

# Asian Pay Television Trust

Guiding for 11% yield for 2018



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## SINGAPORE | TELECOMMUNICATION | 2Q17 RESULTS

14 November 2017

- 2Q17 revenue and EBITDA were in-line with our estimates.
- Management has guided 2018 DPU at 6.5 cents (10.7% dividend yield), unchanged from 2017.
- We downgraded to ACCUMULATE with an unchanged target price of S\$0.64. Our downgrade is due to the price appreciation of APTT and the resulting lower expected return. There has been no change in fundamentals.

### Results at a glance

S\$ mn	3Q17	3Q16	YoY	Comment
Revenue	84.4	79.1	6.7%	Growth driven by non-subscription revenue and appreciation of TWD, which rose 2.5% YoY against the SGD.
EBITDA	50.7	46.6	8.8%	In-line with our FY17e S\$202mn.
Forex	(2.2)	3.1	n.m.	
Interest	(13.7)	(14.1)	-2.8%	30bps savings from renegotiation of debt.
PATMI	9.0	10.7	-15.9%	There was a S\$5mn adverse swing in forex.
Operating c/flow	44.3	42.4	4.5%	
Free cash-flow	19.6	24.2	-19.0%	EBITDA less maintenance capex, cash taxes, cash interest.
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.625	1.625	0.0%	The company maintained their 1.625 cents per quarter.

Source: Company, PSR

### The Positives

- Management has guided 6.5 cents DPU for FY18.** This is unchanged from FY17 and still represents a 10.7% dividend yield.
- Cable subscribers were stable and churn remains low.** Cable subscribers were stable QoQ at 762k and churn rate low at 0.7%.
- CapEx will decline in FY18e.** As the lumpy analogue switch-off ends this year, we expect total CapEx to decline from S\$80mn in FY17e to S\$45mn in FY18e.

### The Negatives

- ARPU remains sluggish.** ARPU across all 3 business segments - pay-TV, broadband and premium TV - declined QoQ. Broadband ARPU was lower in-view of the unlimited 4G data plans offered by mobile operators. The lower ARPU in premium TV is to stimulate pick-up rate of this services. However, we have not seen much growth yet.
- Still reliant on incremental debt to sustain dividends.** Our estimated FCF is around S\$20mn in 3Q17. This remains below the S\$23.3mn needed every quarter to sustain dividends.

### Outlook

The outlook remains stable. We shaved our FY17e earnings by 15% due to higher FX loss and higher effective tax. As we enter 2018, cash flows should improve as CapEx for premium digital ends. There is no change in our target price.

### Downgrade to ACCUMULATE rating with target price unchanged at S\$0.64

Our downgrade to ACCUMULATE is due solely to the price appreciation of APTV. There is no change in the fundamentals of the company. APTV dividend yield is attractive and sustainable. Operating cash-flows are supported by a recurrent monthly cable TV subscription fees and APTV operates in a monopolistic environment.

### ACCUMULATE (Downgraded)

LAST TRADED PRICE	SGD 0.610
FORECAST DIV	SGD 0.065
TARGET PRICE	SGD 0.640
TOTAL RETURN	15.6%

### COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN):	1,437
MARKET CAP (USD mn / SGD mn):	644 / 876
52 - WK HI/LO (SGD):	0.61 / 0.37
3M Average Daily T/O (mn):	2.12

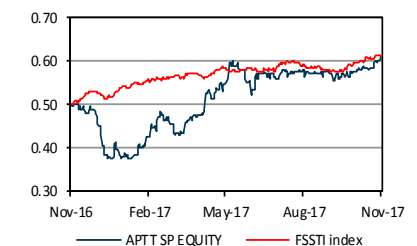
### MAJOR SHAREHOLDERS (%)

Temasek Holdings	7.93%
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### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	5.2	8.3	37.8
STI RETURN	3.1	4.8	25.6

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS (APTT SP)

SGD mn	FY15	FY16	FY17e	FY18e
Revenue	332	319	337	340
EBITDA	194	189	202	205
NPAT	45	60	48	55
EPS (SGD)	0.03	0.04	0.03	0.04
PER, x	19.4	14.7	18.3	15.8
P/BV, x	0.7	0.7	0.7	0.8
DPU (SGD)	0.083	0.065	0.065	0.065
DVD YIELD (%)	13.5	10.7	10.7	10.7
ROE (%)	3.6	4.9	4.0	4.8

Source: Bloomberg, PSR

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## Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	319	332	319	337	340
EBITDA	194	201	189	202	205
Depreciation & Amortisation	(49)	(45)	(56)	(62)	(61)
EBIT	142	147	144	132	144
Net Finance Inc/(Exp)	(40)	(50)	(54)	(57)	(59)
Profit before tax	98	71	84	67	77
Taxation	(17)	(26)	(24)	(19)	(22)
Net profit before NCI	81	45	60	48	55
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Net profit, reported	81	45	60	48	55

## Per share data (SGD)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.06	0.03	0.04	0.03	0.04
DPU	0.083	0.083	0.065	0.065	0.065
BVPU	0.89	0.86	0.86	0.82	0.79

## Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	98	71	84	67	77
Depreciation & Amortisation	49	45	56	62	61
WC changes	(0)	(1)	8	(0)	0
Net finance inc/(exp)	(40)	(50)	(54)	(57)	(59)
Tax paid	(55)	(27)	(13)	(19)	(22)
Others	7	31	(3)	18	8
Cashflow from ops	98	119	131	127	125
CFI					
CAPEX, net	(69)	(88)	(99)	(80)	(45)
Others	(13)	(6)	(3)	0	0
Cashflow from investments	(83)	(94)	(101)	(80)	(45)
CFE					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	111	82	69	40	20
Dividends	(147)	(117)	(102)	(103)	(103)
Others	(0)	(3)	1	0	0
Cashflow from financing	(37)	(38)	(32)	(63)	(83)
Net change in cash	(13)	(2)	(16)	(3)	(3)
CCE, end	61	59	43	40	38

Source: Company, Phillip Securities Research (Singapore) Estimates

## Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
<b>ASSETS</b>					
PPE	176	243	291	312	297
Others	2,223	2,283	2,368	2,366	2,365
Total non-current assets	2,399	2,526	2,659	2,677	2,661
Accounts receivables	12	18	15	14	14
Cash	75	61	59	43	40
Inventories	0	0	0	0	0
Others	2	2	1	1	1
Total current assets	88	81	75	58	55
Total Assets	2,489	2,608	2,737	2,739	2,720

## LIABILITIES

Accounts payables	20	21	21	20	20
Short term loans	18	9	12	12	12
Others	66	75	76	76	76
Total current liabilities	104	104	109	108	108
Long term loans	1,036	1,183	1,295	1,352	1,380
Others	74	89	103	103	103
Total non-current liabilities	1,110	1,273	1,398	1,455	1,483
Total Liabilities	1,213	1,377	1,507	1,563	1,591

## EQUITY

Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,276	1,231	1,231	1,176	1,129

## Valuation Ratios

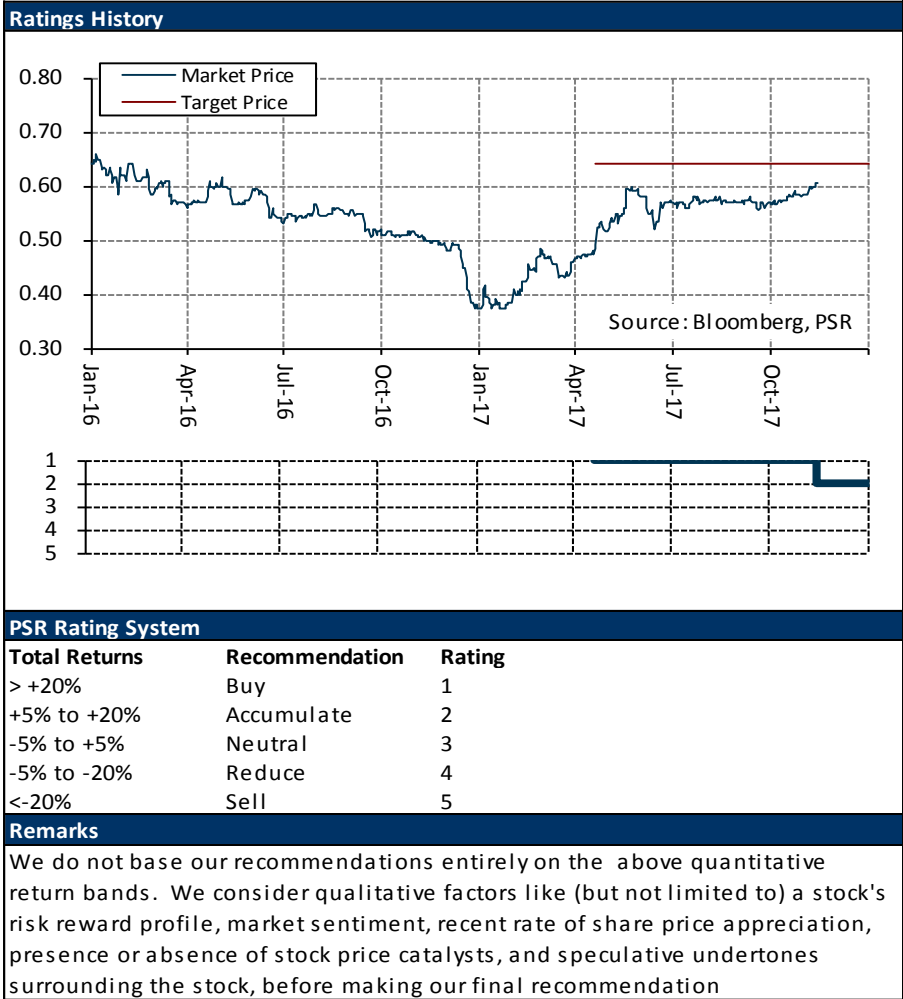
Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	10.8	19.3	14.6	18.2	15.7
P/B (X)	0.7	0.7	0.7	0.7	0.8
EV/EBITDA (X), adj.	9.5	10.0	11.2	10.8	10.9
Dividend Yield	13.6%	13.6%	10.7%	10.7%	10.7%

## Growth &amp; Margins

<b>Growth</b>					
Revenue	1.9%	4.2%	-3.9%	5.5%	1.1%
EBITDA	3.3%	3.4%	-5.8%	6.9%	1.2%
EBIT	-4.5%	3.6%	-2.4%	-8.3%	9.4%
Net profit, adj.	5.3%	-44.0%	32.4%	-19.9%	15.8%
<b>Margins</b>					
EBITDA margin	61.0%	60.5%	59.3%	60.1%	60.1%
EBIT margin	44.5%	44.3%	45.0%	39.1%	42.3%
Net profit margin	25.3%	13.6%	18.7%	14.2%	16.3%

## Key Ratios

ROE	6.2%	3.6%	4.9%	4.0%	4.8%
ROA	3.2%	1.8%	2.2%	1.7%	2.0%
Net Debt / (Cash)	979	1,131	1,248	1,321	1,352
Net Gearing (X)	0.8	0.9	1.0	1.1	1.2



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