

## COMPANY RESULTS

### StarHub (STH SP)

2024: Soft Results, DARE+ To End In 1H25

StarHub reported a higher 2024 service revenue (+3.9% yoy) and PATMI (+7.7% yoy), driven by the broadband and enterprise segments. Despite strong customer additions, the group's mobile segment continues to face ongoing headwinds amid stiff pricing competition. The enterprise segment is poised to drive growth in 2025. Despite a decent 2025 dividend yield of 5.5%, we opine that the group is fairly valued at current price levels. Downgrade to HOLD with a lower target price of S\$1.26.

#### 2024 RESULTS

Year to 31 Dec (\$m)*	4Q24	qoq % chg	yoy % chg	2024	yoy % chg
<b>Operating Revenue:</b>					
Mobile	144.0	0.5	(5.9)	577.0	(5.3)
Entertainment	50.9	(2.3)	(11.3)	212.4	(6.8)
Residential Broadband	64.0	1.3	3.7	250.1	0.6
Fixed Enterprise	328.6	39.8	36.5	980.9	14.1
Sales of Equipment/ others	100.0	22.5	(15.0)	338.8	(11.2)
<b>Total Revenue</b>	<b>687.5</b>	<b>19.5</b>	<b>9.0</b>	<b>2,359.3</b>	<b>1.4</b>
EBITDA	121.9	6.4	(2.0)	463.1	0.7
EBITDA Margin (%)	17.7	(2.2ppt)	(2.0ppt)	19.6	(0.2ppt)
<b>Service Revenue</b>	<b>587.5</b>	<b>19.0</b>	<b>14.6</b>	<b>2,020.5</b>	<b>3.9</b>
Core service EBITDA	114.0	4.7	0.4	437.4	3.1
Core service EBITDA margin (%)	19.4	(2.7ppt)	(2.7ppt)	21.7	(0.1ppt)
<b>Core PATMI</b>	<b>38.0</b>	<b>(5.9)</b>	<b>2.4</b>	<b>161.7</b>	<b>7.7</b>
Subscribers ('000)	2,332	3.6	7.9		
Post-paid ARPU	29	(3.3)	(12.1)		
Pre-paid ARPU	6	(14.3)	(14.3)		
Entertainment ARPU (\$/mth)	45	-	(2.2)		
Broadband ARPU (\$/mth)	36	2.9	12.5		

\*Excluding D'CRYPT Source: StarHub, UOB Kay Hian

#### RESULTS

- Soft results.** For 2024, StarHub reported higher overall revenue (+1.4% yoy) and PATMI (+7.7% yoy), forming 97% and 96% of our full-year forecasts respectively and just missing our expectations. 2024 core service revenue (+3.9% yoy) and EBITDA (+3.1% yoy) grew yoy, largely driven the enterprise segment but offset by the consumer segment which continues to face headwinds. Also, there was a one-off S\$22.6m gain due to the utilisation of a DARE+ related provision, implying that underlying 2024 EBITDA and PATMI would have fallen 5-6% yoy. Similar to 2024, 4Q24 reported service revenue (+14.6% yoy), service EBITDA (+0.4% yoy) and PATMI (+2.4% yoy) increased yoy.
- Lower dividend.** Adjusted for one-off items such as the DARE+ related provision, a lower final dividend of 3.2 S cents/share was declared, taking 2024 total dividends to 6.2 S cents (2023: 6.7 S cents), but still exceeding its 2024 dividend guidance of 6.0 S cents. This implies a dividend payout ratio of 80.0% and yield of around 5.0%.

#### KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	2,373	2,368	2,429	2,506	2,589
EBITDA	437	438	435	431	433
Operating profit	226	224	196	217	233
Net profit (rep./act.)	150	161	148	169	183
Net profit (adj.)	150	161	148	169	183
EPS (\$ cent)	8.7	9.3	8.6	9.8	10.6
PE (x)	14.2	13.2	14.4	12.6	11.6
P/B (x)	3.7	3.5	3.3	3.2	3.0
EV/EBITDA (x)	6.0	6.0	6.1	6.1	6.1
Dividend yield (%)	5.4	5.0	5.5	6.3	0.0
Net margin (%)	6.3	6.8	6.1	6.7	7.1
Net debt/(cash) to equity (%)	115.8	31.0	56.1	39.3	24.2
Interest cover (x)	18.4	18.8	27.0	42.0	49.5
ROE (%)	27.2	27.3	23.7	25.8	26.5
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: StarHub, Bloomberg, UOB Kay Hian

## HOLD

(Downgraded)

Share Price	S\$1.23
Target Price	S\$1.26
Upside	+2.6%
(Previous TP)	S\$1.41)

#### COMPANY DESCRIPTION

StarHub is a telecommunications company offering a range of services such as mobile, pay-TV, broadband for consumer market, as well as ICT solutions for enterprise markets in Singapore.

#### STOCK DATA

GLCS sector	Communication Services
Bloomberg ticker:	STH SP
Shares issued (m):	1,720.0
Market cap (\$m):	2,115.6
Market cap (US\$m):	1,582.5
3-mth avg daily t'over (US\$m):	0.5

#### Price Performance (%)

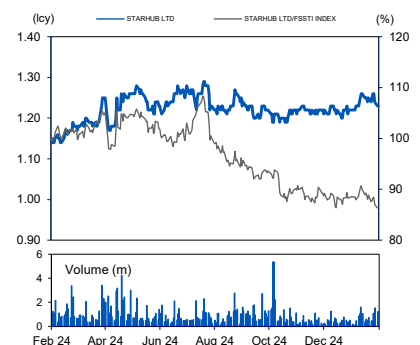
52-week high/low S\$1.29/S\$1.13

1mth	3mth	6mth	1yr	YTD
0.8	0.8	0.0	7.0	1.7

#### Major Shareholders

	%
Temasek Holdings Pte Ltd	56.4
NTT Communications	10.0
-	-
FY25 NAV/Share (\$)	0.37
FY25 Net Debt/Share (\$)	0.21

#### PRICE CHART



Source: Bloomberg

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### KEY PERFORMANCE GUIDANCE FOR 2024

	2024 Performance	2024 Guidance	Performance	2025 Guidance
Service Revenue	3.9%	1-3%	Exceeded	No guidance.
Service EBITDA margin	21.7%	22%	Met	EBITDA stable yoy.
Capex commitment (of total revenue)	9.5%*	11%-13%*	Exceeded	9-11%**
Dividend/share	6.2 S cents	Higher of 6 S cents or 80% PATMI payout	Exceeded	Higher of 6 S cents or 80% PATMI payout.

\*Including DARE+ Initiatives and IT transformation. \*\*Excludes S\$282m spectrum payment in Jun 25.

Source: StarHub, UOB Kay Hian

- 2025 outlook.** StarHub did not provide a range for its 2025 service revenue guidance but expects the enterprise segment to continue driving top-line growth, specifically the managed services and regional ICT services subsegments. 2025 EBITDA is expected to be stable yoy, which includes the one-off S\$22.6m gain as mentioned previously, implying that underlying 2025 EBITDA is expected to grow by around S\$23m yoy. Management expects ongoing costs to decommission legacy systems and realise DARE+ benefits would likely weigh on EBITDA growth and forecasts to only fully realise DARE+ benefits in 2026. Given that DARE+ is reaching its tail-end, we opine that the group would likely not exceed the 2025 capex commitment guidance, which excludes the upcoming S\$282m spectrum payment. Lastly, we expect a 2025 total dividend of around 6.8 S cents/share, implying an 80.0% PATMI payout and 5.5% dividend yield.

### STOCK IMPACT

- Mobile: Strong subscriber gains.** 4Q24 mobile revenue decreased 5.9% yoy, dragged by lower prepaid and postpaid revenue from ongoing stiff price competition. Both postpaid and prepaid ARPU fell yoy and qoq respectively. However, postpaid subscribers (+182,000 yoy, +94,000 qoq) surged in 4Q24, driven by strong take up of its giga! and Mobile Virtual Network Operators brands such as Eight Telecom. As a result, prepaid subscribers decreased (-12,000 yoy, -13,000 qoq) due to ongoing migration towards adjacent postpaid SIM-only value plans. Average monthly churn rate remained low at 1.0% in 4Q24 (3Q24: 1.0%).
- Entertainment: Underperformance.** 4Q24 revenue fell by 11.3% yoy, on the back of a lower subscriber base (-31,000 yoy, -9,000 qoq) from the cessation of tactical promotions. However, ARPU fell slightly yoy to S\$45/month (4Q23: S\$46/month) but remained stable qoq from tactical promotions that drove customer retention and stickiness. Average monthly churn rate was lower at 1.2% in 4Q24 (3Q24: 1.4%).
- Broadband: Robust demand for higher-bandwidth plans.** 4Q24 broadband revenue grew by 3.7% yoy, driven by higher subscription revenue for its higher speed 10/5/3Gbps plans. Total subscribers fell slightly (-2,000 yoy, -2,000 qoq) to 578,000 while ARPU increased to S\$36/month (4Q23: S\$34/month, 3Q24: S\$35/month).
- Enterprise: Outperformance.** Enterprise revenue (+36.5% yoy, +39.8% qoq) surged in 4Q24, driven by stronger contributions from managed services coupled with higher project revenue recognition from cybersecurity services and regional ICT services. Management noted that the orderbook remains healthy and provides earnings visibility going into 2025.

### EARNINGS REVISION/RISK

- We slash our 2025-26 PATMI forecasts** on the back of increased depreciation expenses and lower margin assumptions while also adding our 2027 PATMI estimate. We now expect 2025-27 PATMI of S\$147.6m (S\$199.7m previously), S\$168.9m (S\$228.7m previously) and S\$183.4m respectively.

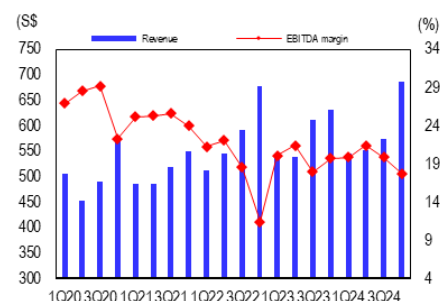
### VALUATION/RECOMMENDATION

- Downgrade to HOLD with a lower DCF-based target price of S\$1.26 (S\$1.41 previously)** (COE: 8.4%; terminal growth: 1%). At our fair value, the stock will trade at 6x 2025 EV/EBITDA, -1SD to its long-term average mean EV/EBITDA. Despite a decent 2025 dividend yield of 5.5%, we opine that a declining consumer segment along with muted expected near-term earnings growth would likely cap share price performance in 2025. Thus, we recommend investors to wait for better entry points.

### SHARE PRICE CATALYST

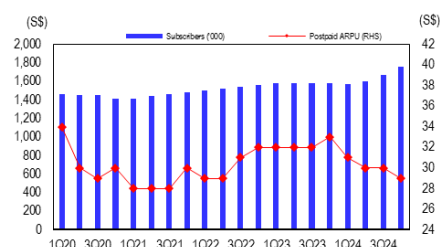
- Market consolidation – exit of Mobile Virtual Network Operators.
- Faster-than-expected 5G adoption and new business cases in Singapore.
- Faster-than-expected realisation of DARE+ initiatives benefits.

### REVENUE AND EBITDA MARGIN



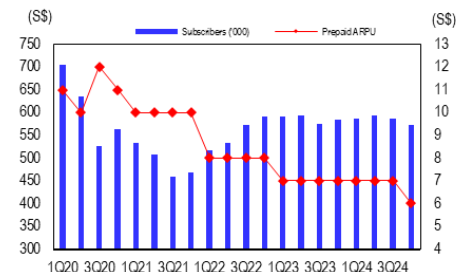
Source: StarHub, UOB Kay Hian

### QUARTERLY POSTPAID ARPU AND SUBSCRIBERS



Source: StarHub, UOB Kay Hian

### QUARTERLY PREPAID ARPU AND SUBSCRIBERS



Source: StarHub, UOB Kay Hian

### FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	2,367.7	2,428.6	2,506.1	2,588.7
EBITDA	437.6	434.8	430.9	432.6
Deprec. & amort.	213.3	238.4	214.4	199.8
EBIT	224.3	196.4	216.6	232.8
Associate contributions	4.3	0.0	0.0	0.0
Net interest income/(expense)	(23.3)	(16.1)	(10.3)	(8.7)
Pre-tax profit	205.3	180.3	206.3	224.0
Tax	(37.2)	(32.7)	(37.4)	(40.6)
Minorities	(7.6)	0.0	0.0	0.0
Net profit	160.5	147.6	168.9	183.4
Net profit (adj.)	160.5	147.6	168.9	183.4

**CASH FLOW**

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	361.3	412.7	414.0	414.3
Pre-tax profit	205.3	180.3	206.3	224.0
Tax	(37.2)	(32.7)	(37.4)	(40.6)
Deprec. & amort.	213.3	238.4	214.4	199.8
Associates	(4.3)	0.0	0.0	0.0
Working capital changes	32.9	10.6	20.4	22.3
Other operating cashflows	(48.7)	16.1	10.3	8.7
Investing	(101.9)	(428.6)	(155.7)	(146.3)
Capex	(101.9)	(428.6)	(155.7)	(146.3)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(221.8)	(141.3)	(146.9)	(158.7)
Dividend payments	(123.7)	(117.3)	(134.5)	(144.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(433.4)	12.8	17.5	16.8
Others/interest paid	335.3	(36.8)	(30.0)	(30.7)
Net cash inflow (outflow)	37.6	(157.1)	111.3	109.2
Beginning cash & cash equivalent	497.9	539.2	382.2	493.5
Changes due to forex impact	3.7	0.1	0.0	0.0
Ending cash & cash equivalent	539.2	382.2	493.5	602.7

**BALANCE SHEET**

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	634.5	845.4	806.4	774.9
Other LT assets	959.5	959.5	959.5	959.5
Cash/ST investment	539.2	382.2	493.5	602.7
Other current assets	987.4	996.0	1,007.5	1,019.7
Total assets	3,120.6	3,183.1	3,266.9	3,356.8
ST debt	40.0	31.8	31.8	31.8
Other current liabilities	1,334.3	1,353.5	1,385.4	1,419.9
LT debt	687.6	708.6	726.2	743.0
Other LT liabilities	291.6	291.6	291.6	291.6
Shareholders' equity	607.9	638.3	672.6	711.2
Minority interest	159.3	159.3	159.3	159.3
Total liabilities & equity	3,120.7	3,183.1	3,266.9	3,356.8

**KEY METRICS**

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	18.5	17.9	17.2	16.7
Pre-tax margin	8.7	7.4	8.2	8.7
Net margin	6.8	6.1	6.7	7.1
ROA	5.2	4.7	5.2	5.5
ROE	27.3	23.7	25.8	26.5
Growth				
Turnover	(0.2)	2.6	3.2	3.3
EBITDA	0.1	(0.6)	(0.9)	0.4
Pre-tax profit	4.4	(12.2)	14.4	8.6
Net profit	7.2	(8.0)	14.4	8.6
Net profit (adj.)	7.2	(8.0)	14.4	8.6
EPS	7.4	(8.0)	14.4	8.6
Leverage				
Debt to total capital	48.7	48.1	47.7	47.1
Debt to equity	119.7	116.0	112.7	108.9
Net debt/(cash) to equity	31.0	56.1	39.3	24.2
Interest cover (x)	18.8	27.0	42.0	49.5

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