

Hub of innovations helps telco shine bright

StarHub makes strong inroads into mobile, cable TV and Internet fields

BY CHUA HIAN HOU

THE phenomenon of free incoming calls – something many people take for granted today – was unheard of in Singapore until StarHub set the ball rolling seven years ago.

Singapore's newest mobile operator knew it needed a headline-grabbing hook to grab market share from the two heavyweights SingTel and M1.

StarHub president Mike Reynolds said the move proved so successful that its rivals offer the same today.

The telco has continued to innovate, from its “hubbing” or discounted bundling package programme,

to the launch of the region's first commercial high-definition television service.

It was also the first to offer free dial-up Internet access where subscribers pay only the phone toll and it introduced the BlackBerry handheld wireless data device to Singapore.

The firm – part mobile phone company, part pay TV operator and part Internet service provider – is now Singapore's 36th-largest listed company.

It has 32 per cent of the country's mobile phone users, about 50 per cent of the residential broadband users and nearly 500,000 cable TV subscribers.

While market share is important, said Mr Reynolds, StarHub is “primarily focused on delivering profitable growth and increasing shareholder value”.

It has certainly delivered on this promise. An investor who bought StarHub shares when they were listed at 95

cents each in October 2004 would have made almost three times the original investment, including capital gains and dividend.

While the company is aware that the telecommunications industry is a competitive one, it is confident that the future is bright.

Despite the launch of rival services, such as SingTel's mioTV and M2B World's WowTV, Mr Reynolds is confident StarHub will continue to “please our existing customers and to convince those that aren't yet enjoying our service that they should be”.

He also believes that while “mobile penetration in Singapore is high, there is still room to grow” in areas such as mobile data.

StarHub is also looking beyond its traditional business areas and has set up a new unit, an advanced multimedia services group, to “pursue market opportunities with emerging multimedia technologies”.

This unit launched the pfingo or “phone, finger, on the go” service last September.

The service allows users – both local as well as international – to read their e-mail, make phone calls and chat online via mobile phones or computers. The service has already attracted 140,000 sign-ups.

A Goldman Sachs report last November said StarHub offers investors a “high-quality earnings stream, attractive cash return strategy and reasonable valuation”, with a “return potential” of 25 per cent.

Meanwhile, another broking firm, CIMB-GK, said in an October report that StarHub “offers the best exposure to Singapore's telecoms consumption growth story”, and gave it a price target of \$3.64.

StarHub shares closed unchanged at \$2.88 yesterday.

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StarHub



WHAT'S KEY:
While market share is important, Mr Reynolds says the telco's main focus is on profits and growth, as well as raising shareholder value.

Business: Telecommunications – mobile, broadband and pay TV

Date of listing: Oct 13, 2004

Market cap (as at Dec 31): \$4.79 billion

Annual turnover: \$1.8 billion for 2006

Net profits: \$360 million for 2006

Senior management: Chief executive Terry Clontz, president Mike Reynolds

Key shareholders: Singapore Technologies Telemedia, NTT Communications and MediaCorp. About 3 per cent of the shares are held by retail investors currently.