

# **SmarTone Telecommunications Holdings Limited**

## **FY14 Interim Results Presentation**

*For the six months ended 31 December 2013*

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CEO

13 February 2014

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# Agenda

- Business review
- Outlook
- Appendix – financial information

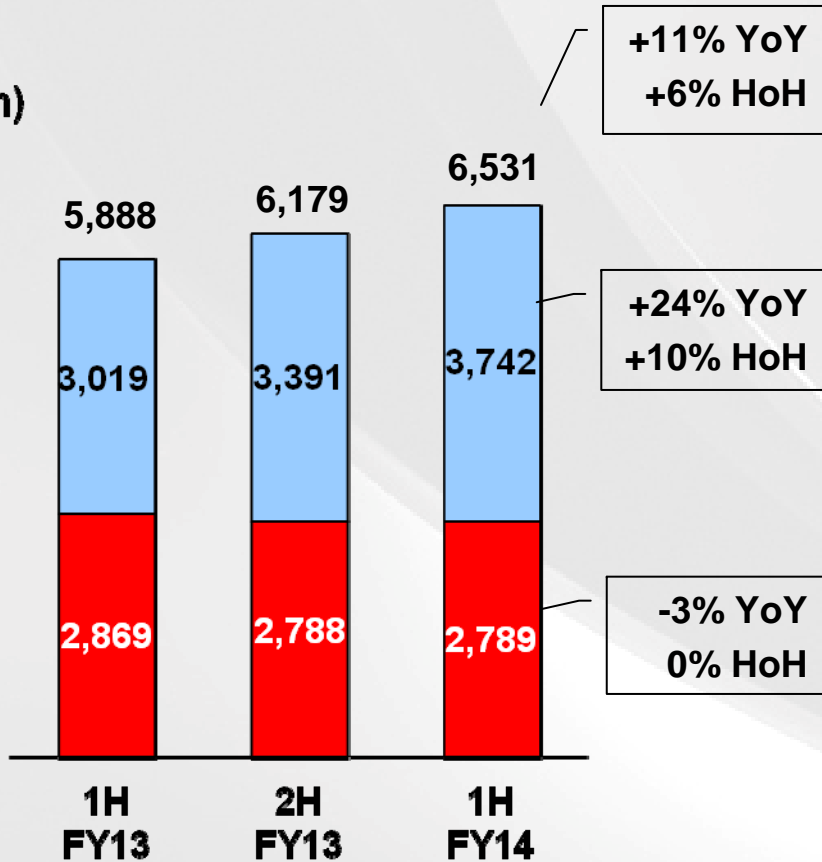
# Business review

# Key highlights

- Group total revenue increased by 11% to \$6,531 million
- Hong Kong customer numbers increased by 8% to 1.87 million
- Increased network operating costs with strongly rising data usage
- Higher depreciation from completion of 4G network
- Group EBITDA down 12%
- Net profit fell 32% to \$311 million
- Interim dividend of \$0.18 per share, 60% payout

# Group revenue

(\$m)



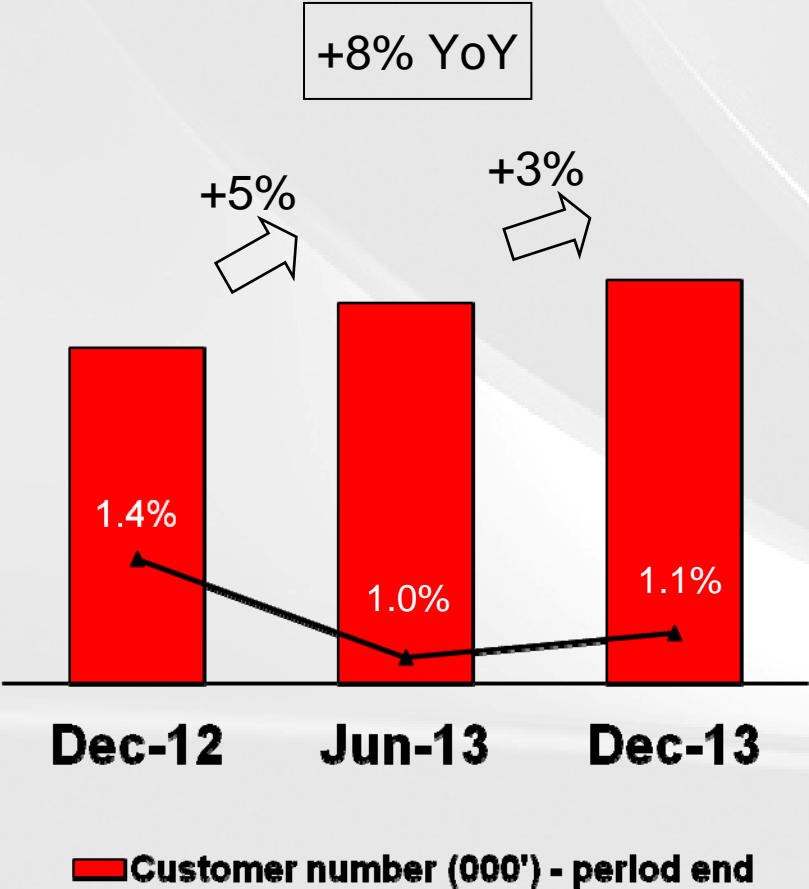
- Group revenue up 11%
  - Service revenue down 3%
  - Handset & accessory sales grew 24%

■ Service revenue

■ Handset & accessory sales

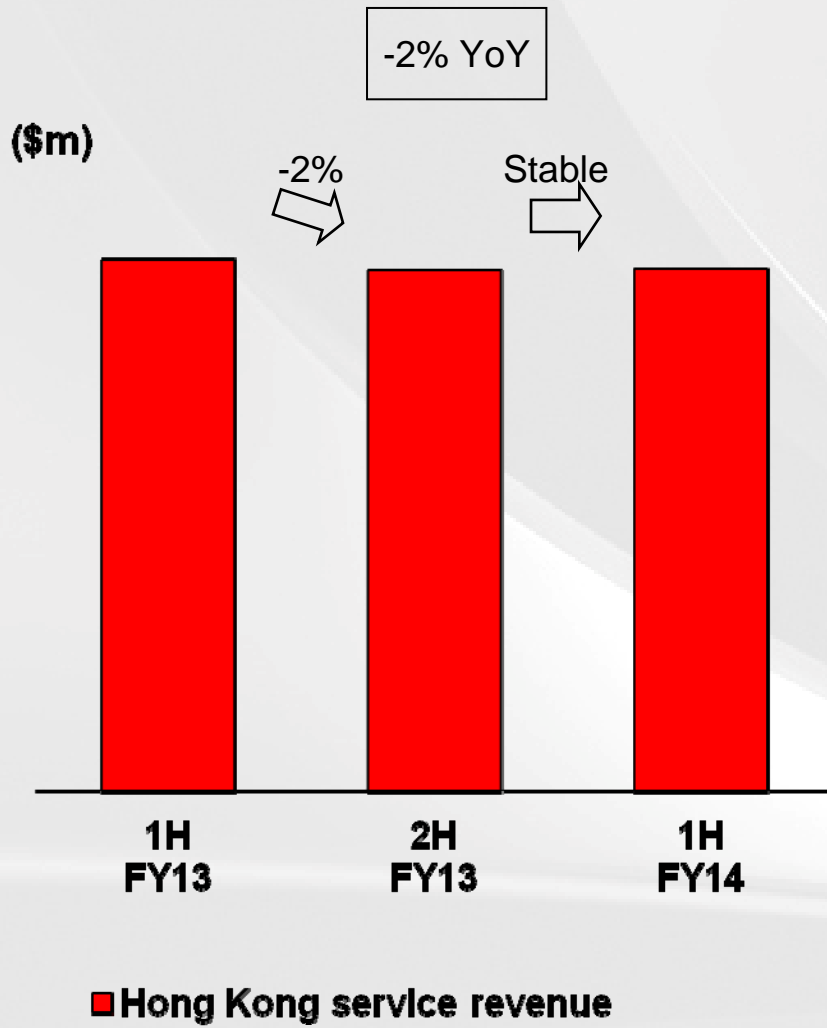
# Strong growth in Hong Kong mobile customer number

## HK mobile customer no.



- Mobile customers up 8%
  - Growth in both postpaid and prepaid
- Average mobile postpaid churn rate at 1.1%

# Hong Kong service revenue



- Hong Kong service revenue declined 2%
  - Competitive pricing erosion
  - Customer adoption of SIM-only plans at lower price points when handset-bundled plans expired
  - Slowing decline in roaming
  - Continuing scale-down of wireless fixed broadband business
- Together with dilution from lower-priced 3G speed-capped plan, fully blended ARPU declined 11%

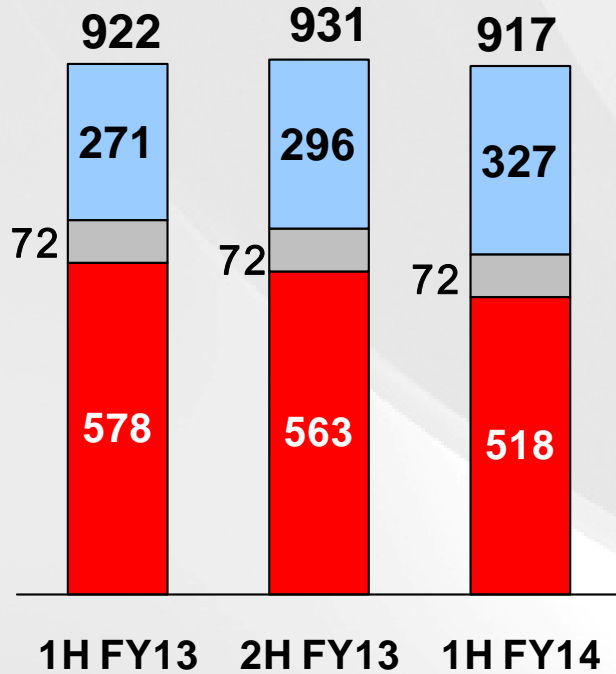


# Modest increase in group operating expenses

- Group operating expenses up 4%
  - Staff costs down 1%
  - Other operating expenses increased 6%
    - Higher network costs due to strongly rising data usage
    - Higher rental for offices and stores
    - Lower sales & marketing and general administrative expenses

# Depreciation & amortisation remain stable

(\$m)



- Fixed asset depreciation up 21%
- Handset subsidy amortisation down 11%
  - More than offset the decline in Hong Kong service revenue

- Depreciation & disposal loss
- Amortisation of licence fee
- Handset subsidy amortisation

# Conservative debt profile

- Secured long term funding to match long term investment in spectrum and CAPEX
- Well-protected from future rise in interest rate
  - Interest rate profile: 80% fixed; 20% floating
  - 10 year fixed-rate average funding cost at 3.53%

# Outlook

# Outlook

- Challenging industry dynamics
  - Intense market competition puts pressure on service revenue
  - Increasing costs with strongly rising customer data usage and general inflation
- Continuing commitment to
  - Extend network excellence
  - Develop new services
  - Enhance customer care
- Focus on cost control and productivity improvement without compromising on our quality of service

# Appendix – financial Information

# Group Profit & Loss

(\$m)	1H FY13	2H FY13	1H FY14
<b>Revenues</b>	<b>5,888</b>	<b>6,178</b>	<b>6,531</b>
Cost of inventories sold	(2,927)	(3,287)	(3,702)
Staff costs	(346)	(353)	(342)
Other operating expenses	(1,078)	(1,086)	(1,140)
<b>EBITDA</b>	<b>1,537</b>	<b>1,452</b>	<b>1,348</b>
Depreciation, amortisation & disposal	(922)	(931)	(917)
<b>EBIT</b>	<b>615</b>	<b>521</b>	<b>431</b>
Net finance costs	(59)	(62)	(66)
Profit before income tax	556	459	364
Income tax expense	(90)	(77)	(56)
Profit after income tax	466	382	308
Non-controlling interests	(7)	1	3
<b>Net profit</b>	<b>459</b>	<b>384</b>	<b>311</b>

# Group Balance Sheet

(\$m)	Jun 13	Dec 13
Fixed assets	3,186	3,174
Intangible assets	2,989	2,728
Other non-current assets (incl. debt securities)	103	125
Cash, bank balance <sup>(1)</sup>	2,510	2,664
Other current assets	841	843
Bank borrowings <sup>(1)</sup>	(1,075)	(1,288)
Notes payable <sup>(1)</sup>	(1,520)	(1,521)
Customer prepayments and deposits	(1,074)	(921)
Other current liabilities	(1,873)	(1,743)
Other non-current liabilities	(1,038)	(926)
<b>Net assets</b>	<b>3,048</b>	<b>3,134</b>
Share capital	104	104
Reserves	2,882	2,971
Total equity attributable to equity holders	2,986	3,075
Non-controlling interests	62	59
<b>Total equity</b>	<b>3,048</b>	<b>3,134</b>
<i><sup>(1)</sup> Cash &amp; bank balance</i>	<i>2,510</i>	<i>2,664</i>
<i>Bank Borrowings</i>	<i>(1,075)</i>	<i>(1,288)</i>
<i>Notes payable</i>	<i>(1,520)</i>	<i>(1,521)</i>
<i>Net debt balance</i>	<i>(85)</i>	<i>(145)</i>
<i><sup>(2)</sup> Shares in issue at balance sheet date (million)</i>	<i>1,037</i>	<i>1,038</i>
<i><sup>(3)</sup> Net book value per share</i>	<i>\$2.9</i>	<i>\$3.0</i>



**Smartone**