

## StarHub Reports 2018 Fourth-Quarter and Full Year Results

- Full Year Total Revenue Reached S\$2.36 Billion
- Enterprise Revenue Grew 16% YoY to S\$511 Million
- Post-paid Customer Base Grew 2.5% YoY to 1.4 Million
- Full Year NPAT at \$200 Million After 4Q Provisions and Adjustments

**Singapore, 14 February 2019** – StarHub, a leading Singapore company that delivers world-class communications, entertainment, cyber security, info-communications solutions and digital services to consumers and enterprises, today announced its unaudited consolidated results for the fourth quarter and full year ended 31 December 2018.

The Company continued to deliver double-digit service revenue growth from its Enterprise Fixed services to mitigate the lower service revenues especially from its Mobile and Pay TV lines of business.

Commenting on the results, StarHub's CEO Peter Kaliaropoulos said, "Our full year results are in line with our previous market guidance. Total revenue for the full year at S\$2.36 billion was 2.0% lower than in 2017. Service revenues reached S\$1.83 billion, 2.5% lower than the prior year. Our Enterprise business delivered 16% YoY growth in service revenues to S\$511 million for traditional connectivity services, managed services and ICT solutions."

"Despite a 2.5% YoY growth in our post-paid mobile customer base to a total of 1.4 million customers, full year Mobile revenue declined by 8.1% due to lower IDD, voice and subscription revenues, combined with higher subsidies and a higher mix of Sim-Only plans. The overall Pay TV market continued to be dragged by structural factors

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such as alternative viewing options and piracy. Total Pay TV revenue declined by 11.9% to S\$311 million for 2018. Compared to 3Q2018, Pay TV revenue decreased by 4.4%. A net total of 14,000 customers churned in 4Q2018, slightly lower than the previous quarter.”

“Full year service EBITDA margin at 28.4% was also within our guidance. Higher operating expenses and staff costs due to the consolidation of Ensign and D’Crypt, higher depreciation and amortisation costs due to the additions of plant, equipment and other intangible assets, and other provisions and adjustments impacted NPAT in 4Q. Profit for the full year was S\$200 million,” he added.

4Q2018 reported EBITDA of S\$111 million, represented a decline of 24.6% compared to 3Q2018. It was lower due to losses from Ensign and D’Crypt, higher provision for customer loyalty programmes, one-time SFRS(I) 15 adjustments to handset revenue and additional provision for a leasing contract relating to the cable network given plans to migrate customers to fibre services. Excluding the provision and adjustments, the underlying 4Q2018 EBITDA was S\$137 million, a decline of 6.3% compared to 3Q2018 EBITDA of S\$146 million.

Compared to 3Q2018, 4Q2018 reported NPAT of S\$15 million, saw a decline of 73.4%. Excluding the provision and adjustments and the losses from Ensign and D’Crypt, NPAT for 4Q2018 was S\$54 million, stable compared to 3Q2018 NPAT of S\$54 million. Similarly, NPAT for the full year 2018 was S\$216 million, compared to 2017 NPAT of S\$266 million.

“As part of our transformation plan, driven by the ongoing requirements to deliver a better customer experience, we have introduced a simplification of our mobile plans with the launch of the “Hello Change” campaign. Additionally, we have lowered our TV subscription fees and enlarged the TV packs for key content such as HBO, to deliver even more value to customers. As we face increased competitive threats, we continue to seek operational efficiencies and overhaul processes to simplify products, offers and improve customer care,” Mr Kaliaropoulos concluded.

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## Key Group Highlights

- 4Q2018 **total revenue** ended at S\$619.5 million, a 9.8% decrease compared to 4Q2017 and total revenue for the year was lower by 2.0% to S\$2,362.0 million.
- **Total operating expenses** of S\$2,089.7 million grew by 1.8% for the full year in 2018. **Cost of sales** increased by 3.3% or S\$34.1 million whilst other operating expenses remained relatively stable at S\$1,014.7 million.
- **Service EBITDA margins** at 23.1% for 4Q2018 and 28.4% for the full year, were 1.8% and 2.8% lower respectively for the corresponding periods.
- Lower revenue arising from Mobile, Pay TV, Broadband and Sales of equipment resulted in a lower profit from operations. Subsequently, **net profit after tax (NPAT)** for the full year at S\$200.5 million, was 26.7% lower over the same period in 2017.

## Key Business Highlights

- **Enterprise Fixed** services revenue grew by 16.0% to S\$510.8 million, primarily from growth in managed services and consolidation of enterprise solutions businesses; Ensign InfoSecurity Pte. Ltd. from October 2018 and D'Crypt Pte Ltd from January 2018.
- Lower IDD, voice and excess data usage revenues, and a higher mix of SIM-Only plans resulted in full year **Mobile** revenue of S\$824.5 million or an 8.1% decline.
- Although mobile market penetration in Singapore remained high at about 147%, post-paid customers grew to 1.40 million, a 2.5% year-on-year (YoY) increase. Full year average smartphone data usage at 5.6 GB was a 32.5% increase over the same period last year.
- **Pay TV** revenue at \$311.3 million, witnessed a 11.9% decline for the 12 months in 2018 over the same period in 2017. On average, 4,000 Pay TV customers per month in 2018, are exiting long-term Pay TV contracts for alternative sources of content and entertainment. Total number of Pay TV customers as at FY2018 was 409,000 with an ARPU of S\$49.
- **Broadband** service revenue remained steady at \$185.8 million for the full year as the Company added 15,000 customers YoY bringing the base to 482,000. Full year ARPU remained constant at S\$32.
- Full year revenue from **Sales of Equipment** such as premium mobile handsets and smart home equipment was constant at S\$529.6 million.

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- The newly-formed Ensign entity in total contributed S\$33.3 million in service revenues, EBITDA of S\$0.5 million and a NPAT loss of S\$3.4 million.

### **FY2019 Outlook**

Based on the current outlook, we expect the Group's 2019 service revenue to be stable to a decline of 2% YoY. Group service EBITDA margin is expected to be between 26% to 28% (before SFRS(I) 16 adoption) and between 30% to 32% (after SFRS(I) 16 adoption).

Operating leases will be capitalised as right-of-use (ROU) assets and depreciated over the useful life of the ROU assets. In addition, the adoption of SFRS(I) 16 will result in higher interest expense. Depreciation and amortisation expenses are also expected to increase approximately by S\$10 million due to amortisation of intangible assets from recent acquisitions.

In 2019, CAPEX commitment, excluding spectrum payment of S\$282.0 million, is expected to be 11% to 12% of total revenue. Consistent with industry practice and dynamic market conditions, as of FY2019, the Group intends to adopt a new variable dividend policy and pay-out at least 80% of net profit attributable to shareholders (adjusted for one off, non-recurring items), as dividend.

As part of the transition to the new dividend policy, the Group intends to pay a dividend of at least 9 cents per ordinary share for FY2019, at a rate of 2.25 cents per quarter. Any payment above 9 cents in line with the new dividend policy would occur in the last quarterly payment.

As previously communicated, the final dividend for FY2018 of 4 cents per quarter will be paid in May 2019.

StarHub intends to provide additional information on revenues and margins associated with Ensign, its newly established cyber security business, at the end of 1Q2019 onwards.

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For more details on the Group's performance for 4Q & FY2018 and outlook for FY2019, please visit [www.starhub.com/ir](http://www.starhub.com/ir). Materials available at this website include the audio conference link, investor presentation and unaudited results for the 4Q and FY ended 31 December 2018.

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#### **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 communications 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. Launched in 2000 and listed on the Singapore Exchange mainboard since 2004, StarHub is a component stock of the SGX Sustainability Leaders Index and the SGX Sustainability Leaders Enhanced Index. Find us at [www.starhub.com](http://www.starhub.com), or connect with us on [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#) and [YouTube](#).

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