

Asian Pay Television Trust

Still yielding an attractive return



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SINGAPORE | TELECOMMUNICATION | 4Q17 RESULTS

28 February 2018

- 4Q17 revenue and EBITDA were in-line with our estimates. DPU for 2018 maintained at 6.5 cents, payable quarterly
- Cable TV customers stable with a pick-up from higher margin broadband subscriber base. ARPU from cable TV disappointed.
- We maintained our ACCUMULATE rating. Our target price has been tweaked lower to S\$0.62 to account for the lower ARPU and higher cash taxes for FY18e.

Results at a glance

S\$ mn	4Q17	4Q16	YoY	2017	2016	YoY
Revenue	84.7	83.9	1.0%	334.8	319.2	4.9%
EBITDA	51.8	50.0	3.6%	201.4	189.3	6.4%
Interest	(13.9)	(14.0)	-0.7%	(56.3)	(54.0)	4.3%
PATMI	11.6	16.3	-28.8%	36.5	59.7	-38.9%
Operating cash-flow	53.4	59.6	-10.4%	189.2	185.1	2.2%
FCF	27.9	18.1	54.1%	101.3	79.9	26.8%
Dividends	(23.3)	(23.3)	0.0%	(93.4)	(102.3)	-8.7%
DPU (cents)	1.625	1.625	0.0%	6.50	6.50	0.0%
Subscribers ('000s)						
- PayTV				762	762	0.0%
- Broadband				203	201	1.0%

Source: Company, PSR

The Positives

+ **Broadband subscriber growth.** After remaining flat for the past five quarters, we saw net adds of 2000 subscribers in 4Q17. The improvement was due to more attractive price and broadband speed being offered, such as, 300Mbps plan.

+ **No change in cable TV rates in 2018.** In a recently concluded dialogue with the municipalities, there will be no change in cable TV rates for all five-franchise areas in 2018.

+ **DPU and capex guidance for FY18e reaffirmed.** DPU for FY18e is 6.5 cents. Capex will decline from S\$85mn in FY17 to S\$45mn in FY18e.

The Negatives

- **Cable TV ARPU softer than expected.** ARPU for cable TV had been falling NT\$3-4 per quarter for past three quarters. This was due to lower rates from South Taoyuan in early 2017. However, in 4Q17, APTV experienced a much steeper NT\$7 drop. This was due to customers taking advantage of discount by pre-paying their three-month bundles.

- **Higher corporate tax in Taiwan.** Corporate tax in Taiwan will rise from 17% to 20%. This will hurt onshore income in Taiwan. There is no change to withholding tax rates.

Outlook

The outlook remains stable. We lowered our FY18e earnings by 10% due to higher taxes and lower ARPU for cable TV. As we enter 2018, cash flows will improve as capex for premium digital ends.

Maintain ACCUMULATE rating. Target price lowered marginally to S\$0.62 (previously S\$0.64)

We moved our target price lower to take into account as our estimates for ARPU fall and corporates taxes increase. We still like APTV for the attractive dividends supported by a recurrent monthly cable TV subscription fees.

ACCUMULATE (Maintained)

LAST TRADED PRICE	SGD 0.575
FORECAST DIV	SGD 0.065
TARGET PRICE	SGD 0.620
TOTAL RETURN	19.1%

COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,437
MARKET CAP (USD mn / SGD mn) :	624 / 826
52 - WK HI/LO (SGD) :	0.61 / 0.43
3M Average Daily T/O (mn) :	2.08

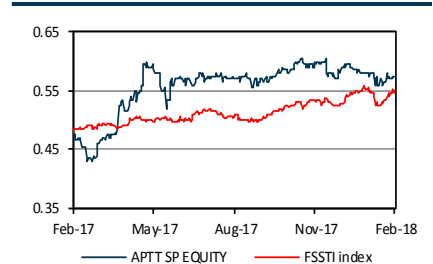
MAJOR SHAREHOLDERS

Temasek Holdings	7.93%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.9)	0.2	34.2
STI RETURN	(0.6)	3.4	17.5

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (APTT SP)

SGD mn	FY16	FY17	FY18e	FY19e
Revenue	319	335	333	329
EBITDA	189	200	198	194
NPAT	60	36	44	43
EPS (SGD)	0.04	0.03	0.03	0.03
PER, x	13.9	22.6	18.6	19.0
P/BV, x	0.7	0.7	0.7	0.8
DPU (SGD)	0.065	0.065	0.065	0.065
DVD YIELD (%)	11.3	11.3	11.3	11.3
ROE (%)	4.9	3.0	3.8	3.9

Source: Bloomberg, PSR

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Financials

Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	332	319	335	333	329
EBITDA	201	189	201	198	194
Depreciation & Amortisation	(45)	(56)	(63)	(59)	(56)
EBIT	147	144	130	139	138
Net Finance Inc/(Exp)	(50)	(54)	(56)	(60)	(61)
Profit before tax	71	84	65	71	69
Taxation	(26)	(24)	(28)	(26)	(26)
Net profit before NCI	45	60	37	44	43
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Net profit, reported	45	60	37	44	43

Per share data (SGD)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.03	0.04	0.03	0.03	0.03
DPU	0.083	0.065	0.065	0.065	0.065
BVPU	0.86	0.86	0.83	0.79	0.75

Cash Flow

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Profit before tax	71	84	65	71	69
Depreciation & Amortisation	45	56	63	59	56
WC changes	(1)	8	7	(2)	(5)
Net finance inc/(exp)	(50)	(54)	(56)	(60)	(61)
Tax paid	(27)	(13)	(19)	(21)	(21)
Others	31	(3)	17	8	8
Cashflow from ops	119	131	133	115	108
CFI					
CAPEX, net	(88)	(99)	(86)	(45)	(45)
Others	(6)	(3)	(13)	0	0
Cashflow from investments	(94)	(101)	(99)	(45)	(45)
CCF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	82	69	68	20	20
Dividends	(117)	(102)	(93)	(103)	(103)
Others	(3)	1	(0)	0	0
Cashflow from financing	(38)	(32)	(25)	(83)	(83)
Net change in cash	(13)	(2)	9	(13)	(20)
CCE, end	61	59	68	55	35

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
PPE	243	291	321	308	296
Others	2,283	2,368	2,391	2,390	2,390
Total non-current assets	2,526	2,659	2,712	2,698	2,686
Accounts receivables	18	15	12	12	12
Cash	61	59	67	54	34
Inventories	0	0	0	0	0
Others	2	1	1	1	1
Total current assets	81	75	80	67	47
Total Assets	2,608	2,737	2,793	2,766	2,735

LIABILITIES

Accounts payables	21	21	22	20	20
Short term loans	9	12	15	15	15
Others	75	76	73	78	78
Total current liabilities	104	109	109	112	112
Long term loans	1,183	1,295	1,380	1,408	1,436
Others	89	103	114	114	114
Total non-current liabilities	1,273	1,398	1,494	1,522	1,550
Total Liabilities	1,377	1,507	1,603	1,634	1,662

EQUITY

Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,231	1,231	1,190	1,132	1,073

Valuation Ratios

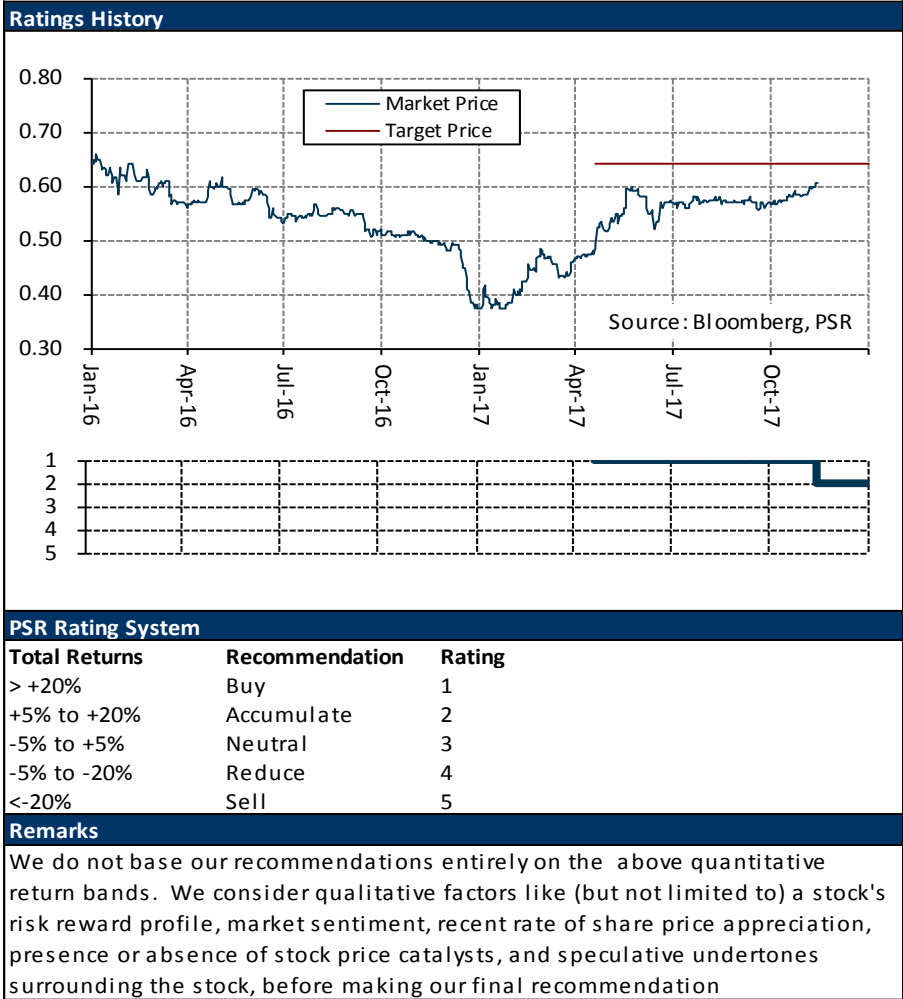
Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	18.3	13.8	22.6	18.6	19.0
P/B (X)	0.7	0.7	0.7	0.7	0.8
EV/EBITDA (X), adj.	9.7	11.0	10.7	11.1	11.6
Dividend Yield	14.3%	11.3%	11.3%	11.3%	11.3%

Growth & Margins

Growth					
Revenue	4.2%	-3.9%	4.9%	-0.7%	-1.1%
EBITDA	3.4%	-5.8%	6.4%	-1.7%	-1.9%
EBIT	3.6%	-2.4%	-9.2%	6.5%	-0.3%
Net profit, adj.	-44.0%	32.4%	-38.9%	21.7%	-2.3%
Margins					
EBITDA margin	60.5%	59.3%	60.2%	59.5%	59.0%
EBIT margin	44.3%	45.0%	38.9%	41.8%	42.1%
Net profit margin	13.6%	18.7%	10.9%	13.4%	13.2%

Key Ratios

ROE	3.6%	4.9%	3.0%	3.8%	3.9%
ROA	1.8%	2.2%	1.3%	1.6%	1.6%
Net Debt / (Cash)	1,131	1,248	1,328	1,368	1,416
Net Gearing (X)	0.9	1.0	1.1	1.2	1.3



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