

Asian Pay Television Trust

Still a 12% yield and paid quarterly

SINGAPORE | TELECOMMUNICATION | 1Q17 RESULTS

- 1Q17 revenue and EBITDA were within our estimates. However, several non-cash items negatively affected headline earnings, namely FX and derivative loss. Both were the result of a stronger Taiwan dollar
- We are lowering our earnings by 18% to incorporate these non-cash items. No change to our cash-flow assumptions or target price.
- Dividend guidance of 6.5 cents annually (paid 1.625 cents per quarter) has been maintained

Results at a glance

S\$m	1Q17	1Q16	yoy (%)	Comment
Revenue	82.5	77.8	6.0%	Growth driven by cable TV subscribers.
EBITDA	48.9	46.0	6.3%	
Interest	(14.0)	(12.9)	8.5%	Leverage rose to fund the additional capex.
PATMI	4.5	16.6	-72.9%	Affected by several non-cash items.
Operating c/flow	43.6	39.9	9.3%	
Distributable profit	43.4	42.2	2.8%	This is EBITDA less maintenance capex.
DPU (cents)	1.625	1.625	0.0%	The company maintained their 1.625 cents per quarter.

Source: Company, PSR

The positives

- + YoY growth in revenue driven by cable TV: This was the result of 4% yoy improvement in subscribers.
- + Subscribers were stable: Cable TV subscribers were flat qoq. There was also pick-up in premium digital subs.
- + DPU guidance maintained: Management reaffirmed their full year distribution of 6.5 cents, payable 1.625 cents per quarter
- + Lower interest rates in future: The new trustee manager was successful in negotiating for a 30 basis points reduction in interest rates, effective 30Jun17. This implies an almost S\$4m interest saving on the NT\$28b (S\$1.3b) loan.

The negatives

- Higher than expected income tax: The jump in tax came from the almost doubling of deferred taxes.
- Higher than expected staff cost: This was due to long-term incentive plan for senior management.

Outlook

The outlook remains stable. We lowered our net profit by 18% to account for higher deferred tax, foreign exchange and amortization of debt financing fees. No change to our target price or cash-flow assumptions.

Maintain "BUY" rating with target price unchanged at S\$0.64

We maintain our BUY recommendation with an unchanged target price. The adjustments to our earnings are non-cash and do not materially affect our valuations. We find APTV dividends attractive and sustainable. It operates a monopolistic business where revenues are recurrent and barriers to entry high.

16 May 2017

BUY (Maintained)

LAST TRADED PRICE	SGD 0.550
FORECAST DIV	SGD0.065
TARGET PRICE	SGD0.640
TOTAL RETURN	28.2%

COMPANY DATA

O/S UNITS (MN) :	1437
MARKET CAP (USD mn / SGD mn) :	565 / 790
52 - WK HI/LO (SGD) :	0.6 / 0.37
3M Average Daily T/O (mn) :	4.33

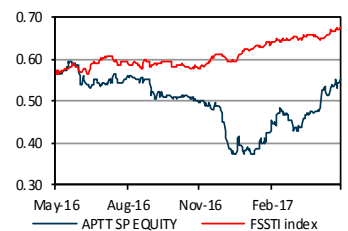
MAJOR SHAREHOLDERS (%)

Temasek Holdings	7.93%
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PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	14.7	33.0	8.8
STIRETURN	3.03	6.6	22.62

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (APTT SP)

SGD MN	FY 15	FY 16	FY 17e	FY 18e
Revenue	332	319	337	340
EBITDA	194	189	202	205
NPAT (adj.)	45	60	72	74
EPS (SGD)	0.03	0.04	0.04	0.05
PER, x (adj.)	17.5	13.2	13.3	12.1
P/BV, x	0.6	0.6	0.7	0.7
DPU (SGD)	0.083	0.065	0.065	0.065
ROE, %	3.6%	4.9%	4.9%	5.6%

Source: Bloomberg, PSR

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Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17F	FY18F
Revenue	319	332	319	337	340
EBITDA	194	201	189	202	205
Depreciation & Amortisation	(49)	(45)	(56)	(58)	(58)
EBIT	142	147	144	139	147
Net Finance Inc/(Exp)	(40)	(50)	(54)	(56)	(57)
Profit before tax	98	71	84	76	82
Taxation	(40)	(50)	(54)	(56)	(57)
Net profit before NCI	114	45	60	59	65
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Net profit, reported	114	45	60	59	65

Per share data (SGD)

Y/E Dec	FY14	FY15	FY16	FY17F	FY18F
EPS, reported	0.08	0.03	0.04	0.04	0.05
DPU	0.083	0.083	0.065	0.065	0.065
BVPU	0.89	0.86	0.86	0.83	0.80

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17F	FY18F
CFO					
Profit before tax	98	71	84	76	82
Depreciation & Amortisation	49	45	56	58	58
WC changes	(0)	(1)	8	(0)	0
Net finance inc/(exp)	(40)	(50)	(54)	(56)	(57)
Tax paid	(55)	(27)	(13)	(16)	(16)
Others	7	31	(3)	13	8
Cashflow from ops	98	119	131	131	132
CFI					
CAPEX, net	(69)	(88)	(99)	(80)	(45)
Others	(13)	(6)	(3)	0	0
Cashflow from investments	(83)	(94)	(101)	(80)	(45)
Share issuance, net	0	0	0	0	0
Loans, net of repayments	111	82	69	0	20
Dividends	(147)	(117)	(102)	(103)	(103)
Others	(0)	(3)	1	0	0
Cashflow from financing	(37)	(38)	(32)	(103)	(83)
Net change in cash	(13)	(2)	(52)	4	5
CCE, end	61	59	7	11	16

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17F	FY18F
ASSETS					
PPE	176	243	291	315	303
Others	2,223	2,283	2,368	2,366	2,365
Total non-current assets	2,399	2,526	2,659	2,681	2,667
Accounts receivables	12	18	15	14	14
Cash	75	61	59	7	11
Inventories	0	0	0	0	0
Others	2	2	1	1	1
Total current assets	88	81	75	22	26
Total Assets	2,489	2,608	2,737	2,706	2,697
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	1,308	1,336
Others	74	89	103	103	103
Total non-current liabilities	1,110	1,273	1,398	1,411	1,439
Total Liabilities	1,213	1,377	1,507	1,519	1,547
EQUITY					
Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,276	1,231	1,231	1,187	1,150

Valuation Ratios

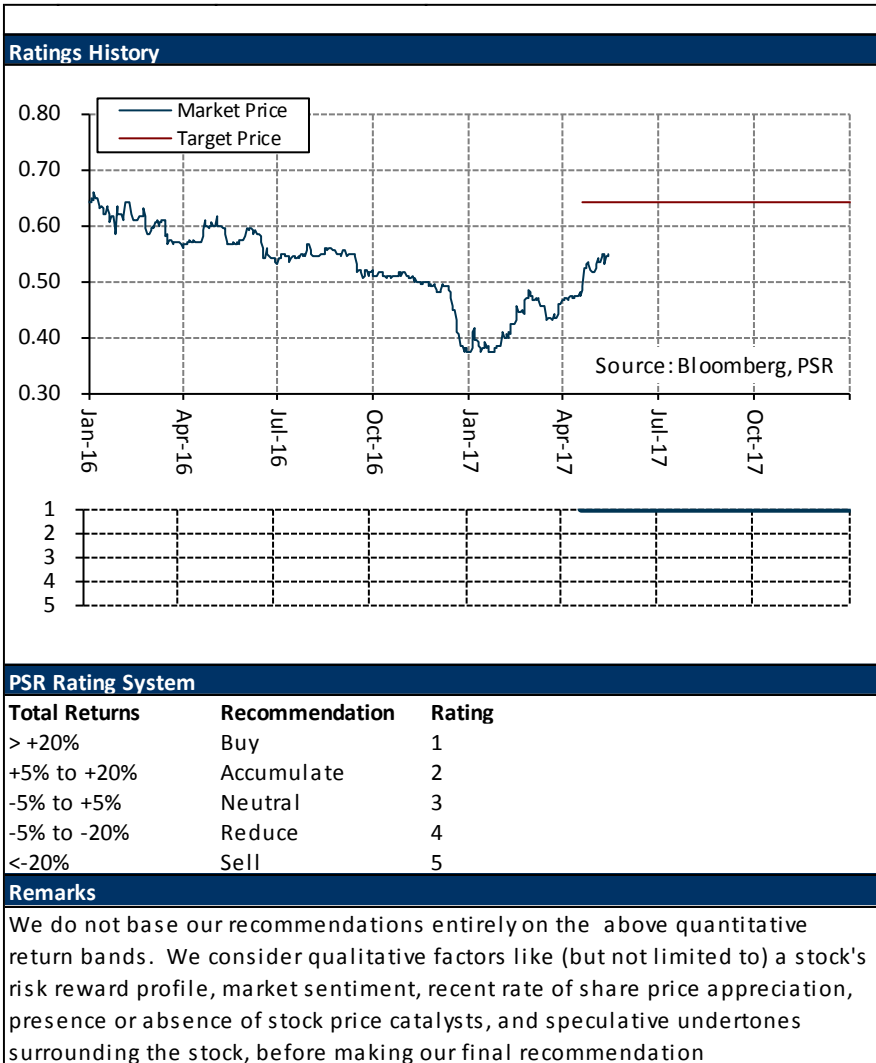
Y/E Dec	FY14	FY15	FY16	FY17F	FY18F
P/E (X), adj.	6.9	17.5	13.2	13.3	12.1
P/B (X)	0.6	0.6	0.6	0.7	0.7
EV/EBITDA (X), adj.	9.1	9.6	10.8	10.4	10.4
Dividend Yield (%)	15.0%	15.0%	11.8%	11.8%	11.8%

Growth & Margins (%)

Growth					
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%	-2.9%	5.2%
Net profit, adj.	49.4%	-60.6%	32.4%	-0.5%	9.9%
Margins					
EBITDA margin	61.0%	60.5%	59.3%	60.1%	60.1%
EBIT margin	44.5%	44.3%	45.0%	41.4%	43.1%
Net profit margin	35.9%	13.6%	18.7%	17.6%	19.2%

Key Ratios

ROE (%)	8.8%	3.6%	4.9%	4.9%	5.6%
ROA (%)	4.6%	1.8%	2.2%	2.2%	2.4%
Net Debt / (Cash)	979	1,131	1,248	1,313	1,337
Net Gearing (X)	76.6%	91.7%	101.2%	110.3%	115.9%



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