower than the 6%-8% guidance.

Operating Expenses (“Opex”) has continued its YoY decline since the commencement of the DARE Transformation programme in FY2019. Opex declined 11.8% YoY in FY2020 to S\$1,838.9 million, while Other Opex¹ declined 14.6% YoY in FY2020 to \$733.0 million. As a percentage of Total Revenue, Other Opex lowered to 36.1% in FY2020 compared to 36.8% in FY2019. The DARE programme that had identified over \$210 million in cost savings over three years was 82% executed as at FY2020.

Other income was higher in FY2020 due mainly to the \$34.0 million in Job Support Scheme payouts recognised during the year, offset by lower recovery of tunnel fees from the fourth Mobile Network Operator. Cybersecurity Services contributed an operating profit of \$7.1 million in FY2020, compared to a loss in FY2019, while Regional ICT services recorded an operating loss of S\$0.2 million.

StarHub’s cash generation remains strong, with FY2020 net cash from operating activities at \$578.9 million being 29.2% higher than \$448.2 million reported in FY2019. The balance sheet remains healthy with a 77.3% YoY increase in FY2020 free cash flow to \$387.7 million, and a lower FY2020 Net Debt to EBITDA of 1.41 times compared to 1.51 times a year ago.

Taking into consideration short-to-mid term business conditions (including COVID-19 impact), cash flow and investment requirements, as well as results reaped and expected from the ongoing business transformation initiatives, the Board has declared a final dividend of 2.5 cents. This is in line with prior guidance, and equal to the interim dividend of 2.5 cents per ordinary share that will bring the total dividend for FY2020 to 5.0 cents. The total dividend for the year represents a payout ratio of 80%², in line with StarHub’s dividend policy.

¹ Excludes Cost of Sales and Opex relating to Cybersecurity & Regional ICT Services.

² As a percentage of StarHub’s FY2020 net profit attributable to shareholders, adjusted for JSS grants, one-off rental and property tax rebates, and reversals of restructuring provisions.



Business Highlights

The Mobile business registered FY2020 revenue of \$579.7 million, a 24.3% YoY decline mainly due to lower Postpaid Average Revenue Per User (“ARPU”) and Prepaid revenues. Postpaid ARPU declined to \$31 in FY2020 from \$40 a year ago due to lower roaming, value added services and excess data usage revenue as a result of COVID-19. The pandemic also led to lower Prepaid revenue due to a decline in tourist numbers that impacted the subscriber base, alongside lower data subscriptions, expired credit and IDD. Notably, on a quarter-on-quarter (“QoQ”) basis³, Mobile revenue grew 3.4% to \$138.6 million, mainly due to a higher ARPU achieved in 4Q2020 of \$30, compared to \$29 recorded in 3Q2020.

The Pay TV business recorded revenue of \$187.9 million, a 24.2% decline from FY2019, mainly due to a contraction in subscriber base relating to the cable-to-fibre migration in FY2019 and lower commercial TV revenue and advertising expenditure by Enterprise customers on the back of a more cautious business outlook resulting from COVID-19. The subscriber base has remained relatively stable, declining 0.6% on average a month. Pay TV revenue and ARPU remained stable at \$47.1 million and \$40, respectively, across 4Q2020 and 3Q2020.

Broadband remained largely stable YoY with FY2020 service revenue at \$176.1 million compared to \$176.4 million in FY2019. Excluding a one-time service recovery rebate extended to customers, the segment’s revenue for FY2020 would have been 0.7% higher at \$177.3 million. ARPU remained stable across both financial years. 4Q2020 revenue rose 11.3% compared to 4Q2019 due to reduced subscription discounts that raised ARPU. Revenue and ARPU remained stable QoQ at \$45.7 million and \$30 in 4Q2020, respectively.

³ QoQ refers to 4Q2020 vs 3Q2020.



The Enterprise business recorded a 12.2% revenue growth to \$645.5 million in FY2020, compared to \$575.2 million a year ago. This was due to sustained double-digit growth momentum from Cybersecurity Services, which recorded a 51.4% rise in revenue to \$220.7 million in FY2020. Regional ICT Services contributed \$33.2 million in revenue following the completion of the Strateq acquisition on 30 July 2020. Network Solutions revenue declined 8.8% YoY to \$391.6 million in FY2020 due to lower Data & Internet and Voice Services revenue, as well as lower contributions from Managed Services resulting from fewer project completions and deferred customer spending arising from COVID-19.

Outlook

While the COVID-19 pandemic continues to impact the global economy, the Mobile business has seen encouraging interest in the new Mobile+ 5G plans, accelerated by the launch of popular 5G premium handsets. StarHub will continue to seek more partnerships to differentiate its 5G offerings through the integration of gaming and OTT content.

Pay TV revenues remain relatively stable with the completion of the cable-to-fibre migration in FY2019 and continued momentum by the business to transform its cost structure and customer experience through changes in content delivery as exemplified by the new StarHub TV+ offering. StarHub secured multiple popular OTT options such as Netflix, iQiyi, and most recently, Disney+, and will continue to enhance the variety of content available on the new hybrid platform. Meanwhile, Broadband remains stable as it seeks to increase penetration into the higher value gaming segment.

The Group has seen gradual resumption of business activities for the Enterprise business in the last quarter. The Managed Services segment has observed a recovery in order book as Enterprise customers commit to strategic initiatives in FY2021 and beyond.



While customers remain prudent with spending, the Group continues to see demand for digitalisation and multi-cloud strategies. With the addition of the latest StarHub Hyperscale Data Centre @ Loyang located in the AirTrunk SGP1 campus, StarHub is well-placed to meet these needs as it continues to pursue strategic partnerships adjacent to its network offerings to provide a comprehensive suite of services to customers.

The Enterprise business has also observed increasing interest from early adopters of 5G solution trials alongside the rollout of StarHub's Standalone 5G network in 2021. It continues to collaborate closely with industry and solution partners to develop 5G solutions enabling Enterprises to operate, manage and monitor digital assets more efficiently.

StarHub will forge ahead with the IT Transformation programme that commenced in 3Q2020, continue to refine its operating models, while seeking synergistic inorganic growth and diversification opportunities through M&A.

FY2021 Guidance & Dividend

Based on current business conditions and prevailing COVID-19 trends, StarHub expects FY2021 service revenue to remain stable YoY, due to higher contributions from Cybersecurity and Regional ICT Services – the latter resulting from the full year consolidation of Strateq in FY2021. This is offset by lower Mobile revenue resulting from ongoing travel restrictions due to COVID-19; lower Pay TV revenue due to an expected decline in subscribers and TV advertising revenue; and lower contributions from Network Solutions.

Group Service EBITDA margin for FY2021 is expected to be between 24% and 26% due to a change in revenue mix, lower grants from the Job Support Scheme, and initial investments to be made relating to the IT Transformation, 5G infrastructure and Data Centre rollouts. StarHub remains committed and confident in driving cost optimisation to achieve returns on its investments, as well as to stabilise and improve margins going forward. FY2021 Capex Commitment is expected to be between 9% and 11% of Total Revenue, excluding 5G and spectrum fees.



With regards to the dividend guidance for FY2021, the Group has taken into consideration the ongoing effects of COVID-19, the Group's ongoing investments in, and returns from transformation initiatives. StarHub expects to distribute the higher of 5.0 cents per ordinary share in FY2021 or as per the Group's dividend policy to distribute at least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items) on a semi-annual basis.

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For more details on the Group's performance, please visit <http://ir.starhub.com/>. Other materials available on StarHub's investor relations website include the investor presentation, results announcement, as well as the audio webcast archive to be made available after 19 February 2021.

About StarHub

StarHub is a leading homegrown Singapore company that delivers world-class communications, entertainment and digital solutions. With our extensive fibre and wireless infrastructure and global partnerships, we bring to people, homes and enterprises quality mobile and fixed services, a broad suite of premium content, and a diverse range of communication solutions. We develop and deliver to corporate and government clients solutions incorporating artificial intelligence, cyber security, data analytics, Internet of Things and robotics. We are committed to conducting our business in a sustainable and environmentally responsible manner. Listed on the Singapore Exchange mainboard, StarHub is a component stock of the SGX Sustainability Leaders Index and the SGX Sustainability Leaders Enhanced Index. It has also been included in ESG-focused FTSE4Good Index Series. For more information, please visit www.starhub.com.

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