

Asian Pay Television Trust

Stable with early signs of 5G



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SINGAPORE | TELECOMMUNICATION | 2Q22 RESULTS

16 August 2022

- Results met our expectations. 1H revenue and EBITDA were at 49%/48% of our FY22e estimates. 2Q22 distribution was maintained at 0.25 cents per unit.
- Broadband remains the growth segment, rising 16% YoY but pulled down by 7% contraction in cable TV revenue. 5G backhaul revenue was S\$2.2mn annualised (FY21: S\$1.6mn).
- We upgrade to BUY due to the recent share price weakness. No change to our FY22e EBITDA forecast and target price of S\$0.15, based on 9x FY21e EV/EBITDA, a 20% discount to Taiwanese peers. The current dividend yield of 8.5% or S\$18mn payout, is well supported by an estimated free cash flows of around S\$80mn p.a.

Results at a glance

S\$m	2Q22	2Q21	YoY	Comment
Revenue	71.8	73.7	-2.5%	Stronger SGD contributed to negative 1.8% pts.
- basic cable TV	52.9	56.7	-6.8%	Subscribers -2.0%, ARPU -4.1%.
- premium digital cable TV	2.9	3.2	-7.8%	
- broadband	16.0	13.8	16.4%	Subscribers +12.9%, ARPU +5.3%.
EBITDA	42.4	45.2	-6.2%	Pole rental expense normalised \$1.6mn (2Q21: S\$16k).
Broadcast cost	(14.1)	(14.1)	0.0%	
Interest	(10.8)	(11.3)	-4.5%	
PATMI	11.5	7.7	49.7%	
Operating c/flow	24.3	53.8	-54.8%	Includes S\$23.6mn for unpaid programming costs.
Adjusted FCF*	16.3	22.6	-28.2%	Cash taxes rose by S\$2.6mn.
Dividends	(4.5)	(4.5)	0.0%	
DPU (cents)	0.25	0.25	0.0%	

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

The Positive

+ Broadband growth with some 5G. Broadband revenue grew from both higher volumes and prices. Net subscribers added in 2Q22 were 9,000 (2Q21: +9,000) and ARPU rose 5% YoY to TWD377. Higher speed broadband plans are driving prices and partnership with mobile operators is helping to gain more subscribers. 5G backhaul revenue was disclosed at around \$1.1mn in 1H22. This compares with the S\$1.6mn in FY21.

The Negative

- Secular decline in basic cable. No change to the continuing weakness in basic cable TV revenue. It is the 18th consecutive quarterly decline of subscribers. Local content is still popular but piracy issues and aggressive IPTV are driving the loss of subscribers and the need to provide more discounts for customer retention.

Outlook

A competitively priced broadband that is 40-50% cheaper than peers together with a collaboration with mobile operators have driven both volumes and prices higher. While ARPU is 20% lower than cable TV, the margins are higher because there is no content cost. Content cost around 30% of cable TV revenue. Broadband can keep group revenue stable with 5G the new growth catalyst. Of the S\$1.44bn debt, S\$1.3bn is onshore TWD dollar debt of which 93% (or S\$1.2bn) is hedged at a fixed rate of 0.94% until 30Jun25. The offshore S\$154mn debt is floating rate of base plus 1.6-1.9%. A 100bps rise in SIBOR will increase interest by S\$1.5mn, so not a significant impact to free cash flow.

Upgrade to BUY from ACCUMULATE with an unchanged target price of S\$0.15

APT's attractive dividend yield of 8.5% is well supported by free cash flows. Our FY22e PATMI is raised S\$14mn from lower effective tax, interest rate and depreciation assumptions.

BUY (Upgraded)

LAST TRADED PRICE	SGD 0.117
FORECAST DIV	SGD 0.010
TARGET PRICE	SGD 0.150
TOTAL RETURN	36.8%

COMPANY DATA

BLOOMBERG	APTT SP
O/S UNITS (MN) :	1,806
MARKET CAP (USD mn / SGD mn) :	153 / 211
52 - WK HI/LO (SGD) :	0.14 / 0.12
3M Average Daily T/O (mn) :	0.77

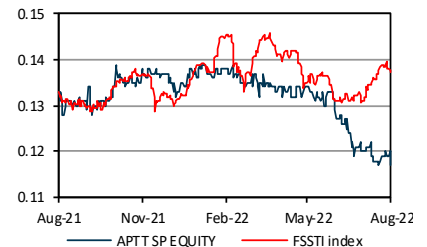
MAJOR SHAREHOLDERS

Araedis Investment Pte Ltd	18.3%
Venezio Investments	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	-	(8.7)	(7.0)
STI RETURN	6.4	3.4	7.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS (APT SP)

Y/E Dec SGDmn	FY20	FY21	FY22e	FY23e
Revenue	307.4	299.7	298.7	303.7
EBITDA	181.0	183.1	179.0	184.3
NPAT	17.3	19.9	43.0	43.8
EPS (cents)	0.96	1.10	2.38	2.43
PER (X)	12.2	10.6	4.9	4.8
P/BV (X)	0.18	0.17	0.17	0.16
DPU (cents)	1.05	1.00	1.00	1.00
Dividend Yield	9.0%	8.5%	8.5%	8.5%
ROE	1.5%	1.6%	3.4%	3.4%

Source: Bloomberg, PSR

VALUATION METHOD

EV/EBITDA 9x FY22e

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Financials

Income Statement

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	292.7	307.4	299.7	298.7	303.7
EBITDA	174.5	181.0	183.1	179.0	184.3
Depreciation & Amortisation	(86.6)	(89.7)	(86.6)	(72.5)	(65.8)
EBIT	87.7	85.0	97.2	106.5	118.5
Net Finance Inc/(Exp)	(50.2)	(47.5)	(46.4)	(42.2)	(52.2)
Profit before tax	34.2	33.8	34.7	59.3	61.3
Taxation	(14.7)	(16.1)	(14.5)	(16.0)	(17.2)
Net profit before NCI	19.1	17.3	19.9	43.0	43.8
Non-controlling interest	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit, reported	19.1	17.3	19.9	43.0	43.8

Per share data (SGD)

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	0.0132	0.0096	0.0110	0.0238	0.0243
DPU	0.012	0.011	0.010	0.010	0.010
BVPU	0.75	0.66	0.69	0.70	0.71

Cash Flow

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax	34.2	33.8	34.7	59.3	61.3
Depreciation & Amortisation	86.6	89.7	86.6	72.5	65.8
WC changes	(4.7)	2.3	32.2	(11.4)	(8.0)
Net finance inc/(exp)	(50.2)	(47.5)	(46.4)	(42.2)	(52.2)
Tax paid	(9.8)	(9.3)	(10.3)	(12.0)	(13.2)
Others	3.6	4.5	14.3	5.0	5.0
Cashflow from ops	109.9	121.1	157.5	113.4	110.9
CFI					
CAPEX, net	(71.9)	(51.0)	(29.5)	(35.0)	(40.0)
Others	(20.0)	(8.6)	(4.3)	0.0	0.0
Cashflow from investments	(91.9)	(59.6)	(33.8)	(35.0)	(40.0)
Share issuance, net	0.0	45.0	0.0	0.0	0.0
Loans, net of repayments	3.1	(65.8)	(74.6)	(20.0)	(20.0)
Dividends	(17.3)	(17.7)	(18.1)	(18.1)	(18.1)
Others	1.8	(4.7)	(3.6)	0.0	0.0
Cashflow from financing	(12.5)	(43.6)	(96.1)	(38.1)	(38.1)
Net change in cash	5.5	17.9	27.7	40.3	32.9
CCE, end	79.6	97.5	125.2	165.5	198.4

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	339	330	292	264	247
Others	2,391	2,509	2,585	2,576	2,567
Total non-current assets	2,729	2,840	2,877	2,840	2,814
Accounts receivables	12	14	16	15	14
Cash	79	97	125	165	198
Inventories	0	0	0	0	0
Others	1	2	2	2	2
Total current assets	92	113	142	182	214
Total Assets	2,840	2,956	3,023	3,024	3,030

LIABILITIES

Accounts payables	39	24	54	45	40
Short term loans	15	191	58	43	28
Others	62	75	69	69	69
Total current liabilities	117	289	181	157	137
Long term loans	1,511	1,337	1,455	1,455	1,455
Others	127	137	144	144	144
Total non-current liabilities	1,638	1,475	1,599	1,599	1,599
Total Liabilities	1,755	1,764	1,780	1,756	1,736

EQUITY

Non-controlling interests	2	2	2	3	3
Shareholder Equity	1,085	1,192	1,243	1,268	1,294

Valuation Ratios

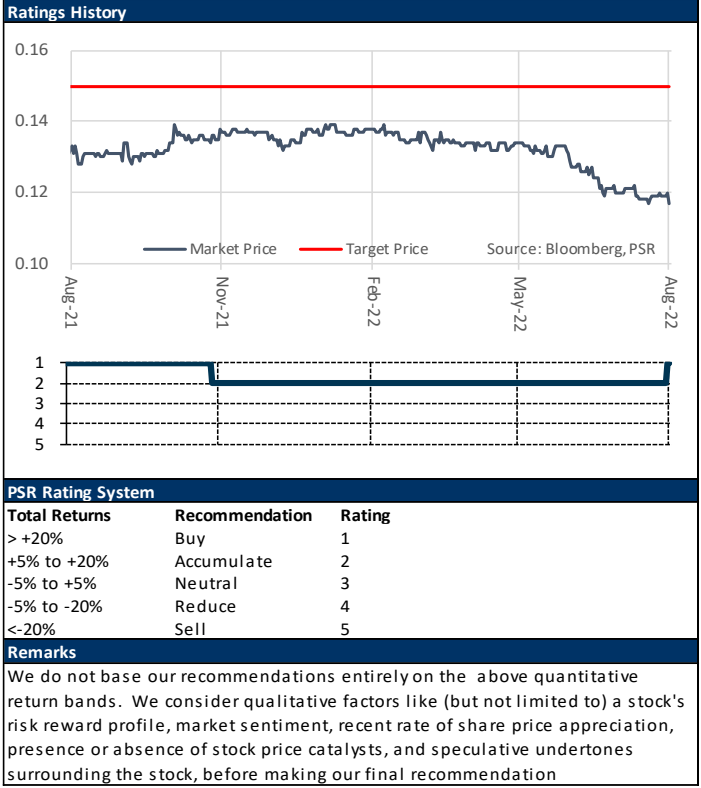
Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (X), adj.	8.9	12.3	10.7	5.0	4.9
P/B (X)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (X), adj.	9.3	8.9	8.5	8.4	7.9
Dividend Yield	10.2%	8.9%	8.5%	8.5%	8.5%

Growth & Margins

Growth					
Revenue	-6.7%	5.0%	-2.5%	-0.4%	1.7%
EBITDA	-5.5%	3.7%	1.2%	-2.2%	3.0%
EBIT	-18.5%	-3.1%	14.3%	9.6%	11.3%
Net profit, adj.	158.6%	-9.4%	14.6%	116.3%	2.0%
Margins					
EBITDA margin	59.6%	58.9%	61.1%	59.9%	60.7%
EBIT margin	30.0%	27.6%	32.4%	35.6%	39.0%
Net profit margin	6.5%	5.6%	6.6%	14.4%	14.4%

Key Ratios

ROE	1.8%	1.5%	1.6%	3.4%	3.4%
ROA	0.7%	0.6%	0.7%	1.4%	1.4%
Net Debt / (Cash)	1,448	1,431	1,389	1,333	1,286
Net Gearing (X)	1.3	1.2	1.1	1.0	1.0



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