

# DEN Networks Ltd

October 2015

The logo for DEN Networks Ltd, featuring the word "DEN" in a bold, red, sans-serif font. The letters are slightly shadowed, giving them a 3D appearance as if they are floating above the background. The background of the slide is a light beige color with a subtle pattern of grey dots and faint blue gear and wave motifs. On the left side, there is a large, stylized graphic of a blue gear with a grid pattern, partially overlapping the "DEN" text.

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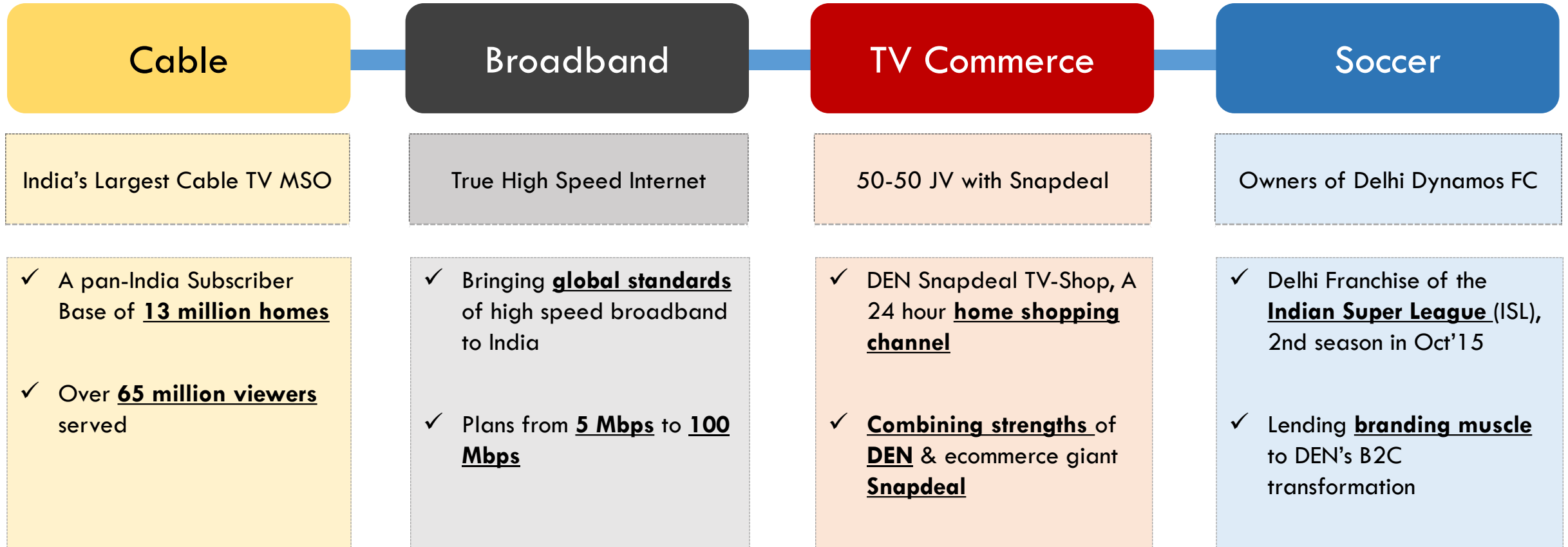
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## DEN Networks: India's Largest Cable MSO

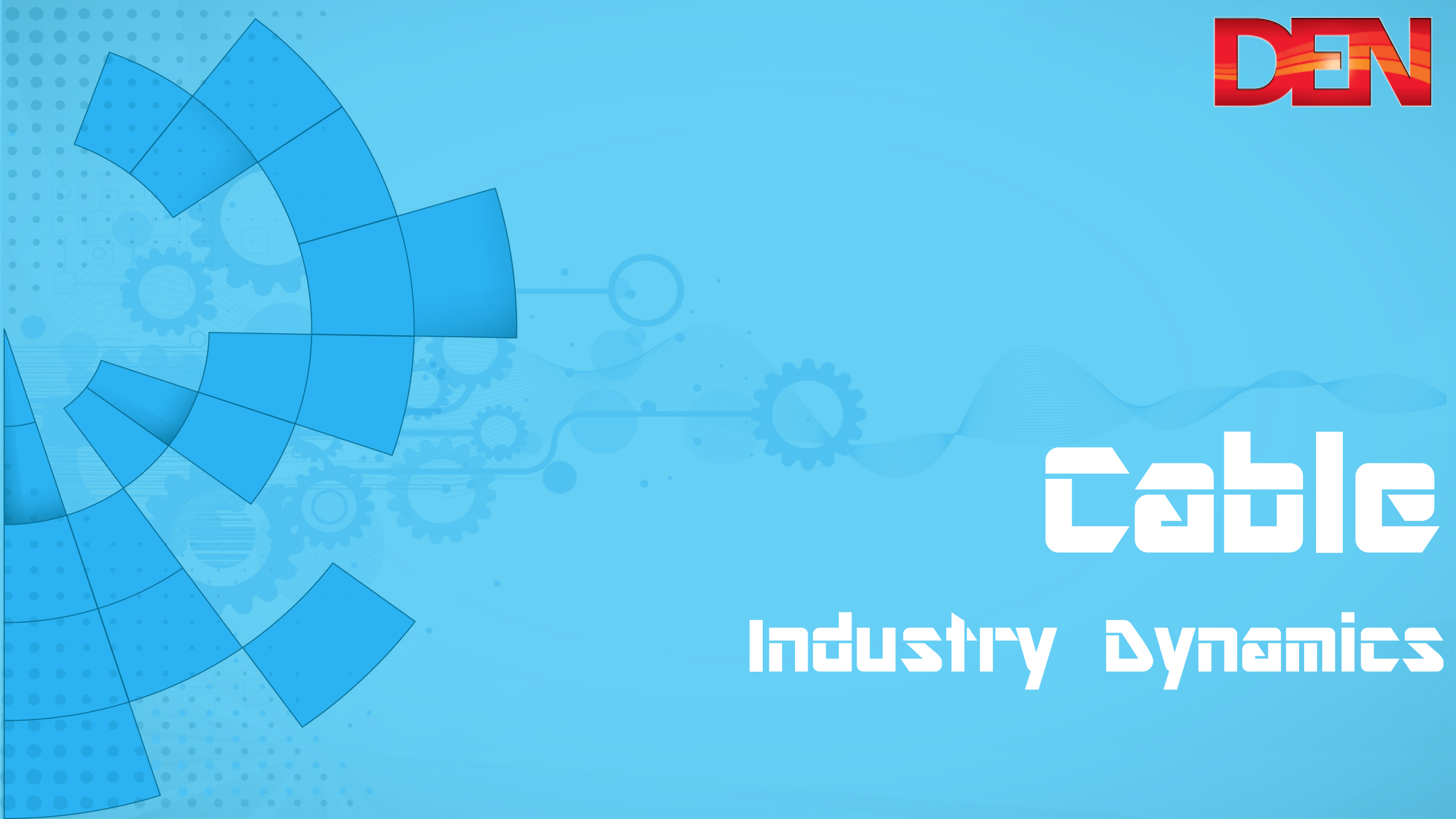


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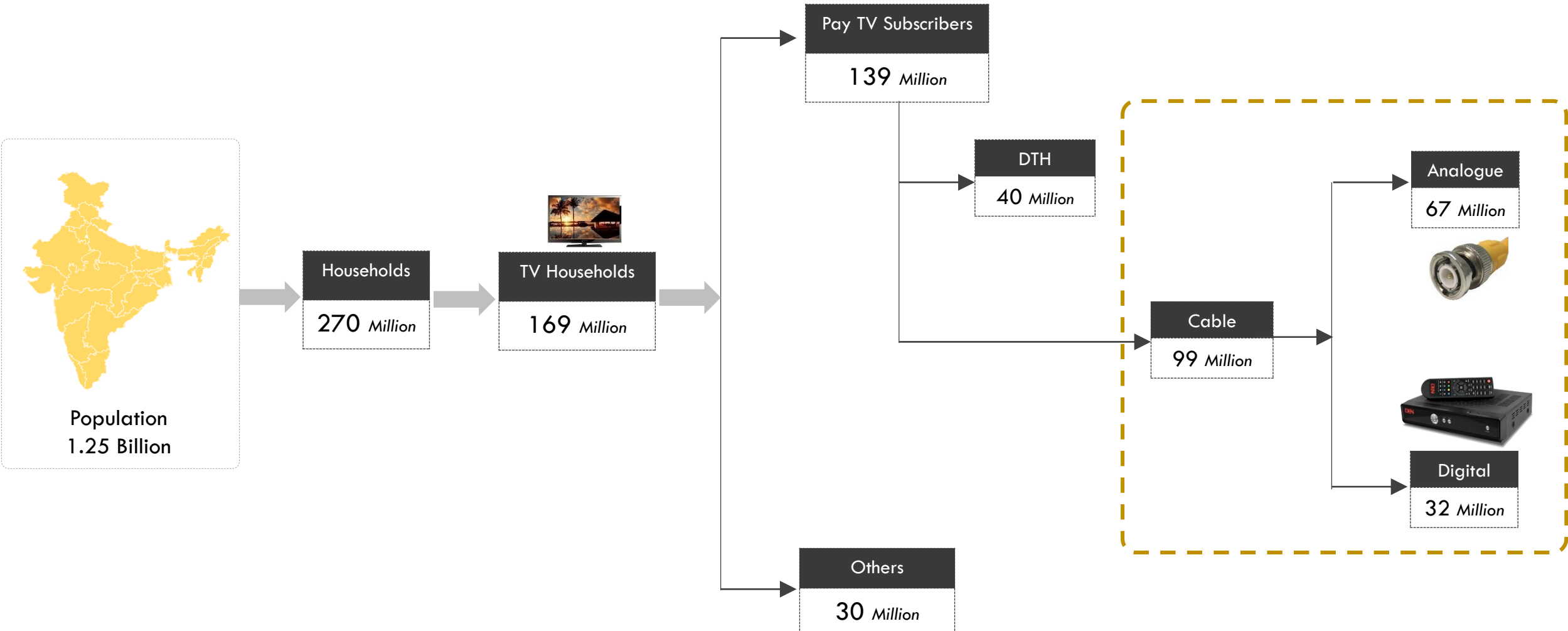
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The background is a solid light blue color. On the left side, there are several large, blue, semi-circular segments arranged in a fan-like pattern, resembling a gear or a stylized 'C'. In the center and right, there are faint, light blue geometric patterns, including gears, circles, and wavy lines, creating a technical or industrial feel.

# Cable

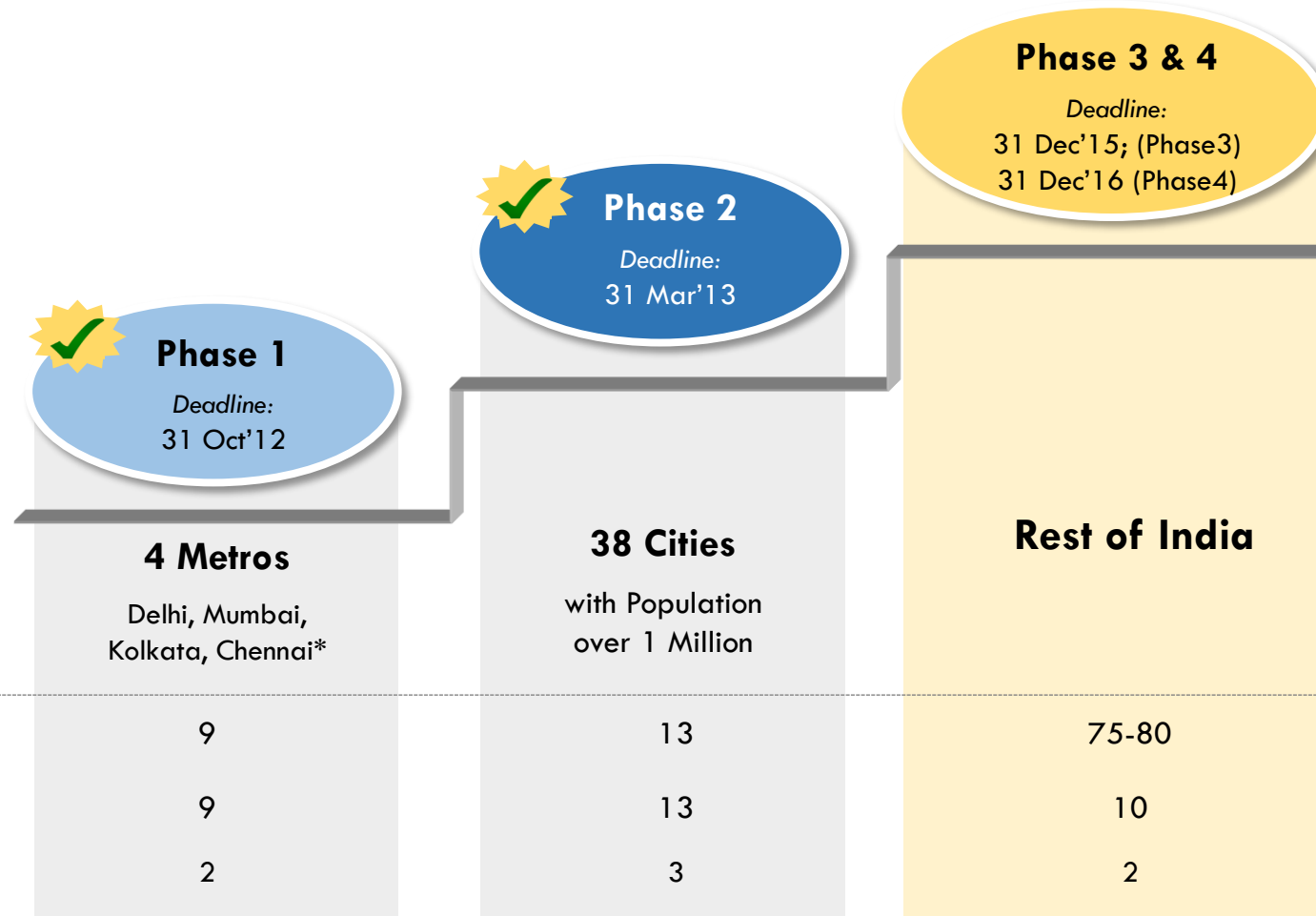
## Industry Dynamics

## Addressable Cable Opportunity in India



Source: MPA, Company Analysis













## Cable Digitization in India...



### Opportunities

- Total customer base of 13 million; 7.2 million already digitized; Den – 5.8 M analog customers in phase 3 & 4 areas
- New Customers – Universe + shift
- Market share
- Bundled services (Cable and Broadband)
- Cross selling broadband to existing cable customers

# Cable Digitization – Pre DAS and Post DAS

	Post Digitisation <i>(Before 2012)</i>	Post Digitisation <i>(Current)</i>
MSO share in ARPUs <i>% Share</i>	10-15 <i>(5-10%)</i>	60-90 <i>(40-50%)</i>
Transparency		
Subscriber Addressability <i>(No. of Subscribers, KYC etc.)</i>		
Packaging		
VAS <i>(HD, VoD, EPG)</i>		
Number of Channels	 60-70	 300-500
Double/Triple Play Network		

Source: Company Analysis, Industry Estimates

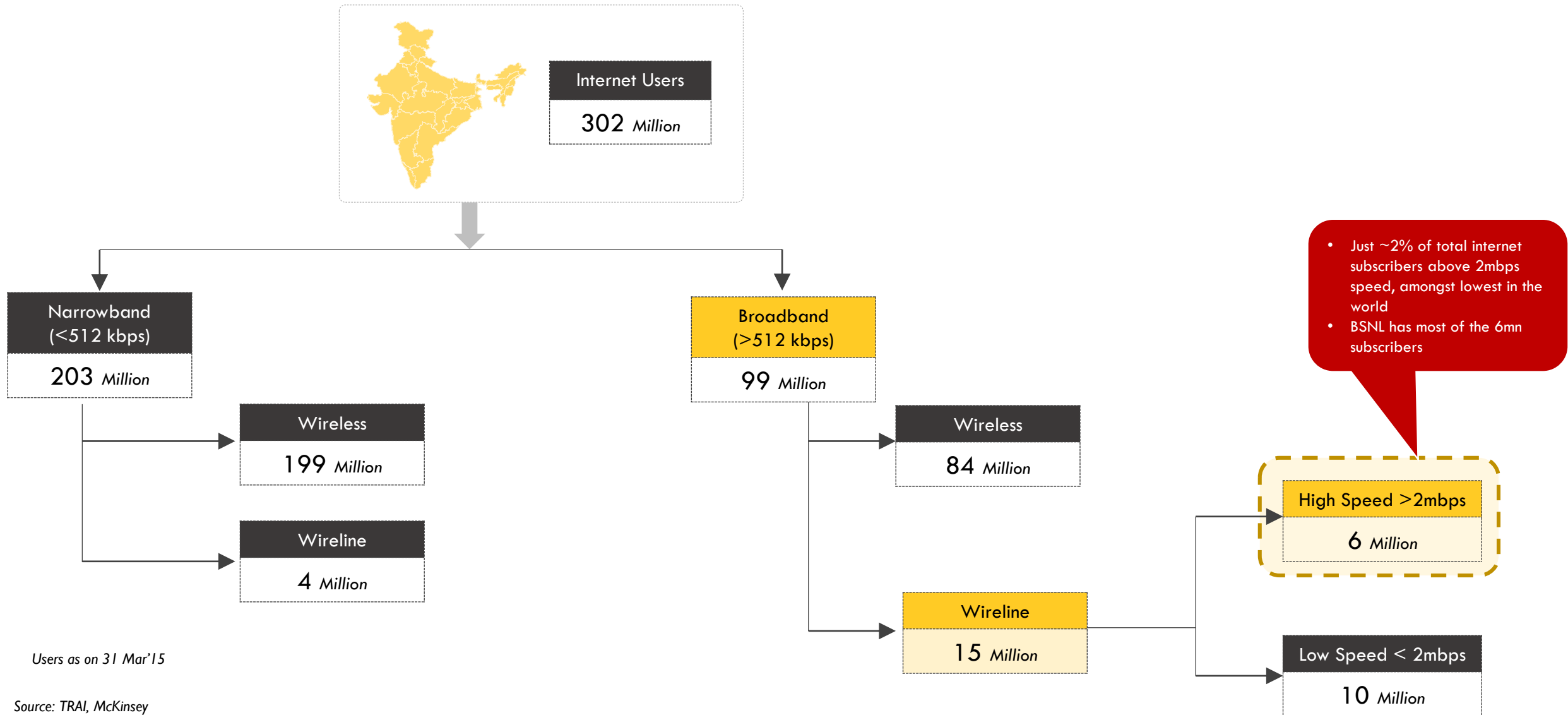




# Broadband

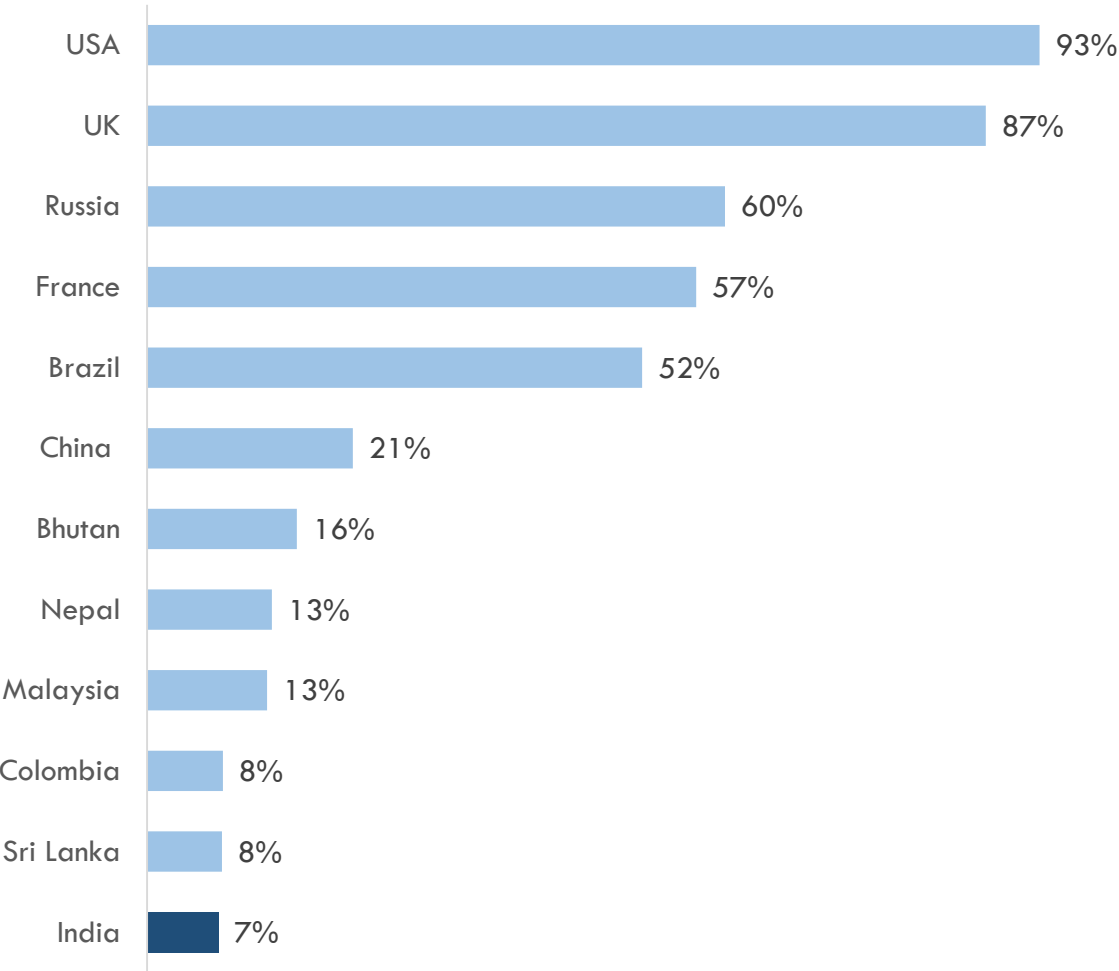
## Industry Dynamics

# Indian Internet Market Snapshot

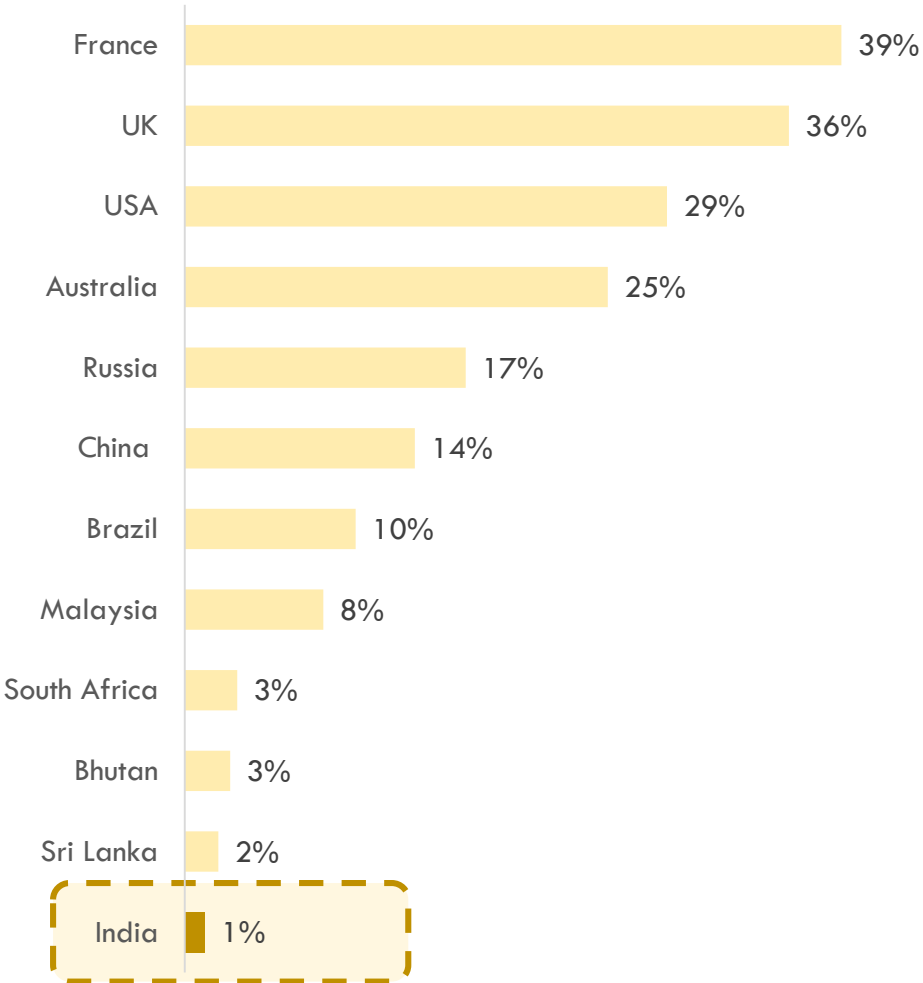


# Huge Broadband Potential Due to Poor Penetration

Wireless Broadband Penetration



Fixed Broadband Penetration



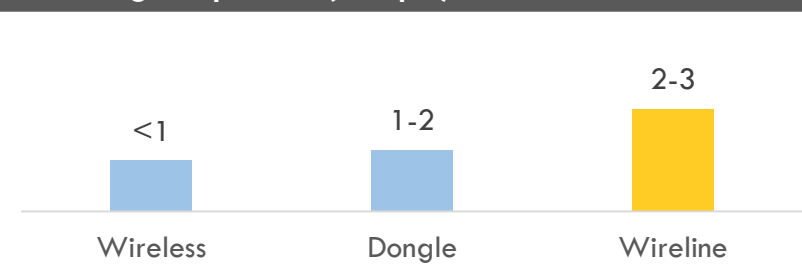
Source: Akamai, Internet Live Stats

## Wireline vs Wireless Internet in India

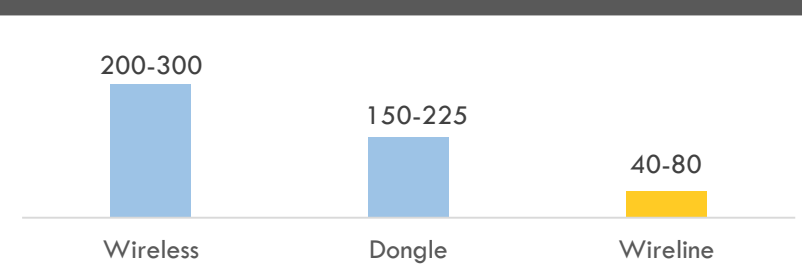
### Quality of Service

- Indoor Mobile Density
  - 2<sup>nd</sup> Wall Penetration – Low
  - 1<sup>st</sup> Wall Penetration – <20%
- Most Data Service on High Frequency i.e. 1800mhz and above
- Highly Scarce Spectrum @5mhz

### Average Speed (mbps)

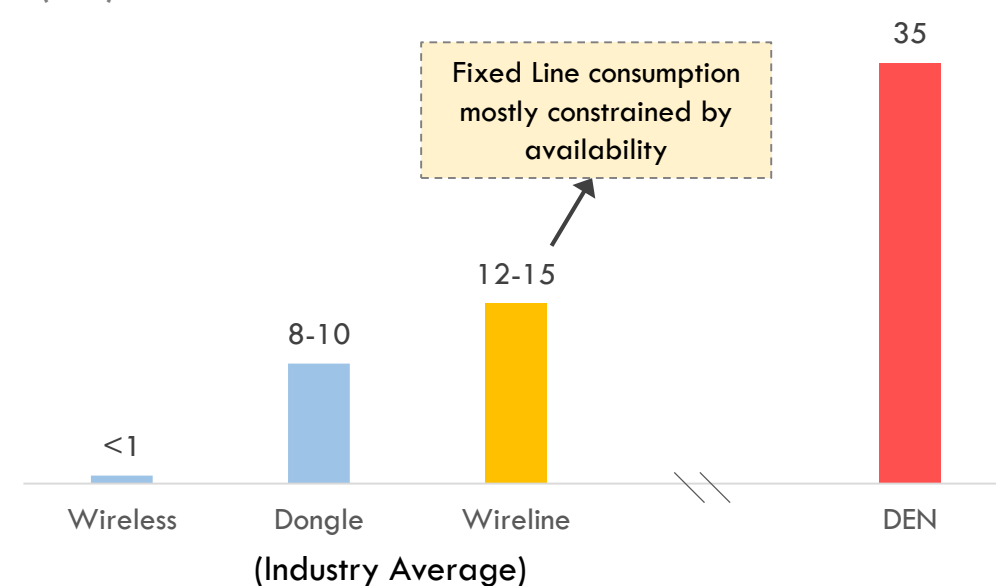


### Price Per GB of Data

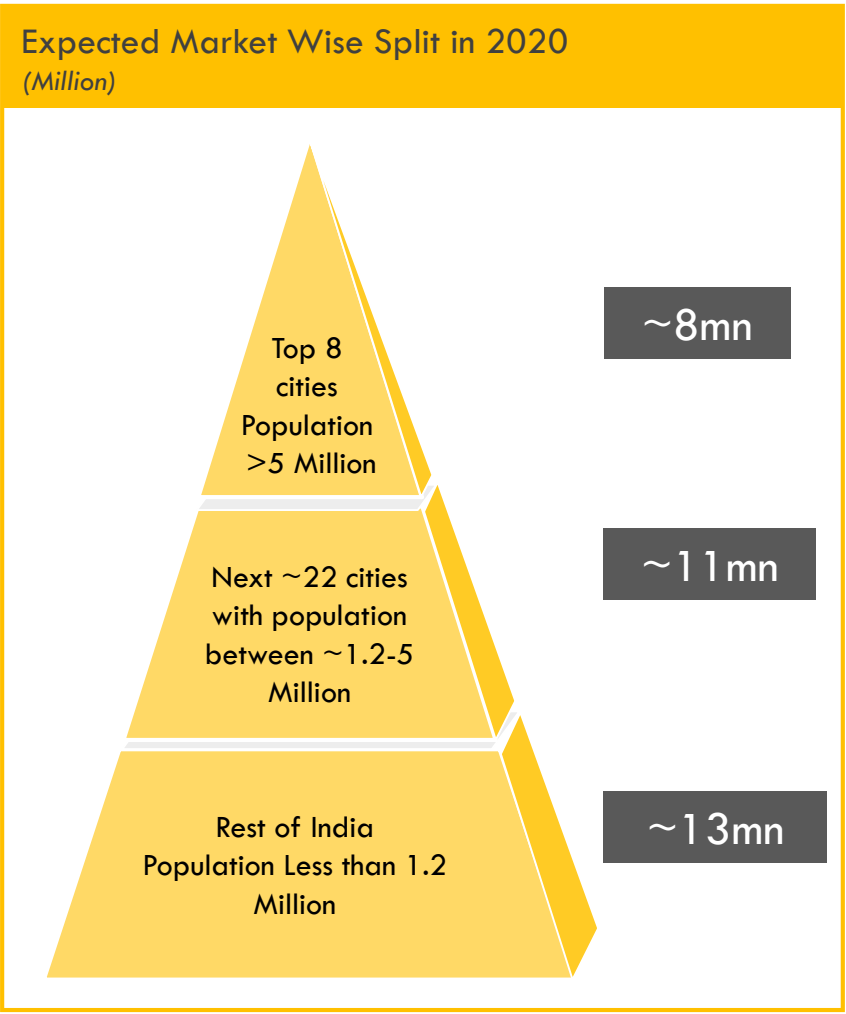
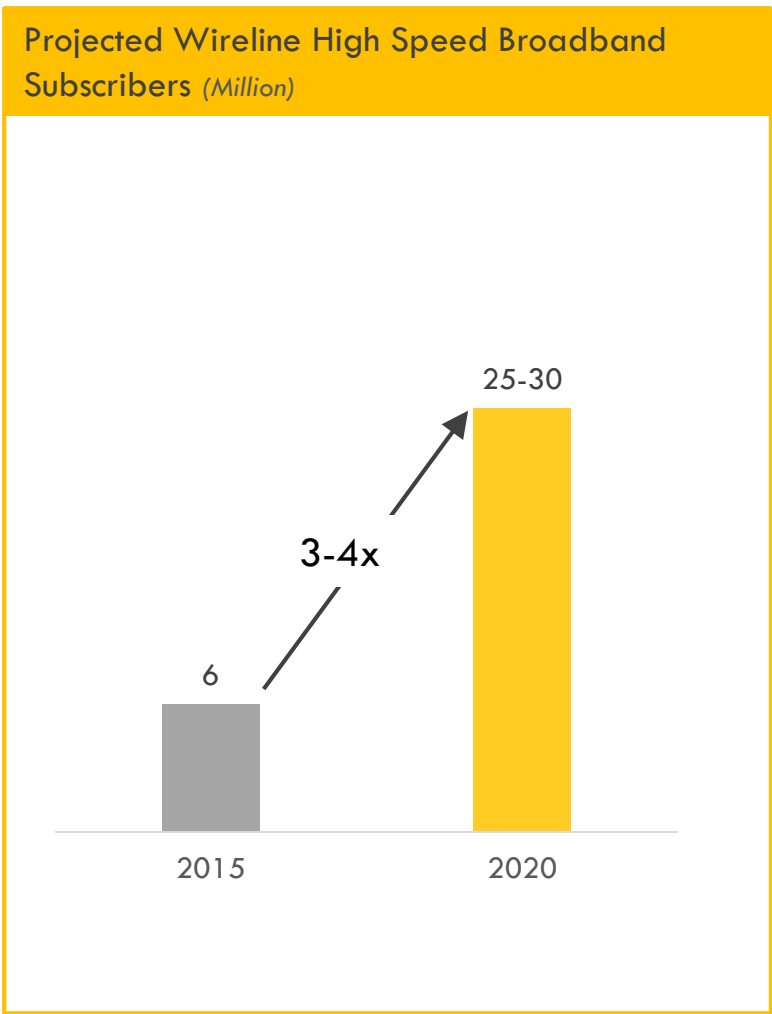
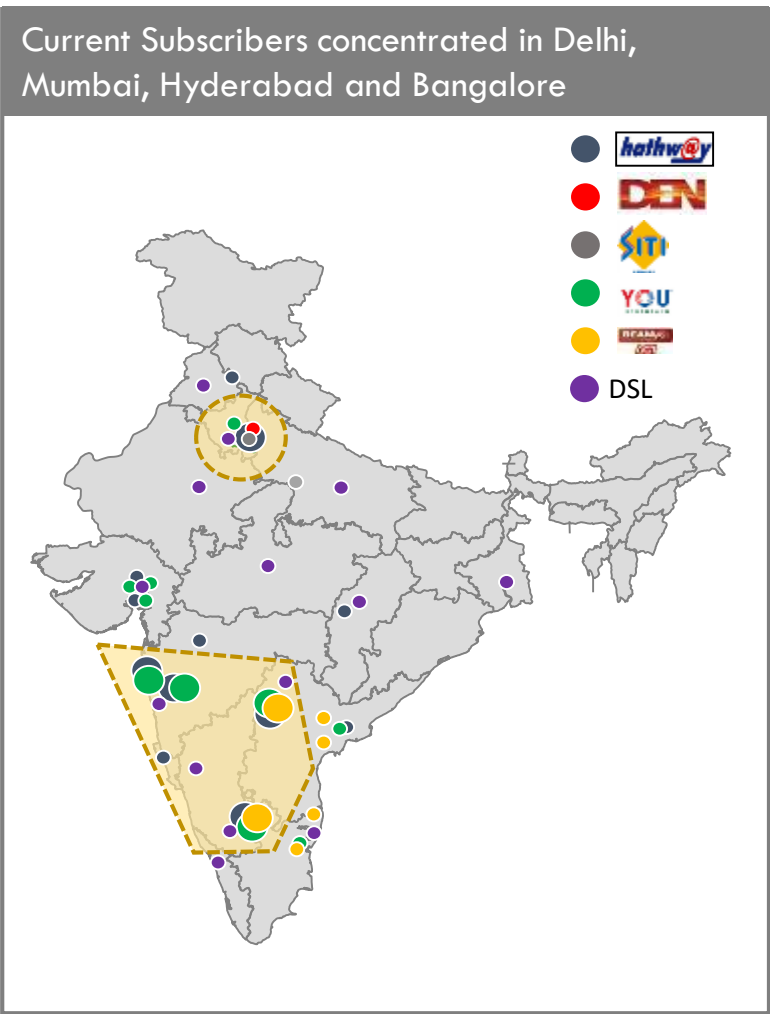


Source: Industry Research, Company Estimates

### Monthly Data Consumption (GB)



# Wireline High Speed Broadband To Grow 4-5x in 5 Years Driven by Tier 2 Towns

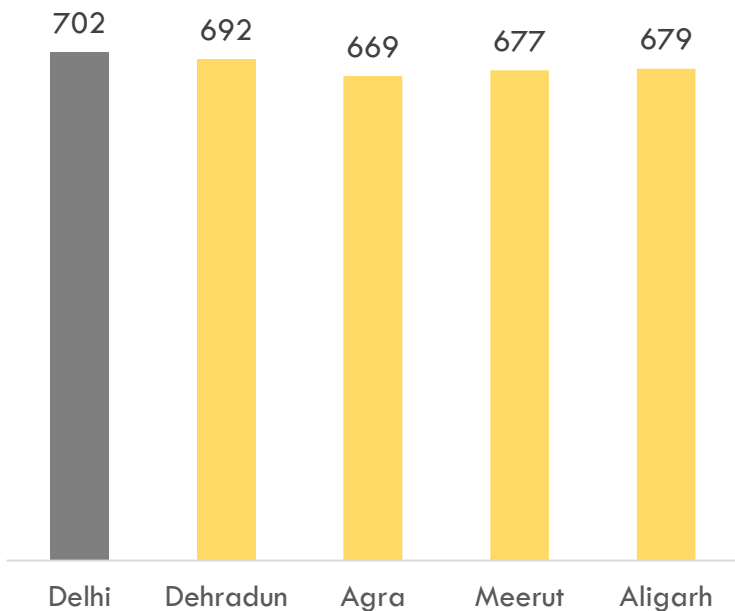


## Tier 2 Towns at Par with Tier 1 Towns on Data Consumption and ARPUs

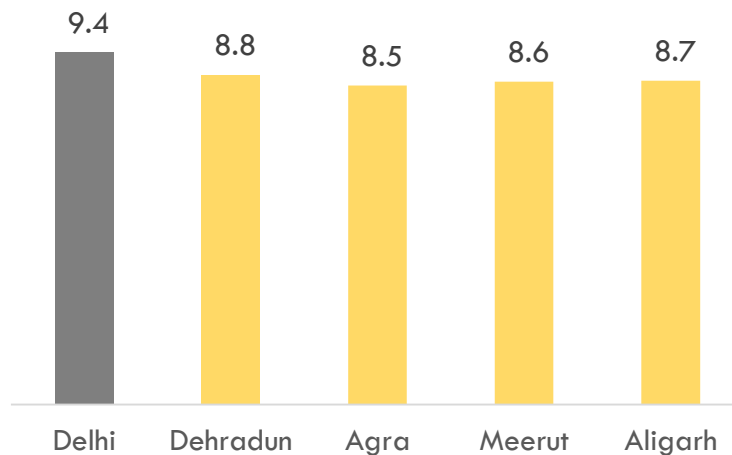
■ High Income Locations

■ Low Income Locations

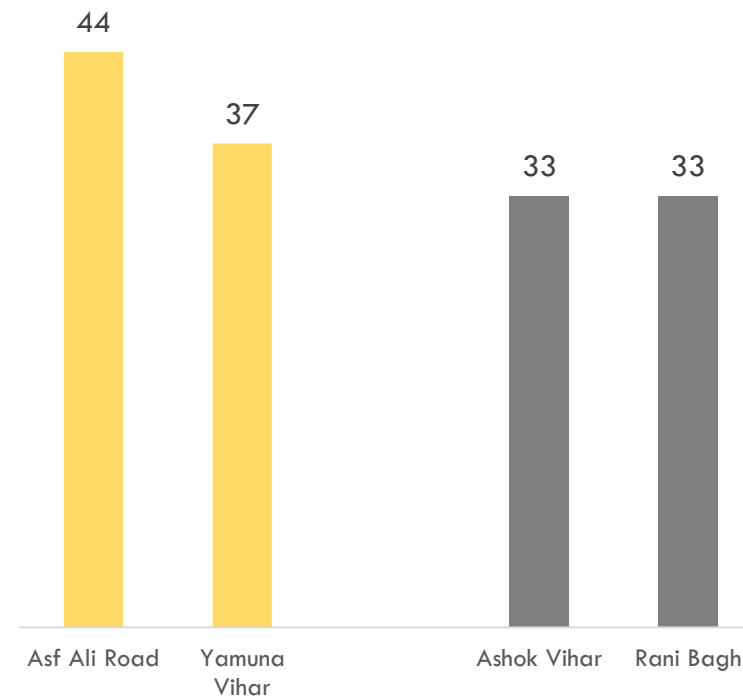
**Monthly ARPU – Dongle**  
(INR)



**Monthly Data Consumption – Dongle**  
(GB)



**Monthly Data Consumption in Delhi – Den**  
(GB)



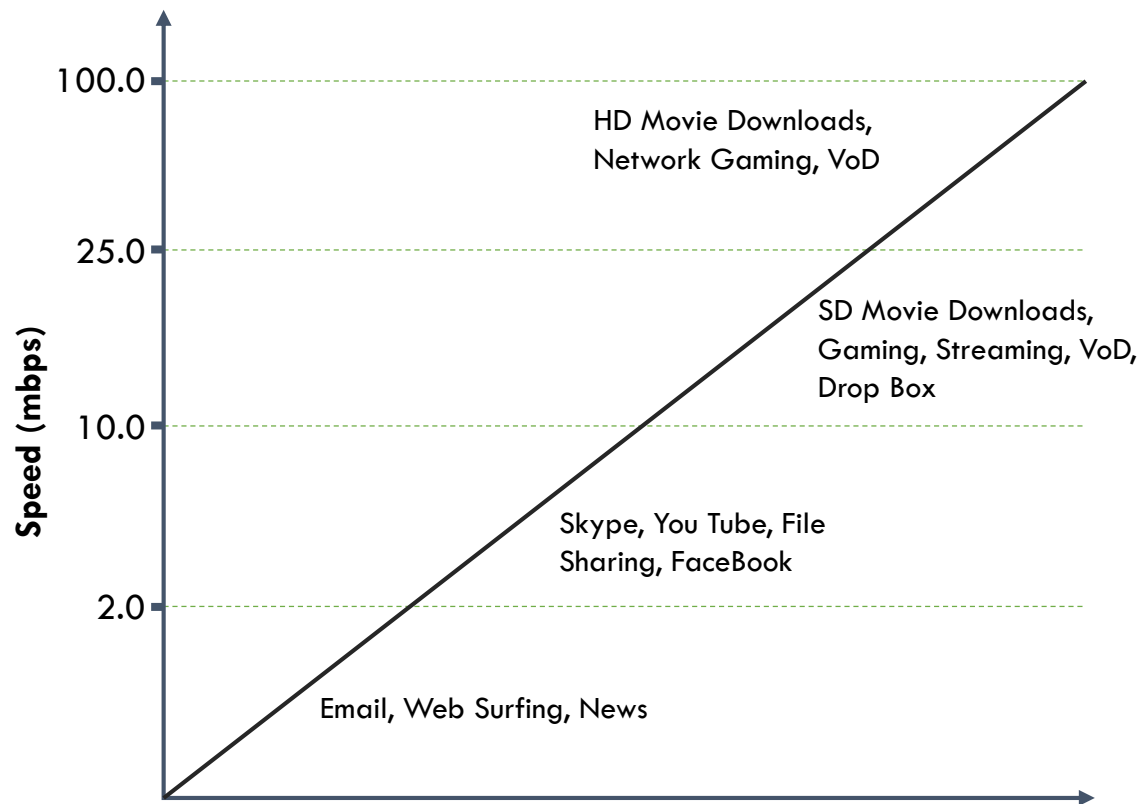
Source: Leading Telecom Mobile Data Players, Company Analysis

## Growth Drivers for High Speed Broadband Penetration

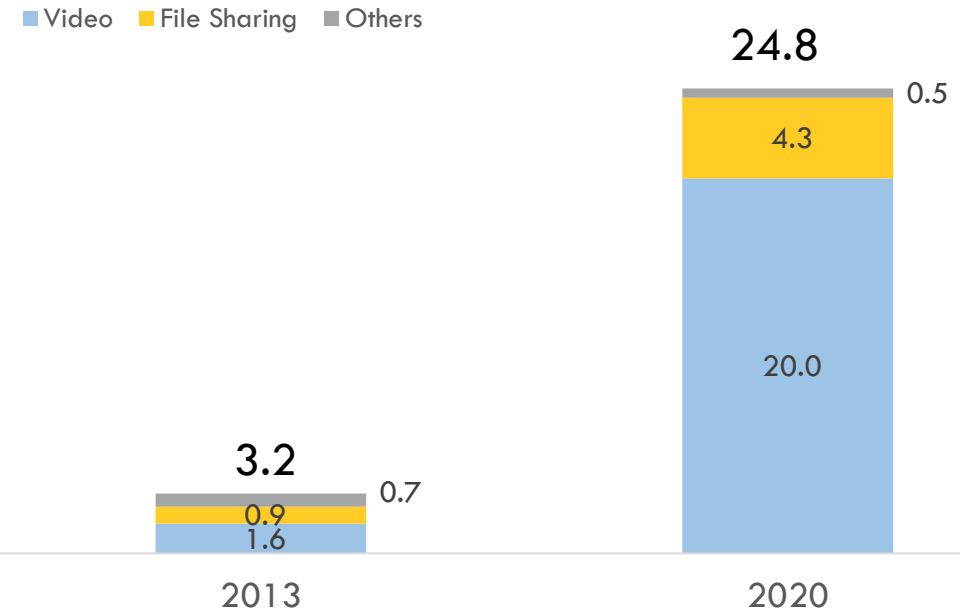
### 1 Increasing Consumption

- 7-8x increase in consumption of broadband from ~3GB to ~25GB per user driven by expected increase in video consumption and evolution of services

Popular service vs. speed requirement



Broadband Data Consumption/user/month (GB)

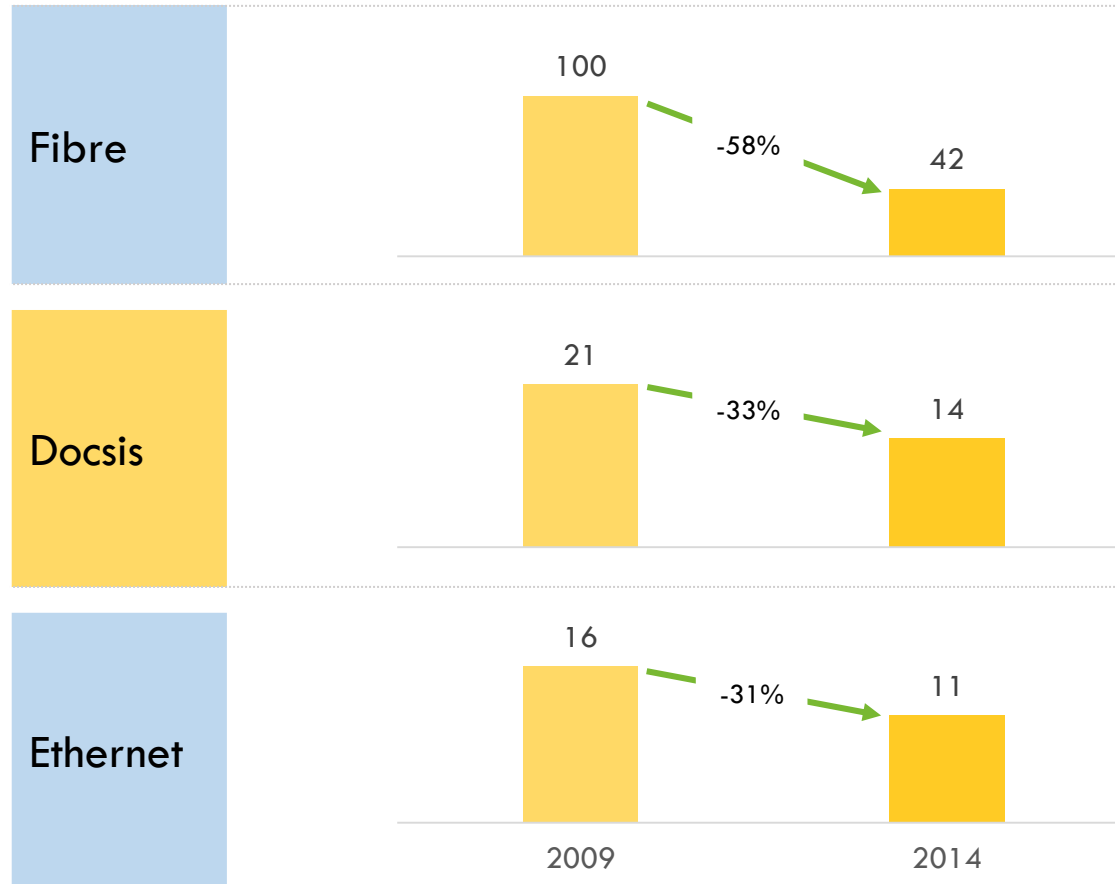


Source: CISCO VNI Forecast

### 2 Decreasing Costs of Technologies

- >30% decrease in cost of Ethernet, DOCSIS 3.0 and fibre technologies driven by global deployments and tech development

#### Equipment costs (Indexed costs for different technologies)



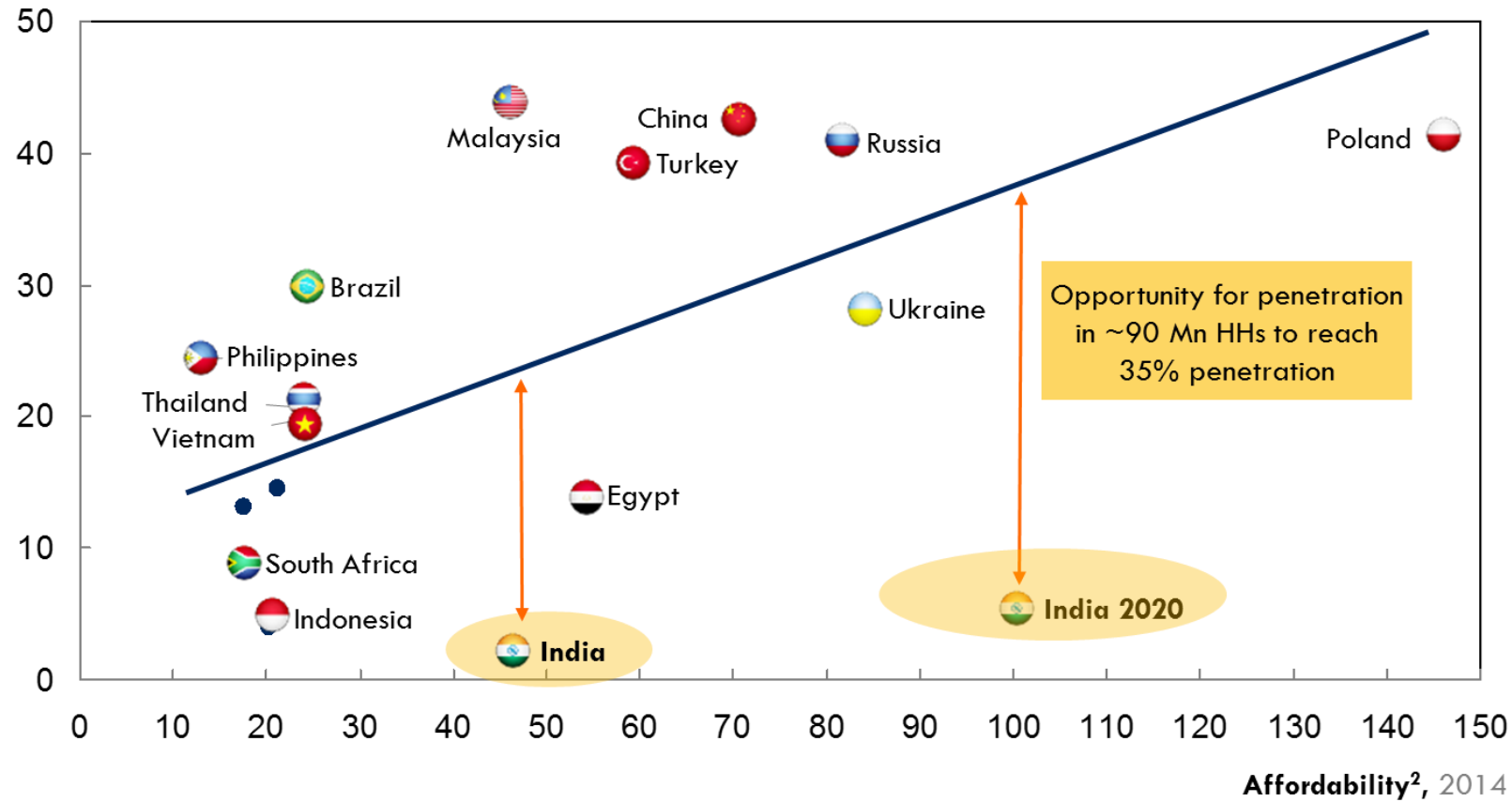
- Cost of Optical Line Terminal (OLT) and Fibre came down as FTTx eco-system developed across the world
- Reduction in cost attributable to Cable Modem Termination System (CMTS), located at the headend
- BoM Re-engineering to Indian Requirements
- Development of managed services eco system
- Cost of routers and switches was always low due to established ecosystem
- Costs of equipment further came down as technology became popular



## Growth Drivers for High Speed Broadband Penetration

### 3 Increasing Affordability

Fixed BB penetration<sup>1</sup>, 2014, % households



- ✓ Increase in per capita income
- ✓ Population distribution shifts towards consuming class
- ✓ Increasing sales of laptops/PCs

<sup>1</sup> Penetration multiplied by average household size;

<sup>2</sup> Affordability = GDP per capita / average annual FBB ARPU

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# DEN story

# Established in 2007, DEN is the Biggest MSO with 13 Million Cable Subscribers (>50% Digitized) With...

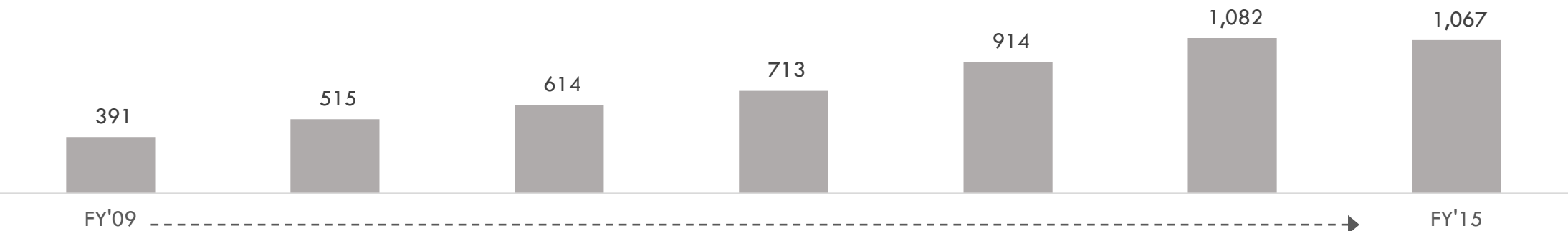
## Overview and Investment Highlights

Established in 2007, Den Networks is transforming into a B2C Powerhouse and has enhanced its product portfolio offering high speed Broadband services with a vision to provide bundle services to its customers. Recently the company has diversified itself into new TV Commerce business.

- ✓ Biggest MSO in India with 13 Million Cable TV Subscribers (including 7.2 Million Digital Subscribers)
- ✓ Provides cable services in more than 200 locations/cities across 13 key states in India
- ✓ 21% market share in India's digital cable subscribers (25% in Phase 1&2)
- ✓ Home pass of ~500k for Broadband with ~35k subscribers
- ✓ TV Commerce reach 33 Million homes, with current annualised GMV of ~INR 1.5 Billion
- ✓ Experienced leadership team to spearhead growth

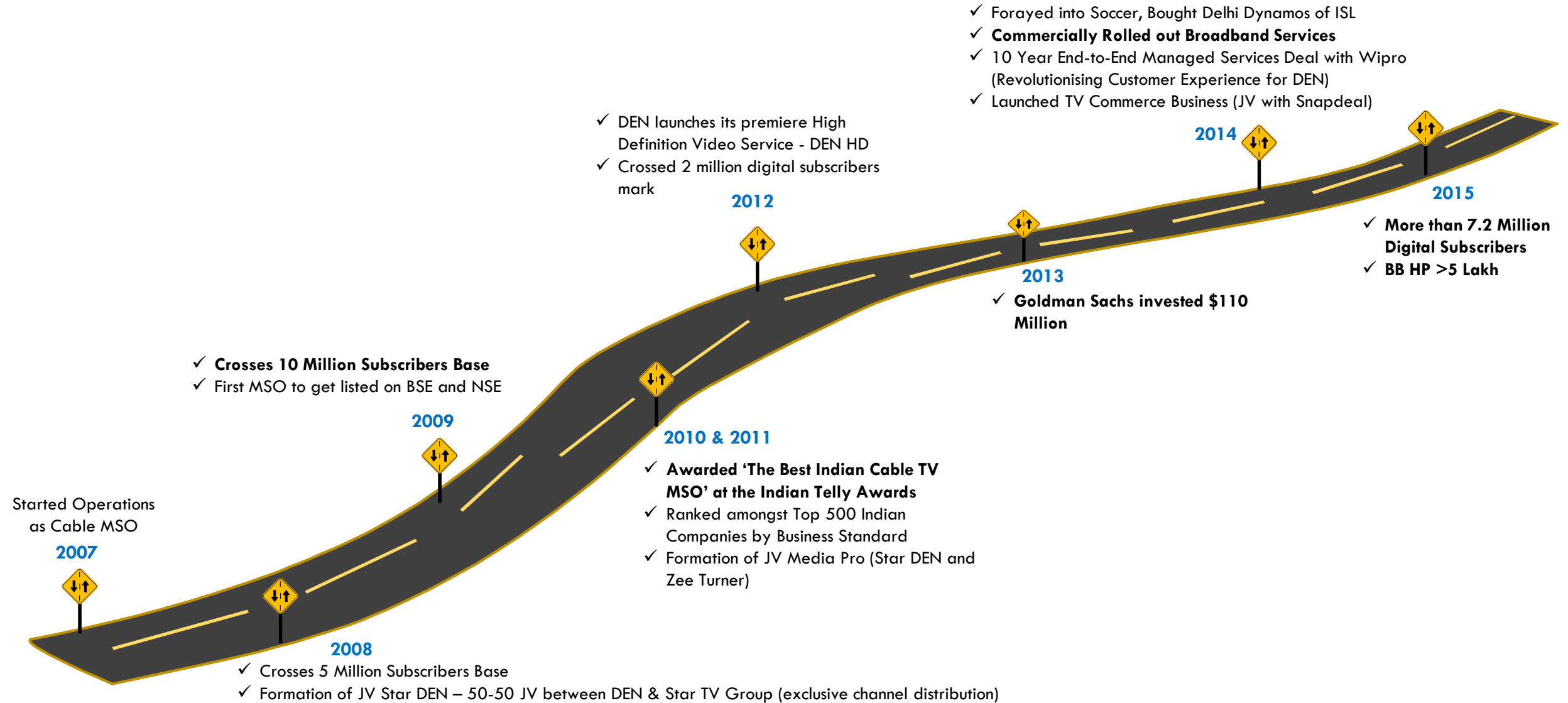
## Revenues\* (₹ Crore)

FY'09-FY'15 CAGR +18%



\*Revenues, for a comparative basis, Net of Distribution Rights Costs and Net of LCO Share

## ...Phenomenal Growth Story *(Evolution and Key Milestones)*



## Marquee Investors

### Shareholding Pattern

	Mar'12	Mar'13	Mar'14	Mar'15	June'15
Promoters	54.69%	53.24%	40.05%	40.05%	40.05%
FII/FPIs	8.14%	14.72%	17.40%	20.92%	22.18%*
DII#	2.87%	3.34%	2.94%	1.32%	1.21%
Foreign Body Corp.	7.00%	6.82%	22.92%	22.92%	22.92%* *
Domestic Body Corp.	17.24%	12.30%	10.00%	8.65%	7.88%
Retail and Others	10.06%	9.58%	6.69%	6.14%	5.76%

100% = 178 Million Shares

\* Driven by Investments by Acacia Group, Route One Fund and Spruce House

\*\* Driven by Investments by Goldman and its affiliates

# Includes Insurance Companies, Banks, UTI, Mutual Funds etc.

### Top Shareholders (Non-Promoters) as on 30 June'15

Affiliates of the Goldman Sachs Group	17.79%
Affiliates of IL&FS	7.50%
Acacia Group	7.11%
Route One Fund	3.64%
Baron Emerging Markets Fund	2.17%
The Spruce House Partnership LP	2.08%
Reliance	1.09%
Life Insurance Corporation of India	1.06%
Affiliates of Soft Bank	0.87%

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## Cable Business Snapshot

**#1**  
Biggest Cable MSO in  
India (Cable  
Subscribers Universe)

**13** Million  
Cable Subscribers

**7.2** Million  
Digital Cable  
Subscribers (30 June'15)

**>80%**  
Monetized STBs

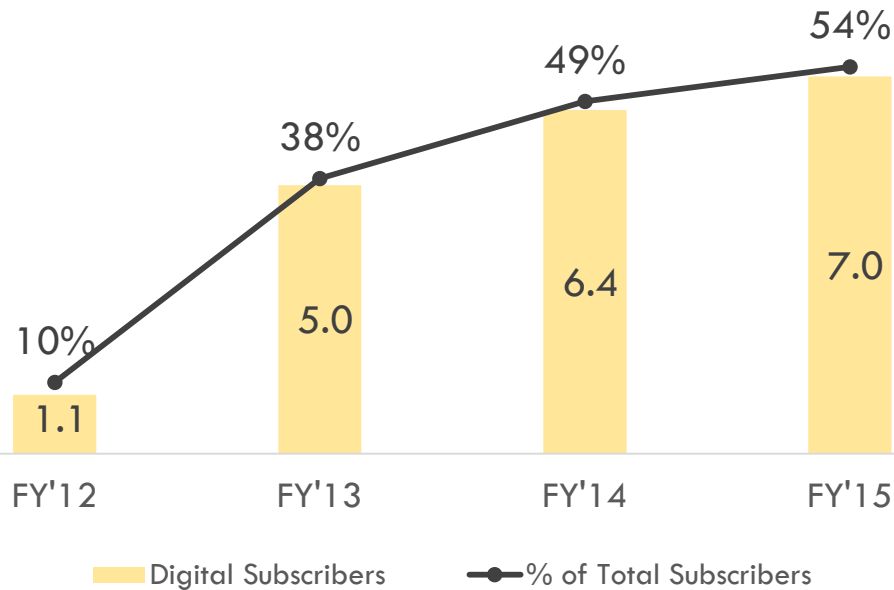
**21%**  
Market Share in  
India's Digital Cable  
Subscribers Industry

**100** INR  
Average Net  
Realization Rate in  
DAS Phase 1 Markets

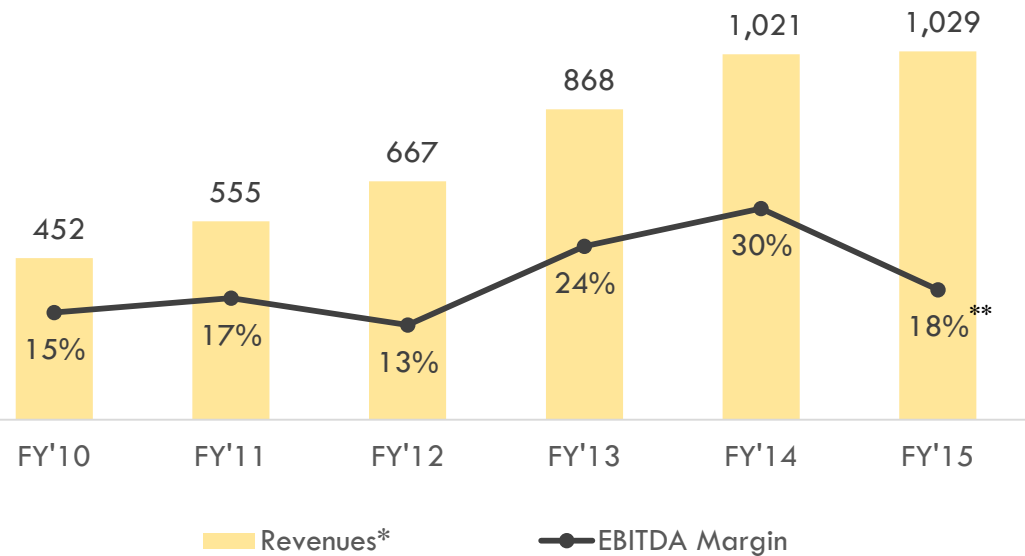
**INR 10** Billion\*  
Revenues for FY'15

**20.5%**  
EBITDA Margin  
(in DAS Markets)

Digital Subscribers (Million)



Revenues\* and EBITDA



Source: Company Analysis, MPA

\*Revenues Net of LCO share for a like to like comparison.

\*\* Company is incurring expansion expenditure in DAS 3 & 4 markets



## Den Cable - Strategy / USP

### 1 **Create Consumer Focus and Build Brand**

Focus on product proposition, VAS, to create customer stickiness

### 2 **Build Internal Capabilities**

ERP, SMS

### 3 **Improve Industry Communication**

To avoid LCO playing one against the other

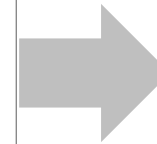
### 4 **Accelerate Monetization – Phase 1 & 2**

STBs Seeding, Pricing, Packaging, Bundling

### 5 **LCO/Distributor Relationship**

Leaseback, Buyouts

### 6 **STBs Seeding – Phase 3 & 4**



- ✓ 100% Digitized Customers
- ✓ 30% EBITDA Margin Target

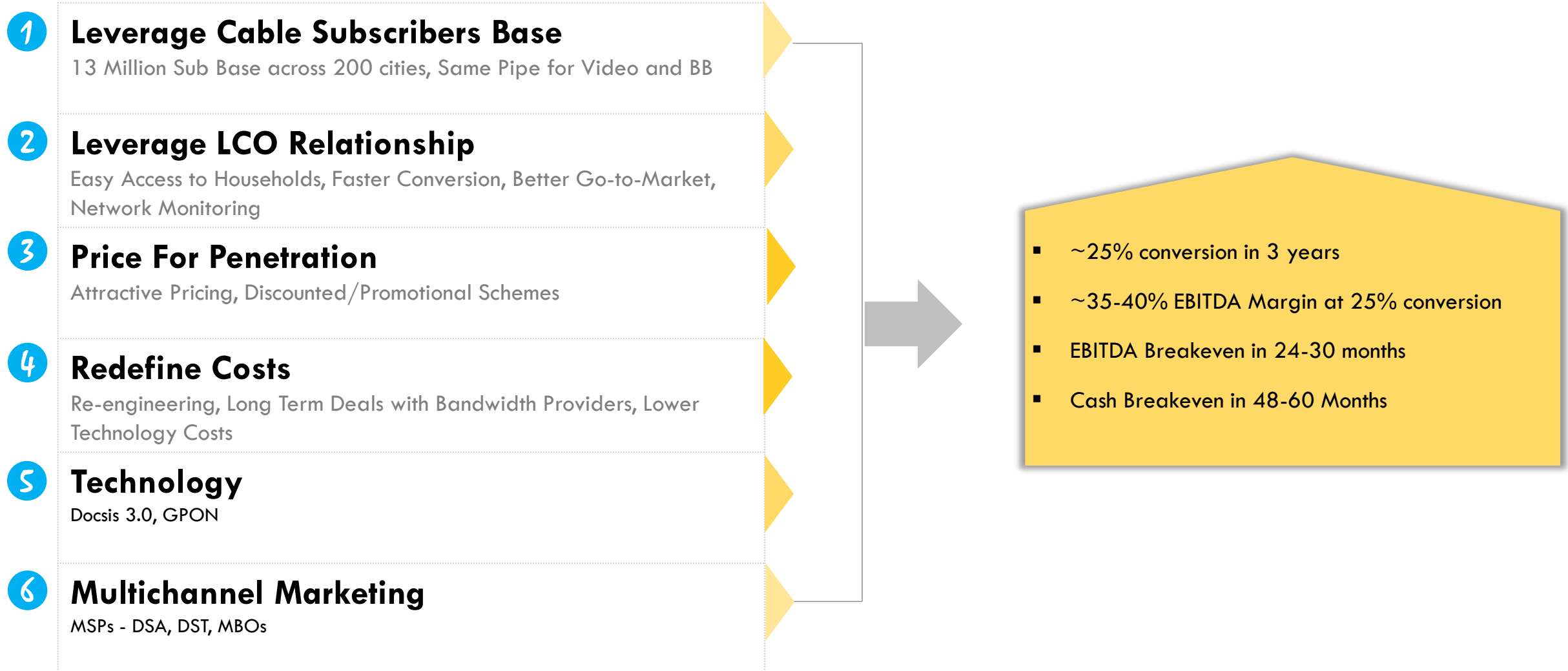
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## Den Boomband Strategy / USP



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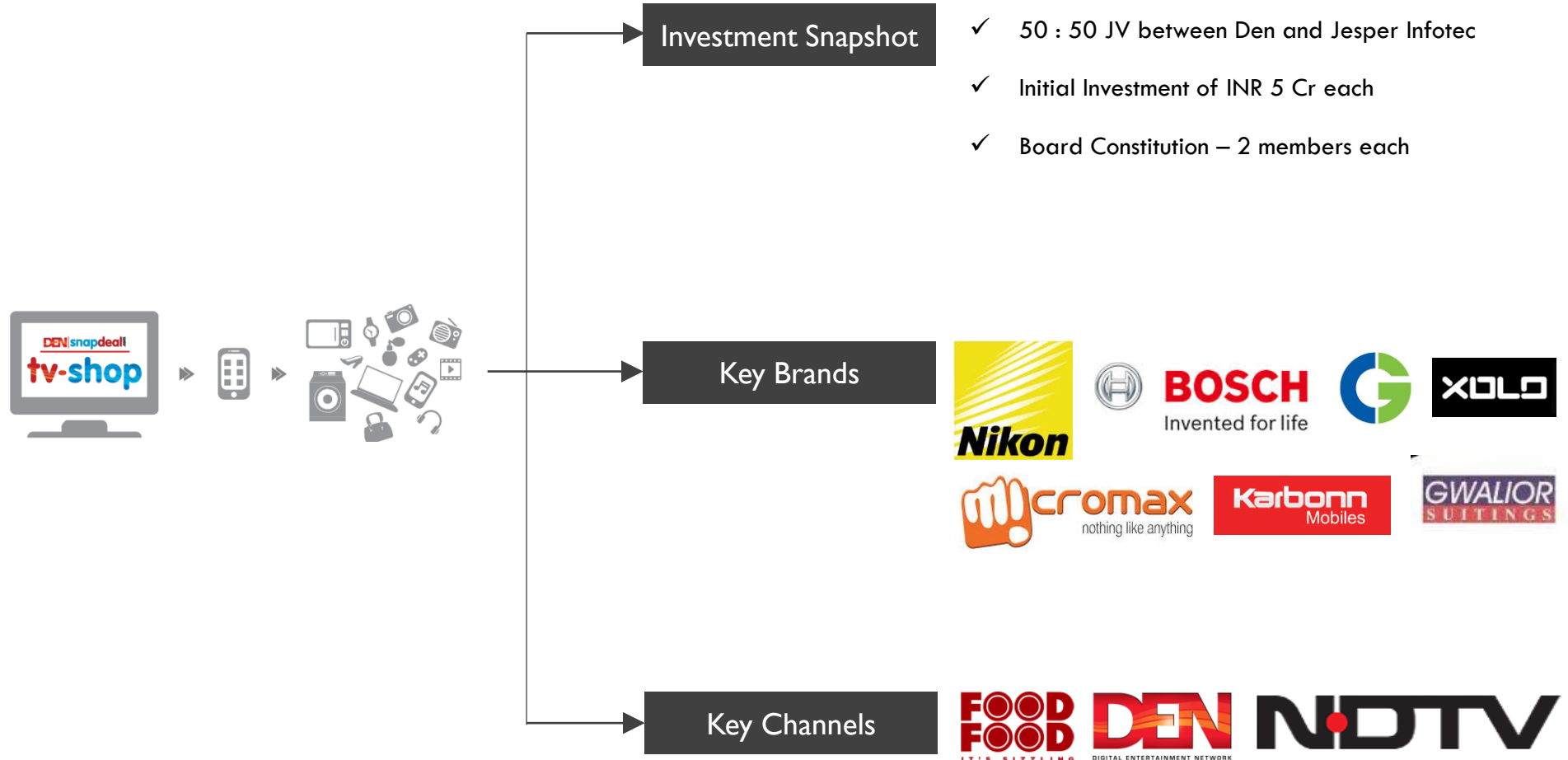
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## TV Shop – Snapshot

First of Its Kind JV in India Between a Cable Company and e-commerce giant

INR **1.4** Billion  
Current Annualised GMV

>33 Million  
Home Reach



## TV Commerce Opportunity

### Growth drivers of TV-Commerce Industry:

#### a) Reach

- Internet reach in India: 150 million
- Pay TV reach in India: 140 million Households ( i.e. 700 million users)

#### b) Shopper profile:

- Average age of consumer buying from web: 20-25 vs 30-25 on TV Commerce
- Higher purchasing power of TV Audience
  - Average selling price of Web vs TV-Commerce: INR 1000 vs 2000

### Industry & Competition

- Total market size: 6-8,000 Cr (Annually)
- Growth rate 30% - 40% CAGR

### Key Players and Market Share



Others...

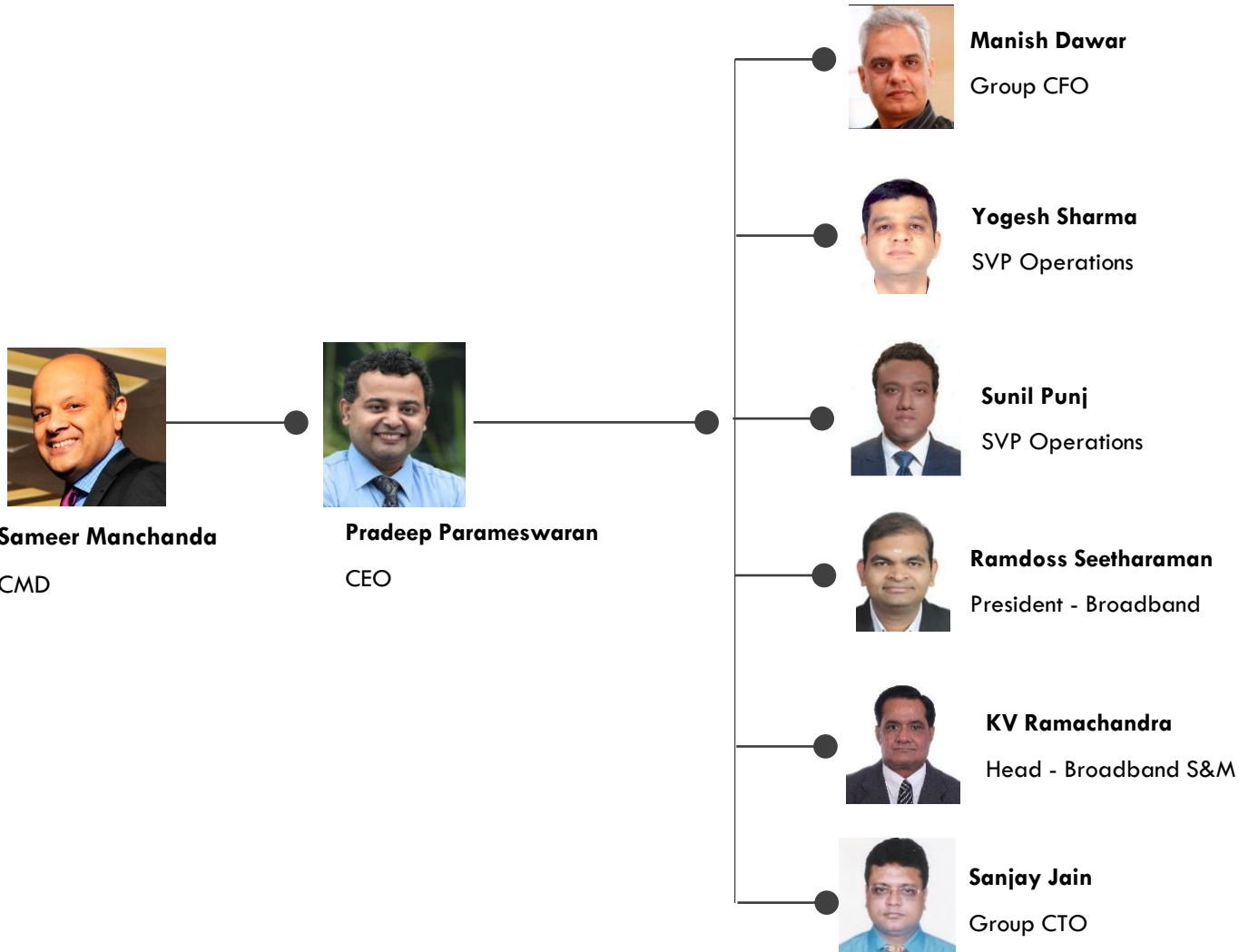
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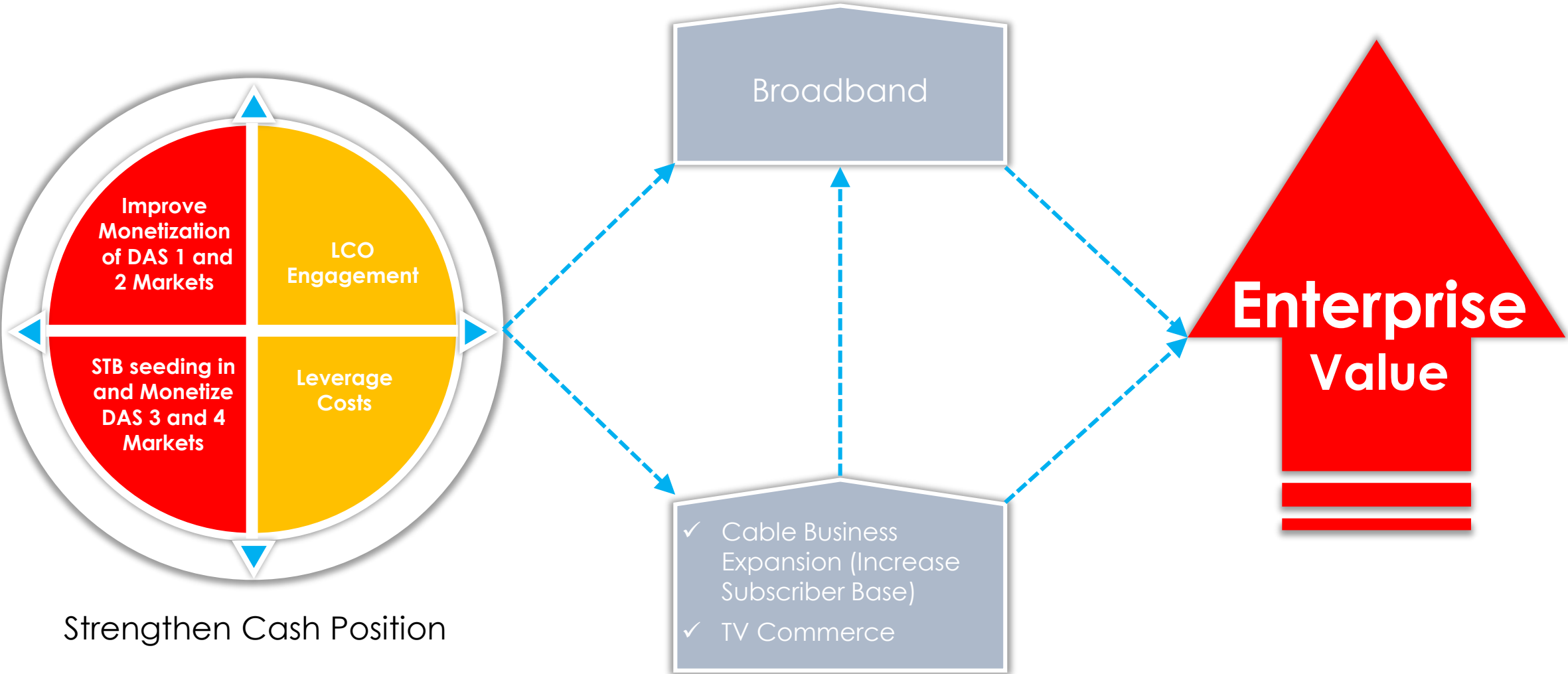
## Seasoned and Professional Senior Management Team



- Den Networks has highly professional and a diverse team with over 250 years of collective experience
- The team has made several effective strategic moves to enhance the value of Den Networks
  - ✓ Successfully forayed into broadband business with a vision to provide bundle services to customers (cable, broadband)
  - ✓ Entered into a JV with Snapdeal to form its own kind of TV Commerce channel
- Management team has delivered significant operational improvements over the years
- The key members of the management team offer a well balanced mix of execution, functional and pioneering industry expertise



# DEN Growth Levers



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# 1Q'16 Results

# 1Q'16 Highlights

- ✓ Deployed 185,000 **STBs** in the quarter; 56% customers digitized of 13mn total
- ✓ 13 DAS Cities generating **Billing, Net of Taxes** of more than ₹80 in 1Q'16 vs 11 cities in 4Q'15 and 8 cities in 1Q'15
  - >60% of DAS paying subscribers above ₹80 per box net billing vs 50% in 4Q'15 and 38% in 1Q'15



- ✓ On target to achieve 1mn Homes Passed and 100k Subscribers in FY'15-16
  - Added 157k **homes passed** taking total to 486k as on 30 June
  - Added 12k **subscribers** in quarter taking total to 35k as on 30 June
- ✓ ₹760 **ARPU** for 1Q'16



- ✓ INR 144 Crore **annualised GMV** at current run rate
- ✓ >33mn **home reach**
- ✓ ~32% **conversion** of the total call received in the quarter



# Group KPIs

1Q'16  
Additions

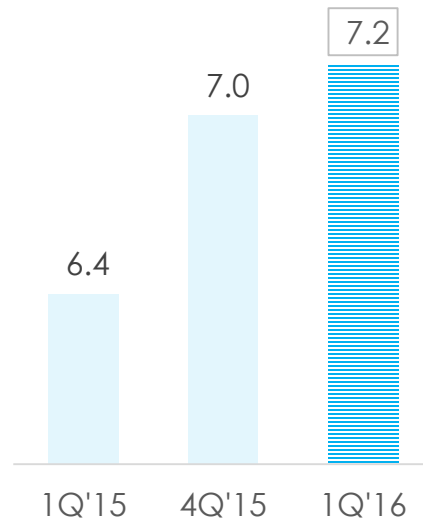
+185k

+5%

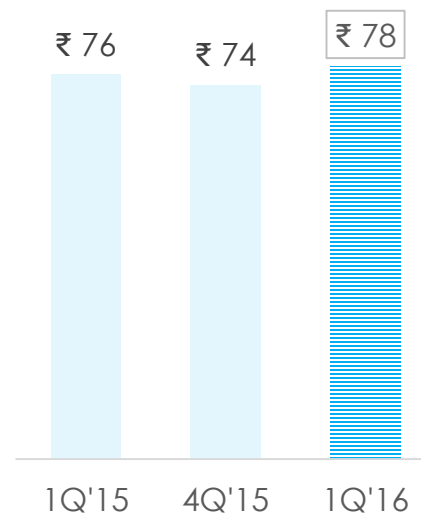
+0.16Mn

+12k

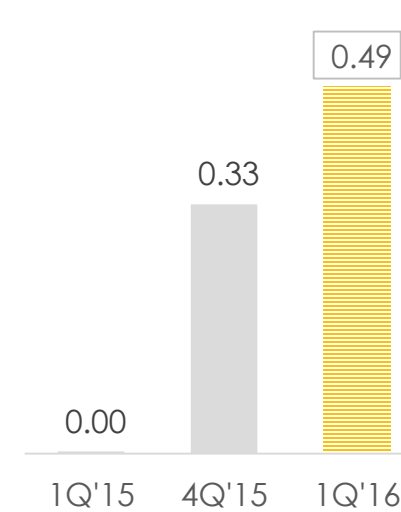
Cable Digital Subscribers (Mn)



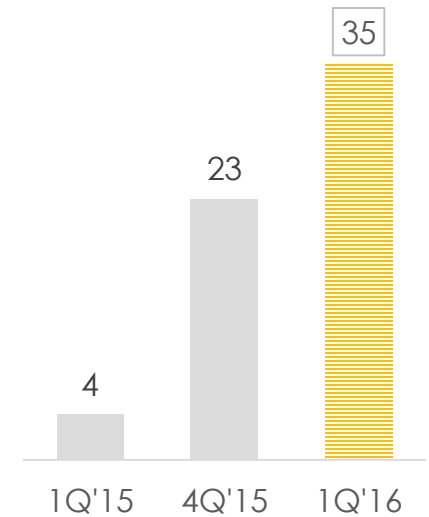
Cable DAS ARPU Per Box  
(Net of LCO, Net of Taxes)



Broadband Homes  
Passed (mn)



Broadband Subscribers  
(‘000)



# Road Ahead – Value Drivers

## Value Drivers for FY'16

Improve monetisation in DAS I and II markets - Pricing, Packaging, HD, Pre-paid

Broadband execution – Multi channel sales, roll-out factory

Box seeding - phase III and IV markets

TV shop – increase the reach

Strengthen IR management

## Progress in 1Q'16

- ✓ Billing, Net of Taxes at INR 78 per box vs 74 in 4Q'15
- ✓ 44% of DAS subscribers on packaged schemes as on 30 June
- ✓ HD – WIP

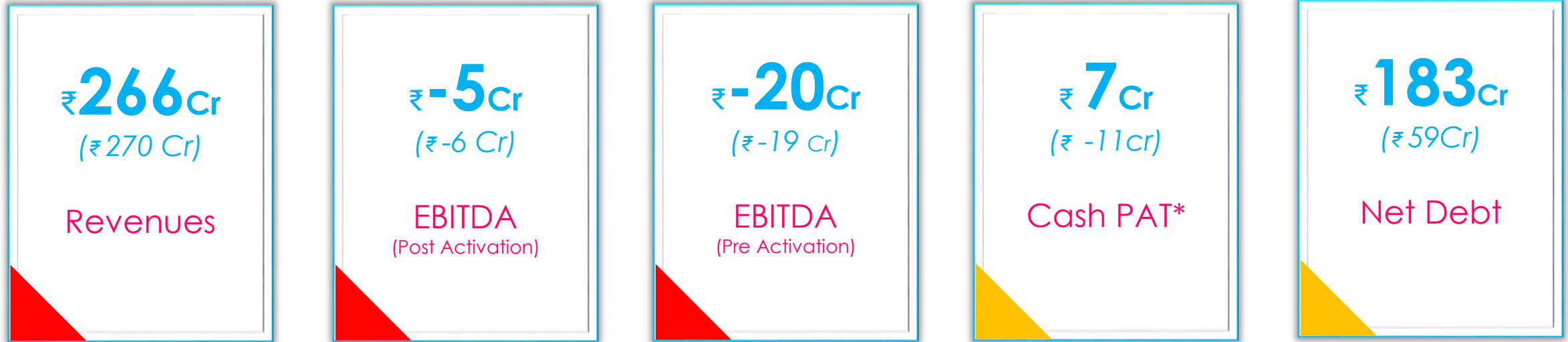
- ✓ Added 12k Subscribers
- ✓ Added 157k Homes Passed
- ✓ On track for 1 million Homes passed and 100k subscribers in FY 15-16

- ✓ Substantial market development
- ✓ 2.25 million boxes deployed in DAS 3 and 4 markets at end of 1Q'16, ahead of Dec'15 deadline.

- ✓ TV Shop reach 33 million on 30 June vs 25 million as at 31 March

- ✓ On track

# Group 1Q'16 Financial Highlights



Numbers in Brackets represent 4Q'15

\* PAT plus Depreciation & Amortization and Provisions for doubtful debts

# Group 1Q'16 Segment View

		INR Crore					
		Cable	Broadband	Soccer	TV Commerce	Distribution	Consolidated
Total Revenues	1Q'16	256	5	0.9	1.8	1.3	266
	4Q'15	265	3	(0.0)	1.0	1.2	270
	1Q'15	254*	1	-	-	12.7	268
EBITDA (Post Activation)	1Q'16	18	(18)	(0.1)	(4.4)	(0.2)	(5)
	4Q'15	14	(14)	(2.3)	(2.7)	(1.0)	(6)
	1Q'15	69	(8)	(4.0)	-	(0.3)	57
EBITDA (Pre Activation)	1Q'16	3	(18)	(0.1)	(4.4)	(0.2)	(20)
	4Q'15	1	(14)	(2)	(3)	(1)	(19)
	1Q'15	49	(8)	(4.0)	-	0.3	37
PBT	1Q'16	(20)	(20)	(1.4)	(4.4)	0.2	(46)
	4Q'15	(26)	(16)	(3.5)	(2.7)	1.1	(47)
	1Q'15	25	(9)	(4.2)	-	0.9	13
PAT	1Q'16	(26)	(20)	(1.4)	(4.4)	0.2	(52)
	4Q'15	(41)	(16)	(3.5)	(2.7)	1.1	(62)
	1Q'15	13	(9)	(4.2)	-	0.7	1

\* Cable Business Revenues Adjusted for LCO Share of INR 31 Cr in 1Q FY'15



# Consolidated Income Statement

	INR Crore				
	1Q'16	Actual 4Q'15	1Q'15	Y-o-Y Change	Q-o-Q Change
<b>Revenues</b>	<b>266</b>	<b>270</b>	<b>268*</b>	<b>-1%</b>	<b>-2%</b>
Content Costs	136	139	106	28%	-2%
Personnel Costs	34	30	28	20%	13%
Other Opex	91	103	61*	49%	-12%
Provision for doubtful debts	9	4	15	-38%	116%
<b>EBITDA</b>	<b>(5)</b>	<b>(6)</b>	<b>57</b>	<b>-108%</b>	<b>22%</b>
EBITDA %	-1.8%	-2.2%	21.3%		
Other Income	27	23	19	43%	17%
Dep & Amort	50	47	43	16%	6%
Finance Costs	18	16	20	-8%	12%
<b>Profit Before Tax (PBT)</b>	<b>(46)</b>	<b>(47)</b>	<b>13</b>	<b>-464%</b>	<b>1%</b>
Provisions for Tax	3	14	4	-19%	-76%
Minority Interest	2	1	7	-71%	129%
<b>Net Income</b>	<b>(52)</b>	<b>(62)</b>	<b>1</b>	<b>-4723%</b>	<b>16%</b>

\* Revenues and Expenses adjusted for LCO Share of INR 31 Cr in 1Q FY'15 for an like to like comparison

# Cable 1Q'16 Highlights



13m

Subscribers

56%

Digital  
Customers  
(54%)

₹256Cr

Revenues\*

(₹265Cr)

*\* Revenues Including  
Activation Income*

34%

Gross Margin

(33%)

₹18Cr

EBITDA Post  
Activation

(₹14Cr)

₹3Cr

EBITDA Pre  
Activation

(₹1Cr)

₹31Cr

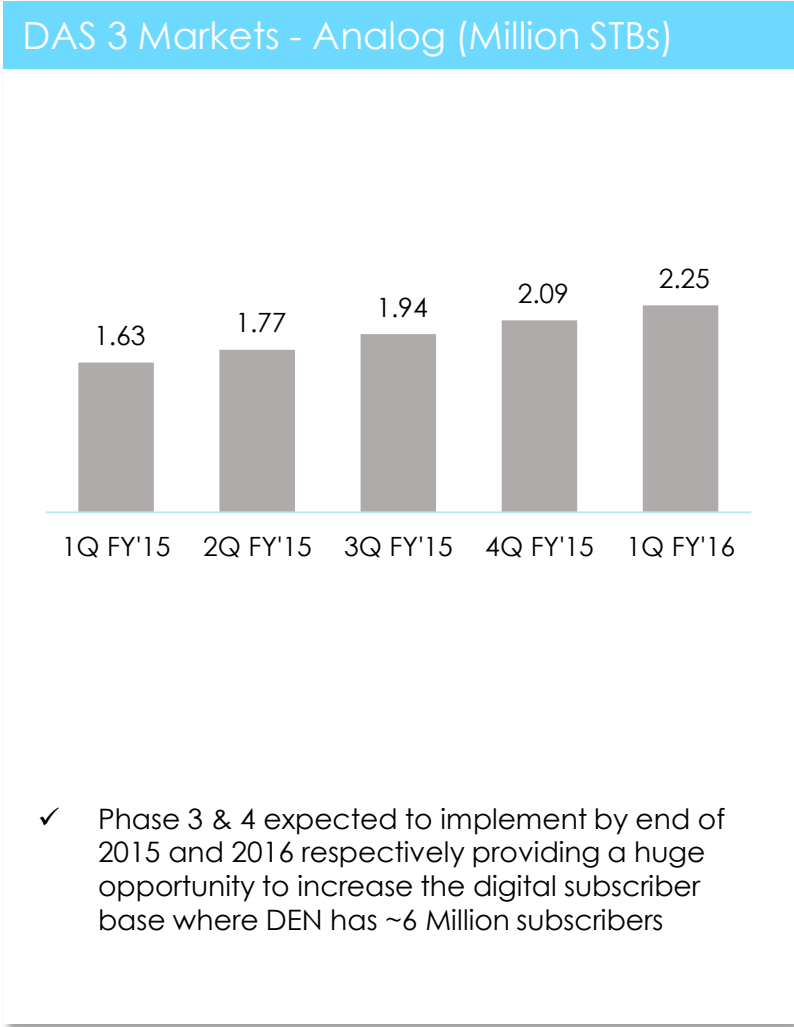
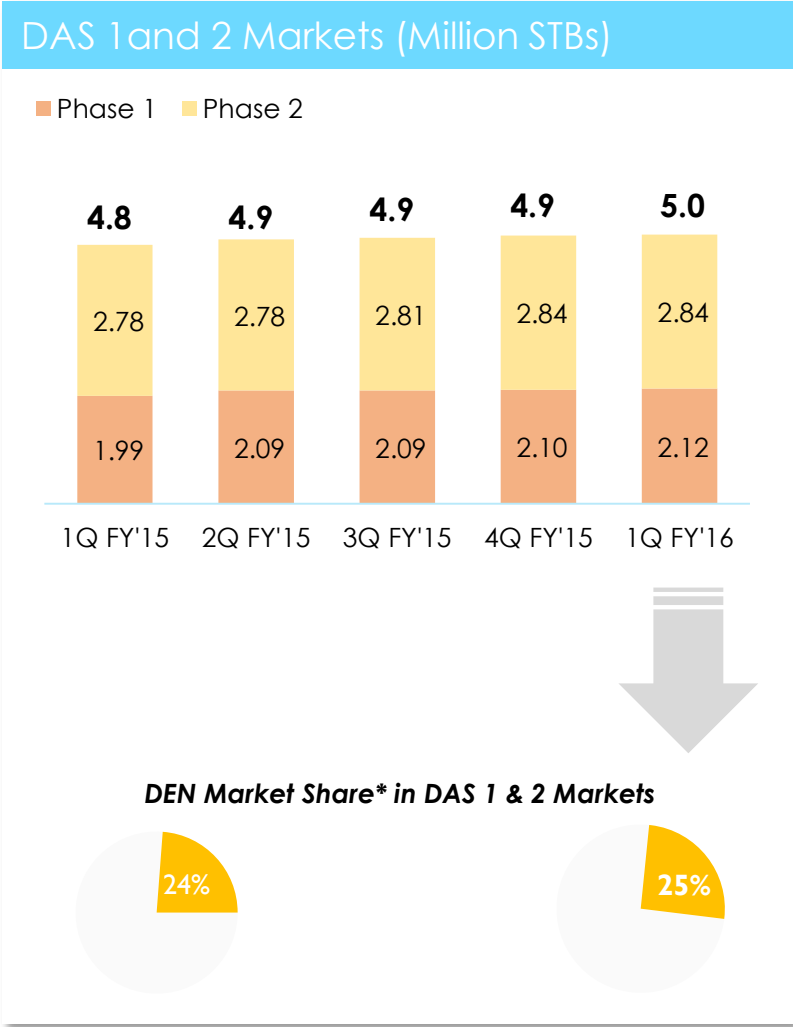
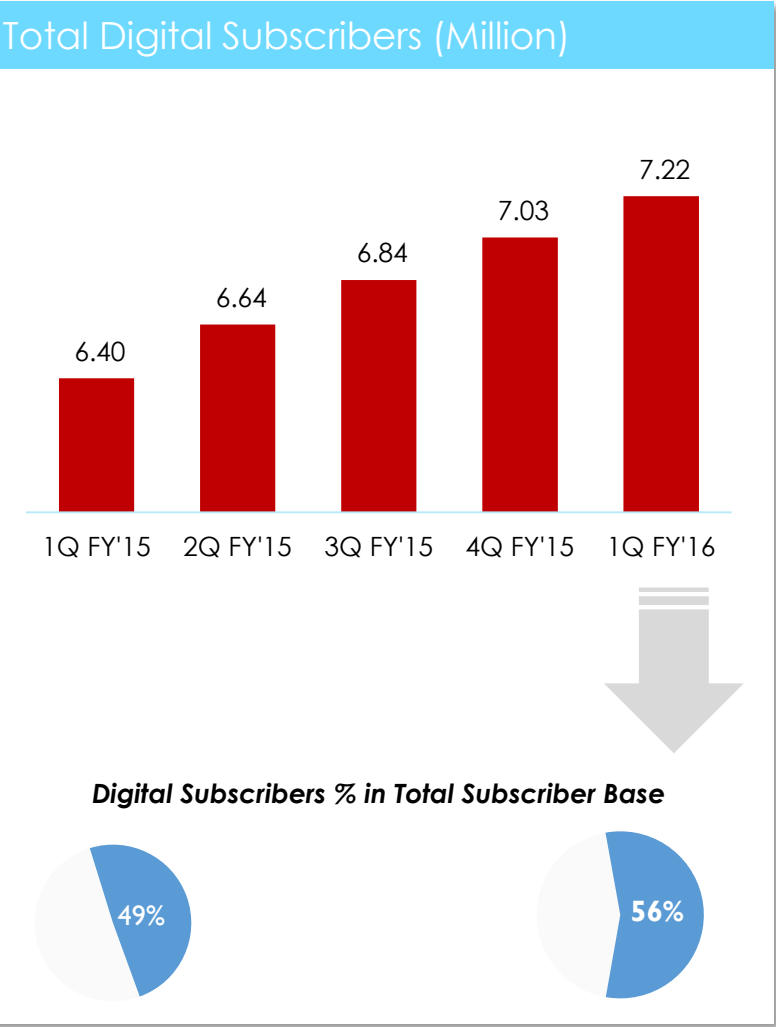
Cash PAT#

(₹9Cr)

Numbers in Brackets represent 4Q'15

#PAT plus Depreciation & Amortization and Provisions for doubtful debts

# Cable Subscribers – 13M

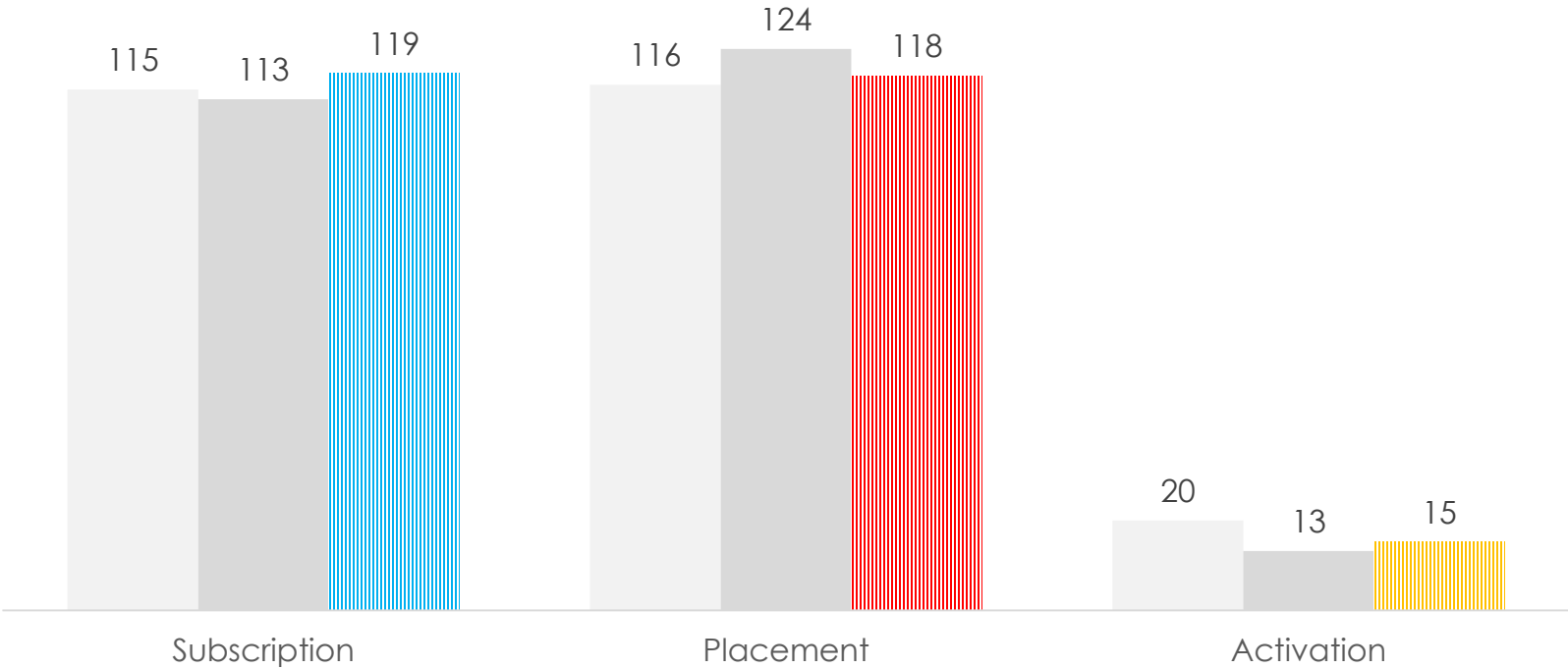
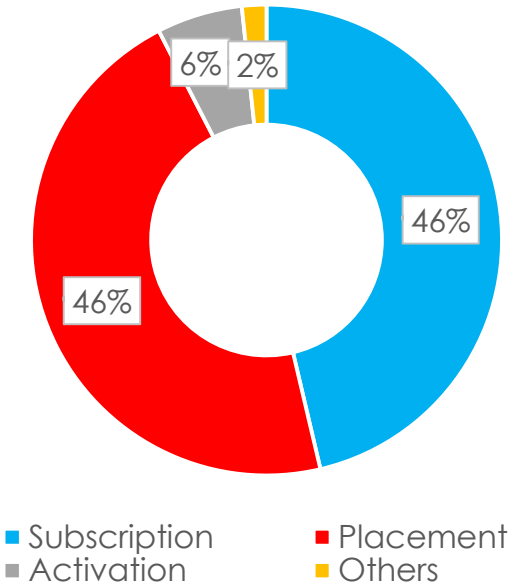


# Cable Revenues



Revenue By Stream\* (INR Cr)

1Q'15 4Q'15 1Q'16





# Cable Income Statement

	INR Crore			Y-o-Y Change	Q-o-Q Change
	1Q'16	Actual 4Q'15	1Q'15		
Subscription (Net of LCO Share)	119	113	115*	3%	5%
Placement	118	124	116	2%	-5%
Other Operating Income	4	15	3	49%	-70%
<b>Revenues Pre Activation</b>	<b>241</b>	<b>252</b>	<b>234</b>	<b>3%</b>	<b>-4%</b>
Activation Revenues	15	13	20	-24%	15%
<b>Revenues (Post Activation)</b>	<b>256</b>	<b>265</b>	<b>254</b>	<b>1%</b>	<b>-3%</b>
Content Costs	136	139	106	27%	-2%
Personnel Costs	26	26	21	27%	1%
Other Opex	68	82	49*	38%	-17%
Provision for doubtful debts	9	4	9		
<b>EBITDA (Post Activation)</b>	<b>18</b>	<b>14</b>	<b>69</b>	<b>-75%</b>	<b>26%</b>
EBITDA %	6.9%	5.3%	27%		
<b>EBITDA (Pre Activation)</b>	<b>3</b>	<b>1</b>	<b>49</b>	<b>-95%</b>	<b>193%</b>
EBITDA %	1.0%	0.3%	21.1%		
Other Income	26	21	18	46%	27%
Dep & Amort	48	46	43	11%	5%
Finance Costs	16	14	20	-17%	13%
<b>Profit Before Tax</b>	<b>(20)</b>	<b>(26)</b>	<b>25</b>	<b>NM</b>	<b>21 %</b>
Provisions for Tax	3	14	4	-18%	-76%
Minority Interest	2	1	7	-71%	129%
<b>Net Income</b>	<b>(26)</b>	<b>(41)</b>	<b>13</b>	<b>NM</b>	<b>37%</b>

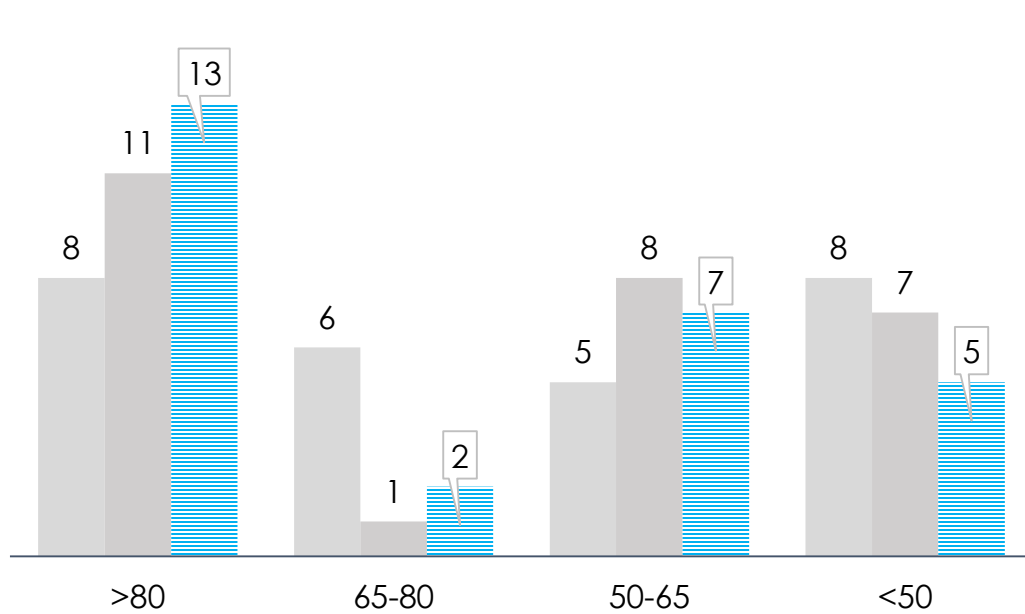
\* Revenues and expenses Adjusted for LCO Share of INR 31 Cr in 1Q FY'15 for an like to like comparison

# Billing, *Net of Taxes*, Across DAS Markets

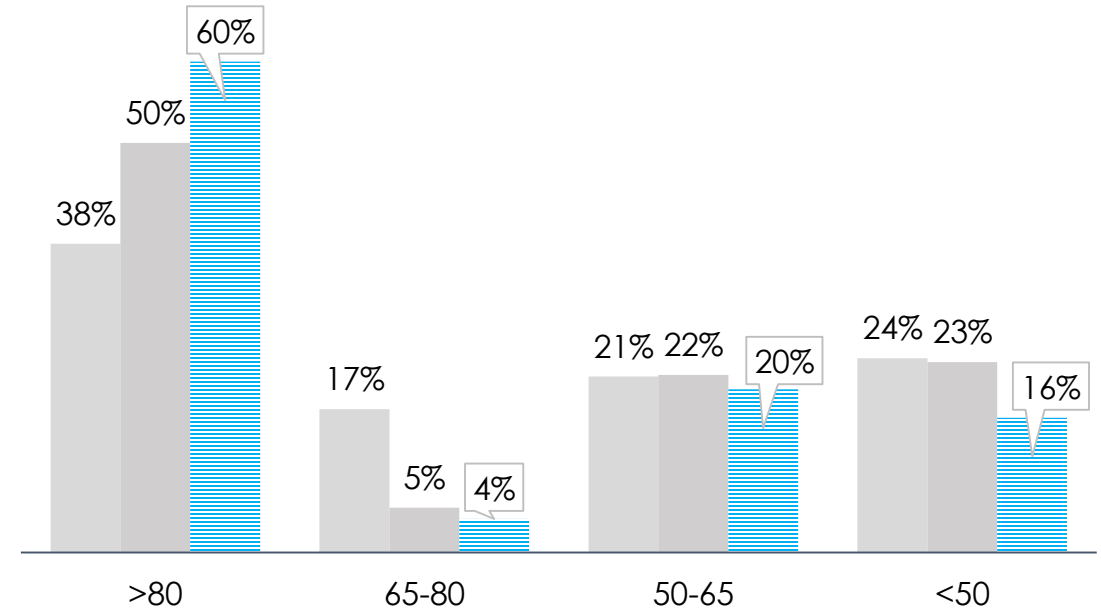


Number of Cities with Billing, *Net of Taxes*, Range

■ 1Q'15 ■ 4Q'15 ■ 1Q'16



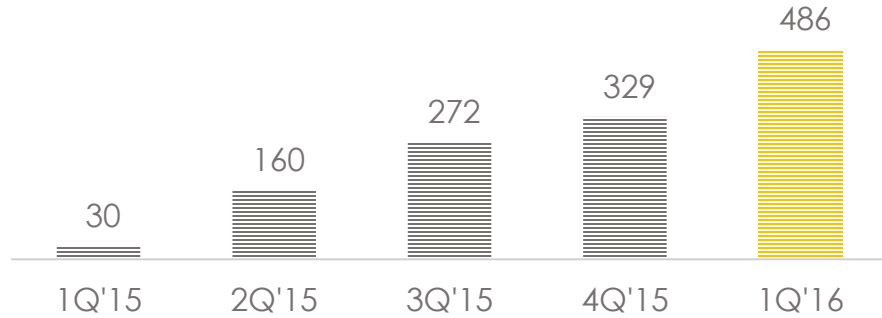
% of Paying DAS Subscribers with Billing, *Net of Taxes*, Range



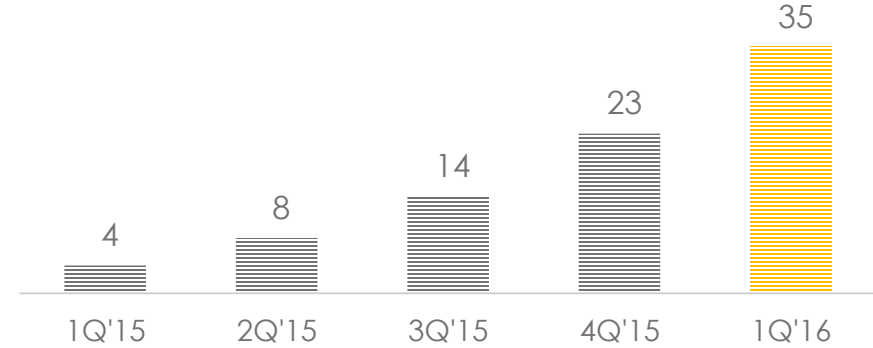
# Broadband Highlights



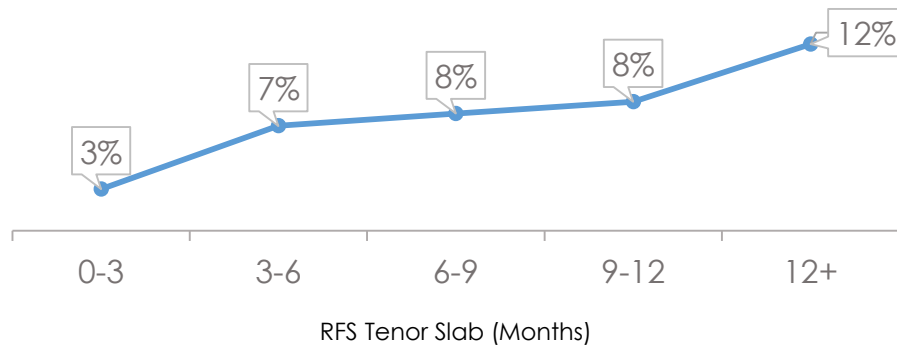
## Homes Passed ('000)



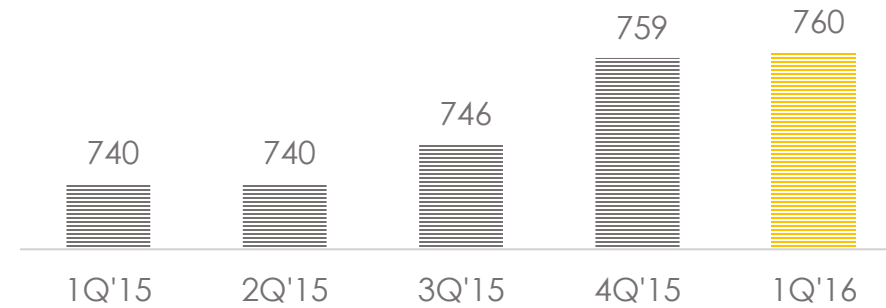
## Subscribers ('000)



## Cohort Analysis



## ARPU INR



# TV Commerce Key Takeaways

₹ 144Cr

(₹117Cr)

Annualised GMV  
on Current Rate

33mn

(25mn)

Reach (Million Homes)

1,526

(1,312)

Average Daily  
Transactions

32%

(30%)

Conversion Ratio  
of Calls Received

16%

(17%)

Repeat  
Customers





# Thank You

**DEN Networks Ltd.**

(CIN No. L92490DL2007PLC165673)

**(E):** [InvestorRelations@DenOnline.in](mailto:InvestorRelations@DenOnline.in)

**(w):** [www.dennetworks.com](http://www.dennetworks.com)