



StarHub Limited

Dare+ investments ending soon

SINGAPORE | TELECOMMUNICATIONS | 3Q23 UPDATE

- 3Q23 results were within expectations. 9M23 revenue and EBITDA were 74%/73% of our FY23e estimates. No change in StarHub FY23 guidance.
- Revenue growth of 5% YoY in 3Q23 was led by cybersecurity and mobile. Cybersecurity revenue rose 45% YoY to S\$115mn on strong order books and pipeline. Mobile revenue expanded 7% YoY to S\$153mn from higher roaming revenues.
- We maintain our FY23e forecast and ACCUMULATE recommendation. Our target price of S\$1.21, pegged at 6.5x FY23e EV/EBITDA, is unchanged. With the S\$310mn Dare+ investments in operating expense and capital expenditure, we expect an improvement in earnings in FY24e. The revenue opportunities post Dare+ investments remain unclear. The cybersecurity operation continues to build up its franchise and is yet to be fully priced into StarHub valuations as it remains unprofitable.

Results at a glance

SGD mn	3Q23	3Q22	YoY	2Q23	QoQ	Comments (YoY)
Revenue	622.1	590.8	5.3%	548.8	13.4%	11% decline in equipment revenue.
- Mobile	153.3	143.0	7.2%	150.6	1.8%	Postpaid ARPU +3%, subs. +2%.
- Entertainment	56.7	55.4	2.3%	56.8	-0.2%	ARPU +29%, Subs. -10%.
- Broadband	62.4	63.6	-1.9%	62.6	-0.3%	ARPU +0%, Subs. +1%.
- Cyber security	115.1	79.3	45.1%	75.7	52.0%	
Operating expenses	-461.6	-547.1	-15.6%	-530.0	-12.9%	
EBITDA	113.9	109.5	4.0%	117.1	-2.7%	
Service EBITDA	106.4	99.7	6.7%	109.2	-2.6%	
EBITDA margin	18.3%	18.5%	-0.2%	21.3%	-3.0%	
Service EBITDA margin	20.2%	20.6%	-0.4%	22.9%	-2.7%	Below guidance of 22%.
PATMI	37.3	27.4	36.1%	39.1	-4.6%	

Source: Company, PSR

The Positive

+ Jump in cybersecurity. Cybersecurity registered a record revenue of S\$115mn in 3Q23. Project details were not disclosed but the orderbooks and project pipelines remain healthy. There have been new solutions in AI and automation.

The Negative

- Competition pressing down ARPUs. Competition is pressing down ARPU in mobile and broadband. ARPU was flat QoQ in 3Q23. Mobile is facing price competition from MVNOs, whilst broadband operators are pricing down ahead of the Simba.

Outlook

With Dare+ investments near completion this year, we expect an improvement in earnings for FY24e. The trajectory of earnings post Dare+ investment hinges on the new revenue opportunities resulting from the revamp of the IT systems. A wider suite of services with better customisation features are some of the benefits. Capex spending will be replaced with opex, such as the greater use of cloud solutions. Opex should also reduce in FY24 as overlapping legacy systems and costs are decommissioned.

Maintain ACCUMULATE with an unchanged TP of S\$1.21

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

9 November 2023

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 1.709
FORECAST DIV	SGD 0.050
TARGET PRICE	SGD 1.21
TOTAL RETURN	15.6%

COMPANY DATA

BLOOMBERG CODE:	STH SP
O/S SHARES (MN):	1,719
MARKET CAP (USD mn / SGD mn):	1369 / 1856
52 - WK HI/LO (SGD):	1.15 / 1
3M Average Daily T/O (mn):	1.16

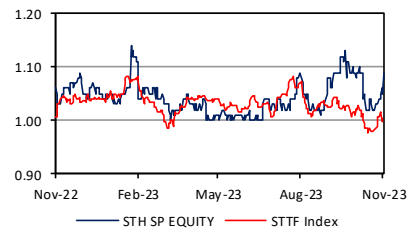
MAJOR SHAREHOLDERS

Temasek Holdings Pte Ltd	56.2%
Nippon Telegraph & Telephone Corp	10.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(3.7)	(0.5)	5.9
STI RETURN	(1.8)	(4.6)	(0.1)

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGDmn	FY21	FY22	FY23e	FY24e
Revenue	2,043	2,327	2,342	2,484
EBITDA	506	417	474	531
Net Profit	149	70	153	187
DPS (S cents)	6.4	5.0	5.0	6.0
Dividend Yield	5.9%	4.6%	4.6%	5.5%
ROE	25.4%	13.2%	26.0%	28.2%
ROA	4.6%	2.2%	5.4%	6.4%

Source: Company, PSR

VALUATION METHOD

6.5x EV/EBITDA FY23e

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Financials

Income Statement

Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
Revenue	2,029	2,043	2,327	2,342	2,484
Operating Profit	231	232	155	213	255
EBITDA	538	506	417	474	531
Depreciation & Amortisation	(307)	(279)	(267)	(261)	(276)
EBIT	231	227	151	213	255
Net Finance Inc/(Exp)	(41)	(49)	(45)	(42)	(42)
Profit before tax	193	190	93	186	228
Taxation	(33)	(40)	(23)	(34)	(41)
Net profit before NCI	160	150	70	153	187
Non-controlling interest	2	1	0	0	0
Net profit, reported	158	149	70	153	187

Per share data (SGD Cents)

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	8.7	8.2	3.6	8.4	10.4
DPS	5.0	6.4	5.0	5.0	6.0
BVPS	31.1	34.0	30.6	34.0	38.4

Cash Flow

Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit before tax	193	190	93	186	228
Adjustments	349	326	332	290	305
WC changes	96	224	(60)	(304)	13
Cash generated from ops	638	740	365	172	546
Tax paid	(59)	(83)	19	(34)	(41)
Cashflow from ops	579	657	384	139	505
CFI					
CAPEX	(191)	(173)	(161)	(258)	(224)
Others	(66)	(114)	(74)	14	13
Cashflow from investments	(257)	(287)	(235)	(244)	(211)
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)	(292)	91
CCE, end	404	821	567	276	366

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

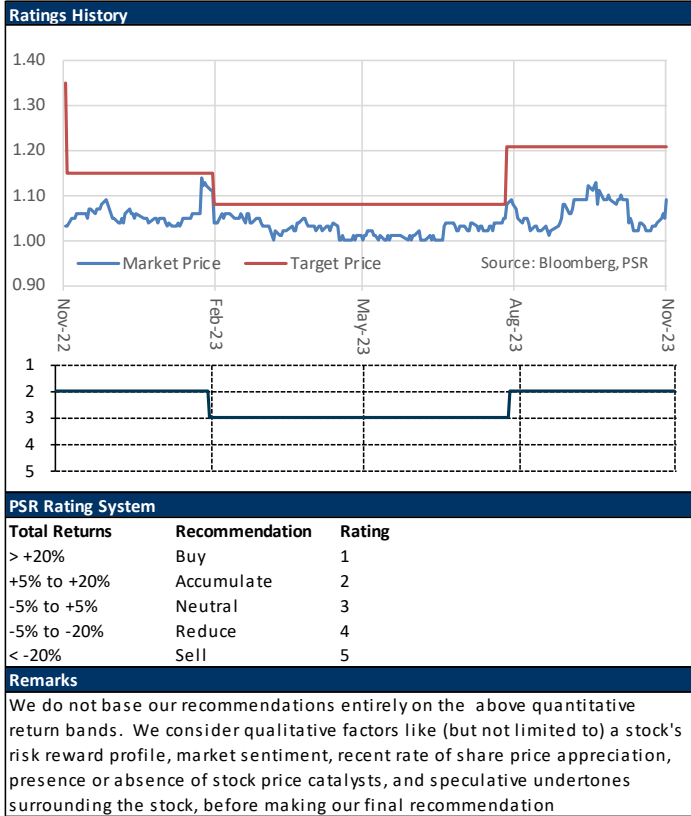
Y/E Dec, SGDmn	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Accounts receivables	193	192	243	234	248
Cash	415	833	574	282	373
Inventories	80	50	66	94	99
Amt due from related parties	19	15	18	18	18
Others	99	196	158	158	158
Total current assets	1,160	1,603	1,419	1,146	1,257
PPE & IA	1,475	1,407	1,441	1,437	1,385
Others	173	148	137	137	137
Total non-current assets	1,772	1,640	1,715	1,711	1,658
Total Assets	2,931	3,243	3,134	2,857	2,915
LIABILITIES					
Accounts payables	555	694	824	539	571
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	875	908
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	2,115	2,097
EQUITY					
Non-controlling interests	88	107	153	153	153
Shareholder Equity	538	590	531	589	664

Valuation Ratios

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (X)	12.6	13.4	30.5	13.0	10.5
P/B (X)	3.5	3.2	3.6	3.2	2.8
EV/EBITDA (X)	5.1	5.0	6.3	6.0	5.1

Growth & Margins

Growth					
Revenue	-12.9%	0.7%	13.9%	0.6%	6.1%
EBITDA	-12.8%	-6.0%	-17.5%	13.6%	12.1%
EBIT	-9.6%	-2.0%	-33.6%	41.2%	20.1%
Net profit, adj.	-10.4%	-6.3%	-53.5%	119.0%	22.4%
Margins					
Gross margin	11.4%	11.3%	6.6%	9.1%	10.3%
EBITDA margin	26.5%	24.8%	17.9%	20.2%	21.4%
EBIT margin	11.4%	11.1%	6.5%	9.1%	10.3%
Net profit margin	7.9%	7.3%	3.0%	6.5%	7.5%
Key Ratios					
ROE (%)	29.7	25.4	13.2	26.0	28.2
ROA (%)	5.5	4.6	2.2	5.4	6.4
Dividend Yield (%)	4.6	5.9	4.6	4.6	5.5
Dividend Payout (%)	58	78	140	60	58



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