SITI Networks Limited

Q4FY19 Investor Presentation
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SITI Networks Declares Robust FY19 Results
• Operating EBITDA leaps 2x y-o-y to **Rs.3001 Mn**
• Operating EBITDA Margins jumps 1.76x y-o-y to **21.2%**
• Subscription Revenue surges 19% y-o-y to **Rs.9537 Mn**
• Total Revenue\(^2\) rises 13% y-o-y to **Rs.14,186 Mn**
• Subscriber ARPU leaps **31.4%**
• Subscription Collection Efficiency @ **95% for Q4 FY19**

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1. Includes one time impact of ~ Rs 47 Mn in Q4 FY19 on account of sale of STBs.
2. Excluding Activation
Industry Overview
India C &S Market Overview
TV Households are Growing Faster than the Universe

### 2016 vs 2018

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total HH</td>
<td>286 Mn</td>
<td>297 Mn</td>
</tr>
<tr>
<td>TV HH</td>
<td>183 Mn</td>
<td>197 Mn</td>
</tr>
</tbody>
</table>

Penetration of TV HH has gone up from 64% in 2016 to 66% in 2018

Cable (Digital + Analog) controls 54% of India’s TV market

197 Mn TV Households

- 44% Digital Cable
- 10% Analog Cable
- 13% Free Dish
- 31% Paid DTH
- 1% Terrestrial
TV Homes Penetration
Maximum Growth in East & South India | Small Towns & Rural are key drivers of Growth

# Growth in TV Penetration – Major Contributors

- Bihar / Jharkhand: 24%
- North East: 21%
- Odisha: 12%
- AP/Telangana: 11%
- Karnataka: 9%

# TV Owning HH (Millions)

- All India: 183
- Megacities: 20
- 10-75 Lakh: 21
- 1-10 Lakh: 19
- < 1 Lakh: 23
- Rural: 99

Most Growth in TV Penetration in DAS Phase 3 & 4 areas
SITI Networks
Well Positioned to Benefit from Tariff Order

- Subscribers pay Phase neutral Minimum Rental of INR130 for 100 FTA SD channels; Can take additional FTA channels in bundles of 25 channels for INR20 each
- **True A-La-Carte**: Discounts on Bouquets restricted to 15% of A-La-Carte price of Pay channels
- HD Channels priced at <=3 SD Price or Maximum price of Genre
- Broadcasters to provide 20% distribution fee for collection and remittance of subscription

Subscribers' Pay Phase neutral Minimum Rental of INR130 for 100 FTA SD channels; Can take additional FTA channels in bundles of 25 channels for INR20 each

- **Marketing & placement fee retained**
- **Carriage capped @ 20 paisa & @ 40 paisa / subscriber/channel/month for SD & HD Channels respectively**
  - >=5% to <10% - 75% of Base to be charged.
  - >=10% to <15% - 50% of Base to be charged.
  - >=15% to <20% - 25% of Base to be charged.
  - >=20% - No Carriage Fee to be charged

- **True A-La-Carte**: Discounts on Bouquets restricted to 15% of A-La-Carte price of Pay channels
- HD Channels priced at <=3 SD Price or Maximum price of Genre
- Broadcasters to provide 20% distribution fee for collection and remittance of subscription

Implementation of the network distribution model will shift the balance of power in favour of DPOs

- **New Tariff Order**
  - **Increase dependence on systems / processes**
  - **Consumer ARPU's to rise**
  - **Content Cost linked to Subscription & Consumer Choice**
  - **Favors Organized Entities**
  - **Minimum Return on Capital Ensured**
  - **Increase Transparency & Adherence to Compliance**
Company Overview
India’s Leading Digital TV Network
Present in 22+ States & UT across India
Footprint across 580+ locations
Delivering content to consumers 24/7
SITI Networks
India’s Leading Digital TV Network

- 8.22 Mn Active Digital Customers
- 580+ Locations Footprint
- 3.56 Lakh High Definition Customers
- 1.7 Mn Broadband Home Passes
- 1.56 Lakh Broadband Customers
- 41 Mn+ Consumers Reached
- ~6% TV Households in India

- 1st MSO launched in India
- 1st MSO to give CRM tool to Partners
- 1st MSO listed on Stock Exchange
- 1st MSO to launch local channels
- Nation-wide Distribution

01 Launched in 1994
02 OYC tool customer offered to LCOs
03 SITINET listed on NSE
04 Bouquet of Local Channels
05 24,000+ strong Distribution Network

All metrics as of 31st Dec. 2018 | Does not include Analog
SITI Networks
8.22 Mn Happy Households across the country

DAS Phase 1
1.27 Mn

DAS Phase 2
1.06 Mn

DAS Phase 3
2.38 Mn

DAS Phase 4
3.51 Mn

All metrics as of 31st Dec 2018| Does not include Analog
SITI Networks
Present across 580+ locations

Punjab
Haryana
Delhi
Rajasthan
Gujarat
Madhya Pradesh
Maharashtra
Karnataka
Kerala
Uttranchal
Uttar Pradesh
Bihar
Assam
Nagaland
Meghalaya
Jharkhand
West Bengal
Odisha
Chhattisgarh
Telangana
Andhra Pradesh
### SITI Networks

#### Competitive Advantage

<table>
<thead>
<tr>
<th>No.</th>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>India’s largest MSO</td>
<td>Presence across 580 locations</td>
</tr>
<tr>
<td>02</td>
<td>Using latest MPEG4 STBs</td>
<td>Broadband through Hybrid (DOCSIS 2/3 &amp; GPON) Network</td>
</tr>
<tr>
<td>03</td>
<td>OYC Subscriber Management System</td>
<td>Conax CAS, SAP Based systems, Uniform commercial policies</td>
</tr>
<tr>
<td>04</td>
<td>In discussion with various service providers for creating value adds for SITI base</td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>Robust corporate governance &amp; compliance</td>
<td>Professional Management, Lean and Agile Organizational Structure</td>
</tr>
<tr>
<td></td>
<td>Country-wide Access</td>
<td>Strategic Alliances, Efficient Execution</td>
</tr>
</tbody>
</table>

- **Country-wide Access**
- **Superior Technology**
- **Systems and Processes**
- **Strategic Alliances**
- **Efficient Execution**
Launched in 1926, the Parent Group ("Essel Group") completed 90 years recently; One of India's leading business houses, with a dominant vertically integrated presence in Media and entertainment

Leading producer, aggregator and distributor of Indian programming across the world; 250,000+ hours of original Content

Group Market Cap (Listed entities under the Parent Group): ~USD6.19 Bn

Present in 171 countries, a reach of ~1.3bn+ viewers; Compelling bouquet of 75 Channels
SITI Networks
Sizeable Free Float & Institutional Ownership

Shareholding Pattern
872 Mn Shares

- 65.7% Promoters
- 12% Individuals
- 9.3% Mutual Funds
- 7% Indian Companies
- 3.9% FII's
- 2.1% Others
- 9.3% Mutual Funds

Key Investors

Foreign Institutions

Domestic Institutions

There has been fund infusion of INR6800 Mn by Promoters through OFCDs & Convertible Warrants in Last 2.5 years

As of 24th May 2019
Others include HUF, Clearing Members, banks, trusts and NRIs
Technology Infrastructure
Video & Broadband

- 10 Digital Headends; Intra-city OFC and Coax Network of ~33,000 Kms covering ~ 580 locations
- Transport of Digital CATV signals on 1.2 Gbps links across the country; ~350 IP Points
- Hybrid (DOCSIS+ GPON) Technology to offer Cable Broadband services

<table>
<thead>
<tr>
<th>Digital Headends</th>
<th>Modems</th>
<th>STB's</th>
<th>Chipsets</th>
<th>Servers</th>
<th>CAS, SMS, EPG</th>
<th>Connectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ericsson</td>
<td>Cisco</td>
<td>Changhong</td>
<td>Mstar</td>
<td>HCL Infosystems</td>
<td>Conax</td>
<td>Airtel</td>
</tr>
<tr>
<td>Harmonic</td>
<td>Changhong</td>
<td>Arion Technology</td>
<td>Ali</td>
<td>Dell</td>
<td>Railtel</td>
<td>Idea</td>
</tr>
<tr>
<td>Nokia</td>
<td>Changhong</td>
<td>Castlenet</td>
<td>ZT</td>
<td>HP</td>
<td>Tata Communications</td>
<td>Essel Group</td>
</tr>
</tbody>
</table>
Strategy
SITI Networks
Video Strategy

01 Revenue Enhancement
- ARPU enhancement through suggestive packs
- Increase HD Subscriber base
- TRAI Order Implementation
- Up-sell HD, OTT Video to customers

02 Migrate to Prepaid
- Increase Collection efficiency by further implementing Prepaid model

03 Cost Optimization
- Improve operational efficiencies and harness inbuilt leverage
- Fungible teams for Cable and Broadband

04 Improve Margins
- Improve extraction from low utilized IP based locations and exiting non-profitable ones

05 Range of STB
- Moving from SD / HD STB to Smart STB (Linux & Android)
Financials & Operating Metrics
## Exceeded Expectation on FY19 Key Financial Metrics

### Vs FY18

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY19 Comparison</th>
<th>FY18 Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>~19% increase in FY19</td>
<td>9,537mn</td>
<td>7,997mn</td>
</tr>
<tr>
<td>Expenses Flat in FY19</td>
<td>11,185mn</td>
<td>11,019mn</td>
</tr>
<tr>
<td>FY19 margin Up by 1.76x</td>
<td>21.2%</td>
<td>12%</td>
</tr>
<tr>
<td>Improved Collection efficiency</td>
<td>95%</td>
<td>92% in Q4 FY 18</td>
</tr>
<tr>
<td>~31.4% increase in ARPU</td>
<td>Rs 82.27</td>
<td>Rs 62.58</td>
</tr>
<tr>
<td>2x increase in FY19 EBITDA</td>
<td>3,001mn</td>
<td>1,507mn</td>
</tr>
</tbody>
</table>

### Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY19 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription revenue for FY19 at Rs</td>
<td>9,537mn</td>
</tr>
<tr>
<td>Operational expenses for FY19 at Rs</td>
<td>11,185mn</td>
</tr>
<tr>
<td>EBITDA Margin (Excl. Activation) improved significantly @ 21.2%</td>
<td></td>
</tr>
<tr>
<td>Q4 FY 19 Subscription Collection Efficiency at 95%</td>
<td></td>
</tr>
<tr>
<td>Blended ARPU at Rs 82.27 (Excl Taxes)</td>
<td></td>
</tr>
<tr>
<td>EBITDA (Excl. Activation) for FY19 at Rs 3,001mn</td>
<td></td>
</tr>
</tbody>
</table>
Q4 FY19
Robust Performance

# 1.63x Jump in Operating EBITDA

\[
\begin{array}{c|c|c}
  & Q4 & 12M \\
  FY18 & 515 & 1,507 \\
  FY19 & 840 & 3,001 \\
\end{array}
\]

# 13% YoY Jump in Total Revenue

\[
\begin{array}{c|c|c}
  & Q4 & 12M \\
  FY18 & 3,170 & 12,525 \\
  FY19 & 3,367 & 14,186 \\
\end{array}
\]

# 1.54x leap in Operating EBITDA Margins

\[
\begin{array}{c|c|c}
  & Q4 & 12M \\
  FY18 & 16.2\% & 12.0\% \\
  FY19 & 25.0\% & 21.2\% \\
\end{array}
\]

- Q4FY19 Consolidated Revenues at Rs. 3,367 Mn
- 12M Operating EBITDA Margins expanded 1.35x

All Numbers in Rs. Mn unless mentioned other-wise. 1. Total Revenue excluding Activation
Q4 FY19: Broadband Business
Stable performance

# ARPU has been relatively stable

- DOCSIS ARPU has been stable:
  - Q2FY19: 576
  - Q3FY19: 568
  - Q4FY19: 578

# Average Data Consumption has decreased

- Average Data Consumption has decreased:
  - Q2FY19: 118
  - Q3FY19: 108
  - Q4FY19: 69

# Average Speed per Customer is steady

- Average Speed per Customer is steady:
  - Q2FY19: 27
  - Q3FY19: 27
  - Q4FY19: 28

Net Broadband base at 1.56 Lakhs
Blended Broadband ARPU was steady at Rs.456
~30% of the DOCSIS base converted to long-term lock-in plans

Note: All metrics are for DOCSIS base unless otherwise stated.
Thank You

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