

# Comba

京信通信系統控股有限公司

Comba Telecom Systems Holdings Limited

股份編號 Stock Code : 2342



## 2016 Annual Results Corporate Presentation

Exploring Opportunities + Creating Value

開拓商機 + 創新價值

Reforming Mechanism + Enhancing Efficiency

變革機制 + 提升效能

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# Agenda

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**I. Financial Highlights**

**II. Financial Review**

**III. Selected Achievements**

**IV. Customer Review**

**V. Business Review**

# Financial Highlights

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Financial Results

Dividends & Bonus Share

Exceptional Item

Proforma Financial Results

Financial Position

Key Financial Indicators

# Financial Results



HK\$'000	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 Jun 2016
Revenue	5,954,328	6,770,894	(12.1%)	3,098,952
Gross profit	1,728,391	1,914,490	(9.7%)	934,013
Gross profit margin	29.0%	28.3%	0.7%	30.1%
Operating profit	301,628	396,540	(23.9%)	198,183
Tax	99,726	109,755	(9.1%)	57,944
Profit attributable to shareholders	152,257	212,876	(28.5%)	112,508
Net profit margin	2.6%	3.1%	(0.5%)	3.6%
Basic earnings per share (HK cents)	6.23	8.69 <i>(restated)</i>	(28.3%)	4.6 <i>(restated)</i>

# Dividends & Bonus Shares



	For the year ended 31 December	
	2016	2015
<b>Paid interim dividends per share (HK cents)</b>	1.5	1.5
<b>Proposed final dividends per share (HK cents)</b>	0.8	1.8
<b>Total dividends (HK cents)</b>	2.3	3.3
<b>Issued bonus of shares (interim)</b>	1 for 10	1 for 10
<b>Proposed bonus issue of shares</b>	--	1 for 10

# Exceptional Items



	HK\$'000		For the year ended 31 December				For the six months ended
	Items	Details	2016	Margin Impact	2015	Margin Impact	30 Jun 2016
1	Cost of sales	Inventories written-off	(83,587)	GPM▼ 1.4%	(71,500)	GPM▼1.1 %	(92,655)
2	Impairment of trade receivables	Certain overseas receivables written-off	(46,568)	OPM▼0.8%	(16,848)	OPM▼0.2 %	(41,276)
3	Exchange gain (loss)	Mostly from BRL	69,458	OPM ▲ 1.2%	(134,842)	OPM▼2.0%	63,028
4	Fair Value change of a derivative instrument	Hedge against BRL fluctuation	(59,559)	OPM▼1.0%	(1,501)	OPM▼0%	(48,026)
		<b>TOTAL</b>	(120,256)	NPM▼2.0%	(224,691)	NPM▼3.3%	(118,929)

# Proforma Financial Results

*(Assuming NO Exceptional Items)*



HK\$'000	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 Jun 2016
Revenue	5,954,328	6,770,894	(12.1%)	3,098,952
Gross profit	1,811,978	1,985,990	(8.8%)	1,026,668
Gross profit margin	30.4%	29.3%	1.1%	33.1%
Operating profit	421,884	621,231	(32.1%)	317,112
Profit attributable to shareholders	272,513	437,567	( 37.7%)	231,437



# Financial Position



HK\$'000	As at 31 December		Change	As at 30 June 2016
	2016	2015		
<b>Net cash</b>	260,800	647,829	(59.7%)	179,791
<b>Total assets</b>	8,954,959	9,574,875	(6.5%)	9,071,475
<b>Total liabilities</b>	5,461,810	5,863,088	(6.8%)	5,396,359
<b>Net assets</b>	3,437,687	3,652,531	(5.9%)	3,616,666
<b>NAV per share (HK\$)</b>	1.40	1.48 <i>(restated)</i>	(5.4%)	1.47 <i>(restated)</i>

# Key Financial Indicators



	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 June 2016
<b>Inventory turnover days</b>	133	149	▼16 Days	136
<b>A/R turnover days</b>	239	225	▲14 Days	247
<b>A/P turnover days</b>	266	251	▲15 Days	269
<b>Gross gearing ratio</b>	15.3%	14.3%	▲1%	12.1%
<b>Dividend payout ratio</b>	36.9%	31.4 %	▲5.5%	29.6%
<b>Return on average equity</b>	4.3%	5.8%	▼ 1.5%	6.2%

# Financial Review



Revenue Breakdown by Customers

Revenue Breakdown by Businesses

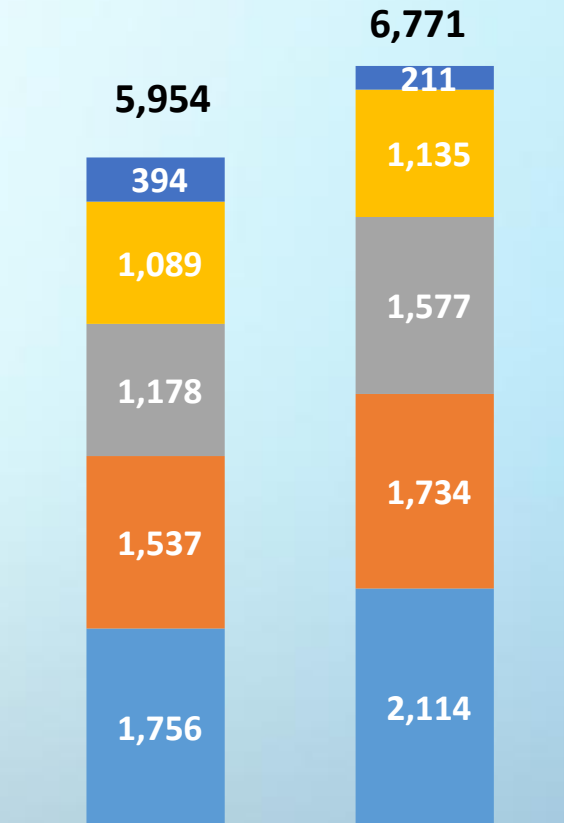
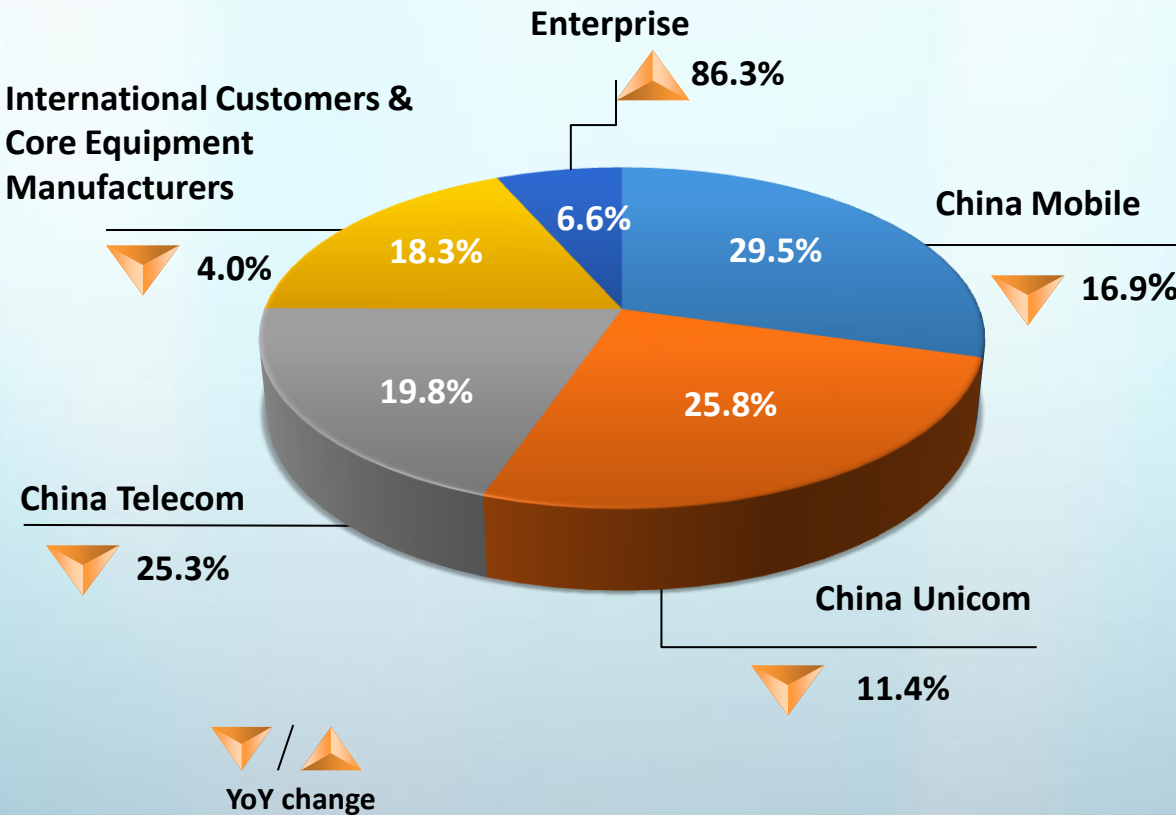
Cost Structure

# Revenue Breakdown by Customers



For the year ended 31 December 2016

Revenue (HK\$ Mn)



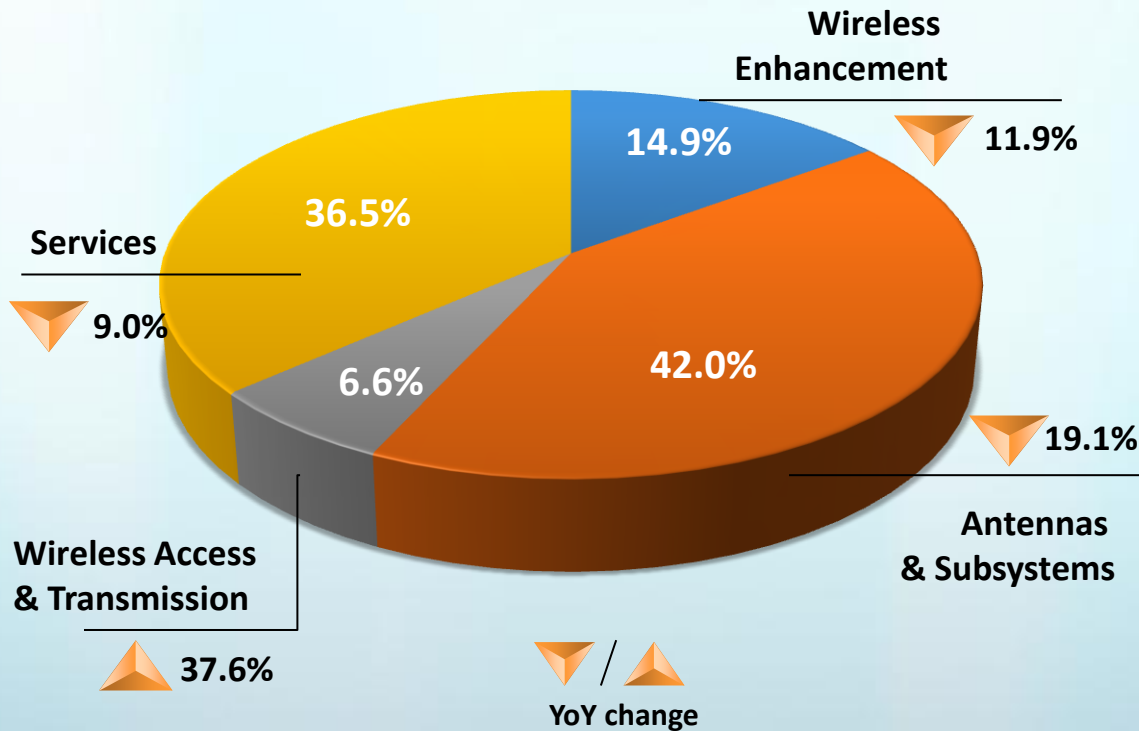
\*\*\*China Tower accounted for approx. 70% in "Enterprise"

■ CM ■ CU ■ CT ■ Int'l ■ Enterprise

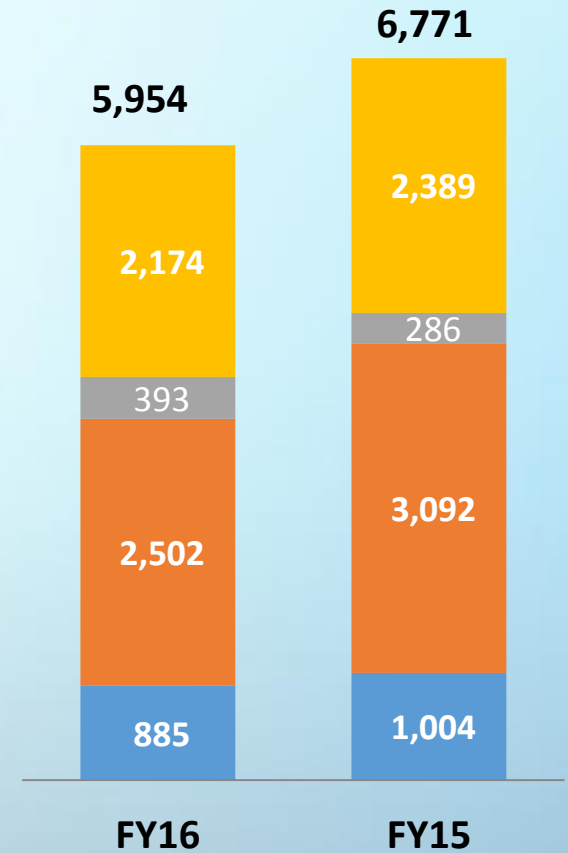
# Revenue Breakdown by Business



For the year ended 31 December 2016



Revenue (HK \$ Mn)



- Enhancement
- Antennas
- Access & Transmission
- Services

# Cost Structure

For the year ended 31 December

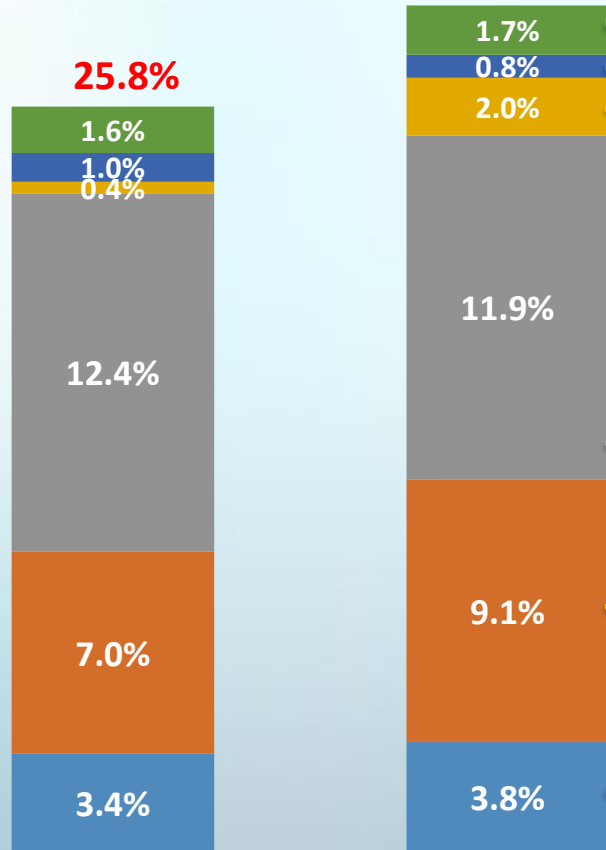
As % of Total Revenue



▼/▲ = YOY change

- R&D
- Admin
- Fin Cost

- S&D
- Other Expenses
- Tax



- Taxation Charge (HK\$99.7 M)** ▼ 9.1%
  - Decrease in operating profit
- Finance Cost (HK\$47.0 M)** ▼ 30.5%
  - Less bank borrowings in the 1<sup>st</sup> half year
- Other Expenses (HK\$119.1 M)** ▲ 329.3%
  - Loss on fair value change of a derivative fin instrument
  - Impairment of trade receivables
- Administrative Expenses (HK\$709.6 M)** ▼ 15.1%
  - Absence of Exchange Loss Impact
- Selling and Distribution Expenses (HK\$544.1M)** ▲ 15%
  - More marketing Activities
- R & D Cost (HK\$227.6 M)** ▼ 1.4%
  - New product offerings
  - Keep abreast of latest technology development

FY15

FY16



# **Selected Achievements**

# Operators

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中国移动  
China Mobile



Major supplier of antennas, LTE CPE and Small Cells



中国电信  
CHINA TELECOM



4G LTE antenna supplier



TURKCELL



Nationwide deployment of antennas

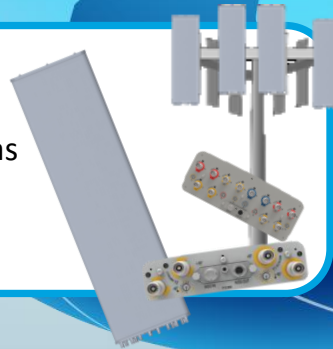


Operators



AT&T

Supply of antennas to AT&T Mexico



2016 Rio Summer Games

Stadium wireless network supplied for lead operator



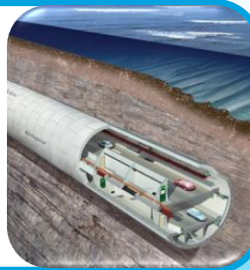
# Enterprise

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**Avrasya**  
TÜNELİ

**EurAsia Tunnel**  
Turnkey tunnel solution



web  
**summit**

**Arenas & Stadiums**  
Wireless solution  
@MEO Arena, Portugal



**Public Safety**  
Launch of CriticalPoint  
BDA and DAS



## Enterprise



**Dongguan Metro**  
DAS deployment for  
line 2 of Dongguan  
Metro



**Xue Long Arctic  
Research Vessel**  
Supply in-vessel, high  
capacity network  
using femto



**Alfamart**

Wireless broadband  
network to Indonesian  
retailer



**USA Healthcare sector**  
Numerous neutral host  
DAS deployed.

**Ingalls**



# Core Equipment Manufacturers

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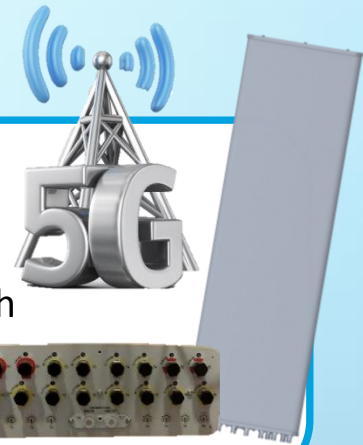
**Long term DAS solution** to core equipment vendor in Americas



**OEM**



**Joint 5G antenna technology development** with core equipment vendor



**European vendor** supplied with Small Cell Equipment



# Global Achievements

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**American Tower Corp**  
Awards Comba  
- Best DAS  
Supplier



**Grand Technology Achievement Award**  
Awarded prize for  
ComFlex DAS

**香港工商業獎  
HONG KONG  
AWARDS FOR  
INDUSTRIES**



## Awards



**China Institute of Communications**  
Awarded prize for achievements in  
SON technology



**Tier 1 Antenna Supplier:**  
Named by EJL Wireless  
Research for 6<sup>th</sup> year



# Customer Review



## Review

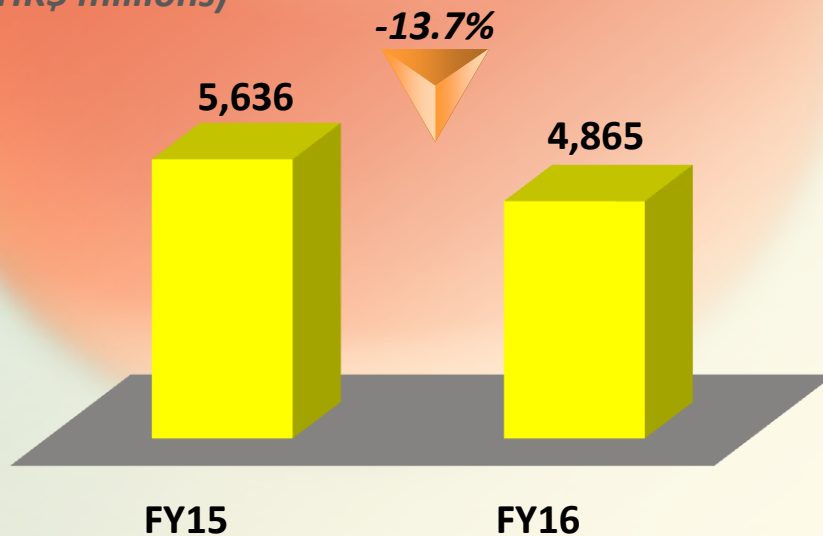
- Revenue down 14% to HK\$4.9 billion
- Post-LTE macro network buildout complete
- Growth in China enterprise segment (8% of China business)
- Investment in efficient manufacturing capabilities



## Outlook

- Continuing Antenna rollouts
  - China Mobile & China Telecom antenna procurement
- Wireless enhancement phase is now happening
  - Large scale femto deployments in Hubei and Beijing
  - Ongoing MDAS order
- Capacity demands drives network densification and future technology

### Revenue (HK\$ millions)



# International Customers & Core Equipment Manufacturers



## Review

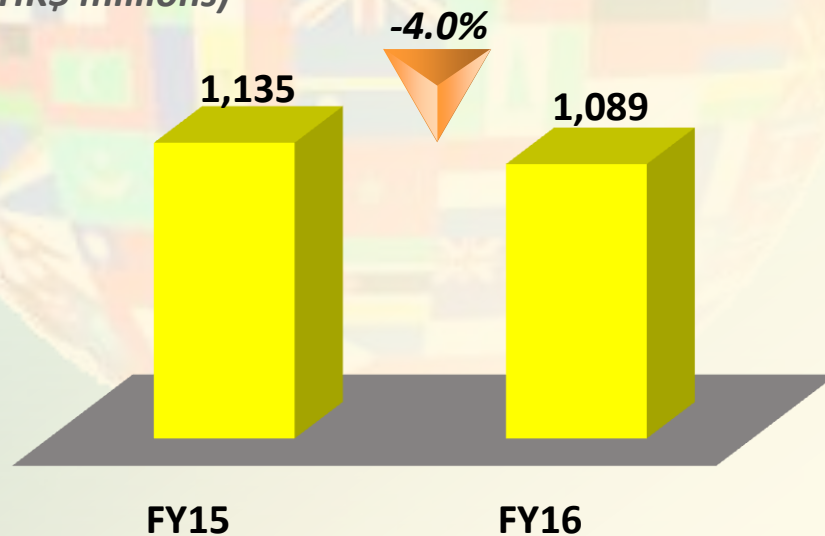
- Revenue down 4% to HK\$1.1 billion
- Global industry slowdown in wireless infrastructure spending
- Balanced customer portfolio → mix of enterprise (22% of revenue) and operator



## Outlook

- Network densification trend will quicken
  - Scalable DAS solutions
  - Network swap outs
- New 4G network buildouts in certain markets
- Strengthen OEM offerings
- New products for critical communications & public safety
- 4.5G and 5G

## Revenue (HK\$ millions)



# Business Review

# Antennas & Subsystems

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## Review

- Revenue down 19% to HK\$2.5 billion
- Post peak slowdown in LTE network rollout in China
- Increased sales demand for multi-port/band antenna
- Growth in international antenna revenue



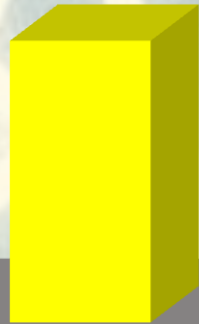
## Outlook

- Reducing load on cell sites → Smart/Active Antenna Systems
- Capacity upgrades → adding bands to antennas
- Deployment of antenna globally. Telefonica, China Mobile, China Telecom, Turkcell, AT&T
- Joint development of antenna technology with major OEM vendor for long term returns

**Revenue**  
(HK\$ millions)

-19.1%

3,092



FY15

2,502



FY16

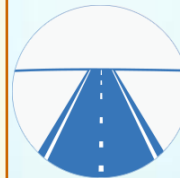


# Wireless Enhancement



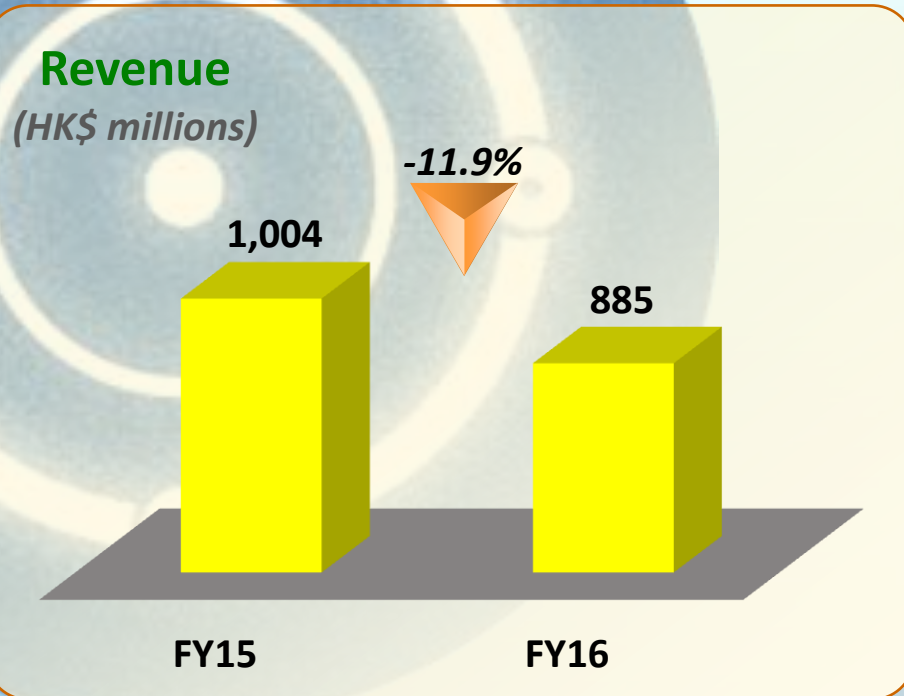
## Review

- Revenue down 12% to HK\$885 million
- General global slowdown



## Outlook

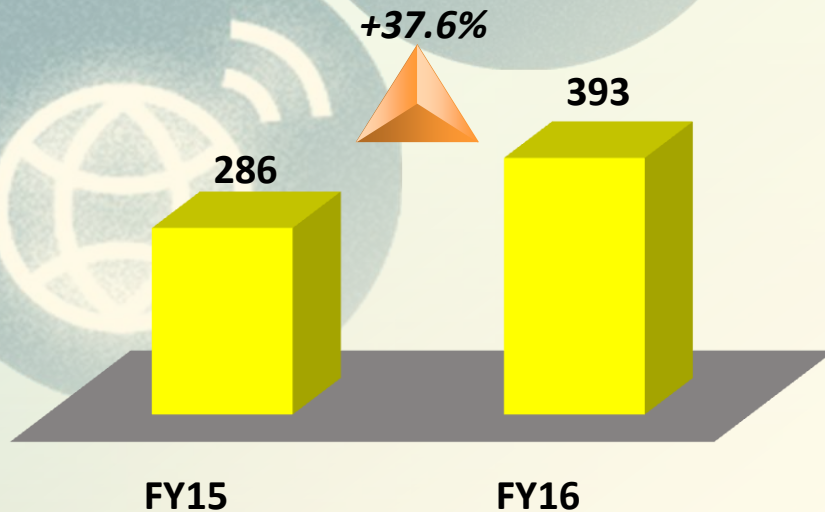
- China wireless enhancement: Success in mDAS
- Industry vertical and neutral host penetration with DAS
  - Ongoing railway projects in Europe and Asia
  - Neutral hosts in North America healthcare
- Growth in OEM/Core Equipment Vendor segment
- Hybrid DAS integrating small cell



# Wireless Access & Transmission

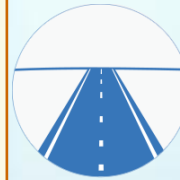
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**Revenue**  
(HK\$ millions)



## Review

- Revenue up 38% to HK\$393 million
- Breakthrough wireless access sales to OEM
- Wireless broadband decline
- Wireless transmission stable growth



## Outlook

- Ongoing major Small Cell deployment in China. E.g. Hubei, Beijing
- Inroads into OEM for small cells
- Hybrid DAS integrating small cells
- Integrated MEC solutions paving future growth
- IP Networks and 5G deployments spurring wireless backhaul



## Review

- Revenue down 9% to HK\$2.2 billion
- Successful focus on quality service revenues → higher margins and profitability

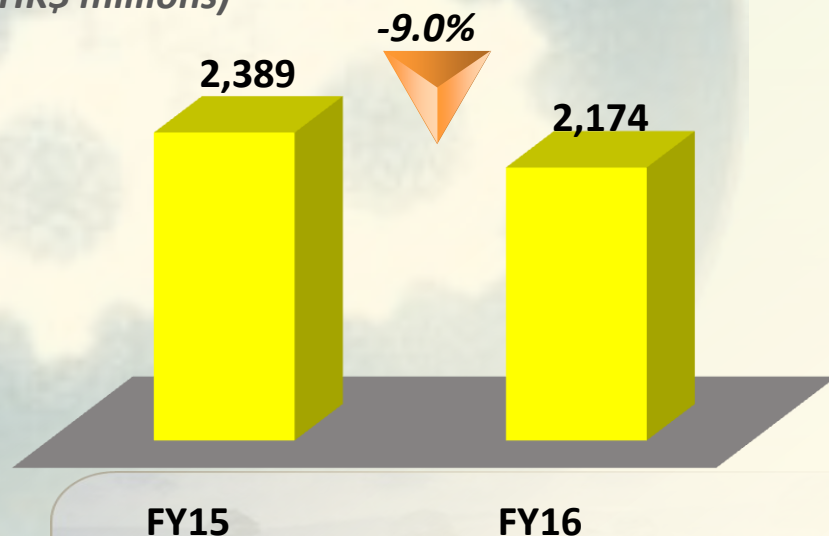


## Outlook

- Key differential element
- Services include maintenance, consultation, commissioning, network optimization and project management
- International service offerings

## Revenue

(HK\$ millions)



# Summary

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## 1. Long term stability & growth:

- Cyclical slowing of growth generally. Pockets of growth include:
  - LTE and LTE-A investment in certain markets
  - Network densification
  - 4.5G and 5G for the future
- **Already building the revenue growth foundations for 2017 and beyond:**
  - China 4G network enhancements (FDD and TDD)
  - Continued international opportunities
    - Network densification & enhancement for mature markets
    - New network buildouts & upgrades for developing markets
  - Growth in enterprise segments
- **Diversification for new opportunities**
  - Network virtualization
  - Smart cities



**Thank You**

