



Asian Pay Television Trust



# ANNUAL GENERAL MEETING

27 April 2018

# IMPORTANT NOTICES AND DISCLAIMER

## **Disclaimer**

Asian Pay Television Trust (“APTT”) is a business trust registered under the Business Trusts Act (Chapter 31A of Singapore) and listed on the Singapore Exchange Securities Trading Limited. APTT Management Pte. Limited (“AMPL”) is the Trustee-Manager of APTT. AMPL is a wholly-owned subsidiary of Dynami Vision Pte. Ltd. (“Dynami”) which is a Singapore registered company majority owned by Mr Lu Fang-Ming, the Chairman of Asia Pacific Telecom Co., Ltd.

This presentation has been prepared based on available information. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, neither APTT, AMPL, their directors, employees or agents, nor any other person accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on the part of APTT, AMPL or their directors, employees or agents. In particular, no representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in the information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Each recipient of the information should make its own independent assessment of the information and take its own independent professional advice in relation to the information and any action taken on the basis of the information.

## **General Securities Warning**

This presentation is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in APTT, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding purchasing or selling, securities or other instruments in APTT. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of APTT. Past performance is not a reliable indication of future performance.

Investors should note that there are limitations on the right of certain investors to own units in APTT under applicable Taiwan laws and regulations. Such investors include PRC individuals and corporate entities, the Taiwan government and political entities and other restricted entities and restricted persons. For further information, investors should refer to the APTT Prospectus dated 16 May 2013 issued by APTT.

# AGENDA

1. INTRODUCTION OF BOARD OF DIRECTORS

2. ABOUT APTT

- OVERVIEW
- RESILIENT BUSINESS MODEL
- DISTRIBUTIONS
- 2017 HIGHLIGHTS & PERFORMANCE
- OUTLOOK

3. Q&A

4. FORMAL PROCEEDINGS

5. REFRESHMENTS

# BOARD OF DIRECTORS



**Yong Lum  
Sung**

—  
Chair,  
Independent  
Director



**Richard  
Tan**

—  
Independent  
Director,  
Remuneration  
Committee Chair



**Leong Shin  
Loong**

—  
Independent  
Director,  
Nominating  
Committee Chair



**Joanna  
Ong**

—  
Independent  
Director,  
Audit  
Committee Chair



**Lu  
Fang-Ming**

—  
Vice-Chair,  
Non-Executive  
Director



**Brian  
McKinley**

—  
Chief Executive  
Officer,  
Executive  
Director

# ABOUT APTT





# OVERVIEW



**APTT is a business trust with a mandate to own & operate pay-TV & broadband businesses in Taiwan, Hong Kong, Japan & Singapore**

- Independent directors comprise majority of the Board of Directors (4 out of 6)
- Sole investment in Taiwan Broadband Communications (“TBC”) – Taiwan’s third largest cable TV operator



**Sole cable TV operator in five franchise areas in Taiwan, with network coverage of more than 1.2 million homes**

- Owns 100% of the hybrid fibre coaxial cable network in the five franchise areas
- Resilient business with high barriers of entry due to high network roll out requirements
- Large customer base makes TBC attractive to local content providers; unique commercial arrangement with content providers
- Long standing relationship with subscribers; deep understanding of Taiwanese viewers’ preference

## PRODUCT OFFERINGS

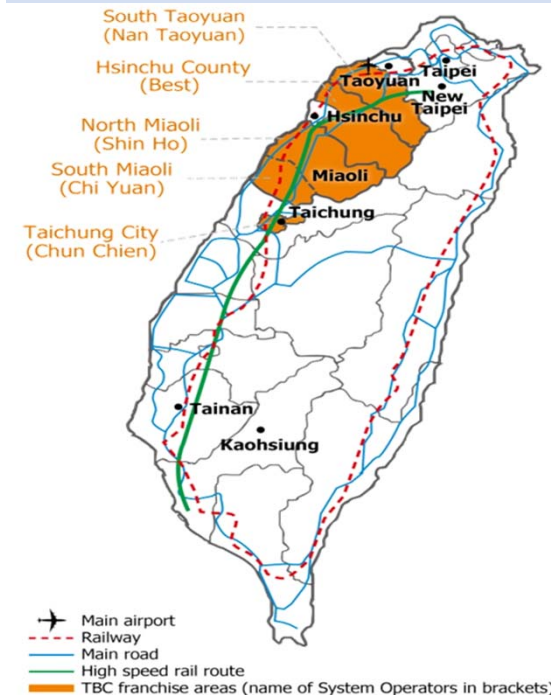
*Approx. 85% of revenue is subscription-based from the three products*

BASIC CABLE TV	PREMIUM DIGITAL CABLE TV	BROADBAND
Over 100 channels on Basic cable TV, including all of top 20 channels in Taiwan; most of the content not available on any other platform	Up to 79 additional channels including 41 HD channels, through MPEG4 platform  25% Premium digital cable TV penetration <sup>1</sup> with large addressable market of 100% digital set-top box penetration	27% Broadband penetration <sup>1</sup> with ability to cross-sell to remaining market on 100% DOCSIS 3.1 enabled HFC network and current speed offerings up to 300 Mbps

Note: (1) As at 31 December 2017

## FRANCHISE AREAS IN NORTHERN & CENTRAL TAIWAN

*Each of the five franchise areas shows unique growth potential*



- Highly attractive demographics and low churn rate of 0.67% for Basic Cable TV (762K Revenue Generating Units)
- Limited competition from IPTV and DTH operators
- Up-sell Premium digital cable TV and cross-sell Broadband to large Basic cable TV subscriber base

# RESILIENT BUSINESS MODEL WITH EFFICIENT COST STRUCTURE



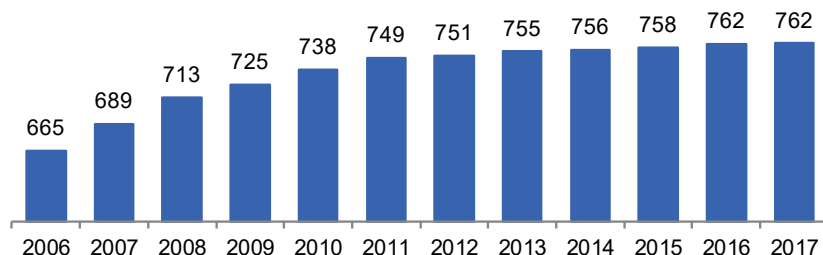
Utility-like, subscription-based business model with majority of payments made in advance

Consistent growth, competing effectively against alternative pay-TV platforms & withstanding economic downturns

## Resilient business with stable Basic cable TV RGUs

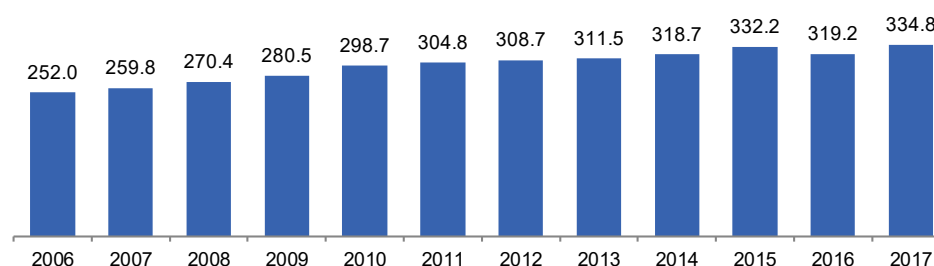
Basic cable TV RGUs ('000)

2006-17 Basic cable TV RGU CAGR: 1.2%



Revenue (\$)

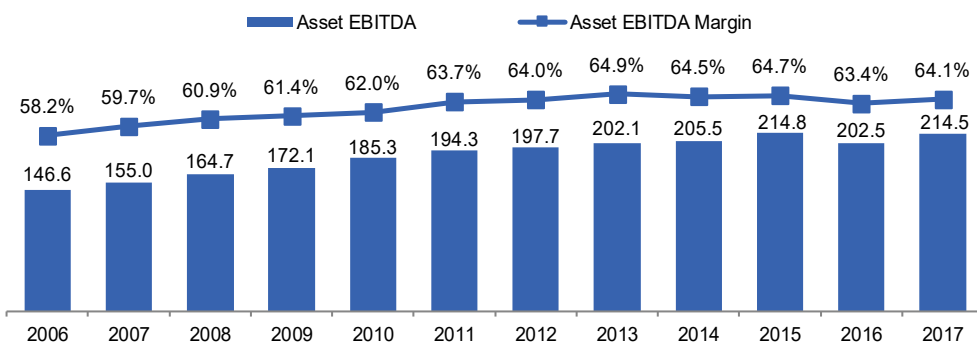
2006-17 Revenue CAGR: 2.6%



## Growing EBITDA due to scalable & efficient cost structure

Asset EBITDA (\$\$) and Asset EBITDA margin<sup>1</sup>

2006-17 EBITDA CAGR: 2.9%



## Key operating drivers supporting cost efficiency

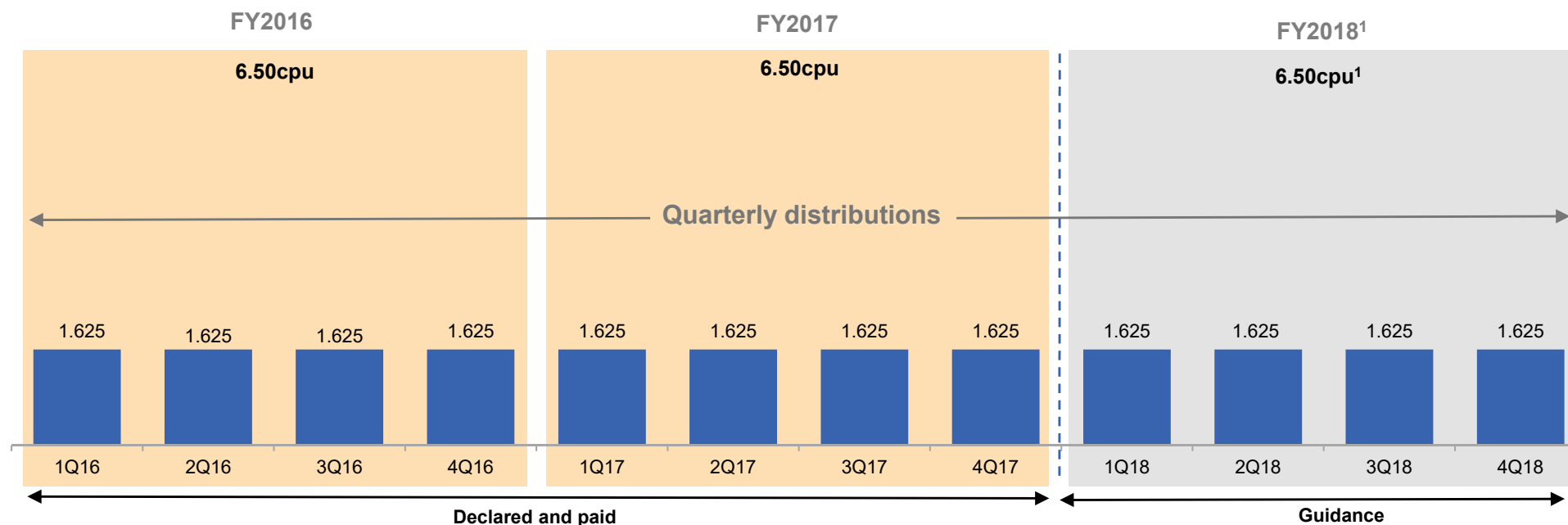
- Majority of popular channels are local, inexpensive content
- Lack of “killer content” resulting in strong negotiating position
- Headroom in network capacity allowing provision of additional services at limited incremental cost
- Low churn rate from enhanced customer experience and strong customer loyalty

Note: (1) Asset EBITDA and Asset EBITDA margins are non-IFRS financial measures. Asset EBITDA represents EBITDA at TBC level. Asset EBITDA margin is calculated by dividing Asset EBITDA by total revenue

# DISTRIBUTIONS

## Distributions underpinned by the operations and strong cash flows of TBC

- Distribution policy to distribute 100% of Distributable Free Cash Flows
- Quarterly distribution policy implemented since 3Q 2014
- 17 distributions paid to date totalling 38.43cpu (S\$552.2m)
- Guidance of 6.5cpu for the year 2018<sup>1</sup>



Note: (1) Distribution guidance is subject to no material changes in planning assumptions



## Performance in line with expectations



### Steady performance

FY2017 Performance in line with expectations, despite challenging economic and operating conditions in Taiwan

- Revenue for the year of S\$334.8 million, up 4.9%
- EBITDA for the year of S\$201.4 million, up 6.4%



### Completed digitisation

TBC is the first large cable TV operator in Taiwan to complete the digitisation of its subscriber base across all five franchise areas, and switch off analogue TV broadcasting in 2017



### Distributions paid in FY2017 in line with guidance: 6.5 cents

- Distribution guidance for FY2018 remains at 6.5 cents per unit, unchanged from 2017, subject to no material changes in planning assumptions

# 2017 PERFORMANCE

Resilient operational performance despite challenging economic and operating conditions in Taiwan

## Stable RGUs<sup>1</sup>, lower but stabilising ARPU<sup>2</sup>

RGUs ('000)	As at 31 December		
	2017	2016	
Basic cable TV	762	762	↔
Premium digital cable TV	193	182	↑
Broadband	203	201	↑

ARPU (NT\$ per month)	Year ended 31 December		
	2017	2016	
Basic cable TV	519	529	↓
Premium digital cable TV	146	157	↓
Broadband	449	478	↓

### Total Revenue (FY2017)

S\$334.8 million

↑ 4.9%

### EBITDA (FY2017)

S\$201.4 million

↑ 6.4%

### EBITDA Margin (FY2017)

60.2%

↑ 0.9 PPT

## Forefront of digitisation in Taiwan

- TBC completed the digitisation of its subscriber base across all five franchise areas in 2017 and switched off analogue TV broadcasting. **TBC is the first large cable TV operator in Taiwan to reach this milestone**
- Well positioned to provide subscribers with the opportunity to watch the latest TV offerings in high definition digital format

Notes: (1) RGUs refer to revenue generating units

(2) Average Revenue Per User ("ARPU") is calculated by dividing the subscription revenue for Basic cable TV, Premium digital cable TV or Broadband, as applicable, by the average number of RGUs for that service during the period

*With stable, resilient cash flow, APTT is a defensive business that is positioned to grow in a measured way*

## GROWTH DRIVERS



### UP-SELL & CROSS SELL

- Continue to build on the up-sell & cross sell initiatives across TBC's subscriber base to drive growth in future cash flows
- Leverage TBC's product offerings and strong subscriber base for growth



### BROADBAND RGU GROWTH

- Focus on Broadband RGU growth by offering discounted packages in order to acquire new RGUs from competitors and to retain existing RGUs
- High fixed broadband penetration in Taiwan; opportunity to gain more market share
- Rising demand for higher-speed broadband plans due to rapidly growing demand for data



### SCALABLE & EFFICIENT COST STRUCTURE

- Headroom in network capacity that allows provision of additional services at limited incremental cost
- Support inorganic growth in future



### PREMIUM DIGITAL TV

- Room for growth as Digital cable TV penetration in Taiwan is still lower than that of Korea, Singapore and Hong Kong
- Consumer preference for better quality video and interactive services
- Growing number of HD television sets in Taiwan

## OPERATING ENVIRONMENT



### CHALLENGING ENVIRONMENT

- Growth in RGUs is anticipated across all three of TBC's service offerings
- However, total revenue for 2018 is anticipated to be influenced by a number of factors including the continued challenges in the economic and operating environment



### HIGHLY REGULATED

- Announced by the local authorities before the end of 2017: Basic cable TV rates for 2018 across all five franchise areas have been maintained at the same rates as 2017

*FY2018 EBITDA is expected to be at the same level as FY2017, excluding FOREX impact*

Maintains distribution guidance of 6.5 cents per unit in FY2018, consistent with FY2017

# Q&A



# FORMAL PROCEEDINGS



# SUMMARY OF RESOLUTIONS

## Ordinary Business

- To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of APTT Group for the year ended 31 December 2017 and the Auditors' Report thereon
- To reappoint Deloitte & Touche LLP as the Auditors of APTT to hold office until the next Annual General Meeting and to authorise the directors of the Trustee-Manager to fix its remuneration

## Special Business

- General mandate to issue units in APTT



# REFRESHMENTS





Asian Pay Television Trust



# ANNUAL GENERAL MEETING

27 April 2018

# APPENDIX ADDITIONAL SLIDES

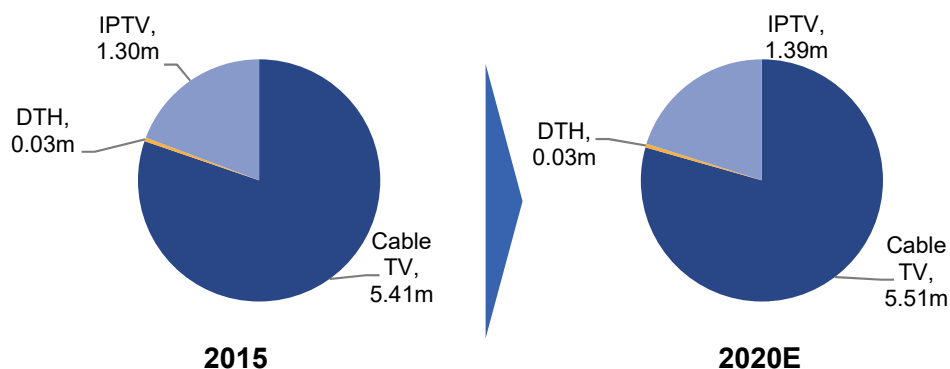


# HIGH BARRIERS TO ENTRY

## Cable TV continues to be the dominant TV platform

- Superior content portfolio at competitive pricing
- Affordable services
- Adoption of superior technology by operators

## Pay-TV subscriptions share by platform



## Barrier to entry against new cable entrants

- High network roll-out requirements
- Long standing relationships with subscribers; strong brand awareness
- Deep understanding of Taiwan viewers' preferences

## Top 20 channels in Taiwan (2016)

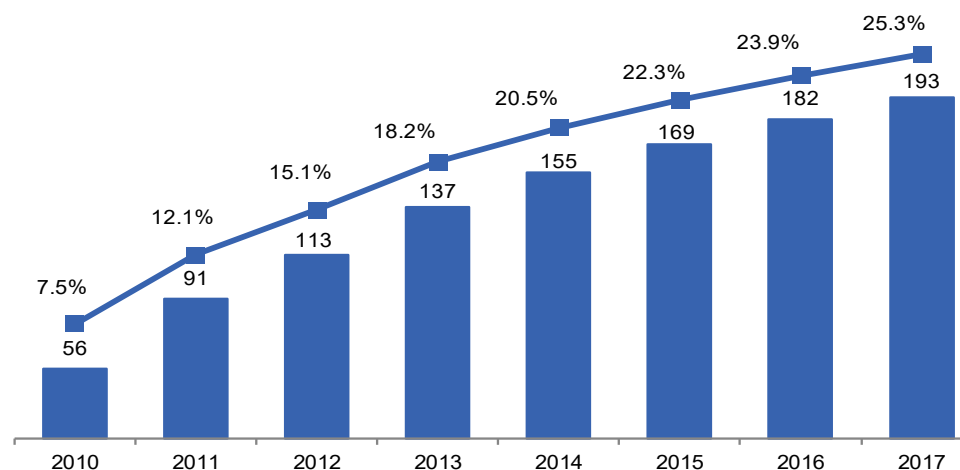
1	Sanlih Taiwan Channel HD
2	TVBS-News HD
3	Sanlih E-Television News HD
4	ETTV News HD
5	Formosa TV News
6	Cti News
7	ERA News HD
8	Sanlih City Channel HD
9	Yoyo TV
10	Unique Business News HD
11	GTV Drama HD
12	Star Chinese Channel HD
13	Star Chinese Movies
14	EBC Drama
15	Next TV News HD
16	EBC Financial News HD
17	EBC Movie
18	EBC Variety
19	Videoland Drama
20	Videoland Variety

# GROWTH POTENTIAL FROM PREMIUM DIGITAL CABLE TV AND BROADBAND



## Premium digital cable TV RGUs ('000) and penetration

2010-17 Premium digital cable TV RGU CAGR: 19.4%



- Digital cable TV penetration in Taiwan lower than that of Korea, Singapore and Hong Kong
- Regulatory push by NCC and government - proposed 100% digitisation target by 2017
- Consumer preference for better quality video and interactive services; growing number of HD television sets in Taiwan

## Cross-selling initiatives

### Set-top boxes

- Promotional set-top boxes launched in March 2012
- Completed digitisation of its subscriber base across all five franchise areas in 2017 and switched off analogue TV broadcasting

### Premium digital channels

- 13 free channels, including 1 HD channel
- Better video quality across channels
- Incentivises customers to get Premium digital cable TV to access up to 79 additional channels, including 41 HD channels

### DVR service

- Offered as part of bundling package as well as stand-alone service
- Leverages external hard disk drives which is more cost efficient
- Creates stronger customer loyalty

### Sales follow up / bundling

- Attractive bundling promotions
- Educate subscribers on usage and benefits of digital TV

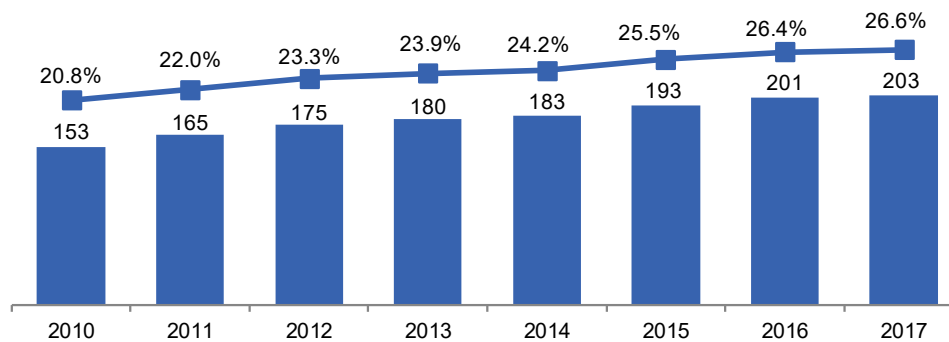


# GROWTH POTENTIAL FROM PREMIUM DIGITAL CABLE TV AND BROADBAND



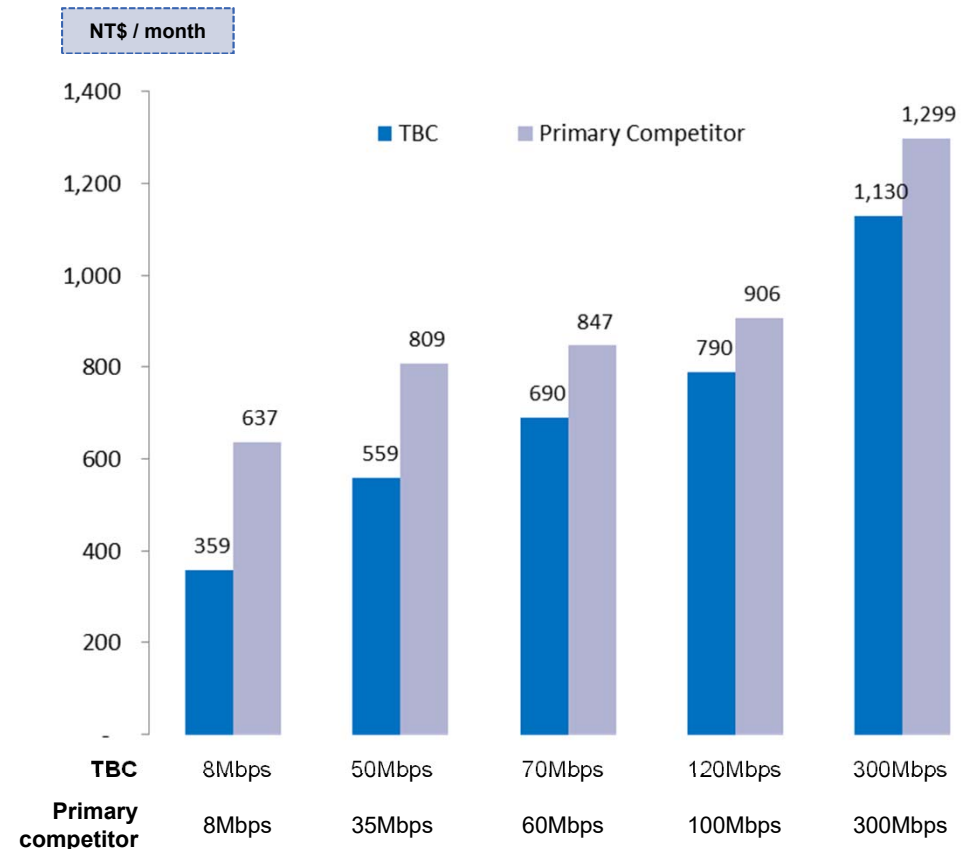
## Broadband RGUs ('000) and penetration

2010-17 Broadband RGU CAGR: 4.1%



- High fixed broadband penetration in Taiwan; opportunity to gain more market share
- Rising demand for higher-speed broadband plans due to rapidly growing demand for data
- Competitive pricing and bundling with digital TV
- DOCSIS 3.1 enabled network that meets consumer demand for high-speed internet
- Introduction of high-speed services to meet subscriber demands
- Launch of standalone service

## TBC Group offers competitive prices<sup>1</sup> with reliable services



Note: (1) Primary competitor pricing based on NCC data



## EBITDA in line with full year forecast

Group <sup>1</sup> (S\$'000)	Year ended 31 December		Variance <sup>2</sup> %
	2017	2016	
<b>Revenue</b>			
Basic cable TV	268,304	254,395	↑ 5.5
Premium digital cable TV	15,619	14,982	↑ 4.3
Broadband	50,915	49,852	↑ 2.1
<b>Total revenue</b>	<b>334,838</b>	<b>319,229</b>	<b>4.9</b>
<b>Total operating expenses<sup>3</sup></b>	<b>(133,415)</b>	<b>(129,931)</b>	<b>(2.7)</b>
<b>EBITDA</b>	<b>201,423</b>	<b>189,298</b>	<b>6.4</b>
EBITDA margin	60.2%	59.3%	

Notes: (1) Group refers to APTT and its subsidiaries taken as a whole

(2) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group

(3) Total operating expenses exclude depreciation and amortisation expense, net foreign exchange loss/gain and mark to market movements on foreign exchange contracts, in order to arrive at EBITDA and EBITDA margin

### REVENUE UP 4.9%, EBITDA UP 6.4%

- **BASIC CABLE TV UP 5.5%:** Mainly due to foreign exchange and higher revenue generated from channel leasing
- **PREMIUM DIGITAL CABLE TV UP 4.3%:** Generated predominantly from TBC's average Premium digital cable TV RGUs each contributing an ARPU of NT\$146 per month during the year for Premium digital cable TV packages, bundled DVR or DVR-only services
- **BROADBAND UP 2.1%:** Generated predominantly from TBC's average Broadband RGUs each contributing an ARPU of NT\$449 per month during the year for high-speed Broadband services

**TOTAL OPERATING EXPENSES UP 2.7%:** Mainly due to foreign exchange, partially offset by lower broadcast and production costs and staff costs in constant dollar terms

# FINANCIAL POSITION



## Balance sheet supportive of ongoing cash flow and future growth

Group (S\$'000)	As at 31 December	
	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	66,835	59,088
Trade and other receivables	11,845	14,802
Other assets	1,278	3,495
	<b>79,958</b>	<b>77,385</b>
<b>Non-current assets</b>		
Property, plant and equipment	320,852	291,350
Intangible assets	2,391,052	2,367,743
Other assets	1,058	929
	<b>2,712,962</b>	<b>2,660,022</b>
<b>Total assets</b>	<b>2,792,920</b>	<b>2,737,407</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings from financial institutions	14,677	12,236
Trade and other payables	21,692	20,998
Income tax payable	13,182	14,246
Other liabilities	59,566	61,710
	<b>109,117</b>	<b>109,180</b>
<b>Non-current liabilities</b>		
Borrowings from financial institutions	1,379,888	1,294,731
Deferred tax liabilities	73,323	61,807
Other liabilities	40,791	41,133
	<b>1,494,002</b>	<b>1,397,671</b>
<b>Total liabilities</b>	<b>1,603,119</b>	<b>1,506,851</b>
<b>Net assets</b>	<b>1,189,801</b>	<b>1,230,556</b>

- **Cash and cash equivalents:** Cash balance of S\$66.8 million
- **Depreciation/amortisation:** Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:
  - Buildings: 3-50 years
  - Leasehold improvements: 3-10 years
  - Network equipment: 2-10 years
  - Transport equipment: 5-7 years
  - Plant and equipment: 2-6 years
  - Leased equipment: 3 years

## Sufficient capacity to fund growth initiatives

Group debt		As at 31 December	
		2017	2016
Total size available	S\$ million	1,552	1,504
Total outstanding	S\$ million	1,439	1,360
YTD effective interest rate - constant dollar	% per annum ("p.a.")	3.9	4.4
YTD effective interest rate - SGD	% p.a.	4.2	4.2
Total net debt / EBITDA <sup>1</sup>	Multiple	6.8	6.5
Gearing <sup>2</sup>	%	49.9	47.7
Interest cover <sup>1</sup>	Multiple	3.4	3.5

- Interest rate swaps have been entered into which fix a significant portion of the interest rate exposure
- Approximately S\$112.5 million of revolving facilities are available to fund future initiatives
- Arrangement fees on the Taiwan facilities were agreed at 1.6% in 2016 which is substantially lower than the arrangement fees on the previous facilities of 2.4%
- Interest margin on the Taiwan facilities were agreed at 2.3% p.a. which is substantially lower than the interest margin of 2.9% to 3.1% p.a. on the previous facilities
- Effective interest rate in constant dollar terms of 3.9% p.a. for the year ended 31 December 2017 compared to 4.4% p.a. for 2016
  - Actual effective interest rate in SGD was 4.2% p.a. for 2017, unchanged from 2016 due to foreign exchange
- On 29 December 2017, TBC secured an incremental NT\$1.0 billion to its existing seven-year facilities of NT\$28.0 billion, totaling to NT\$29.0 billion
  - The borrowing facilities will enable TBC to fund necessary capital expenditure

Notes: (1) Calculated in accordance with the borrowing facilities agreement

(2) Total debt / total assets

# SELECTED FINANCIAL INFORMATION

Group <sup>1</sup> (\$'000)	Quarter ended 31 December		Variance <sup>2</sup>	Year ended 31 December		Variance <sup>2</sup>
	2017	2016	%	2017	2016	%
<b>Revenue</b>						
Basic cable TV	68,349	67,261	1.6	268,304	254,395	5.5
Premium digital cable TV	3,769	3,948	(4.5)	15,619	14,982	4.3
Broadband	12,590	12,705	(0.9)	50,915	49,852	2.1
<b>Total revenue</b>	<b>84,708</b>	<b>83,914</b>	<b>0.9</b>	<b>334,838</b>	<b>319,229</b>	<b>4.9</b>
<b>Total operating expenses<sup>3</sup></b>	<b>(32,927)</b>	<b>(33,953)</b>	<b>3.0</b>	<b>(133,415)</b>	<b>(129,931)</b>	<b>(2.7)</b>
<b>EBITDA</b>	<b>51,781</b>	<b>49,961</b>	<b>3.6</b>	<b>201,423</b>	<b>189,298</b>	<b>6.4</b>
<b>EBITDA margin<sup>4</sup></b>	61.1%	59.5%		60.2%	59.3%	
<b>Capital expenditure</b>						
Maintenance	5,156	8,966	42.5	29,430	24,109	(22.1)
Premium digital cable TV growth	9,705	17,186	43.5	42,908	48,623	11.8
Other capital expenditure	2,759	7,161	61.5	13,275	16,757	20.8
<b>Total capital expenditure</b>	<b>17,620</b>	<b>33,313</b>	<b>47.1</b>	<b>85,613</b>	<b>89,489</b>	<b>4.3</b>
Income taxes paid, net of refunds	2,614	3,782	30.9	19,118	13,169	(45.2)
Interest and other finance costs paid	13,536	12,003	(12.8)	56,039	52,250	(7.3)

Notes: (1) Group refers to APTT and its subsidiaries taken as a whole

(2) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group

(3) Total operating expenses exclude depreciation and amortisation expense, net foreign exchange loss/gain and mark to market movements on foreign exchange contracts, in order to arrive at EBITDA and EBITDA margin

(4) EBITDA margin is a non-IFRS financial measure and is calculated by dividing EBITDA by total revenue

# NET PROFIT

## 2017 decline in net profit driven mainly by foreign exchange translation

Group <sup>1</sup> (\$'000)	Year ended 31 December		Variance <sup>2</sup>	Comments
	2017	2016		
<b>Total revenue</b>	<b>334,838</b>	<b>319,229</b>	<b>15,609</b>	
<b>Operating expenses</b>				
Broadcast and production costs	(64,288)	(61,723)	(2,565)	
Staff costs	(30,781)	(30,455)	(326)	
Trustee-Manager fees	(7,241)	(7,241)	-	
Other operating expenses	(31,105)	(30,512)	(593)	
<b>Total operating expenses</b>	<b>(133,415)</b>	<b>(129,931)</b>	<b>(3,484)</b>	
<b>EBITDA</b>	<b>201,423</b>	<b>189,298</b>	<b>12,125</b>	
<b>Other expenses</b>				
Depreciation and amortisation expense	(63,197)	(55,652)	(7,545)	Variance mainly due to higher depreciation from higher capex, especially on set-top boxes, and due to foreign exchange.
Net foreign exchange (loss)/gain	(6,196)	10,603	<b>(16,799)</b>	<b>Variance mainly due to unrealised foreign exchange losses from translations at the subsidiary level which are not expected to be realised or result in cash losses.</b>
Mark to market loss on derivative financial instruments	(1,681)	(759)	(922)	Represents actual realised loss on foreign exchange contracts settled during the year.
Amortisation of deferred arrangement fees	(8,916)	(5,927)	(2,989)	Variance mainly due to the amortisation of additional arrangement fees from the refinancing of onshore facilities in October 2016 and arrangement fees on the offshore facilities secured in July 2016.
Interest and other finance costs	(56,328)	(54,015)	(2,313)	In constant dollar terms, interest costs were lower.
Income tax expense	(28,329)	(23,548)	(4,781)	Variance mainly due to the impact of deferred tax benefits on impairment losses incurred in 2016 and due to foreign exchange.
<b>Total other expenses</b>	<b>(164,647)</b>	<b>(129,298)</b>	<b>(35,349)</b>	
<b>Net profit</b>	<b>36,776</b>	<b>60,000</b>	<b>(23,224)</b>	

Notes: (1) Group refers to APTT and its subsidiaries taken as a whole

(2) A positive variance is favourable to the Group and a negative variance is unfavourable to the Group