

Asian Pay Television Trust

Lower capex to benefit cash flows



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SINGAPORE | TELECOMMUNICATION | 2Q21 RESULTS

16 August 2021

- 2Q21 results in line, with 1H21 revenue and EBITDA at 49%/51% of our FY21e forecasts. Quarterly DPS of 0.25 cents declared, as guided.
- Revenue was 3% YoY lower to S\$73.7mn. Cable TV fell 5%. In contrast, broadband grew 8%. FCF rose 70% YoY to S\$23mn following lower capital expenditure.
- Our BUY rating and target price of S\$0.15 are unchanged. Stock remains pegged at 9x FY21e EV/EBITDA, a 20% discount to Taiwanese peers on account of its smaller scale, higher leverage and weaker growth prospects. Forecasts largely unchanged except for capex, which has been lowered by S\$5mn. Dividend yield of 7.6% or S\$18mn distribution well-supported by FCF of S\$82mn. Further upside potential when 5G data backhaul is rolled out to mobile customers. We have not modelled any revenue from 5G.

BUY (Maintained)

LAST TRADED PRICE	SGD 0.131
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.150
TOTAL RETURN	22.1%

COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,806
MARKET CAP (USD mn / SGD mn) :	175 / 237
52 - WK HI/LO (SGD) :	0.13 / 0.1
3M Average Daily T/O (mn) :	2.05

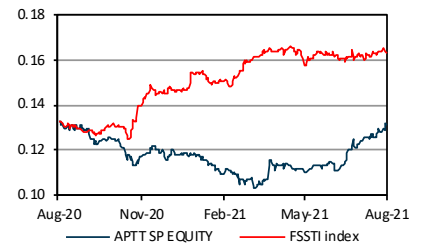
MAJOR SHAREHOLDERS

Da Da Digital Convergence	16.7%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	6.5	19.6	15.3
STI RETURN	0.7	2.2	13.9

PRICE VS. STI



Source: Bloomberg, PSR

Results at a glance

S\$ mn	2Q21	2Q20	YoY	Comment
Revenue	73.7	75.6	-2.6%	Weaker SGD contributed 0.9% pts growth.
- basic cable TV	56.7	59.6	-4.8%	Subscribers -3.2%, ARPU +1.2%.
- premium digital cable TV	3.2	3.3	-4.2%	
- broadband	13.8	12.7	7.9%	Subscribers +7.3%, ARPU -2.4%.
EBITDA	45.2	44.6	1.3%	
Broadcast cost	(14.1)	(14.2)	-0.7%	
Interest	(11.3)	(12.4)	-8.6%	
PATMI	7.7	4.7	62.2%	
Operating c/flow	53.8	29.7	81.3%	
Adjusted FCF*	22.6	13.2	71.3%	2Q21 capex down S\$7.1mn (1H21: -S\$10.8mn)
Dividends	(4.5)	(4.3)	4.2%	
DPU (cents)	0.25	0.25	0.0%	3Q21 results will announce FY22e DPU.

Source: Company, PSR *Adjusted FCF = EBITDA less capex, cash taxes and cash interest.

The Positives

+ Resilient broadband growth. Broadband subscriber net adds were 9,000 in 2Q21, the highest on record. Attractive pricing plus partnerships with various mobile operators helped.

+ Capex structurally lower. Capex trended at 25-30% of revenue from 2015 to 2017. 1H21 capex declined to a low of 11% of revenue. Investments in fibre have peaked and capacity is sufficient to meet current growth in broadband subscribers and future 5G data backhaul requirements.

The Negative

- Cable TV still declining. Cable TV revenue fell 3% YoY to S\$56.7mn. The decline was evenly spread between subscriptions and non-subscriptions. Cable TV subscribers are on a secular decline due to piracy and over-the-top TV. Broadband will be key to revenue sustainability.

Outlook

Expect stable operations. Group revenue is dependent on broadband to stem the decline in cable TV. Adjusted FCF remains strong at S\$82mn, far exceeding its S\$18mn dividends. FY22e dividends will be guided in 3Q21 results.

Maintain BUY and target price of S\$0.15

Current yield of 7.6% is well-covered by healthy cash flows. Catalysts are expected from 5G data backhaul, though the timing is unclear as mobile operators have been prudent on spending.

KEY FINANCIALS (APTT SP)

Y/E Dec SGDmn	FY19	FY20	FY21e	FY22e
Revenue	292.7	307.4	301.9	296.2
EBITDA	174.2	180.6	178.1	174.2
NPAT	19.1	17.3	21.9	25.6
EPS (cents)	1.32	0.96	1.21	1.42
PER (X)	9.9	13.6	10.8	9.3
P/BV (X)	0.17	0.20	0.20	0.20
DPU (cents)	1.20	1.05	1.00	1.00
Dividend Yield	9.2%	8.0%	7.6%	7.6%
ROE	1.8%	1.5%	1.8%	2.1%

Source: Bloomberg, PSR

VALUATION METHOD

EV/EBITDA 9x FY21e

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Financials

Income Statement

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
Revenue	313.9	292.7	307.4	301.9	296.2
EBITDA	184.3	174.2	180.6	178.1	174.2
Depreciation & Amortisation	(78.6)	(86.6)	(89.7)	(88.6)	(79.3)
EBIT	107.6	87.7	85.0	88.8	94.2
Net Finance Inc/(Exp)	(53.8)	(50.2)	(47.5)	(49.0)	(49.1)
Profit before tax	30.6	34.2	33.8	35.8	41.1
Taxation	(22.9)	(14.7)	(16.1)	(13.6)	(15.2)
Net profit before NCI	7.4	19.1	17.3	21.9	25.6
Non-controlling interest	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit, reported	7.4	19.1	17.3	21.9	25.6

Per share data (SGD)

Y/E Dec	FY18	FY19	FY20	FY21e	FY22e
EPS, reported	0.0052	0.0132	0.0096	0.0121	0.0142
DPU	0.052	0.012	0.011	0.010	0.010
BVPU	0.75	0.75	0.66	0.66	0.66

Cash Flow

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
CFO					
Profit before tax	30.6	34.2	33.8	35.8	41.1
Depreciation & Amortisation	78.6	86.6	89.7	88.6	79.3
WC changes	(8.2)	(4.7)	2.3	9.9	(5.0)
Net finance inc/(exp)	(53.8)	(50.2)	(47.5)	(49.0)	(49.1)
Tax paid	(16.7)	(9.8)	(9.3)	(8.6)	(10.2)
Others	21.5	3.6	4.5	5.0	5.0
Cashflow from ops	105.8	109.9	121.1	130.7	110.1
CFI					
CAPEX, net	(73.9)	(71.9)	(51.0)	(40.0)	(40.0)
Others	(12.7)	(20.0)	(8.6)	0.0	0.0
Cashflow from investments	(86.5)	(91.9)	(59.6)	(40.0)	(40.0)
CFF					
Share issuance, net	0.0	0.0	45.0	0.0	0.0
Loans, net of repayments	79.9	3.1	(65.8)	0.0	0.0
Dividends	(93.4)	(17.3)	(17.7)	(18.1)	(18.1)
Others	0.3	1.8	(5.1)	0.0	0.0
Cashflow from financing	(12.8)	(12.5)	(43.6)	(18.1)	(18.1)
Net change in cash	6.4	5.5	17.9	72.6	52.1
CCE, end	74.1	79.6	97.5	170.2	222.2

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
ASSETS					
PPE	328	339	330	290	259
Others	2,372	2,391	2,509	2,501	2,493
Total non-current assets	2,700	2,729	2,840	2,791	2,752
Accounts receivables	13	12	14	12	12
Cash	74	79	97	170	222
Inventories	0	0	0	0	0
Others	1	1	2	2	2
Total current assets	88	92	113	183	235
Total Assets	2,792	2,840	2,956	2,977	2,990

LIABILITIES

Accounts payables	23	39	24	36	36
Short term loans	6	15	191	191	191
Others	73	62	75	75	75
Total current liabilities	101	117	289	302	302
Long term loans	1,505	1,511	1,337	1,342	1,347
Others	112	127	137	137	137
Total non-current liabilities	1,616	1,638	1,475	1,480	1,485
Total Liabilities	1,718	1,755	1,764	1,781	1,786

EQUITY

Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,074	1,085	1,192	1,196	1,204

Valuation Ratios

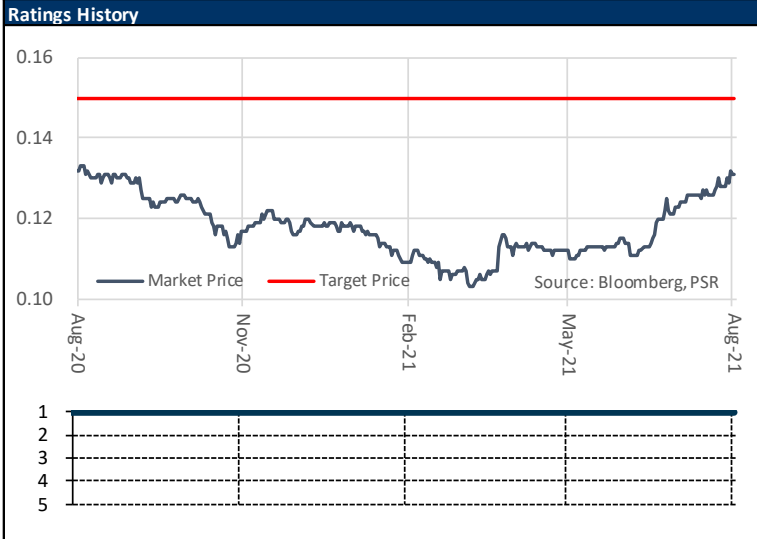
Y/E Dec	FY18	FY19	FY20	FY21e	FY22e
P/E (X), adj.	25.4	9.9	13.6	10.8	9.3
P/B (X)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (X), adj.	8.8	9.4	9.0	8.7	8.7
Dividend Yield	39.5%	9.2%	8.0%	7.6%	7.6%

Growth & Margins

Growth					
Revenue	-6.3%	-6.7%	5.0%	-1.8%	-1.9%
EBITDA	-8.5%	-5.5%	3.7%	-1.4%	-2.2%
EBIT	-17.5%	-18.5%	-3.1%	4.5%	6.1%
Net profit, adj.	-79.7%	158.6%	-9.4%	26.3%	16.7%
Margins					
EBITDA margin	58.7%	59.5%	58.8%	59.0%	58.8%
EBIT margin	34.3%	30.0%	27.6%	29.4%	31.8%
Net profit margin	2.4%	6.5%	5.6%	7.3%	8.6%

Key Ratios

ROE	0.7%	1.8%	1.5%	1.8%	2.1%
ROA	0.3%	0.7%	0.6%	0.7%	0.9%
Net Debt / (Cash)	1,437	1,448	1,431	1,364	1,316
Net Gearing (X)	1.3	1.3	1.2	1.1	1.1



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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