

Singapore Company Focus

Asian Pay Television Trust

Bloomberg: APTT SP | Reuters: ASIA.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

9 Nov 2015

HOLD

Last Traded Price: S\$0.80 (STI : 3,010.47)

Price Target :S\$0.80 (1% upside) (Prev S\$0.87)

Reason for Report : 3Q15 result release

Potential Catalyst: Acquisitions, regulatory changes

Where we differ: FY15F/16F EPS below consensus

Analyst

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Result Summary

FY Dec (\$m)	3Q 2015	3Q 2014	2Q 2015	yoy % chg	qoq % chg
P&L Items					
Turnover	81.6	80.5	82.7	1.3	(1.3)
Gross Profit	65.9	65.6	67.8	0.4	(2.8)
Opg Profit	37.7	36.3	39.8	3.7	(5.3)
EBITDA	49.0	48.0	50.4	2.2	(2.8)
Net Profit	14.5	15.1	20.1	(4.0)	(27.9)
Other Data					
Gross Margin (%)	80.8	81.5	82.0		
Opg Margin (%)	46.2	45.1	48.1		
Net Margin (%)	17.7	18.7	24.3		

Financial Summary

FY Dec (\$m)	2014A	2015F	2016F	2017F
Revenue	319	325	331	339
Operating Profit	33.8	38.9	39.8	37.7
EBITDA	191	200	204	208
Net Pft (Pre Ex.)	114	52.8	70.8	71.4
EPS (\$ cts)	7.96	3.67	4.92	4.97
EPS Pre Ex. (\$ cts)	7.96	3.67	4.92	4.97
EPS Gth (%)	110	(54)	34	1
EPS Gth Pre Ex (%)	110	(54)	34	1
Net DPS (\$ cts)	8.25	6.73	7.61	8.68
BV Per Share (\$ cts)	88.6	85.6	82.9	79.2
PE (X)	10.0	21.7	16.1	16.0
PE Pre Ex. (X)	10.0	21.7	16.1	16.0
EV/EBITDA (X)	11.1	10.9	10.8	10.8
Net Div Yield (%)	10.4	8.5	9.6	10.9
P/Book Value (X)	0.9	0.9	1.0	1.0
Net Debt/Equity (X)	0.8	0.8	0.9	1.0
ROAE (%)	8.8	4.2	5.8	6.1

At A Glance

Issued Capital (m shrs)	1,437
Mkt. Cap (\$m/US\$m)	1,142 / 804
3m Avg. Daily Val (US\$m)	1.1

ICB Industry: Consumer Services

ICB Sector: Media

Principal Business: APTT is a single-asset business trust which holds Taiwan Broadband Communications (TBC) Group, the third largest cable TV operator in Taiwan. TBC also provides fixed broadband services in addition to its cable TV services.

Source: Company, DBS Bank, Bloomberg Finance L.P.

Higher finance and tax temper profits

- **3Q15 EBITDA of S\$49m (+2% y-o-y, -3% q-o-q) was in line with our expectations**
- **Higher-than-expected interest and tax expenses impacted bottom line**
- **Dividend of 2 Scts in line; FY15 dividend 8.25 Scts guidance maintained**
- **Maintain HOLD with revised TP of S\$0.80**

Highlights

Weakening ARPU offset subscriber gains. Revenue of S\$81.6m (+1% y-o-y, -1% q-o-q) was in line. ARPU of premium cable has continued its downward trend, dropping 3% q-o-q. Similarly, broadband and basic cable ARPUs have also weakened. However, expanded subscriber base has minimised the overall impact of the ARPU drop.

Higher-than-expected finance and interest costs. Operating profitability was largely in line despite higher foreign exchange-related losses. In addition, bottom line was impacted by higher-than-expected finance and tax expenses. We have adjusted our finance expense for FY15 and effective tax rates to reflect the higher costs.

Outlook

Network expansion slowing. Marketing operations in the new coverage areas have already commenced. However, Taichung network expansion has been delayed with some network expansion capex being pushed to FY16. Further delays could have an impact on revenues in the near term.

Sufficient debt facilities for growth capex. APTT refinanced its existing debt in 1Q15 with a new 7-year c.\$1.4bn borrowing facility. This leaves ~\$190m more available for borrowing for APTT which should comfortably cover capex over the next two years.

Valuation:

Maintain HOLD with a revised DCF-based TP of \$0.80 (WACC 7.2%, terminal growth 0%) as we temper our future profit projections due to higher finance and tax expenses. However, the counter does offer an attractive yield of ~10%.

Key Risks:

Potential regulatory policy changes could affect ARPU, revenue. Regulatory policy changes which could allow customers to choose channel bundles at a lower price could erode ARPU and revenue for APTT as c.80% of revenues

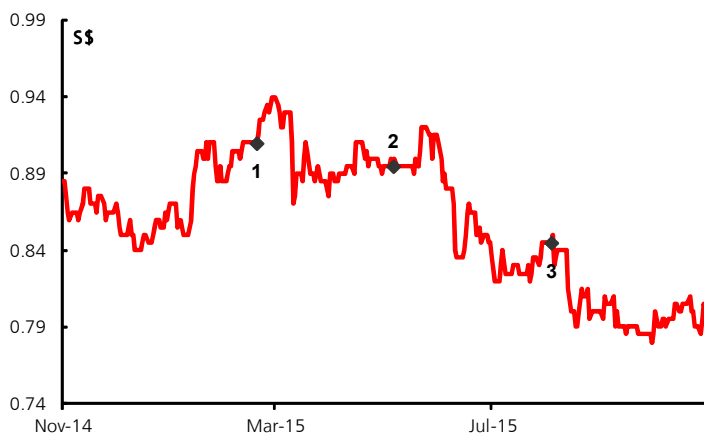
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stem from basic cable. However, the management is of the view that the new policy is unlikely to come into effect due to the lack of support from the industry.

Competition and weaker economy could stifle network expansion. The total addressable market in the new coverage areas exceeds 400k homes. APTT is targeting to penetrate at least 35% of households over the next five years. However, stronger competition and a weaker economy could dampen efforts to gain market share.

Sharp depreciation of Taiwan dollar or sharp rise in interest rates. APTT hedges only part of its currency and interest rate risks, suggesting there is still an element of risk.

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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