



StarHub Limited

Pop in dividends

SINGAPORE | TELECOMMUNICATIONS | 4Q23 RESULTS

- 4Q23 results were within expectations. FY23 revenue and EBITDA were 99%/101% of our FY23 estimates. The full-year dividend was 6.7 cents, a 34% YoY rise and ahead of our 5 cents estimate.
- Revenue guidance for FY24e was for weaker growth of 1-3% (FY23: +5.5%). We believe mobile revenue faces stiffer competition from lower-end price plans, thus impeding ARPU growth despite contributions from higher-margin roaming revenue.
- The increase in FY24e dividend guidance from 5 cents to at least 6 cents has placed a minimum yield of at least 5% at the current price. Our target price is raised from S\$1.21 to S\$1.29 as we roll over our earnings to FY24e. We peg valuation to 6.5x FY24e EV/EBITDA, in line with other mobile peers. It will be another year of investment and slow growth for StarHub with its DARE+ initiative. The expected spend is S\$80mn in FY24e, of which S\$32mn is opex and S\$48mn capex. Any premium valuations (or re-rating) for StarHub will depend on the efficiency and revenue gains from DARE+. This is elusive so far. Another catalyst will be monetisation or operating leverage at Ensign, the cybersecurity operations.

Results at a glance

SGD mn	4Q23	4Q22	YoY	3Q23	QoQ	Comments (YoY)
Revenue	644.9	677.9	-4.9%	622.1	3.7%	18% decline in equipment revenue.
- Mobile	153.0	153.1	-0.1%	153.3	-0.2%	Postpaid ARPU +3%, subs. +1%.
- Entertainment	57.4	64.5	-11.0%	56.7	1.2%	ARPU +2%, Subs. -10%.
- Broadband	61.7	62.9	-1.9%	62.4	-1.1%	ARPU +0%, Subs. +0%.
- Cyber security	106.0	101.1	4.8%	115.1	-7.9%	
Operating expenses	-579.7	-667.0	-13.1%	-568.7	1.9%	
EBITDA	123.6	77.8	58.9%	113.9	8.5%	
Service EBITDA	112.7	65.8	71.3%	106.4	5.9%	
EBITDA margin	19.2%	11.5%	7.7%	18.3%	0.9%	
Service EBITDA margin	21.4%	12.3%	9.1%	20.2%	1.1%	
PATMI	35.6	-26.2	n.m.	37.3	-4.6%	
DPS - Interim (cents)	4.2	2.5	68.0%	0.0	n.m.	Above guidance of at least 5 cents.

Source: Company, PSR

The Positives

+ Jump in dividends supported by FCF. The final dividend was 4.2 cents, up 68% YoY. Full-year dividend payout was 80%. It aligns with management guidance to distribute at least 80% of earnings or 5 cents, whichever is higher. The company mentioned it generated a free cash flow (FCF) of S\$186mn, sufficient to cover the S\$115mn in dividends. However, we believe lease payments of S\$37mn should be deducted from FCF as it is operating in nature.

The Negative

- Slower services revenue. Service revenue declined 1.4% YoY in 4Q23 to S\$527mn, the first decline in two years. Most segments were weak. Despite roaming revenue, mobile ARPU only rose 3% YoY to S\$33. Entertainment revenue declined due to the absence of World Cup 4Q22. ARPU for broadband was flat YoY at S\$34 as competition is accelerating ahead of the entry of Simba, the fourth mobile operator.

14 February 2024

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 1.14
FORECAST DIV	SGD 0.070
TARGET PRICE	SGD 1.29
TOTAL RETURN	19.3%

COMPANY DATA

BLOOMBERG CODE:	STH SP
O/S SHARES (MN):	1,716
MARKET CAP (USD mn / SGD mn):	1454 / 1956
52 - WK HI/LO (SGD):	1.18 / 1
3M Average Daily T/O (mn):	1.09

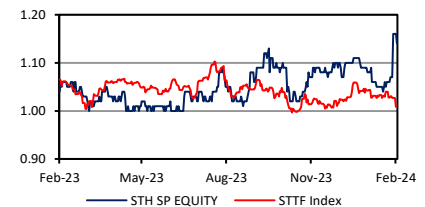
MAJOR SHAREHOLDERS

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

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	6.4	7.4	4.5
STI RETURN	(1.8)	0.3	(3.0)

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGDmn	FY22	FY23	FY24e	FY25e
Revenue	2,327	2,373	2,388	2,530
EBITDA	417	467	478	536
Net Profit	62	150	154	189
DPS (SS cents)	5.0	6.7	7.0	7.5
Dividend Yield	4.4%	5.9%	6.1%	6.6%
ROE	13.2%	25.6%	26.0%	29.0%
ROA	2.2%	4.8%	5.4%	6.6%

Source: Company, PSR

VALUATION METHOD

6.5x EV/EBITDA FY24e

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Outlook

Revenue growth is becoming more challenging for StarHub. Service revenue guidance in FY23 was cut from 8-10% to 3-5% in November. FY24 guidance is slowing further to 1-3% (Figure 1). We believe competition is rising in mobile and broadband, especially from lower priced plans.

The enterprise operations, particularly regional ICT, are facing a decline despite recent acquisitions. EBITDA margins are unchanged as enterprise operations face lower margins.

Figure 1: Revenue growth is softening

Category	Metric	FY23	FY24e	
			StarHub	PSR
Service revenue *	% YoY	5.5%	1-3%	2.3%
Service EBITDA	% margin	21.7%	~22%	21.9%
Capex	% of revenue	8.8%	11-13%	10.0%
Dividends	Cts per share	6.7	>=6.0	7.0

Source: Company, PSR *Exclude D'Crypt revenue

Maintain ACCUMULATE with higher TP of S\$1.29 (prev. S\$1.21)

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

Financials

Income Statement

Y/E Dec, SGDmn	FY21	FY22	FY23	FY24e	FY25e
Revenue	2,043	2,327	2,373	2,388	2,530
Operating Profit	232	155	226	227	273
EBITDA	506	417	467	478	536
Depreciation & Amortisation	(279)	(267)	(241)	(251)	(263)
EBIT	227	151	226	227	273
Net Finance Inc/(Exp)	(49)	(45)	(41)	(42)	(42)
Profit before tax	190	93	197	201	246
Taxation	(40)	(23)	(51)	(46)	(57)
Net profit before NCI	150	70	146	155	190
Non-controlling interest	1	8	(4)	1	1
Net profit, reported	149	62	150	154	189

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	8.2	3.1	8.2	8.5	10.5
DPS	6.4	5.0	6.7	7.0	7.5
BVPS	34.0	30.7	33.0	34.6	37.8

Cash Flow

Y/E Dec, SGDmn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	190	93	197	201	246
Adjustments	326	332	275	280	294
WC changes	224	19	(72)	(121)	16
Cash generated from ops	740	444	400	360	555
Tax paid	(83)	(60)	(41)	(46)	(57)
Cashflow from ops	657	384	359	314	499
CFI					
CAPEX	(173)	(161)	(173)	(239)	(202)
Others	(114)	(74)	(23)	13	11
Cashflow from investments	(287)	(235)	(195)	(226)	(191)
CFE					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	198	(211)	(3)	(50)	(50)
Dividends	(87)	(111)	(86)	(119)	(126)
Others	134	(293)	(123)	(100)	(100)
Cashflow from financing	48	(404)	(210)	(219)	(226)
Net change in cash	418	(255)	(46)	(132)	82
CCE, end	821	567	498	366	448

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGDmn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Accounts receivables	192	243	278	239	253
Cash	833	574	502	371	452
Inventories	50	66	47	48	51
Amt due from related parties	15	18	19	19	19
Others	196	158	140	140	140
Total current assets	1,603	1,419	1,381	1,211	1,310
PPE & IA	1,407	1,441	1,363	1,351	1,291
Others	148	137	124	124	124
Total non-current assets	1,640	1,715	1,654	1,642	1,582
Total Assets	3,243	3,134	3,035	2,853	2,891
LIABILITIES					
Accounts payables	694	824	709	549	582
Short term loans	226	137	11	11	11
Amt Due to related parties	24	42	34	34	34
Tax payable	57	35	56	56	56
Total current liabilities	1,094	1,160	961	801	833
Long term loans	1,139	1,014	1,128	1,078	1,028
Deferred tax liabilities	92	87	72	72	72
Others	76	57	47	47	47
Total non-current liabilities	1,453	1,290	1,369	1,319	1,269
Total Liabilities	2,547	2,450	2,330	2,120	2,103
EQUITY					
Non-controlling interests	107	153	137	137	137
Shareholder Equity	590	531	569	597	652

Valuation Ratios

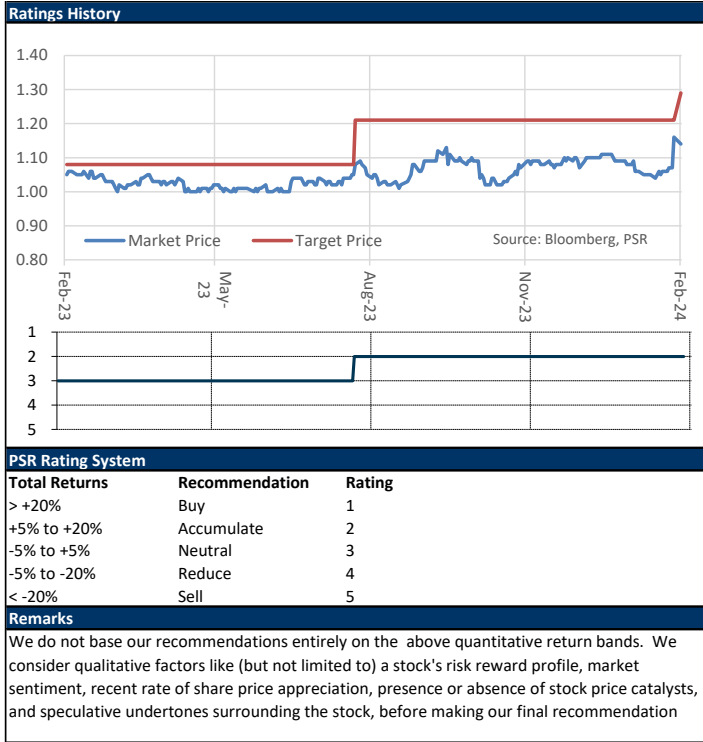
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	14.0	36.3	13.9	13.5	10.9
P/B (X)	3.3	3.7	3.5	3.3	3.0
EV/EBITDA (X)	5.2	6.5	5.9	5.9	5.0

Growth & Margins

Growth					
Revenue	0.7%	13.9%	2.0%	0.6%	5.9%
EBITDA	-6.0%	-17.5%	12.1%	2.3%	12.1%
EBIT	-2.0%	-33.6%	50.3%	0.5%	20.0%
Net profit, adj.	-6.3%	-53.5%	108.9%	6.3%	22.3%

Margins					
Gross margin	11.3%	6.6%	9.5%	9.5%	10.8%
EBITDA margin	24.8%	17.9%	19.7%	20.0%	21.2%
EBIT margin	11.1%	6.5%	9.5%	9.5%	10.8%
Net profit margin	7.3%	3.0%	6.1%	6.5%	7.5%

Key Ratios					
ROE (%)	25.4	13.2	25.6	26.0	29.0
ROA (%)	4.6	2.2	4.8	5.4	6.6
Dividend Yield (%)	5.6	4.4	5.9	6.1	6.6
Dividend Payout (%)	78	159	82	83	72



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