



StarHub Limited

Mobile competition clouds outlook

SINGAPORE | TELECOMMUNICATIONS | 4Q24 RESULTS

- Revenue was within expectations at 102% of our FY24 forecast. But EBITDA was below at 96%. Mobile continues to face intense competition, with 4Q24 ARPU declining 12.1% YoY. The final dividend per share was down 24% YoY to 3.2 cents.
- Mobile postpaid subscribers are still ramping up by 94k in 4Q24 (4Q23 -5k). However, it is at the expense of revenue declining 6% YoY to S\$144mn in 4Q24. Market share has crept up 1.4% points YoY to 23.9% in FY24. StarHub is guiding stable EBITDA for FY25.
- We lower our FY25e EBITDA by 13% to S\$461mn due to the intense competition in mobile. Our target price of S\$1.29 (6.5x FY25e EV/EBITDA) and ACCUMULATE recommendation are unchanged. Earnings recovery is expected in FY26e as DARE+ cost savings materialise. Intense mobile price competition has no winners in the industry except for quickening the urgency for consolidation. We believe the consolidator will face the distraction and cost of an acquisition. StarHub has the financial capacity to consolidate but is not the only aspirant.

Results at a glance

SGD mn	4Q24	4Q23	YoY	3Q24	QoQ	Comments (YoY)
Revenue	687.5	655.9	4.8%	575.2	19.5%	
- Mobile	144.0	153.0	-5.9%	143.3	0.5%	Postpaid ARPU -12.1%, subs. +11.5%.
- Entertainment	50.9	57.4	-11.3%	52.1	-2.3%	ARPU +0%, Subs. -9.2%.
- Broadband	64.0	61.7	3.7%	63.2	1.3%	ARPU +5.9%, Subs. -0.3%.
- Cyber security	166.7	117.1	42.4%	77.0	116.5%	
Operating expenses	-628.6	-589.0	6.7%	-522.6	20.3%	
EBITDA	122.0	127.8	-4.5%	114.6	6.5%	
Service EBITDA	114.1	116.9	-2.4%	108.9	4.8%	
EBITDA margin	17.7%	19.5%	-1.7%	19.9%	-2.2%	
Service EBITDA margin	19.4%	21.7%	-2.3%	22.1%	-2.6%	
PATMI	38.1	36.1	5.5%	40.4	-5.7%	
DPS - Final (cents)	3.2	4.2	-23.8%	0.0	n.m.	Within FY24 guidance of at least 6 cents.

Source: Company, PSR

The Positive

+ Turnaround in cyber security. Due to project recognition, 4Q24 cyber security revenue jumped 42% YoY to S\$166.7mn. The focus is to push managed services and core technology to drive margins. Cybersecurity broke even with a small S\$0.6mn profit in FY24 (FY23: S\$16.1mn normalised loss). Net margins in cyber security are paltry despite a revenue base of S\$392mn.

The Negative

- Winning or buying market share. Mobile revenue has been contracting for the 4th consecutive quarter. This was despite adding 182k subscribers and raising market share by 1.4% points YoY to 23.9% in FY24. Postpaid ARPU in 4Q24 fell 12% YoY to S\$29 as StarHub pushed prices aggressively in the value segment.

Outlook

StarHub is not providing revenue guidance for FY25 due to the intense price competition underway in mobile. EBITDA is expected to remain stable in FY25. Benefits from DARE+ investment will commence primarily in FY26. Cost savings will come from digitalising customer engagement, decommissioning legacy systems, and further automation of processes. Dividend guidance is unchanged, with the higher 6 cents or 80% payout. The S\$282mn spectrum payment is under discussion with the regulator and is expected to be paid in June 2025.

Maintain ACCUMULATE with an unchanged TP of S\$1.29

Our target price is based on regional peers' 6.5x FY25e EV/EBITDA.

24 February 2025

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 1.24
FORECAST DIV	SGD 0.064
TARGET PRICE	SGD 1.29
TOTAL RETURN	9.2%

COMPANY DATA

BLOOMBERG CODE:	STH SP
O/S SHARES (MN):	1,720
MARKET CAP (USD mn / SGD mn):	1597 / 2133
52 - WK HI/LO (SGD):	1.29 / 1.13
3M Average Daily T/O (mn):	0.48

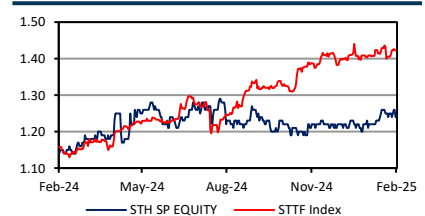
MAJOR SHAREHOLDERS

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

TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.3	4.1	4.1
STI RETURN	3.6	5.1	4.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGDmn	FY23	FY24	FY25e	FY26e
Revenue	2,373	2,368	2,382	2,380
EBITDA	467	460	461	478
Net Profit	150	161	160	164
DPS (SS cents)	6.7	6.2	6.4	6.7
Dividend Yield	5.4%	5.0%	5.2%	5.4%
ROE	25.6%	27.7%	24.2%	23.3%
ROA	4.8%	5.4%	5.1%	5.2%

Source: Company, PSR

VALUATION METHOD

6.5x EV/EBITDA FY25e

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Financials

Income Statement

Y/E Dec, SGDmn	FY22	FY23	FY24	FY25e	FY26e
Revenue	2,327	2,373	2,368	2,382	2,380
Operating Profit	155	226	225	219	223
EBITDA	417	467	460	461	478
Depreciation & Amortisation	(267)	(241)	(236)	(242)	(255)
EBIT	151	226	225	219	223
Net Finance Inc/(Exp)	(45)	(41)	(43)	(42)	(42)
Profit before tax	93	197	205	192	196
Taxation	(23)	(51)	(37)	(35)	(35)
Net profit before NCI	70	146	168	157	161
Non-controlling interest	8	(4)	8	(3)	(3)
Net profit, reported	62	150	161	160	164

Per share data (SGD Cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	3.1	8.3	8.9	8.9	9.1
DPS	5.0	6.7	6.2	6.4	6.7
BVPS	30.7	33.2	35.4	37.8	40.2

Cash Flow

Y/E Dec, SGDmn	FY22	FY23	FY24	FY25e	FY26e
CFI					
Profit before tax	93	197	205	192	196
Adjustments	332	275	257	273	286
WC changes	19	(72)	(50)	(36)	(0)
Cash generated from ops	444	400	412	429	482
Tax paid	(60)	(41)	(51)	(35)	(35)
Cashflow from ops	384	359	361	395	446
CFI					
CAPEX	(161)	(173)	(199)	(262)	(238)
Others	(74)	(23)	97	11	11
Cashflow from investments	(235)	(195)	(102)	(251)	(227)
CFE					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	(211)	(3)	(9)	(50)	(50)
Dividends	(111)	(86)	(124)	(108)	(112)
Others	(293)	(123)	(98)	(100)	(100)
Cashflow from financing	(404)	(210)	(222)	(208)	(211)
Net change in cash	(255)	(46)	38	(65)	8
CCE, end	567	498	535	471	479

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGDmn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Accounts receivables	243	278	289	286	286
Cash	574	502	540	475	483
Inventories	66	47	47	48	48
Amt due from related parties	18	19	23	23	23
Others	158	140	236	236	236
Total current assets	1,419	1,381	1,527	1,459	1,467
PPE & IA	1,441	1,363	1,385	1,405	1,388
Others	137	124	149	149	149
Total non-current assets	1,715	1,654	1,594	1,614	1,597
Total Assets	3,134	3,035	3,121	3,073	3,064
LIABILITIES					
Accounts payables	824	709	753	714	714
Short term loans	137	11	448	448	448
Amt Due to related parties	42	34	37	37	37
Tax payable	35	56	7	7	7
Total current liabilities	1,160	961	1,374	1,336	1,335
Long term loans	1,014	1,128	688	638	588
Deferred tax liabilities	87	72	105	105	105
Others	57	47	50	50	50
Total non-current liabilities	1,290	1,369	979	929	879
Total Liabilities	2,450	2,330	2,354	2,265	2,214
EQUITY					
Non-controlling interests	153	137	159	159	159
Shareholder Equity	531	569	608	649	690

Valuation Ratios

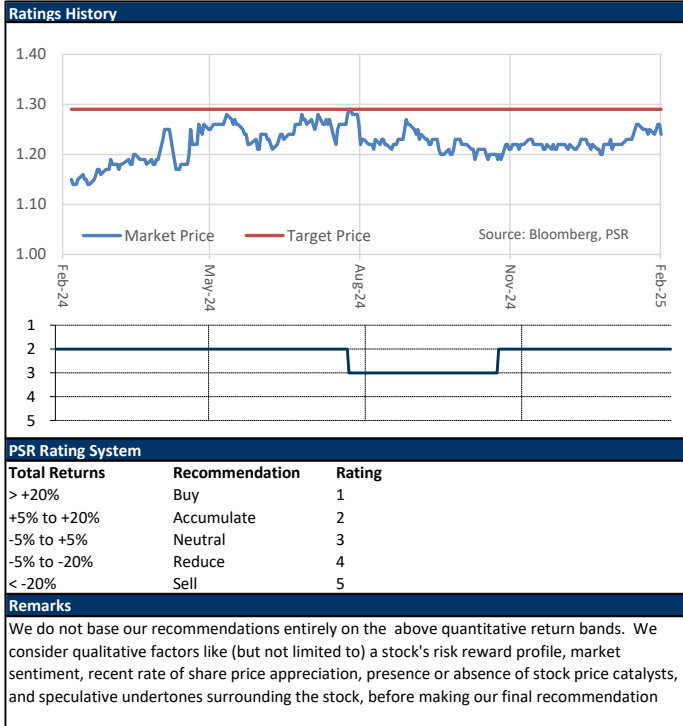
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	39.5	15.0	14.0	14.0	13.7
P/B (X)	4.0	3.7	3.5	3.3	3.1
EV/EBITDA (X)	6.9	6.2	6.3	6.3	5.9

Growth & Margins

Growth					
Revenue	13.9%	2.0%	-0.2%	0.6%	-0.1%
EBITDA	-17.5%	12.1%	-1.5%	0.1%	3.7%
EBIT	-33.6%	50.3%	-0.8%	-2.5%	1.8%
Net profit, adj.	-53.5%	108.9%	15.4%	-6.5%	2.2%

Margins					
Gross margin	6.6%	9.5%	9.5%	9.2%	9.4%
EBITDA margin	17.9%	19.7%	19.4%	19.3%	20.1%
EBIT margin	6.5%	9.5%	9.5%	9.2%	9.4%
Net profit margin	3.0%	6.1%	7.1%	6.6%	6.8%

Key Ratios					
ROE (%)	13.2	25.6	27.7	24.2	23.3
ROA (%)	2.2	4.8	5.4	5.1	5.2
Dividend Yield (%)	4.0	5.4	5.0	5.2	5.4
Dividend Payout (%)	159	81	70	72	74



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