

# Asian Pay Television Trust

Dividends to be cut and subscribers declined



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## SINGAPORE | TELECOMMUNICATION | 2Q18 RESULTS

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- 1Q18 revenue and EBITDA was weaker than expected due to a 2.5% point hit on forex.
- All our worst fears snowballed into dividends being cut for FY19e, capex guidance raised until FY20 and cable pay-TV subscribers fell materially.
- We have downgraded our rating to REDUCE and cut our target price to S\$0.35 (previously S\$0.52). Our dividend per unit for FY19e slashed to S\$0.035 (previously S\$0.065).

### REDUCE (Downgrade)

LAST TRADED PRICE	SGD 0.405
FORECAST DIV	SGD 0.035
TARGET PRICE	SGD 0.350
TOTAL RETURN	-4.9%

### Results at a glance

S\$ mn	2Q18	2Q17	YoY	Comment
Revenue	77.6	83.1	-6.6%	Around 2.5% point decline from currency.
- subscription	51.2	54.9	-6.7%	CableTV ARPU fell 4% YoY.
- non-subs. revenue	10.3	11.3	-8.8%	7 of 9 home shopping networks leased out.
EBITDA	46.3	50.0	-7.4%	Bulk of revenue decline dropped to EBITDA.
Broadcast cost	(14.9)	(16.0)	-6.9%	
Interest	(13.6)	(14.5)	-6.2%	
PATMI	19.7	11.3	74.3%	Deferred tax, FX and derivatives gain.
Operating c/flow	43.0	46.9	-8.3%	Dip in working capital.
Free cash-flow	22.7	19.0	19.5%	Cash capex declined S\$7.5mn.
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.625	1.625	0.0%	

Source: Company, PSR

### The Positives

- Broadband subscribers grew.** Broadband subscriber rose by around 1,000 this quarter. Subscribers have started to grow in the past three quarters at 1,000 per quarter. Broadband is the best margin product and APTV only has 25% market share.

### The Negatives

- Will cut dividends in FY19.** APTV basically said the current level of dividends was not sustainable. New capex injected into the business over the past few years have failed to generate growth. Expansion capex seem to be more defensive capex, in our opinion. Relying on higher gearing to pay the dividends is not sustainable.
- A 2,000 decline in pay-TV subscribers in 2Q18.** The metric we worry the most was the decline in cable pay-TV subscribers. The onslaught of piracy and IPTV makes holding onto cable subscriber more precarious. Whilst we believe APTV subscriber base is more resilient than most pay-TV operators, it is unclear to us how much more subscribers will decline or how large ARPU will have to fall to stem the contraction.
- Capex will remain elevated until FY20.** Despite the ending premium digital cable TV capex of S\$150mn last year, the company expects to ramp up capex for fibre and guided for elevated capex until FY20. Fibre will allow the introduction of 1GB speeds.

### Outlook

All our worst fears snowballed into a dividends being cut, subscribers declining and capex guided higher. Based on current FCF levels and to contain debt levels, a sustainable dividend near-term is around S\$50mn per year (or S\$0.035 DPU). This will be our estimate for FY19e.

### Downgrade to REDUCE. Target price cut to S\$0.35 (previously S\$0.52)

We cut our EBITDA estimates by 3% as we lowered our ASP and subscribers for pay-TV. Net earnings was unchanged due to forex/derivative gains plus a one-off deferred tax benefit.

### COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN)	1,437
MARKET CAP (USD mn / SGD mn)	420 / 575
52 - WK HI/LO (SGD)	0.61 / 0.39
3M Average Daily T/O (mn)	2.76

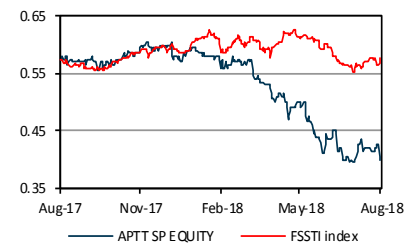
### MAJOR SHAREHOLDERS

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

	1MTH	3MTH	1YR
COMPANY	2.5	(15.8)	(20.3)
STI RETURN	3.4	(6.5)	1.9

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS (APTT SP)

SGD mn	FY16	FY17	FY18e	FY19e
Revenue	319	335	308	306
EBITDA	189	201	179	177
NPAT	60	37	21	29
EPS (SGD)	0.04	0.03	0.01	0.02
PER, x	9.7	15.9	28.0	20.3
P/BV, x	0.5	0.5	0.5	0.5
DPU (SGD)	0.065	0.065	0.065	0.035
DVD YIELD	16.0%	16.0%	16.0%	8.6%
ROE	4.9%	3.0%	1.8%	2.6%

Source: Bloomberg, PSR

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## 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>308</b>	<b>306</b>
<b>EBITDA</b>	<b>201</b>	<b>189</b>	<b>201</b>	<b>179</b>	<b>177</b>
Depreciation & Amortisation	(45)	(56)	(63)	(64)	(61)
<b>EBIT</b>	<b>147</b>	<b>144</b>	<b>130</b>	<b>120</b>	<b>116</b>
Net Finance Inc/(Exp)	(50)	(54)	(56)	(60)	(62)
<b>Profit before tax</b>	<b>71</b>	<b>84</b>	<b>65</b>	<b>52</b>	<b>46</b>
Taxation	(26)	(24)	(28)	(30)	(17)
<b>Net profit before NCI</b>	<b>45</b>	<b>60</b>	<b>37</b>	<b>21</b>	<b>29</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>29</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	0.035
BVPU	0.86	0.86	0.83	0.77	0.76

### Cash Flow

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
<b>Profit before tax</b>	<b>71</b>	<b>84</b>	<b>65</b>	<b>52</b>	<b>46</b>
Depreciation & Amortisation	45	56	63	64	61
WC changes	(1)	8	7	(2)	(5)
Net finance inc/(exp)	(50)	(54)	(56)	(60)	(62)
Tax paid	(27)	(13)	(19)	(14)	(12)
Others	31	(3)	17	3	8
<b>Cashflow from ops</b>	<b>119</b>	<b>131</b>	<b>133</b>	<b>103</b>	<b>98</b>
CFI					
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>
Share issuance, net	0	0	0	0	0
Loans, net of repayments	82	69	68	50	0
Dividends	(117)	(102)	(93)	(103)	(50)
Others	(3)	1	(0)	0	0
<b>Cashflow from financing</b>	<b>(38)</b>	<b>(32)</b>	<b>(25)</b>	<b>(53)</b>	<b>(50)</b>
<b>Net change in cash</b>	<b>(13)</b>	<b>(2)</b>	<b>9</b>	<b>(5)</b>	<b>(7)</b>
<b>CCE, end</b>	<b>61</b>	<b>59</b>	<b>68</b>	<b>63</b>	<b>56</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	62	55
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>75</b>	<b>68</b>
<b>Total Assets</b>	<b>2,608</b>	<b>2,737</b>	<b>2,793</b>	<b>2,779</b>	<b>2,766</b>

### LIABILITIES

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	1,433	1,441
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>1,559</b>	<b>1,567</b>
<b>Total Liabilities</b>	<b>1,377</b>	<b>1,507</b>	<b>1,603</b>	<b>1,671</b>	<b>1,679</b>

### EQUITY

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>1,087</b>

### Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	12.9	9.7	15.9	28.0	20.3
P/B (X)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (X), adj.	8.5	9.7	9.5	11.0	11.2
Dividend Yield	20.4%	16.0%	16.0%	16.0%	8.6%

### Growth & Margins

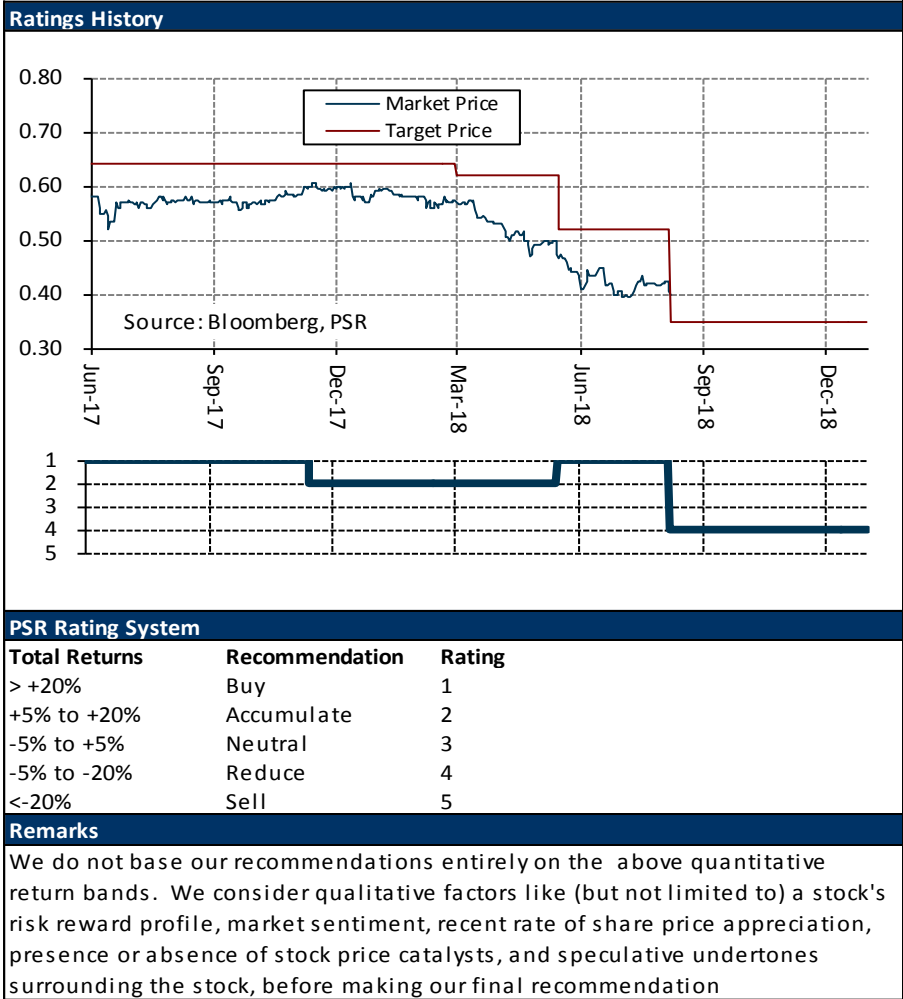
<b>Growth</b>					
Revenue	4.2%	-3.9%	4.9%	-8.0%	-0.5%
EBITDA	3.4%	-5.8%	6.4%	-11.2%	-1.2%
EBIT	3.6%	-2.4%	-9.2%	-7.9%	-3.7%
Net profit, adj.	-44.0%	32.4%	-38.9%	-43.0%	37.5%

### Margins

EBITDA margin	60.5%	59.3%	60.2%	58.0%	57.6%
EBIT margin	44.3%	45.0%	38.9%	38.9%	37.7%
Net profit margin	13.6%	18.7%	10.9%	6.8%	9.3%

### Key Ratios

ROE	3.6%	4.9%	3.0%	1.8%	2.6%
ROA	1.8%	2.2%	1.3%	0.7%	1.0%
Net Debt / (Cash)	1,131	1,248	1,328	1,386	1,401
Net Gearing (X)	0.9	1.0	1.1	1.2	1.3



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