

# **SmarTone Telecommunications Holdings Limited**

**FY15 Annual Results Presentation**  
*For the year ended 30 June 2015*

Stephen Chau  
Interim CEO

1 September 2015

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# Agenda

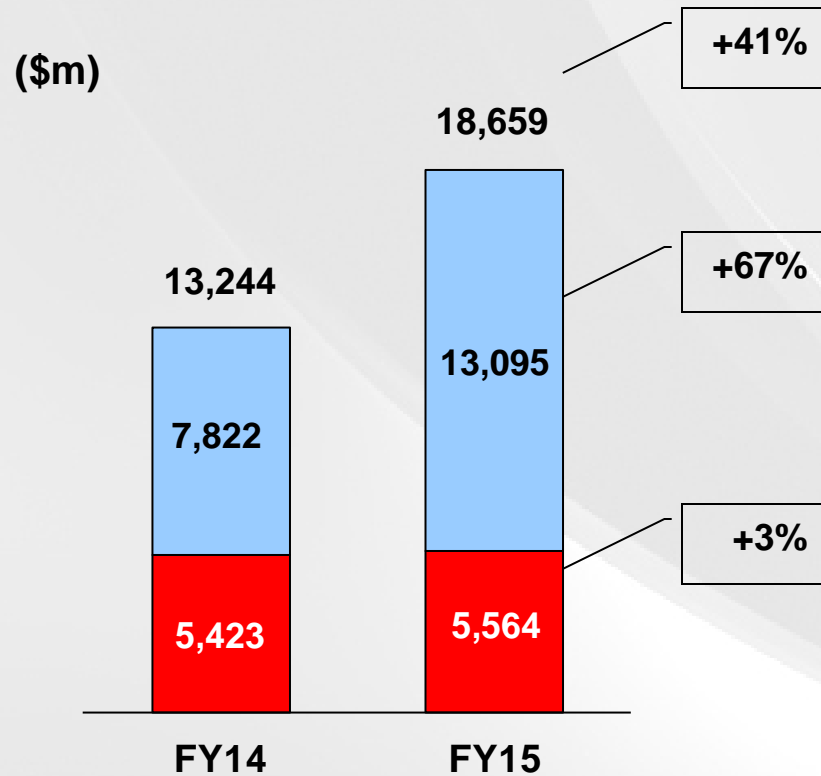
- Business review
- Outlook
- Appendix – financial information

# Business review

# Key highlights

- Total revenue of \$18,659 million, +41%
- EBITDA of \$2,932 million, +14%
- EBIT of \$1,244 million, +54%
- Net profit of \$935 million, +74%
- Dividend payout ratio increased to 75%
  - Final dividend of \$0.33 per share,
  - Making full year dividend to \$0.60 per share, +94%

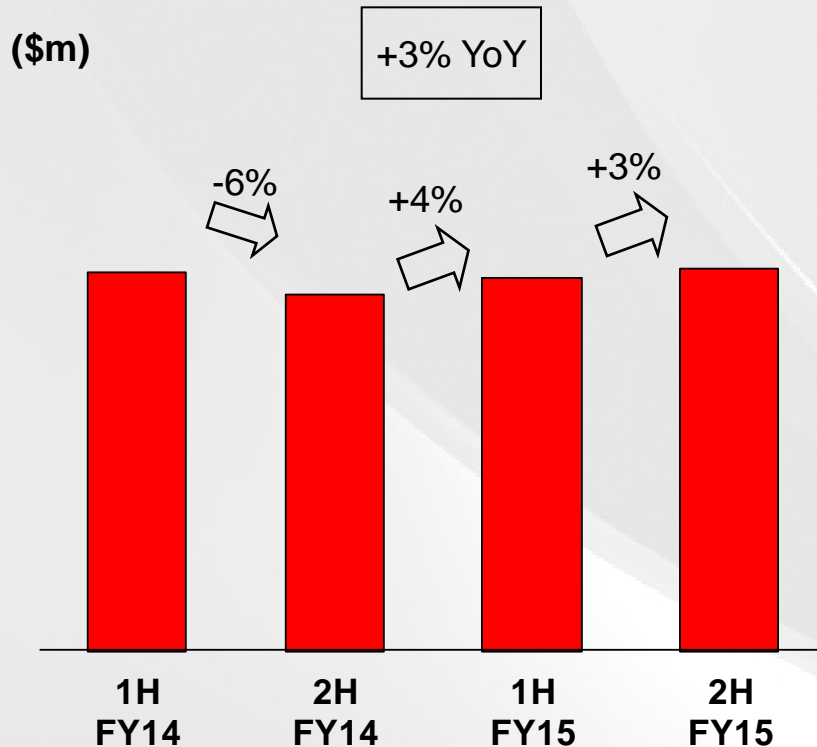
# Group revenue



- Group revenue rose 41%
  - Service revenue increased 3%
  - Handset & accessory sales grew 67%

■ Service revenue  
■ Handset & accessory sales

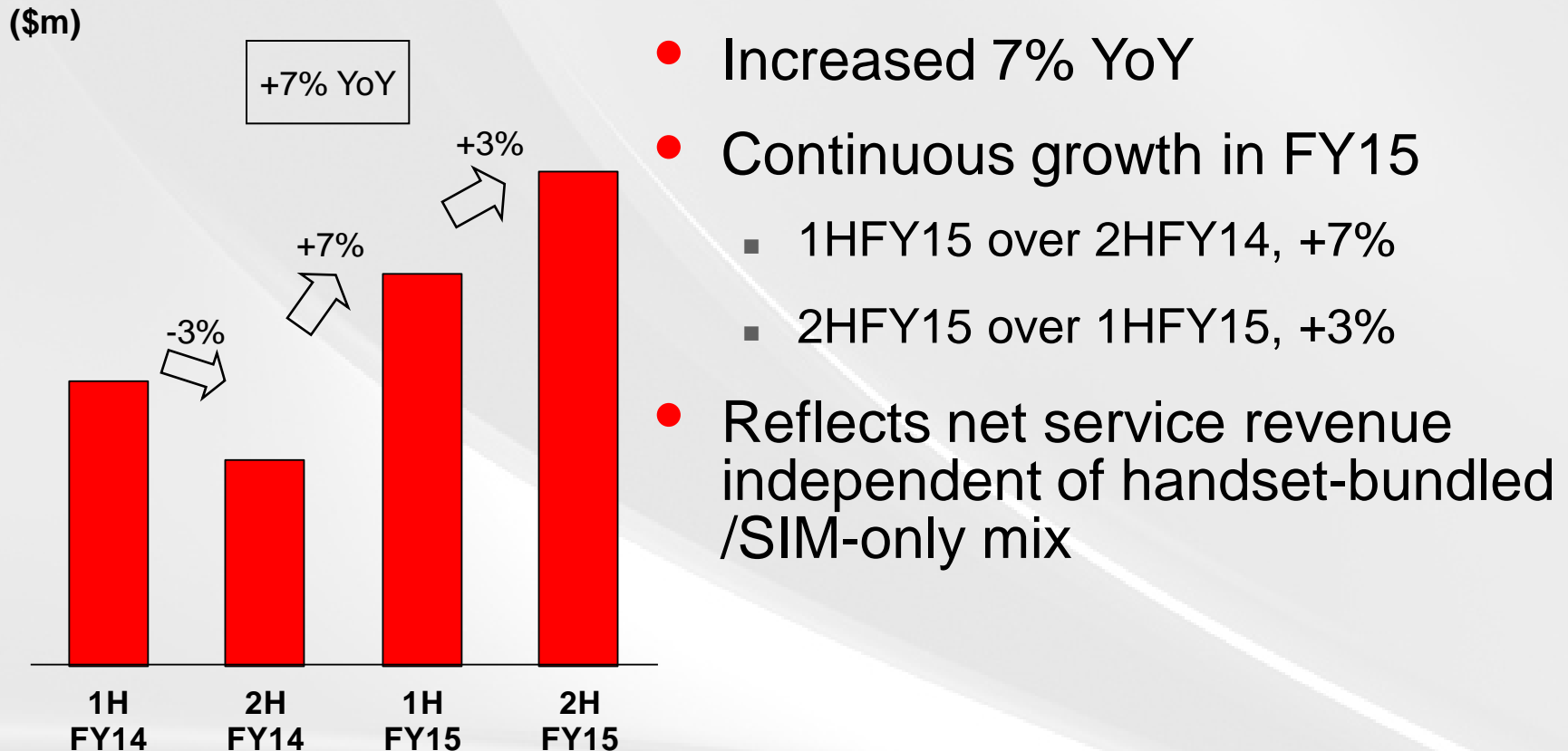
# Growth in group service revenue



■ Group service revenue

- Group service revenue rose 3%
  - Improvement in market environment
  - Increase in customer number
- Steady growth in FY15
  - 1HFY15 over 2HFY14, +4%
  - 2HFY15 over 1HFY15, +3%

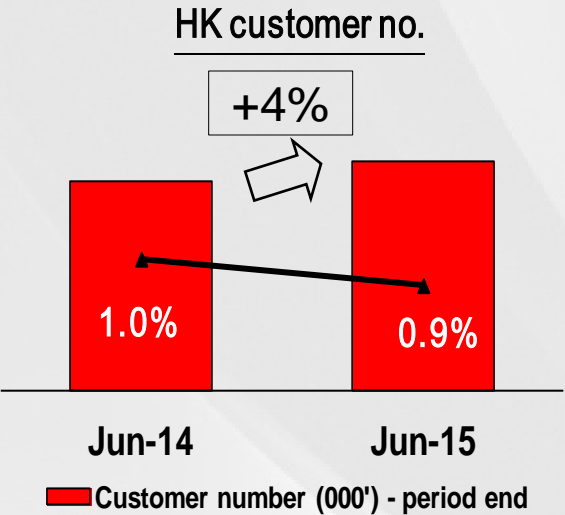
# Growth in group service revenue net of handset subsidy amortisation



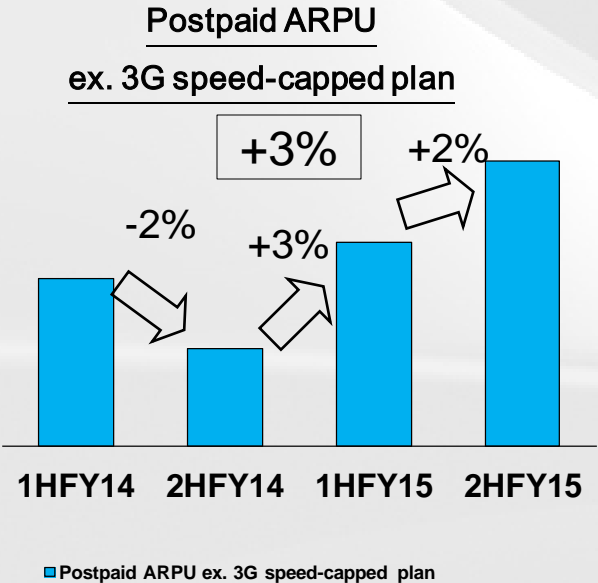
- Increased 7% YoY
- Continuous growth in FY15
  - 1HFY15 over 2HFY14, +7%
  - 2HFY15 over 1HFY15, +3%
- Reflects net service revenue independent of handset-bundled /SIM-only mix



# Customer number and postpaid ARPU



- Customer no. at 1.96m, 4% higher
- Average mobile postpaid churn rate improved to 0.9%

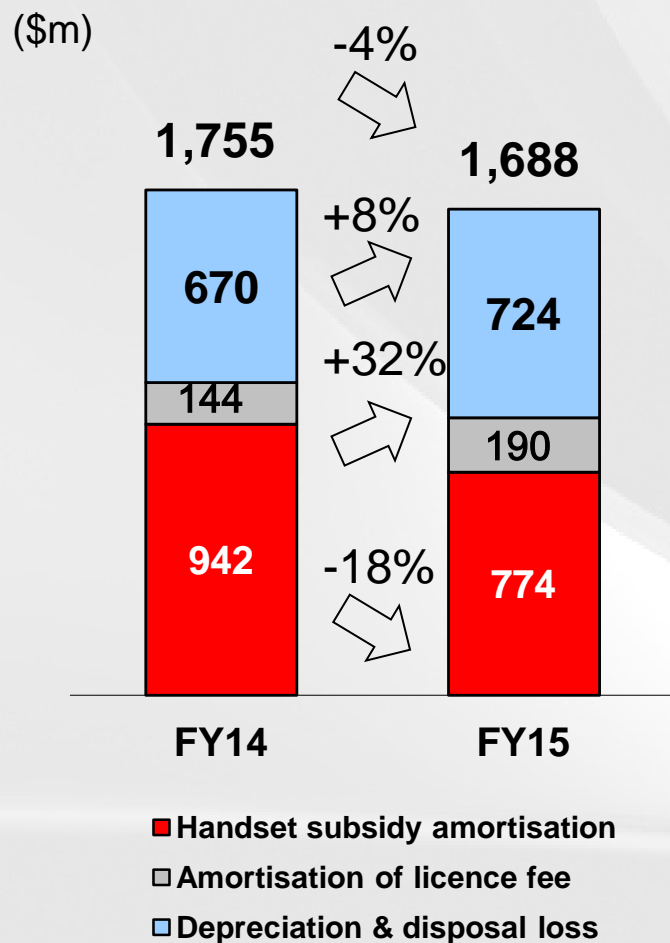


- Postpaid ARPU at \$294
- Postpaid ARPU ex. 3G speed-capped plan increased throughout FY15

# Modest increase in operating costs

- Stringent cost control without compromising service quality
- Group operating expenses increased 3%
  - Staff costs excluding bonus provision 3% higher
  - Other operating expenses increased 1%

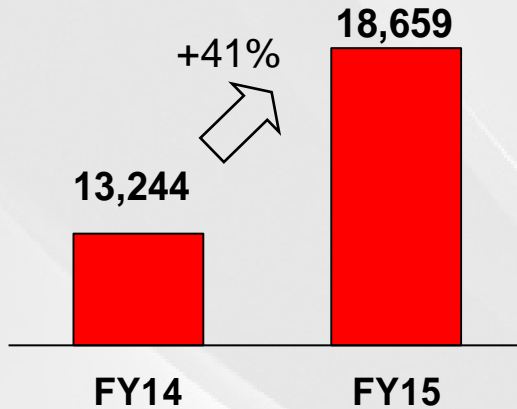
# Lower depreciation & amortisation



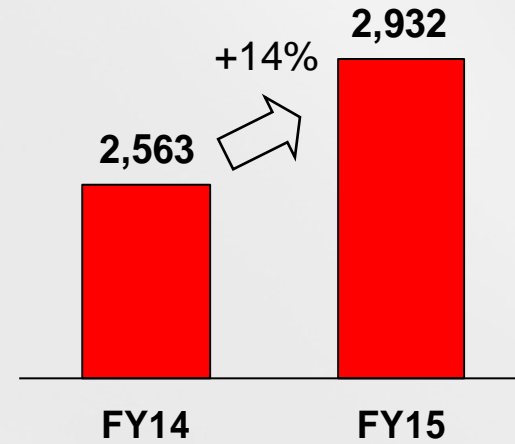
- Depreciation & amortisation dropped 4%
- Fixed asset depreciation increased 8% due to higher CAPEX in previous years
- Amortisation of licence fee up 32% due to amortisation of 2,600MHz spectrum
- Handset subsidy amortisation fell 18%
  - Customer migration from handset-bundled plans to SIM-only

# Increased revenue and profitability

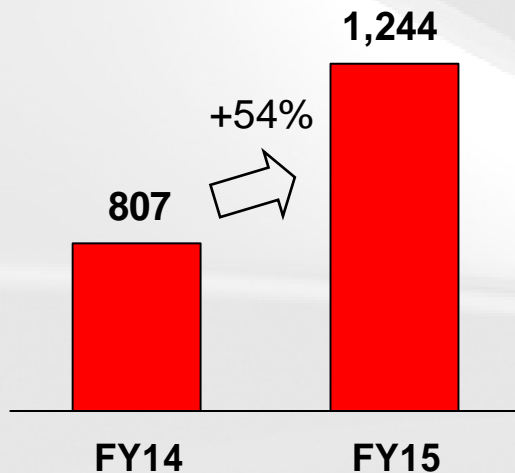
(\$m) Group Revenue



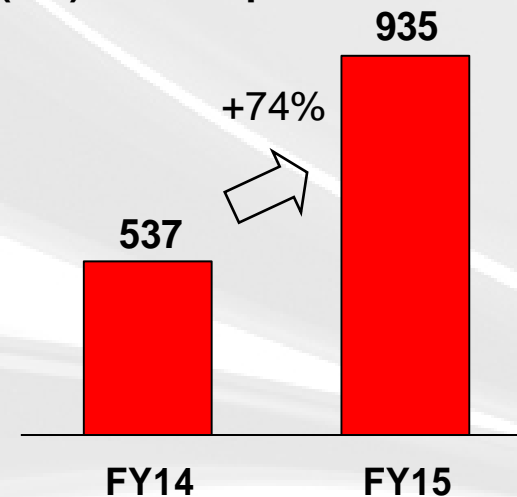
(\$m) Group EBITDA



(\$m) Group EBIT



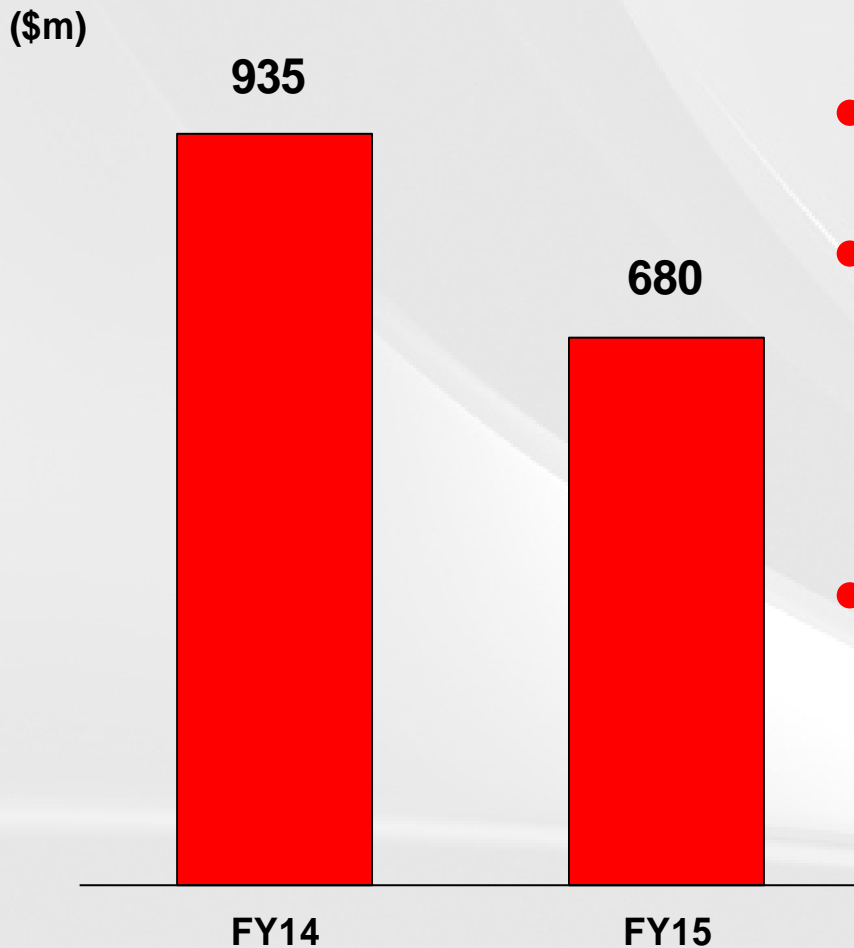
(\$m) Group Net Profit



# Strong balance sheet

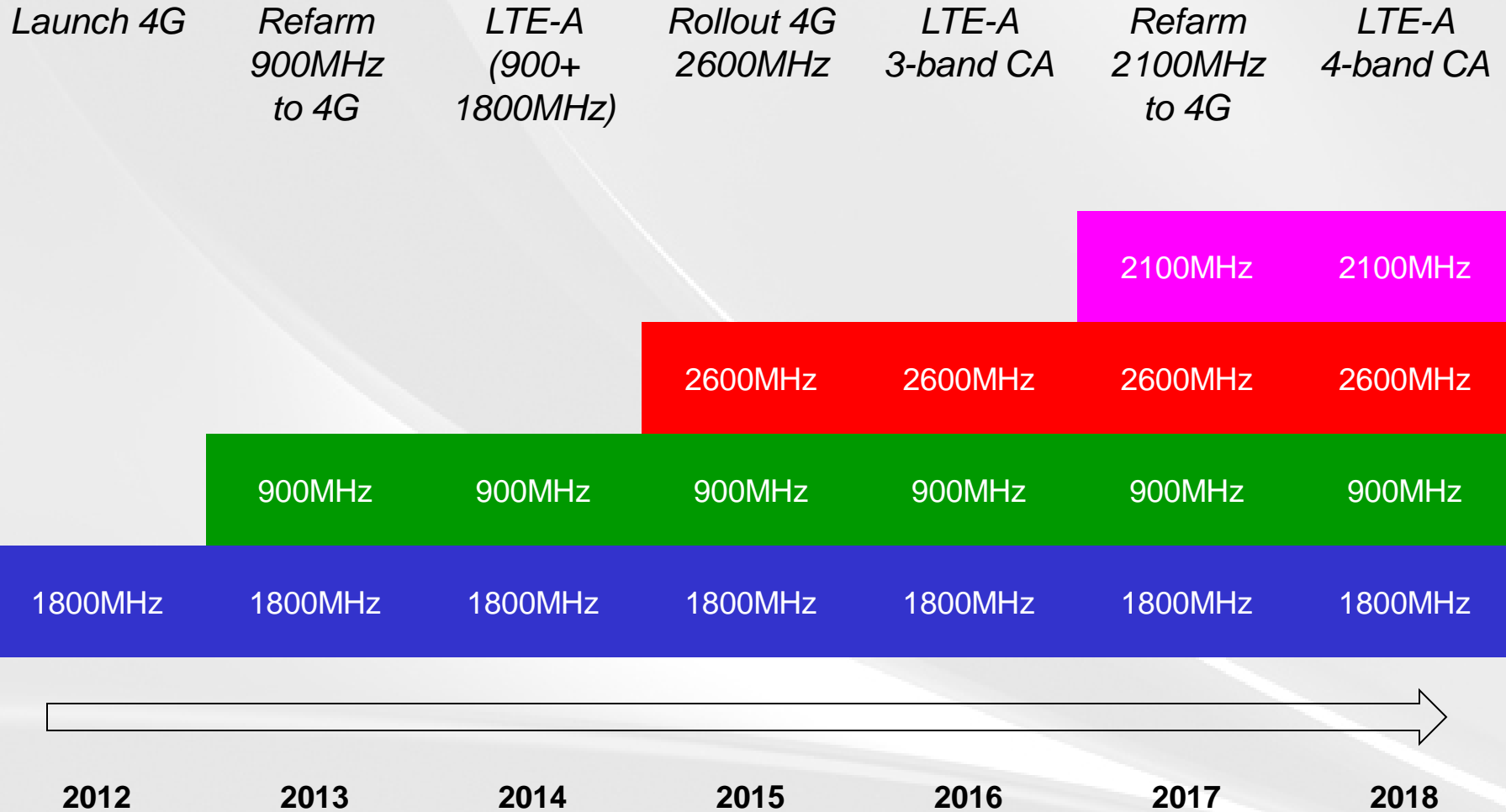
- Long term funding in place for renewal and additional 2100MHz spectrum payable in Aug 2016
- Well-protected from future rise in US interest rates
  - Interest rate profile: 81% fixed; 19% floating
- Net cash balance of over \$1.1b as at 30 June 2015

# CAPEX trending lower following 4G rollout



- Major 4G rollout completed in FY14
- Continuous investment
  - Expand network capacity
  - Enhance quality
- Lower than expected CAPEX
  - Better pricing from vendors
  - Rescheduling of certain projects

# Ample spectrum for future capacity needs



# New services and updates





# Outlook

# Outlook

- Focus on
  - Superior network
  - Outstanding customer care
  - Purposeful services
- Continuing monetisation of data usage to drive revenue growth
- Stringent cost control without compromising quality
- CAPEX guidance for FY16 : \$650m to \$700m

# Q&A

# Appendix – financial Information

# Group Profit & Loss

(\$m)	FY14	FY15
<b>Revenues</b>	<b>13,244</b>	<b>18,659</b>
Cost of inventories sold	(7,743)	(12,708)
Staff costs	(679)	(741)
Other operating expenses	(2,260)	(2,279)
<b>EBITDA</b>	<b>2,563</b>	<b>2,932</b>
Depreciation, amortisation & disposal	(1,755)	(1,688)
<b>EBIT</b>	<b>807</b>	<b>1,244</b>
Net finance costs	(145)	(113)
Profit before income tax	663	1,131
Income tax expense	(131)	(195)
Profit after income tax	532	935
Non-controlling interests	5	0
<b>Net profit</b>	<b>537</b>	<b>935</b>
ROCE <sup>(1)</sup>	12%	17%
ROE <sup>(2)</sup>	17%	27%

(1) ROCE = EBIT / Average capital employed (total assets less current liabilities)

(2) Net profit / Average shareholders' equity

# Group Balance Sheet

(\$m)	Jun 14	Jun 15
Fixed assets	3,396	3,340
Intangible assets	2,378	2,319
Other non-current assets	100	120
Cash, bank balance <sup>(1)</sup>	3,165	4,145
Other current assets	753	891
Bank borrowings <sup>(1)</sup>	(1,318)	(1,443)
Notes payable <sup>(1)</sup>	(1,522)	(1,526)
Customer prepayments and deposits	(636)	(773)
Other current liabilities	(2,358)	(2,611)
Other non-current liabilities	(706)	(553)
<b>Net assets</b>	<b>3,250</b>	<b>3,908</b>
Share capital	105	106
Reserves	3,088	3,745
Total equity attributable to equity holders	3,193	3,851
Non-controlling interests	57	57
<b>Total equity</b>	<b>3,250</b>	<b>3,908</b>
<sup>(1)</sup> Cash & bank balance	3,165	4,145
Bank Borrowings	(1,318)	(1,443)
Notes payable	(1,522)	(1,526)
Net cash balance	324	1,176
<sup>(2)</sup> Shares in issue at balance sheet date (million)	1,046	1,057
<sup>(3)</sup> Net book value per share	\$3.1	\$3.6

**Smartone**