

COMPANY RESULTS

StarHub (STH SP)

3Q23: Strong Results, Driven By Broad-based Growth

For 9M23, StarHub reported higher service revenue (+8.2% yoy) and core PATMI (+29.1% yoy) from broad-based growth across all business segments. This was also supported by a robust 3Q23 with service revenue and PATMI growing 8.9% yoy and 36.1% yoy respectively. However, margins are expected to soften going into 4Q23 from increased DARE+ investments. Maintain BUY with an unchanged target price of S\$1.37.

3Q23 RESULTS

Year to 31 Dec (S\$m)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Operating Revenue:					
Mobile	153.3	1.8	7.2	455.9	10.9
Entertainment	56.7	(0.2)	2.4	170.6	12.4
Residential Broadband	62.4	(0.3)	(1.9)	187.0	4.2
Fixed Enterprise	253.6	22.8	14.8	650.5	6.5
Sales of Equipment/ others	96.1	33.1	(10.9)	264.2	(10.7)
Total Revenue	622.1	13.4	5.3	1,728.2	4.8
EBITDA	113.9	(2.6)	4.0	343.7	1.3
EBITDA Margin (%)	18.3	(3.0ppt)	(0.2ppt)	19.9	(0.7ppt)
Service Revenue	526.0	10.4	8.9	1,464.1	8.2
Core service EBITDA	106.4	(2.5)	6.7	318.9	1.7
Core service EBITDA margin (%)	20.2	(2.7ppt)	(0.4ppt)	21.8	(1.4ppt)
Core PATMI	37.3	(4.8)	36.1	114.0	29.1
Subscribers ('000)	2,156	(0.8)	1.7		
Post-paid ARPU	32	-	3.2		
Pre-paid ARPU	7	-	(12.5)		
Entertainment ARPU (S\$/mth)	45	-	21.6		
Broadband ARPU (S\$/mth)	34	-	-		

Source: StarHub, UOB Kay Hian

RESULTS

• **Results in line with expectations.** For 9M23, StarHub reported stronger headline revenue (+8.2% yoy) and core PATMI (+29.1% yoy), both forming 72.6% and 80.5% of our full-year forecasts respectively. The robust performance was driven by a strong 3Q23, whereby both headline revenue (+5.3% yoy, +13.4% qoq) and core PATMI (+36.1% yoy, -4.8% qoq) grew, driven by strong revenue growth from most business segments coupled with delays in DARE+ investments. Similarly, 3Q23 service revenue (+8.9% yoy, +10.4% qoq) and service EBITDA grew (+6.7% yoy, -2.5% qoq). As mentioned in our last update, we expect 2H23 PATMI to moderate sequentially given an estimated S\$90m (1H23: S\$30m) of DARE+ transformative investments expected in 2H23. This led to 9M23 (-1.4ppt yoy) and 3Q23 (-0.4ppt yoy, -2.7ppt qoq) service EBITDA margins falling. It was noted that the bulk of the expected S\$90m DARE+ investments for 2H23 is expected to be incurred in 4Q23, and is likely to soften StarHub's expected 2023 PATMI nearer to our full-year estimates.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	2,043	2,327	2,381	2,474	2,557
EBITDA	476	383	498	531	553
Operating profit	232	155	241	277	312
Net profit (rep./act.)	149	62	142	168	199
Net profit (adj.)	149	62	142	168	199
EPS (S\$ cent)	8.6	3.6	8.2	9.7	11.5
PE (x)	12.1	29.2	12.8	10.8	9.1
P/B (x)	3.1	3.4	3.1	2.8	2.5
EV/EBITDA (x)	5.2	6.4	5.0	4.6	4.5
Dividend yield (%)	6.1	4.8	4.8	5.7	6.7
Net margin (%)	7.3	2.7	5.9	6.8	7.8
Net debt/(cash) to equity (%)	56.8	88.9	87.2	63.3	39.9
Interest cover (x)	10.6	10.4	9.6	9.9	11.7
ROE (%)	26.5	11.1	25.4	27.2	28.9
Consensus net profit	-	-	125	146	162
UOBKH/Consensus (x)	-	-	1.13	1.15	1.23

Source: StarHub, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.05
Target Price	S\$1.37
Upside	+30.6%

COMPANY DESCRIPTION

StarHub Ltd 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

GICS sector	Communication Services
Bloomberg ticker:	STH SP
Shares issued (m):	1,718.7
Market cap (S\$m):	1,804.6
Market cap (US\$m):	1,329.9
3-mth avg daily t'over (US\$m):	0.9

Price Performance (%)

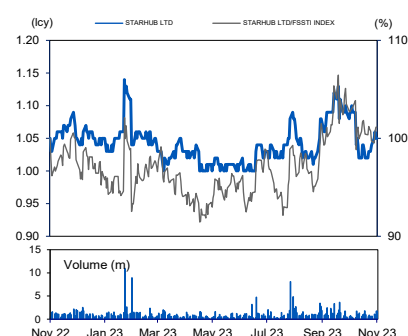
52-week high/low S\$1.14/S\$1.00

1mth	3mth	6mth	1yr	YTD
(3.7)	(2.8)	4.0	(0.9)	1.0

Major Shareholders

	%
Temasek Holdings Pte Ltd	56.0
NTT Communications	9.9
FY23 NAV/Share (S\$)	0.34
FY23 Net Debt/Share (S\$)	0.30

PRICE CHART



Source: Bloomberg

ANALYST(S)

Chong Lee Len
+603-2147 1992
leelen@uobkayhian.com

Llleythan Tan Yi Rong
+65 6590 6624
yirong@uobkayhian.com

KEY PERFORMANCE GUIDANCE FOR 9M23

	9M23 Performance	2023F Guidance	Comments
Service Revenue	8%	3-5%	Exceeded expectations.
Service EBITDA margin	22%	Approximately 22%	Met expectations.
Capex commitment (of total revenue)	7%	11%-13%*	Exceeded expectations.
Dividend/share	-	Higher of 5 cents or 80% PATMI payout	Unchanged

*Including DARE+ Initiatives and IT transformation.

Source: Starhub, UOB Kay Hian

- 2023 guidance: No changes.** Driven by strong contributions from all business segments, 9M23 service revenue growth of 8% yoy has exceeded StarHub's 2023 guidance. In our view, we expect StarHub to maintain this strong momentum into 4Q23. Based on our estimates, we expect 2023 and 4Q23 service revenue to grow 8.4% yoy and 8.9% yoy respectively, exceeding StarHub's 2023 guidance. However, we reckon that there may be downside risks to StarHub's service EBITDA margin guidance. Given that 3Q23 service EBITDA margin was 20.2%, we expect 4Q23 service EBITDA margin to moderate sequentially due to higher upcoming DARE+ transformative costs. Potential upside may come from improved operating performance along with realised operational efficiencies from ongoing DARE+ initiatives. Lastly, as mentioned, we expect StarHub's capex commitment to meet 2023 guidance in 4Q23.

STOCK IMPACT

- Mobile: Boost from roaming.** Excluding an S\$1.7m one-off revenue gain in 1H22, 9M23 mobile revenue would have grown by 11.3% yoy. 3Q23 postpaid ARPU remained stable qoq but grew yoy to S\$32/month (3Q22: S\$31/month), on the back of higher roaming revenue and take-up of value-added services. Management noted there was still further recovery upside for roaming revenue as global tourism has not fully recovered. Postpaid subscribers continue to grow (+36,000 yoy, +2,000 qoq) as the strong uptake of its GIGA! plans continues. Average monthly churn rate remained low at 1.0% in 3Q23 (2Q23: 0.8%). Due to stiff competition and increased promotions, prepaid ARPU dipped slightly yoy from S\$8/month to S\$7/month but was flat qoq. Despite growing 1,000 yoy, 3Q23 prepaid subscribers dipped by 20,000 qoq largely due to the cessation of a promotion.
- Entertainment: EPL boost.** ARPU was higher yoy at S\$45/month (3Q22: S\$41/month, 2Q23: S\$45/month), largely driven by the English Premier League (EPL) that commenced in 3Q22. Despite a 40,000 yoy loss in total subscribers, 3Q23 revenue increased 2.4% yoy due to higher subscription, commercial TV and advertising revenue. However, on a qoq basis, 3Q23 revenue dipped slightly by 0.2%, dragged by an 8,000 qoq drop in subscribers.
- Enterprise: Driven by cybersecurity services.** Similar to 2Q23, 3Q23 enterprise revenue surged (+14.8% yoy, +22.8% qoq), solely driven by higher cybersecurity services revenue (+45.1% yoy). However, this was offset by weaker revenue from network solutions (-3.2% yoy) and regional ICT services (-0.1% yoy).
- Broadband: Increasing competition.** Post-consolidation of MyRepublic Broadband in 2Q22, ARPU remained stable at S\$34/month (3Q22/2Q23: S\$34/month). Despite total subscribers growing (+3,000 yoy, +2,000 qoq), 3Q23 revenue softened slightly (-1.9% yoy, -0.3% qoq) on the back of intensifying market competition and reduced promotions. However, it was noted that the segment had better profitability in 3Q23 and the group maintained its broadband market leadership.

EARNINGS REVISION/RISK

- We make no changes to our 2023-25 PATMI forecasts.

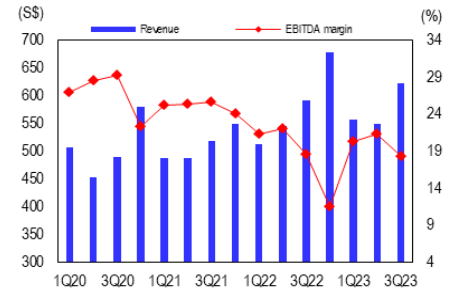
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged DCF-based target price of S\$1.37** (COE: 8.4%; terminal growth: 1%). At our fair value, the stock will trade at 6x 2023F EV/EBITDA, -1SD below its five-year mean EV/EBITDA of 7x; it also offers a decent dividend yield of 4.8% for 2023.

SHARE PRICE CATALYST

- Market consolidation – exit of Mobile Virtual Network Operators (MVNO).
- Potential network carved out/shifted to an asset-light business model (sale and leaseback of network). Management is of the opinion that the cost of capital from the capital market is much more attractive vs the leasing model at this juncture.
- Faster-than-expected 5G adoption and new business cases in Singapore.

REVENUE AND EBITDA MARGIN



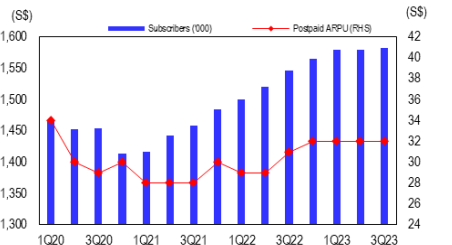
Source: StarHub, UOB Kay Hian

QUARTERLY POSTPAID ARPU AND SUBSCRIBERS



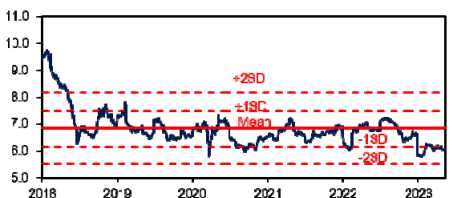
Source: StarHub, UOB Kay Hian

QUARTERLY PREPAID ARPU AND SUBSCRIBERS



Source: StarHub, UOB Kay Hian

STARHUB'S FORWARD EV/EBITDA (X)



Source: Bloomberg, UOB Kay Hian

DARE+ INVESTMENTS PROGRESS



Source: Starhub, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	2,327.3	2,380.6	2,473.9	2,557.1
EBITDA	383.0	497.6	531.2	552.7
Deprec. & amort.	228.3	256.8	254.2	240.3
EBIT	154.7	240.8	277.0	312.4
Associate contributions	(24.5)	0.0	0.0	0.0
Net interest income/(expense)	(37.0)	(52.1)	(53.5)	(47.4)
Pre-tax profit	93.2	188.8	223.5	265.0
Tax	(23.3)	(47.2)	(55.9)	(66.2)
Minorities	(7.6)	0.0	0.0	0.0
Net profit	62.3	141.6	167.7	198.7
Net profit (adj.)	62.3	141.6	167.7	198.7

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	383.7	385.5	504.4	493.8
Pre-tax profit	93.2	188.8	223.5	265.0
Tax	(23.3)	(47.2)	(55.9)	(66.2)
Deprec. & amort.	228.3	256.8	254.2	240.3
Associates	24.5	0.0	0.0	0.0
Working capital changes	62.3	(65.0)	29.1	7.3
Other operating cashflows	(1.3)	52.1	53.5	47.4
Investing	(235.1)	(278.7)	(239.5)	(195.1)
Capex (maintenance)	(161.4)	(285.7)	(247.4)	(204.6)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(73.7)	7.0	7.9	9.4
Financing	(403.6)	(88.5)	(140.4)	(157.6)
Dividend payments	(110.8)	(86.5)	(103.8)	(121.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(122.3)	57.1	24.7	20.5
Others/interest paid	(170.5)	(59.1)	(61.3)	(56.9)
Net cash inflow (outflow)	(255.0)	18.3	124.4	141.1
Beginning cash & cash equivalent	821.5	573.6	592.0	716.4
Changes due to forex impact	7.1	0.1	0.0	0.0
Ending cash & cash equivalent	573.6	592.0	716.4	857.5

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	631.4	660.3	653.5	617.8
Other LT assets	1,083.2	1,083.2	1,083.2	1,083.2
Cash/ST investment	573.6	592.0	716.4	857.5
Other current assets	845.7	846.1	859.2	869.3
Total assets	3,133.9	3,181.6	3,312.3	3,427.8
ST debt	31.8	31.8	31.8	31.8
Other current liabilities	1,128.4	1,063.8	1,106.0	1,123.4
LT debt	1,013.6	1,070.7	1,095.5	1,115.9
Other LT liabilities	276.3	276.3	276.3	276.3
Shareholders' equity	530.5	585.5	649.4	727.0
Minority interest	153.4	153.4	153.4	153.4
Total liabilities & equity	3,134.0	3,181.6	3,312.3	3,427.8

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.5	20.9	21.5	21.6
Pre-tax margin	4.0	7.9	9.0	10.4
Net margin	2.7	5.9	6.8	7.8
ROA	2.0	4.5	5.2	5.9
ROE	11.1	25.4	27.2	28.9
Growth				
Turnover	13.9	2.3	3.9	3.4
EBITDA	(19.6)	29.9	6.7	4.1
Pre-tax profit	(51.0)	102.5	18.4	18.5
Net profit	(58.3)	127.2	18.4	18.5
Net profit (adj.)	(58.3)	127.2	18.4	18.5
EPS	(58.4)	127.3	18.4	18.5
Leverage				
Debt to total capital	60.5	59.9	58.4	56.6
Debt to equity	197.1	188.3	173.6	157.9
Net debt/(cash) to equity	88.9	87.2	63.3	39.9
Interest cover (x)	10.4	9.6	9.9	11.7

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W