

# 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

## 2012 Annual Results Corporate Presentation

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# Agenda

- Financial Highlights
- Financial Review
- Customer Review
- Business Review
- Open Forum & Appendix

A photograph of a modern multi-story building with a red and white facade. The building has several balconies with greenery. The Comba logo and Chinese characters "京信通信" are visible on the upper part of the building.

Comba  
京信通信

# Financial Highlights

- Financial Results
- Exceptional Items
- Pro-forma Financial Results
- Financial Position
- Key Financial Indicators

# Financial Results



<i>HK\$'000</i>	For the year ended 31 December			For the six months ended 30 June 2012
	2012	2011	Change	
Revenue	6,332,867	6,354,218	(0.3%)	2,591,529
Gross profit	1,615,879	2,326,697	(30.6%)	719,304
Gross profit margin	25.5%	36.6%	(11.1 pp)	27.8%
Operating (loss)/profit	(105,495)	805,919	(113.1%)	(135,458)
Tax	67,515	121,772	(44.6%)	15,129
(Loss)/Profit attributable to shareholders	(202,364)	659,084	(130.7%)	(160,960)
Net (loss)/profit margin	(3.2%)	10.4%	(13.6 pp)	(6.2%)
Basic (loss)/earnings per share (HK cents)	(13.43)	43.99	(130.5%)	(10.68)
Operating cash flow	201,320	(278,670)	172.2%	(673,066)

# Exceptional Items



Items	Details	FY12 HK\$Mn	FY11	Remarks	
1	Cost of sales	▶ Inventories write-off / write-down	<b>146</b>	27	▶ Obsolete inventories
2	Awarded share expenses	▶ 26 million new shares were awarded to 365 qualified individuals (mainly management, sales & R&D) at the market closing price of HK\$9.32 on 12 April 2011	<b>54</b>	145	▶ 88% of the expenses have been recognized in FY11 & FY12 ▶ Expenses in FY13 & FY14: HK\$23Mn & HK\$4Mn (Expenses details in Appendix )
3	Share option expenses	▶ Expenses related to 2 share option schemes : • Jul 2011 – Jul 2013 @ exercise price of HK\$6.57 • Jan 2013 – Jan 2015 @ exercise price of HK\$5.66	<b>38</b>	16	▶ Incentive schemes for staff
4	Gain on acquisition	▶ In 2011, the PRC company was acquired for enlarging the product portfolio	<b>N/A</b>	(48)	▶ Cash consideration of HK\$84 million for a net asset value of HK\$132 million
		<b>TOTAL</b>	<b>238</b>	140	

# Pro-forma Financial Results

(Assuming NO exceptional items)



<i>HK\$'000</i>	For the year ended 31 December			For the six months ended
	2012	2011	Change	30 June 2012
Revenue	6,332,867	6,354,218	(0.3%)	2,591,529
Gross profit margin	27.9%	37.1%	(9.2 pp)	27.8%
Operating profit / (loss)	133,077	945,995	(85.9%)	(78,588)
Operating profit / (loss) margin	2.1%	14.9%	(12.8 pp)	(3.0%)
Profit / (loss) attributable to shareholders	36,208	799,160	(95.5%)	(104,090)
Net profit / (loss) margin	0.6%	12.6%	(12.0 pp)	(4.0%)
Basic earnings / (loss) per share (HK cents)	2.40	53.34	(95.5%)	(6.91)

# Financial Position



<i>HK\$'000</i>	As at 31 December			As at 30 June
	2012	2011	Change	2012
Net cash / (debt)	9,999	77,243	(87.1%)	(812,605)
Total assets	10,091,711	9,581,332	5.3%	9,578,597
Total liabilities	6,229,552	5,498,508	13.3%	5,784,688
Net assets	3,805,622	4,014,064	(5.2%)	3,731,779
NAV per share (HK\$)	2.49	2.63	(5.3%)	2.45

# Key Financial Indicators



	For the year ended 31 December			For the six months ended 30 June
	2012	2011	Change	2012
Inventory turnover days	180	188	(8) Days	239
A/R turnover days	259	209	50 days	315
A/P turnover days	242	233	9 days	288
Gross gearing ratio	15.4%	11.7%	3.7 pp	15.9%

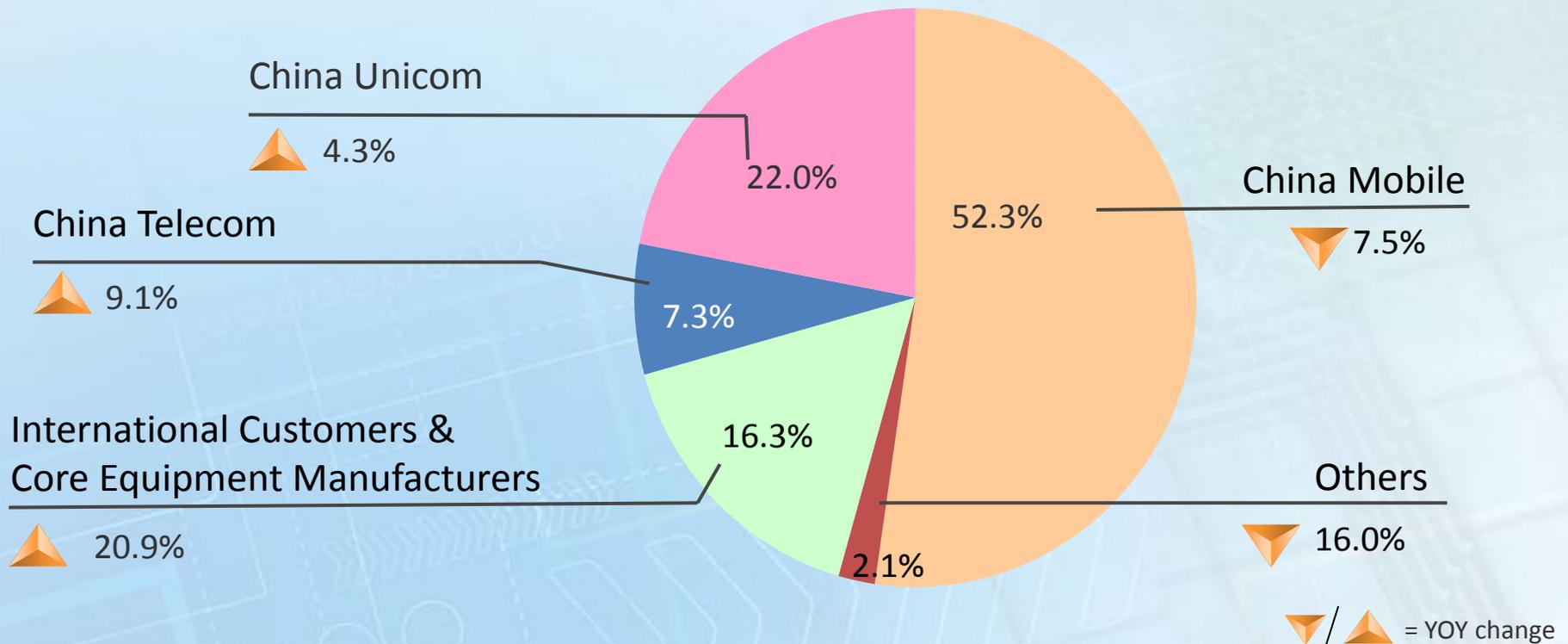
# Financial Review

- Revenue Breakdown by Customers
- Revenue Breakdown by Businesses
- Cost Structure



# Revenue Breakdown by Customers

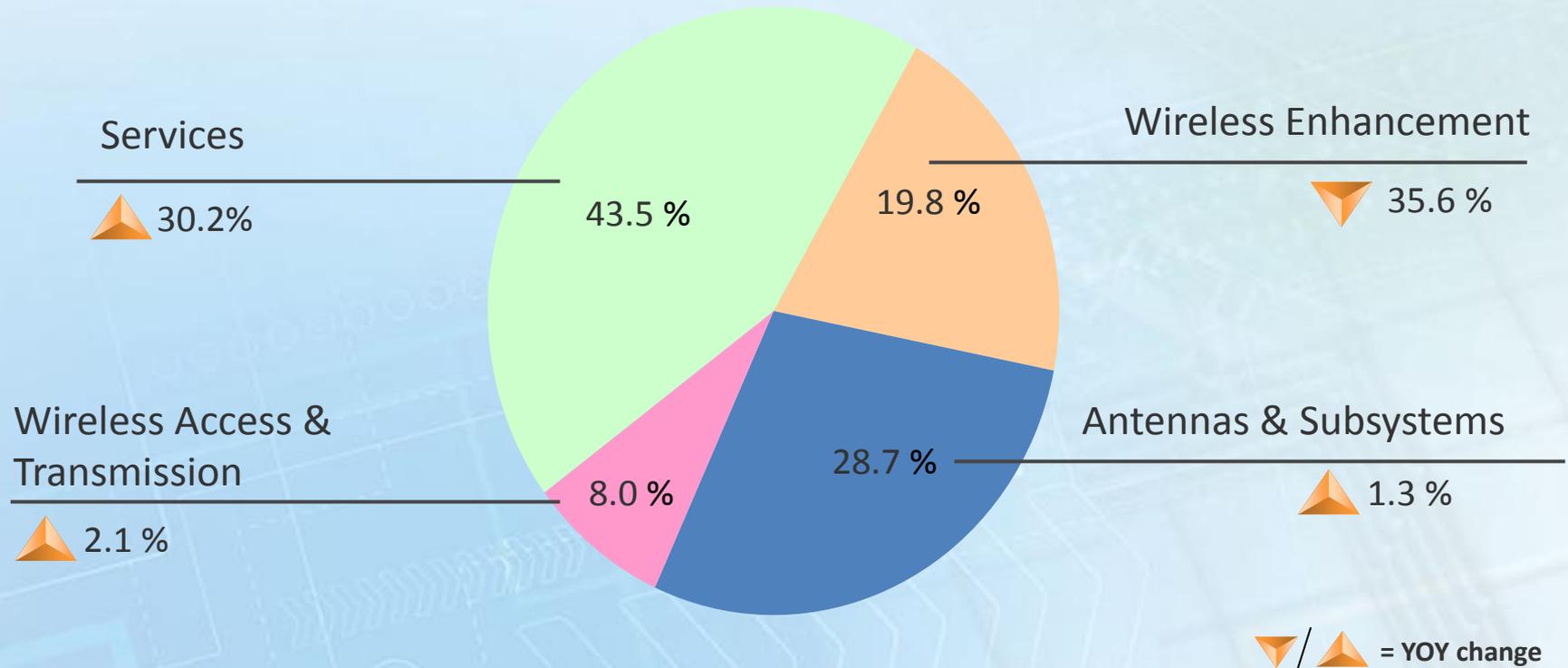
For the year ended 31 December 2012



**Slight decline in the PRC market**  
**Satisfactory growth in the overseas markets**

# Revenue Breakdown by Businesses

For the year ended 31 December 2012

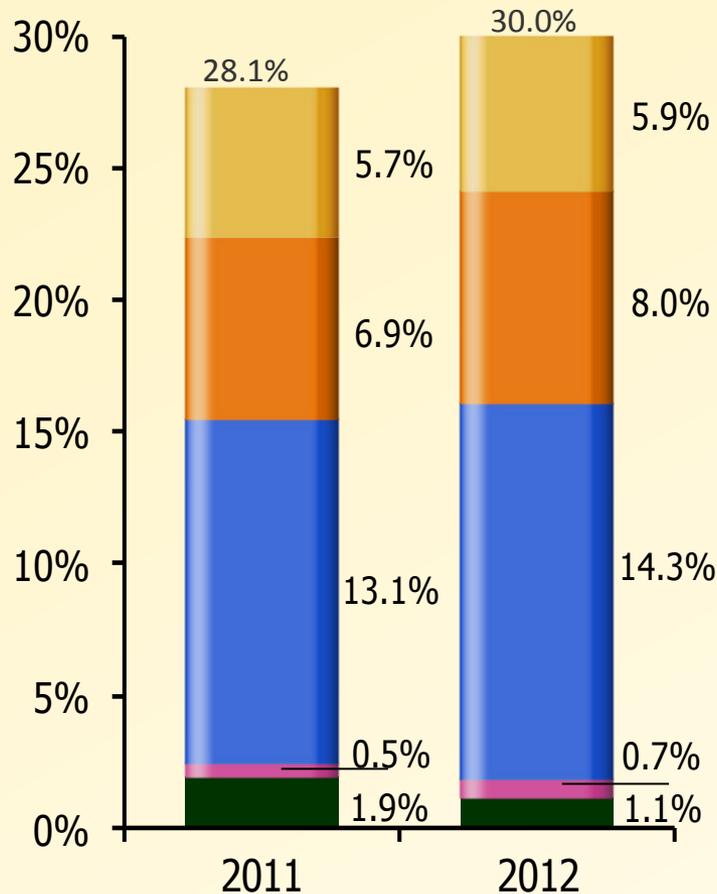


**Strong growth in Services**  
**Decline in Wireless Enhancement due to project delay**

# Cost Structure

For the year ended 31 December

As % of Total Revenue



▼/▲ = YOY change

- **R&D costs** ▲ 4.1%
  - Continuous development of new products
- **Selling and distribution costs** ▲ 15.3%
  - Inflation, increase in staff salaries and continuous global expansion of the sales and service networks. More cost savings are expected in FY13.
- **Administrative expenses** ▲ 8.9%
  - Inflation and increased administrative supports as a result of global business expansion. More cost savings are expected in FY13.
- **Finance costs** ▲ 45.0%
  - Higher interest rate and more financing activities as a result of global business expansion
- **Taxation charge** ▼ 44.6%
  - Lower earnings in certain subsidiaries

# Customer Review

- Global Customers
- China Business
- International Customers & Core Equipment Manufacturers



# Global Customers

# Comba

**China**




中国移动通信  
CHINA MOBILE



China unicom 中国联通



中国电信  
CHINA TELECOM



**Core Equipment Vendors**



HUAWEI



Alcatel-Lucent



ERICSSON



ZTE 中兴



Nokia Siemens Networks



SAMSUNG ELECTRONICS

**EMEA**



*Telefonica*



МЕГАФОН



TURKCELL



اتصالات  
etisalat



orange



vodafone



STC  
الاتصالات السعودية



قطر  
Qtel



optimus



TELE2



واتانييا  
WATANIYA



Beeline



zain



MTN



vodafone



T-Mobile



موبايلي  
mobily

**APAC**





SL



true



Taiwan Mobile



PCCW  
電訊盈科



Dialog



SingTel



亞太電信  
Asia Pacific Telecom



StarHub



ZONG



airtel



TATA



中国移动通信  
CHINA MOBILE



m1



RELIANCE



Sitel



AIS



GLOBE TELECOM



MIC  
Mikrosar International Cellular U.S.A.



celcom



SmarTone

**Americas**



*Telefonica*



at&t



PORTA



TELMEX



USACELL



MOVISTAR



vivo



metroPCS  
Wireless for All.



américa  
móvil



Claro



e) entel



**Revenue**  
(HK\$'000)



## Review & Opportunities:

- Revenues at HK\$ 5,168 million
- Tightened operator CAPEX controls by operators
- Increased focus on services and solutions to maintain revenues
  - Numerous network optimization and maintenance projects for operators
  - Success in winning major wireless projects: 18<sup>th</sup> National Congress, 12<sup>th</sup> National Games venues

## *2013 and beyond*

- Data demands on wireless networks driven by increasing 3G usage
- 4G licensing, 3G expansion and multi-network activity driving capacity enhancement solutions
- Small Cell, MDAS, LTE portfolio and services together enables total capacity enhancement solution offerings

# International Customers & Core Equipment Manufacturers



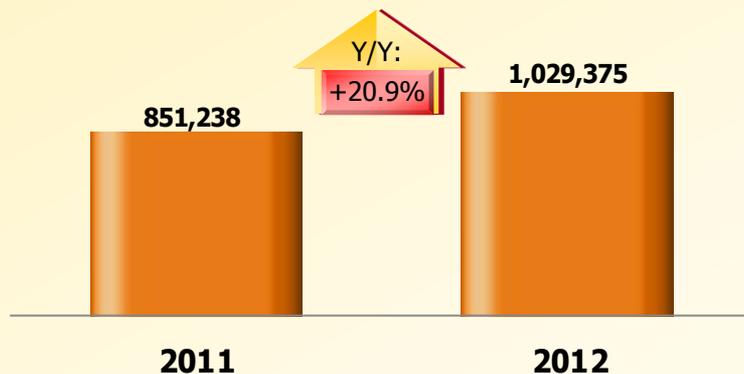
## Review & Opportunities:

- Revenues up by 21% to HK\$1,029 million
- Tougher CAPEX environment: operators are selecting suppliers with strong value proposition
- Successfully created a *local* total solutions platform:
  - Major sporting events e.g. 2014 Sochi Winter Games, 2014 World Cup Brazil
  - Hong Kong MTR Express Rail Link: high speed rail linking Hong Kong to China

## ***2013 and beyond***

- LTE commercialization driving long term growth
- Increasing capacity demands on networks
- Products and solutions together position the company at the epicenter of the growth

Revenue  
(HK\$'000)



# Business Review

- Wireless Access & Transmission
- Wireless Enhancement
- Antenna & Subsystems
- Services
- Summary

# Solutions for all Network Stages

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2G

3G

Lte

Stadium/Large Venues

In-building Coverage

Scenic Areas  
(Camouflaged Solutions)

Wireless Backhaul

Base Station Solutions

Rural Area Coverage

Subways & Tunnels

Urban Area Coverage

# Solutions for all Network Stages

2G

3G



Network Optimization Solutions etc.

In-Building Solutions



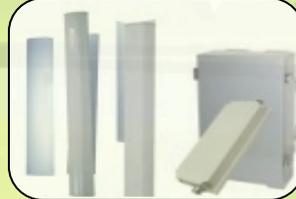
Indoor Coverage



Stadium/Large Venues

BTS Antennas

Tower Mounted Solutions



Scenic Areas (Camouflaged Solutions)

Small Cell Solutions



Outdoor Wireless Enhancement



Wireless Backhaul



Installation, Commissioning, etc.



Wi-Fi Solutions



Rural Area Coverage

## Rollout Phase

Highways & Tunnels

Base Station Solutions

Urban Area Coverage

## Enhancement Phase



## Review & Opportunities:

- Revenues increased by 2% to HK\$ 506 million

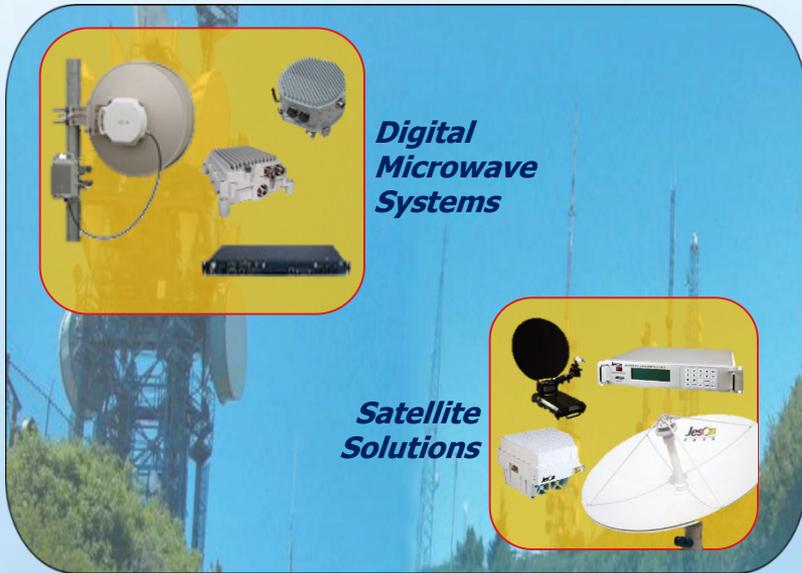
## **WIRELESS ACCESS**

*(WLAN Solutions + Small Cell Solutions)*

- Directly addresses capacity solutions demand
- Positive market response to IB-WAS and WLAN Solutions
  - Integrated into in-building solution offerings
  - Successful small cell trials in multiple provinces in China
  - Joint nanocell research program with China Mobile Research Institute

## **2013 and beyond**

- Exploding wireless data usage is driving offload solutions demand
- Enhancement of small cell solutions for various systems
- Expansion of sales to international market



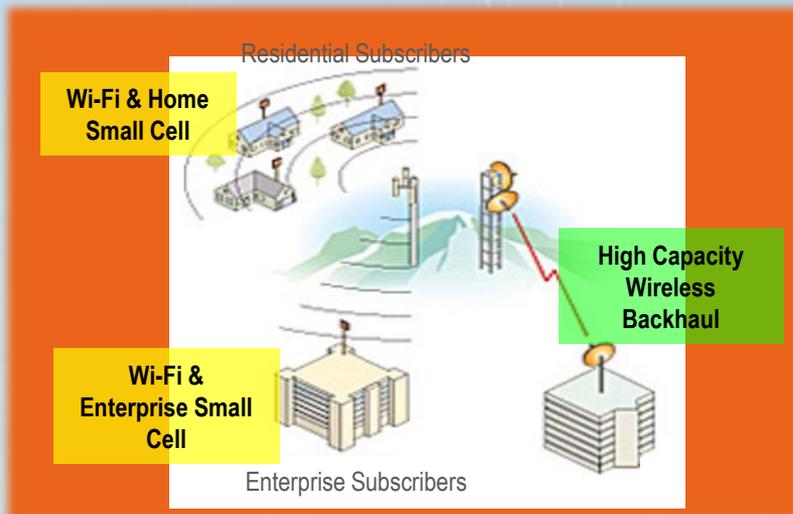
## WIRELESS TRANSMISSION

*(Digital Microwave Systems & Satellite Solutions)*

- Expanded digital microwave solution sales to international markets around the world
  - Complete backhaul solutions
  - Diversified customer base to include fixed wireless network operators
- Introduction of satellite solutions
  - Market feedback in China is positive - solutions deployed for public safety and emergency communications.

## 2013 and beyond

- High speed, high capacity networks driving backhaul demand and solution development:
  - Continuous 2G/3G network build-outs and enhancement
  - Volume requirements for LTE and small cells
- Break into new international market segment with satellite solutions



# Wireless Enhancement



**Active DAS  
(Med/Large Venue)**



**Remote Radio Units**



**Repeaters**



**Passive DAS  
(Small Venue)**

**Revenue**  
(HK\$'000)



## Review & Opportunities:

- Revenues decreased by 36% to HK\$ 1,254 million
- Tightened CAPEX in China impacted spending on wireless enhancement

## **2013 and beyond**

- LTE high capacity demands for high density areas driving wireless enhancement solutions
- Well-positioned to capture the growing demand for multi-band, multi-operator DAS market
- Build on the success of major ongoing projects such as 2014 World Cup, 2014 Sochi Winter Games, 18<sup>th</sup> National Congress.



## Review & Opportunities:

- Revenues up at 1% to HK\$ 1,819 million
- Recognized one of the top 3 global base station antennas and subsystems vendor\*
  - The #1 antenna vendor in China
  - Volume supply of multi-system combiners to China operators (2G/3G/LTE/WLAN)
  - LTE antenna portfolio deployed worldwide

## ***2013 and beyond***

- Data demands driving new network buildout
- Co-siting drives multi-system solutions to ease operator cellsite acquisition
- Continued portfolio expansion to address demand for:
  - Multi-port, multi-band antennas and camouflaged antennas
  - street level and special antennas for high capacity/high density solutions

**Revenue**  
(HK\$'000)



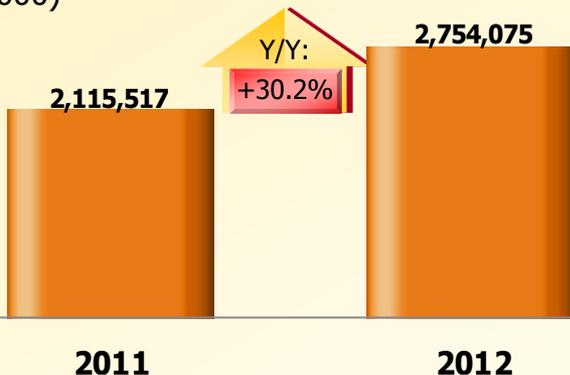
\* ABI Research 2011, EJL Wireless Research 2012



## Review & Opportunities:

- Revenues increased by 30% to HK\$ 2,754 million
- Growth reflecting strategy of solution sales and pure-service plays
- Services include maintenance, consultation, commissioning, network optimization and project management

**Revenue**  
(HK\$'000)



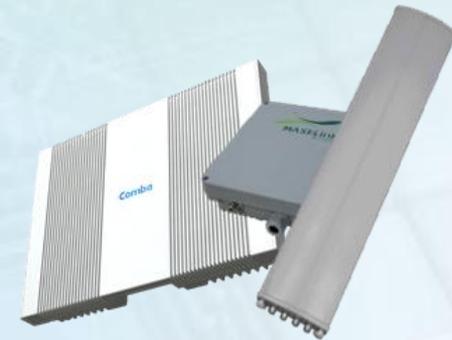
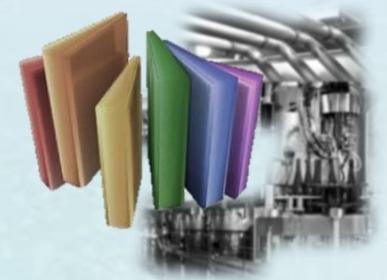
## ***2013 and beyond***

- Localized services and total solutions is a key differential element
- Continued strategic expansion of service and solution offerings

# Summary

Comba

- Continuous growth in demands for data and capacity driving global market in 2013 and beyond
  - Smartphone usage creating demand for anytime, anywhere access to data
  - Demand for end-to-end, cost-effective solutions for network rollout and optimization
- Comba Telecom's portfolio:
  - IB-WAS: Small Cells and Wi-Fi
  - Wireless Enhancement: Indoor and Outdoor DAS, MDAS
  - Transmission: Total IP Backhaul
  - Antennas & Subsystems: LTE-ready portfolio
  - Services: Localization allows total solution offerings
- A compelling products and services portfolio positions Comba Telecom for future growth.



# Open Forum



# Appendix



# Awarded Shares Expenses



- On 12 April 2011, 26 million new shares were awarded to 365 qualified individuals at the market closing price of HK\$9.32. Total expenses of approximately HK\$226 million will be charged to the P/L in the 4 years.

	1H		2H		FY	
	Vesting shares (Mn) (1)	Expenses (HK\$Mn) (2)	Vesting shares (Mn) (3)	Expenses (HK\$Mn) (4)	Vesting shares (Mn) (1) + (3)	Expenses (HK\$Mn) (2) + (4)
2011	Nil	87	8.9	58	8.9	145
<b>2012</b>	<b>5.7</b>	<b>34</b>	<b>Nil</b>	<b>20</b>	<b>5.7</b>	<b>54</b>
2013	5.7	15	Nil	8	5.7	23
2014	5.7	4	Nil	Nil	5.7	4
<b>Total</b>					<b>26</b>	<b>226</b>

Thank You

