



StarHub Limited

DARE+ Drag Delayed

SINGAPORE | TELECOMMUNICATIONS | 1Q23 UPDATE

- Revenue and EBITDA were in line with expectations at 22%/25% of our FY22e estimates. 1Q23 revenue growth of almost 9% YoY was broad-based, especially mobile roaming revenue and higher ARPUs in entertainment.
- The extra investment into the DARE+ transformation was around S\$25mn of the expected S\$155mn to be spent this year. The bulk of this spend will be in opex. We estimate S\$90mn.
- FY23e will be a transition year as StarHub undergoes huge expenditure namely in IT. In general, these investments will lower operating cost as networks and infrastructure are replaced and move to the cloud. Revenue opportunities are expected to come from the launch of a All-in-One app platform, more self-serve consumer features, faster speed and agility to launch products and providing Greentech and hybrid multi cloud capabilities to the enterprise segment. We maintain our FY23e forecast and NEUTRAL recommendation. The target price of S\$1.08 is unchanged, pegged at 6.5x FY22e EV/EBITDA, in line with other mobile peers.

Results at a glance

SGD mn	1Q23	1Q22	YoY	4Q22	QoQ	Comments (YoY)
Revenue	557.4	512.7	8.7%	677.9	-17.8%	FY23e guidance is at least 8-10% YoY.
- Mobile	152.1	134.1	13.4%	153.1	-0.7%	Postpaid ARPU +10%, subs. +5%.
- Entertainment	57.1	47.2	21.0%	64.5	-11.5%	ARPU +16%, Subs. +1%.
- Broadband	62.0	51.5	20.4%	62.9	-1.4%	Includes MyRepublic revenue.
- Cyber security	53.3	51.5	3.5%	101.1	-47.3%	
Operating expenses	-461.6	-470.7	-1.9%	-667.0	-30.8%	
EBITDA	112.8	109.1	3.4%	67.5	67.1%	
Service EBITDA	103.4	100.7	2.7%	104.6	-1.1%	
EBITDA margin	20.2%	21.3%	-1.0%	10.0%	10.3%	
Service EBITDA margin	22.4%	24.2%	-1.8%	19.6%	2.8%	FY23e guidance is approx. 20%.
PATMI	37.5	29.7	26.3%	-18.8	n.m.	

Source: Company, PSR #Note – Only selected financials were provided in the update.

The Positive

+ Roaming revenue lifted mobile. Mobile revenue rose 13.4% YoY to S\$152mn, supported by both ARPU and subscriber growth. Roaming is the largest driver of ARPU recovery despite ongoing migration to SIM only. Prepaid remains challenged with sluggish net adds and lower prices.

The Negative

- Weakness in broadband. Excluding the MyRepublic acquisition, broadband revenue declined an estimated 5% YoY to S\$49mn. Broadband is facing higher price contribution. ARPU and subscribers were basically flat QoQ. The acquisition of MyRepublic has only lifted StarHub broadband ARPU by S\$1 to S\$34. The launch of SIMBA (formerly TPG) broadband plans will further pressure prices.

Outlook

There has been no change in FY23 guidance. The return of roaming is the major growth driver to earnings. However the upfront investments into DARE+ transformation will be a drag to FY23e earnings.

Maintain NEUTRAL with unchanged TP of S\$1.08

Our target price is based on regional peers' 6.5x FY23e EV/EBITDA.



15 May 2023

NEUTRAL (Maintained)

CLOSING PRICE	SGD 1.02
FORECAST DIV	SGD 0.050
TARGET PRICE	SGD 1.08
TOTAL RETURN	10.8%

COMPANY DATA

BLOOMBERG CODE:	STH SP
O/S SHARES (MN):	1,730
MARKET CAP (USD mn / SGD mn):	1319 / 1765
52 - WK HI/LO (SGD):	1.28 / 1
3M Average Daily T/O (mn):	0.75

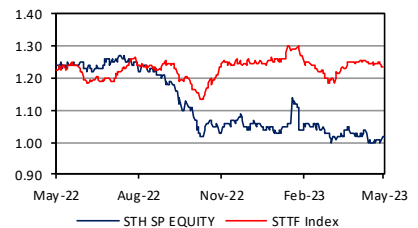
MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	55.9%
Nippon Telegraph & Telephone Corp	9.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	1.5	0.5	0.5
STI RETURN	(0.9)	(2.6)	0.8

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGDmn	FY21	FY22	FY23e	FY24e
Revenue	2,043	2,327	2,532	2,604
EBITDA	506	417	447	489
Net Profit	149	70	101	116
DPS (SS cents)	6.4	5.0	5.0	6.0
Dividend Yield	6.3%	4.9%	4.9%	5.9%
ROE	25.4%	13.2%	18.8%	21.5%
ROA	4.6%	2.2%	3.6%	4.1%

Source: Company, PSR

VALUATION METHOD

6.5x EV/EBITDA FY23e

Paul Chew (+65 6212 1851)

Head Of Research

paulchewkl@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
Revenue	2,029	2,043	2,327	2,532	2,604
Operating Profit	231	232	155	161	178
EBITDA	538	506	417	447	489
Depreciation & Amortisation	(307)	(279)	(267)	(286)	(310)
EBIT	231	227	151	161	178
Net Finance Inc/(Exp)	(41)	(49)	(45)	(42)	(42)
Profit before tax	193	190	93	123	142
Taxation	(33)	(40)	(23)	(22)	(26)
Net profit before NCI	160	150	70	101	117
Non-controlling interest	2	1	0	0	0
Net profit, reported	158	149	70	101	116

Per share data (SGD Cents)

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	8.7	8.2	3.6	5.4	6.3
DPS	5.0	6.4	5.0	5.0	6.0
BVPS	31.1	34.0	30.6	31.0	31.3

Cash Flow

Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit before tax	193	190	93	123	142
Adjustments	349	326	332	324	347
WC changes	96	224	(60)	(287)	7
Cash generated from ops	638	740	365	161	495
Tax paid	(59)	(83)	19	(22)	(26)
Cashflow from ops	579	657	384	139	470
CFI					
CAPEX	(191)	(173)	(161)	(329)	(338)
Others	(66)	(114)	(74)	5	6
Cashflow from investments	(257)	(287)	(235)	(324)	(333)
CFE					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	107	198	(211)	(50)	(50)
Dividends	(82)	(87)	(111)	(87)	(104)
Others	47	134	(293)	(100)	(100)
Cashflow from financing	(35)	48	(404)	(187)	(204)
Net change in cash	287	418	(255)	(373)	(67)
CCE, end	404	821	567	195	127

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

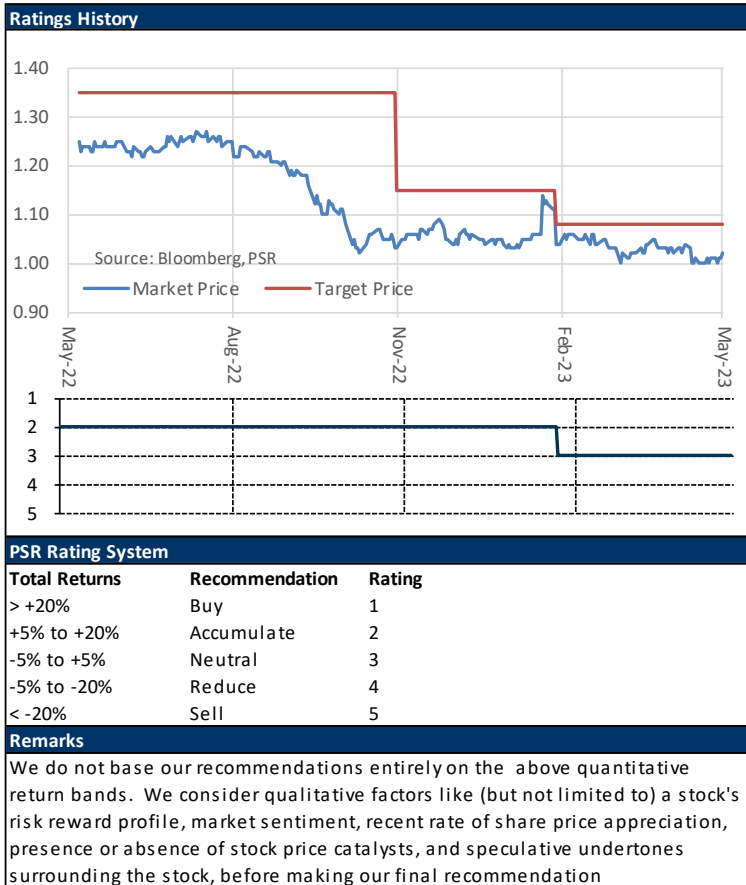
Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Accounts receivables	193	192	243	253	260
Cash	415	833	574	201	134
Inventories	80	50	66	101	104
Amt due from related parties	19	15	18	18	18
Others	99	196	158	158	158
Total current assets	1,160	1,603	1,419	1,092	1,035
PPE & IA	1,475	1,407	1,441	1,483	1,512
Others	173	148	137	137	137
Total non-current assets	1,772	1,640	1,715	1,757	1,785
Total Assets	2,931	3,243	3,134	2,849	2,820
LIABILITIES					
Accounts payables	555	694	824	582	599
Short term loans	9	226	137	137	137
Amt Due to related parties	34	24	42	42	42
Tax payable	83	57	35	35	35
Total current liabilities	773	1,094	1,160	919	935
Long term loans	1,164	1,139	1,014	964	914
Deferred tax liabilities	111	92	87	87	87
Others	93	76	57	57	57
Total non-current liabilities	1,532	1,453	1,290	1,240	1,190
Total Liabilities	2,305	2,547	2,450	2,158	2,125
EQUITY					
Non-controlling interests	88	107	153	153	153
Shareholder Equity	538	590	531	537	542

Valuation Ratios

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (X)	11.8	12.5	28.6	19.0	16.3
P/B (X)	3.3	3.0	3.3	3.3	3.3
EV/EBITDA (X)	4.9	4.8	6.0	6.3	5.8

Growth & Margins

Growth					
Revenue	-12.9%	0.7%	13.9%	8.8%	2.9%
EBITDA	-12.8%	-6.0%	-17.5%	7.3%	9.2%
EBIT	-9.6%	-2.0%	-33.6%	6.9%	10.9%
Net profit, adj.	-10.4%	-6.3%	-53.5%	44.9%	15.2%
Margins					
Gross margin	11.4%	11.3%	6.6%	6.4%	6.9%
EBITDA margin	26.5%	24.8%	17.9%	17.7%	18.8%
EBIT margin	11.4%	11.1%	6.5%	6.4%	6.9%
Net profit margin	7.9%	7.3%	3.0%	4.0%	4.5%
Key Ratios					
ROE (%)	29.7	25.4	13.2	18.8	21.5
ROA (%)	5.5	4.6	2.2	3.6	4.1
Dividend Yield (%)	4.9	6.3	4.9	4.9	5.9
Dividend Payout (%)	58	78	140	93	96



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Banking & Finance

Glenn Thum – glennthumjc@phillip.com.sg

Credit Analyst

Shawn Sng – shawnsgkh@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Conglomerate | Transport

Peggy Mak – peggymak@phillip.com.sg

US Technology Analyst (Hardware & Marketplaces)

Maximilian Koeswoyo – maximilian@phillip.com.sg

US Technology Analyst (Digital Media & Entertainment)

Jonathan Woo – jonathanwookj@phillip.com.sg

US Technology Analyst (Software/Services)

Ambrish Shah – amshah@phillipcapital.in

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGEX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-
3328895

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