

# Asian Pay Television Trust

Non-subscription revenue caused the damage



StocksBnB.com

## SINGAPORE | TELECOMMUNICATION | 1Q18 RESULTS

- 1Q18 revenue and EBITDA disappointed, after declining by 7% YoY. Our expectations were flat revenue and EBITDA.
- Revenue was negatively affected by weaker selling prices from TV prepaid packages and a significant drop in non-subscription revenue sourced from TV channel leasing.
- We have cut our target price to S\$0.52 (previously S\$0.62). This is after lowering our earnings forecast and terminal growth rate assumptions. The yield is attractive, but capital appreciation will be challenged until there are more stability in revenues. The share price decline has triggered an upgrade to BUY.

### Results at a glance

S\$ mn	1Q18	1Q17	YoY	Comment
Revenue	77.0	82.5	-6.7%	Around 1% point decline due to currency.
- subscription	52.1	54.7	-4.8%	CableTV ARPU fell 3.6% YoY.
- non-subs revenue	8.6	11.0	-21.8%	Loss of home shopping network revenues.
EBITDA	45.5	48.9	-7.0%	Bulk of revenue decline dropped to EBITDA.
Broadcast cost	(14.8)	(16.0)	-7.5%	Savings from direct negotiations.
Interest	(13.0)	(14.0)	-7.1%	
PATMI	(7.0)	4.5	nm.	S\$11.4mn deferred tax adjustment
Operating c/flow	32.8	43.6	-24.8%	Around S\$8mn higher working capital.
Free cash-flow	25.6	28.1	-8.9%	
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.625	1.625	0.0%	

Source: Company, PSR

### The Positives

+ **Content cost crept downwards.** Largest positive was the ability of APTV to lower content (or broadcast cost) by negotiating directly with the content provider and avoiding agents.

### The Negatives

- **Revenue was the key disappointment.** There were two key reasons for revenue decline. Firstly, ARPU fell as higher discounts were given for prepaid customers. We were modelling flattish ARPU. Secondly, non-subscription revenue fell 21%, when we were anticipating flat revenues. The loss of some shopping TV networks affected revenues.

- **Decline in subscribers.** After holding steady at 762k for the past five quarters, subscribers experienced a 1k decline. Whilst not alarming, this is the first decline since listing. Important that this decline does not become a trend. This will imply cable TV services are no longer a utility-type service and there is another form of substitute available.

- **Capex spiked up.** After the end of last year's premium digital rollout, we expected capex to decline to S\$45mn (revised to S\$55mn for FY18e). However, ordinary capex more than doubled this quarter, as APTV aims to extend their fibre connection to the home as they offer faster 500MBps broadband services.

### Outlook

We are concerned. Cable TV is a product with hardly any pricing power. It will be a challenge for APTV to raise pricing. The fall in subscribers is a lesser concern now, as the decline was marginal.

### Upgrade to BUY rating. Target price cut to S\$0.52 (previously S\$0.62)

We cut our EBITDA estimates by 6.5% as we lowered our ASP and subscribers for cable TV. There is value at current share price, but any meaningful capital appreciation will be capped FCFs hurt by softening revenues and stubborn capital expenditures.

16 May 2018

### BUY (Upgrade)

LAST TRADED PRICE	SGD 0.465
FORECAST DIV	SGD 0.065
TARGET PRICE	SGD 0.520
TOTAL RETURN	25.8%

### COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,437
MARKET CAP (USD mn / SGD mn) :	497 / 668
52 - WK HI/LO (SGD) :	0.61 / 0.46
3M Average Daily T/O (mn) :	2.71

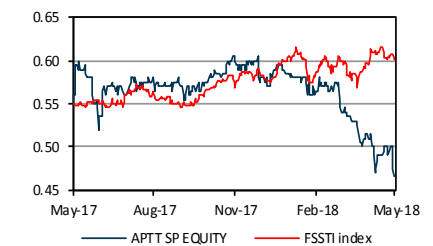
### MAJOR SHAREHOLDERS

Temasek Holdings	7.93%
------------------	-------

### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(9.7)	(15.3)	(5.1)
STI RETURN	2.2	4.1	12.1

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS (APTT SP)

SGD mn	FY16	FY17	FY18e	FY19e
Revenue	319	335	316	310
EBITDA	189	201	185	180
NPAT	60	37	21	31
EPS (SGD)	0.04	0.03	0.01	0.02
PER, x	11.2	18.3	32.3	21.7
P/BV, x	0.5	0.6	0.6	0.6
DPU (SGD)	0.065	0.065	0.065	0.065
DVD YIELD	14.0%	14.0%	14.0%	14.0%
ROE	4.9%	3.0%	1.8%	2.9%

Source: Bloomberg, PSR

**Paul Chew** (+65 6212 1851)  
Head Of Research  
paulchewkl@phillip.com.sg

## Financials

### Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>Revenue</b>	<b>332</b>	<b>319</b>	<b>335</b>	<b>316</b>	<b>310</b>
<b>EBITDA</b>	<b>201</b>	<b>189</b>	<b>201</b>	<b>185</b>	<b>180</b>
Depreciation & Amortisation	(45)	(56)	(63)	(64)	(61)
<b>EBIT</b>	<b>147</b>	<b>144</b>	<b>130</b>	<b>119</b>	<b>118</b>
Net Finance Inc/(Exp)	(50)	(54)	(56)	(60)	(61)
<b>Profit before tax</b>	<b>71</b>	<b>84</b>	<b>65</b>	<b>51</b>	<b>49</b>
Taxation	(26)	(24)	(28)	(30)	(18)
<b>Net profit before NCI</b>	<b>45</b>	<b>60</b>	<b>37</b>	<b>21</b>	<b>31</b>
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
<b>Net profit, reported</b>	<b>45</b>	<b>60</b>	<b>37</b>	<b>21</b>	<b>31</b>

### Per share data (SGD)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.03	0.04	0.03	0.01	0.02
DPU	0.083	0.065	0.065	0.065	0.065
BVPU	0.86	0.86	0.83	0.77	0.72

### Cash Flow

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>CFO</b>					
<b>Profit before tax</b>	<b>71</b>	<b>84</b>	<b>65</b>	<b>51</b>	<b>49</b>
Depreciation & Amortisation	45	56	63	64	61
WC changes	(1)	8	7	(2)	(5)
Net finance inc/(exp)	(50)	(54)	(56)	(60)	(61)
Tax paid	(27)	(13)	(19)	(14)	(13)
Others	31	(3)	17	11	8
<b>Cashflow from ops</b>	<b>119</b>	<b>131</b>	<b>133</b>	<b>110</b>	<b>100</b>
<b>CFI</b>					
CAPEX, net	(88)	(99)	(86)	(55)	(55)
Others	(6)	(3)	(13)	0	0
<b>Cashflow from investments</b>	<b>(94)</b>	<b>(101)</b>	<b>(99)</b>	<b>(55)</b>	<b>(55)</b>
<b>CCF</b>					
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
<b>Cashflow from financing</b>	<b>(38)</b>	<b>(32)</b>	<b>(25)</b>	<b>(83)</b>	<b>(83)</b>
<b>Net change in cash</b>	<b>(13)</b>	<b>(2)</b>	<b>9</b>	<b>(28)</b>	<b>(37)</b>
<b>CCE, end</b>	<b>61</b>	<b>59</b>	<b>68</b>	<b>40</b>	<b>2</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>ASSETS</b>					
PPE	243	291	321	313	307
Others	2,283	2,368	2,391	2,390	2,390
<b>Total non-current assets</b>	<b>2,526</b>	<b>2,659</b>	<b>2,712</b>	<b>2,703</b>	<b>2,697</b>
Accounts receivables	18	15	12	12	12
Cash	61	59	67	39	1
Inventories	0	0	0	0	0
Others	2	1	1	1	1
<b>Total current assets</b>	<b>81</b>	<b>75</b>	<b>80</b>	<b>52</b>	<b>14</b>
<b>Total Assets</b>	<b>2,608</b>	<b>2,737</b>	<b>2,793</b>	<b>2,756</b>	<b>2,713</b>
<b>LIABILITIES</b>					
Accounts payables	21	21	22	20	20
Short term loans	9	12	15	15	15
Others	75	76	73	78	78
<b>Total current liabilities</b>	<b>104</b>	<b>109</b>	<b>109</b>	<b>112</b>	<b>112</b>
Long term loans	1,183	1,295	1,380	1,410	1,438
Others	89	103	114	126	126
<b>Total non-current liabilities</b>	<b>1,273</b>	<b>1,398</b>	<b>1,494</b>	<b>1,536</b>	<b>1,564</b>
<b>Total Liabilities</b>	<b>1,377</b>	<b>1,507</b>	<b>1,603</b>	<b>1,648</b>	<b>1,676</b>
<b>EQUITY</b>					
Non-controlling interests	2	2	2	3	3
<b>Shareholder Equity</b>	<b>1,231</b>	<b>1,231</b>	<b>1,190</b>	<b>1,108</b>	<b>1,036</b>

### Valuation Ratios

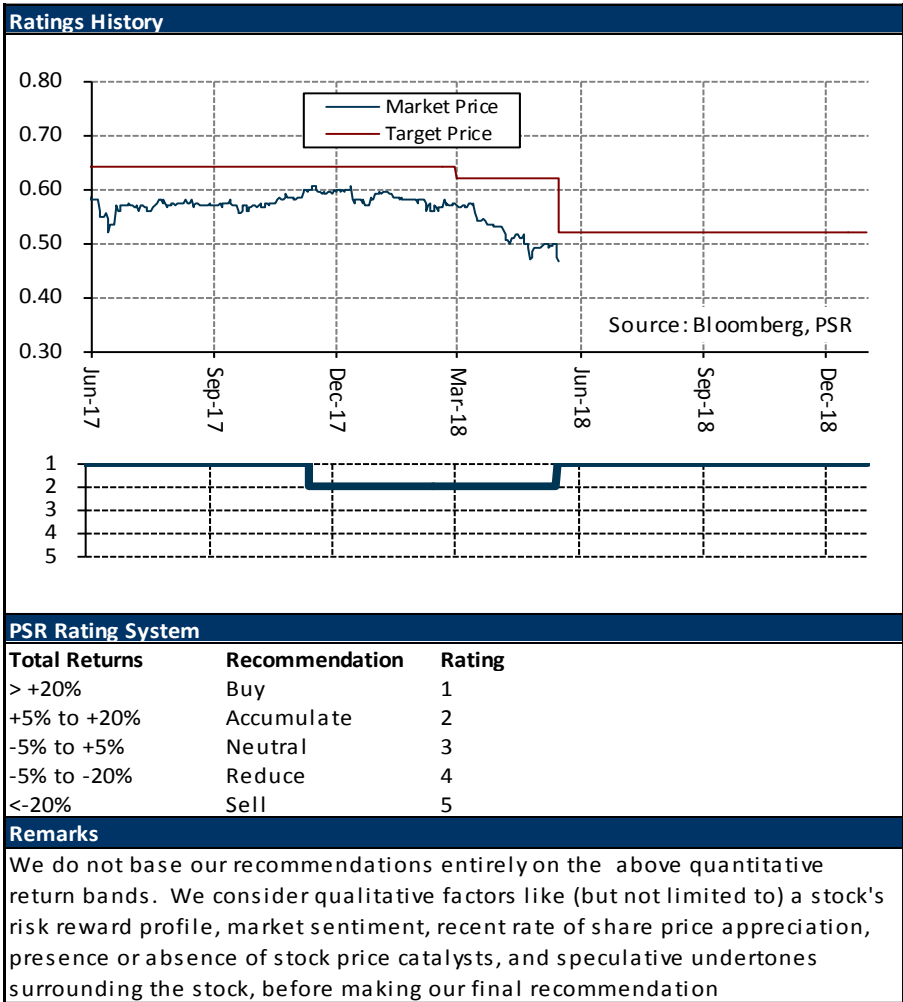
Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	14.8	11.2	18.3	32.3	21.7
P/B (X)	0.5	0.5	0.6	0.6	0.6
EV/EBITDA (X), adj.	9.0	10.1	9.9	11.1	11.8
Dividend Yield	17.7%	14.0%	14.0%	14.0%	14.0%

### Growth & Margins

<b>Growth</b>					
Revenue	4.2%	-3.9%	4.9%	-5.5%	-2.0%
EBITDA	3.4%	-5.8%	6.4%	-8.0%	-3.1%
EBIT	3.6%	-2.4%	-9.2%	-8.4%	-0.7%
Net profit, adj.	-44.0%	32.4%	-38.9%	-43.3%	48.7%
<b>Margins</b>					
EBITDA margin	60.5%	59.3%	60.2%	58.6%	57.9%
EBIT margin	44.3%	45.0%	38.9%	37.7%	38.2%
Net profit margin	13.6%	18.7%	10.9%	6.5%	9.9%

### Key Ratios

<b>Key Ratios</b>					
ROE	3.6%	4.9%	3.0%	1.8%	2.9%
ROA	1.8%	2.2%	1.3%	0.7%	1.1%
Net Debt / (Cash)	1,131	1,248	1,328	1,386	1,452
Net Gearing (X)	0.9	1.0	1.1	1.2	1.4



<b>Head of Research</b> Paul Chew – <a href="mailto:paulchewkl@phillip.com.sg">paulchewkl@phillip.com.sg</a>	<b>Contact Information (Singapore Research Team)</b> <b>Research Associate</b> Alvin Chia – <a href="mailto:alvinchiawy@phillip.com.sg">alvinchiawy@phillip.com.sg</a>	<b>Research Operations Officer</b> Mohamed Amiruddin – <a href="mailto:amiruddin@phillip.com.sg">amiruddin@phillip.com.sg</a>
<b>Consumer   Healthcare</b> Soh Lin Sin – <a href="mailto:sohls@phillip.com.sg">sohls@phillip.com.sg</a>	<b>Oil &amp; Gas   Energy</b> Chen Guangzhi – <a href="mailto:chengz@phillip.com.sg">chengz@phillip.com.sg</a>	<b>Macro</b> Pei Sai Teng – <a href="mailto:peist@phillip.com.sg">peist@phillip.com.sg</a>
<b>Transport   REITs (Industrial)</b> Richard Leow – <a href="mailto:richardleowwt@phillip.com.sg">richardleowwt@phillip.com.sg</a>	<b>REITs (Commercial, Retail, Healthcare)   Property</b> Dehong Tan – <a href="mailto:tandh@phillip.com.sg">tandh@phillip.com.sg</a>	<b>Technical Analysis</b> Jeremy Ng – <a href="mailto:jeremyngch@phillip.com.sg">jeremyngch@phillip.com.sg</a>
<b>REITs (Commercial, Retail, Healthcare)   Property</b> Tara Wong – <a href="mailto:tarawongsj@phillip.com.sg">tarawongsj@phillip.com.sg</a>	<b>US Equity</b> Ho Kang Wei – <a href="mailto:hokw@phillip.com.sg">hokw@phillip.com.sg</a>	

**Contact Information (Regional Member Companies)**

<p><b>SINGAPORE</b> <b>Phillip Securities Pte Ltd</b> Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel +65 6533 6001 Fax +65 6535 6631 Website: <a href="http://www.poems.com.sg">www.poems.com.sg</a></p>	<p><b>MALAYSIA</b> <b>Phillip Capital Management Sdn Bhd</b> B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel +603 2162 8841 Fax +603 2166 5099 Website: <a href="http://www.poems.com.my">www.poems.com.my</a></p>	<p><b>HONG KONG</b> <b>Phillip Securities (HK) Ltd</b> 11/F United Centre 95 Queensway Hong Kong Tel +852 2277 6600 Fax +852 2868 5307 Websites: <a href="http://www.phillip.com.hk">www.phillip.com.hk</a></p>
<p><b>JAPAN</b> <b>Phillip Securities Japan, Ltd.</b> 4-2 Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-0026 Tel +81-3 3666 2101 Fax +81-3 3666 6090 Website: <a href="http://www.phillip.co.jp">www.phillip.co.jp</a></p>	<p><b>INDONESIA</b> <b>PT Phillip Securities Indonesia</b> ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel +62-21 5790 0800 Fax +62-21 5790 0809 Website: <a href="http://www.phillip.co.id">www.phillip.co.id</a></p>	<p><b>CHINA</b> <b>Phillip Financial Advisory (Shanghai) Co Ltd</b> No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel +86-21 5169 9200 Fax +86-21 6351 2940 Website: <a href="http://www.phillip.com.cn">www.phillip.com.cn</a></p>
<p><b>THAILAND</b> <b>Phillip Securities (Thailand) Public Co. Ltd</b> 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangkok, Bangkok 10500 Thailand Tel +66-2 6351700 / 22680999 Fax +66-2 22680921 Website <a href="http://www.phillip.co.th">www.phillip.co.th</a></p>	<p><b>FRANCE</b> <b>King &amp; Shaxson Capital Limited</b> 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel +33-1 45633100 Fax +33-1 45636017 Website: <a href="http://www.kingandshaxson.com">www.kingandshaxson.com</a></p>	<p><b>UNITED KINGDOM</b> <b>King &amp; Shaxson Capital Limited</b> 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel +44-20 7426 5950 Fax +44-20 7626 1757 Website: <a href="http://www.kingandshaxson.com">www.kingandshaxson.com</a></p>
<p><b>UNITED STATES</b> <b>Phillip Capital Inc</b> 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building Chicago, IL 60604 USA Tel +1-312 356 9000 Fax +1-312 356 9005 Website: <a href="http://www.phillipusa.com">www.phillipusa.com</a></p>	<p><b>AUSTRALIA</b> <b>Phillip Capital Limited</b> Level 10, 330 Collins Street Melbourne, Victoria 3000, Australia Tel +61-03 9629 8288 Fax +61-03 9629 8882 Website: <a href="http://www.phillipcapital.com.au">www.phillipcapital.com.au</a></p>	<p><b>SRI LANKA</b> <b>Asha Phillip Securities Limited</b> 2<sup>nd</sup> Floor, Lakshmans Building, No. 321, Galle Road, Colombo 03, Sri Lanka Tel: (94) 11 2429 100 Fax: (94) 11 2429 199 Website: <a href="http://www.ashaphillip.net">www.ashaphillip.net</a></p>
<p><b>INDIA</b> <b>PhillipCapital (India) Private Limited</b> No.1, 18th Floor, Urmi Estate 95, Ganpatrao Kadam Marg Lower Parel West, Mumbai 400-013 Maharashtra, India Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969 Website: <a href="http://www.phillipcapital.in">www.phillipcapital.in</a></p>	<p><b>TURKEY</b> <b>PhillipCapital Menkul Degerler</b> Dr. Cemil Bengü Cad. Hak Is Merkezi No. 2 Kat. 6A Caglayan 34403 Istanbul, Turkey Tel: 0212 296 84 84 Fax: 0212 233 69 29 Website: <a href="http://www.phillipcapital.com.tr">www.phillipcapital.com.tr</a></p>	<p><b>DUBAI</b> <b>Phillip Futures DMCC</b> Member of the Dubai Gold and Commodities Exchange (DGCX) Unit No 601, Plot No 58, White Crown Bldg, Sheikh Zayed Road, P.O.Box 212291 Dubai-UAE Tel: +971-4-3325052 / Fax: + 971-4-3328895</p>
<p><b>CAMBODIA</b> <b>Phillip Bank Plc</b> Ground Floor of B-Office Centre,#61-64, Norodom Blvd Corner Street 306,Sangkat Boeung Keng Kang 1, Khan Chamkamorn, Phnom Penh, Cambodia Tel: 855 (0) 7796 6151/855 (0) 1620 0769 Website: <a href="http://www.phillipbank.com.kh">www.phillipbank.com.kh</a></p>		

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; 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, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.