

SGX-ST Release

APTT REPORTS EBITDA OF S\$48.9 MILLION FOR THE QUARTER ENDED 30 SEPTEMBER 2018; MAINTAINS DISTRIBUTION OF 1.625 CENTS PER UNIT FOR THE QUARTER

Singapore - 14 November 2018

Asian Pay Television Trust ("APTT" or the "Trust") today announced its financial results for the quarter and nine months ended 30 September 2018.

KEY HIGHLIGHTS

- Revenue and EBITDA at \$79.8 million¹ and \$48.9 million for the quarter ended 30 September 2018
- EBITDA margin improved 1.1 percentage points to 61.2% for the quarter ended 30 September 2018
- Increase in the number of Premium digital cable TV and Broadband subscribers
- Distribution of 1.625 cents per unit for the quarter ended 30 June 2018 paid on 28 September 2018
- Distribution of 1.625 cents per unit declared for the quarter ended 30 September 2018
- Revised distribution guidance for Q4 2018 and new distribution guidance for 2019 and 2020
- Continued investment in TBC's² network and Broadband to drive growth

FINANCIAL HIGHLIGHTS

APTT³ reported total revenue of \$79.8 million and EBITDA of \$48.9 million for the quarter ended 30 September 2018, amidst continued challenging operating and economic conditions in Taiwan. For the nine months ended 30 September 2018, total revenue and EBITDA were \$234.4 million and \$140.6 million.

Compared to the prior corresponding period ("pcp"), total revenue and EBITDA for the quarter were lower by 5.5% and 3.7%, as ARPUs⁴ were under pressure and revenue from channel leasing was lower. In constant Taiwan dollar ("NT\$") terms, total revenue for the quarter and nine months was 4.7% lower than the pcp. Foreign exchange contributed to a negative variance of 0.8% for the quarter and 1.6% for the nine months compared to the pcp.

Notwithstanding the heightened competition and challenges which have impacted the entire industry, EBITDA margin improved 1.1 percentage points to 61.2% for the quarter, and 0.2 percentage points to 60.0% for the nine months compared to the pcp. This was achieved mainly from the lowering of operating expenses.

Group Amounts in \$'000	Quarter ended 30 September			Nine months ended 30 September		
	2018	2017	Variance ⁵ (%)	2018	2017	Variance ⁵ (%)
Revenue						
Basic cable TV	63,953	68,026	(6.0)	186,139	199,955	(6.9)
Premium digital cable TV	3,396	3,865	(12.1)	10,500	11,850	(11.4)
Broadband	12,471	12,574	(0.8)	37,762	38,325	(1.5)
Total revenue	79,820	84,465	(5.5)	234,401	250,130	(6.3)
Total operating expenses	(30,951)	(33,702)	8.2	(93,796)	(100,488)	6.7
EBITDA	48,869	50,763	(3.7)	140,605	149,642	(6.0)
EBITDA margin	61.2%	60.1%		60.0%	59.8%	

¹ All figures, unless otherwise stated, are presented in Singapore dollars ("S\$").

² TBC refers to Taiwan Broadband Communications group.

³ APTT refers to APTT and its subsidiaries taken as a whole.

⁴ ARPU refers to Average Revenue Per User.

⁵ A positive variance is favourable to the Group and a negative variance is unfavourable to the Group.

OPERATIONAL PERFORMANCE

Operational highlights for TBC for the quarter ended 30 September 2018 are as follows:

- **Basic cable TV:** Basic cable TV revenue of \$64.0 million for the quarter ended 30 September 2018 was down 6.0% on the pcp; in constant NT\$ terms, Basic cable TV revenue for the quarter was down 5.2% on the pcp. This comprised subscription revenue of \$50.3 million and non-subscription revenue of \$13.7 million. TBC's c.757,000 Basic cable TV RGUs⁶ each contributed an ARPU of NT\$496 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.2,000 and ARPU was lower compared to the previous quarter ended 30 June 2018 (RGUs: c.759,000; ARPU: NT\$501 per month). Since it has been almost a year that analogue TV broadcasting has been switched off, Basic cable TV RGU additions have been impacted due to there being no more analogue TV piracy households to convert to paying Basic cable TV RGUs. Video piracy issues and aggressively priced IPTV also impact the ability to attract new RGUs. In constant NT\$ terms, subscription revenue for the quarter was lower than the pcp because of a marginally lower number of subscribers and ARPU in the quarter. Non-subscription revenue was generated from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes. In constant NT\$ terms, non-subscription revenue for the quarter was lower than the pcp mainly due to lower revenue generated from channel leasing partially offset by higher airtime advertising sales. The leasing of television channels is mainly to third-party home shopping networks which continue to be affected by the decline in demand for home shopping and competition from internet retailing. This has negatively impacted the channel leasing revenue for the entire cable industry in Taiwan.
- **Premium digital cable TV:** While Premium digital cable TV RGUs increased, the lower ARPU has resulted in revenue under pressure. Premium digital cable TV revenue of \$3.4 million for the quarter ended 30 September 2018 was down 12.1% on the pcp; in constant NT\$ terms, Premium digital cable TV revenue for the quarter was 11.3% lower than the pcp. This was generated predominantly from TBC's c.194,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$127 per month in the quarter for Premium digital cable TV packages, bundled DVR or DVR-only services. Premium digital cable TV RGUs increased by c.6,000 and ARPU was lower compared to the previous quarter ended 30 June 2018 (RGUs: c.188,000; ARPU: NT\$133 per month). The lower ARPU was due to promotions and discounted bundled packages that were offered to generate new RGUs and to retain existing RGUs. Video piracy issues and aggressively priced IPTV impact the ability to attract new RGUs and strengthen ARPUs.
- **Broadband:** Broadband RGUs continued to increase, driving revenue growth in NT\$ terms. Broadband revenue of \$12.5 million for the quarter ended 30 September 2018 was down 0.8% on the pcp; in constant NT\$ terms, Broadband revenue for the quarter was marginally higher than the pcp. This was generated predominantly from TBC's c.210,000 Broadband RGUs each contributing an ARPU of NT\$425 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.5,000 and ARPU was lower compared to the previous quarter ended 30 June 2018 (RGUs: c.205,000 and ARPU: NT\$439 per month). The focus on Broadband RGU growth, in the face of competitive market conditions from unlimited wireless data offerings from mobile operators, showed reasonable progress in the quarter, evident from the increase in RGUs and marginally higher revenue compared to the pcp in constant NT\$ terms. The availability of low cost unlimited data offerings from the top mobile operators is necessitating fixed-line operators to offer higher speeds at competitive prices to acquire new RGUs and re-contract existing RGUs.

⁶ RGUs refer to Revenue Generating Units.

OUTLOOK

The growing popularity of online TV and internet retailing will continue to put pressure on cable TV revenue, while the unlimited wireless data offerings from mobile operators necessitate that we continue to offer higher speeds at competitive prices to attract and retain subscribers to our fixed-line Broadband services. ARPUs are expected to remain under pressure in this economic and operating environment. Against this challenging landscape, the Trustee-Manager has already embarked on a cost management exercise since last year to maintain EBITDA margins. However, in the longer term, more has to be done to drive the business forward. APTT has therefore implemented a focused debt management programme to reduce its dependence on borrowings and strengthen its balance sheet as it repositions itself for the future:

- APTT is targeting to close the refinancing of its borrowing facilities by 31 December 2018, ahead of its 2019 target. Despite rising debt levels, the Trust is optimistic that it can improve its interest margin and

arrangement fees. The refinancing will provide funding certainty and eliminate the need to make significant principal repayments for the next three years.

- APTT is also targeting by 31 December 2018 to extend out its interest rate swaps to the end of 2021 to reduce the risk of rising interest rates.
- APTT intends to pay more conservative distributions to Unitholders so that all capital expenditure can be self-funded starting from 2019. This includes growth capital expenditure as APTT continues to deploy fibre deeper into the network to increase capacity and drive future growth. This investment is key to driving the Broadband business and positioning the Trust to pursue other opportunities for long-term success.
- With a lower distribution and the expected close of the refinancing by 31 December 2018, debt levels should start to reduce in 2019.
- Due to the increase in borrowings from 2018 capital expenditure and the payment of arrangement and other fees upon refinancing, the gearing ratio is expected to be approximately 8 times net debt to EBITDA by 31 December 2018, before starting to decline in 2019 with the impact of lower distributions and the refinancing.

On capital expenditure outlook, although lower than 2017, capital expenditure in 2018 and 2019 will remain elevated due to the key network and Broadband investments during these two years. Capital expenditure is expected to trend down from 2020. Capital expenditure, including growth capital expenditure, will be self-funded from 2019 as the Trust does not intend to use borrowings to fund its capital expenditure.

Overall, the Trust is heading in the right direction with its strategy to grow different segments in the Broadband business:

- The number of Broadband subscribers has been steadily increasing. The Trust remains focused on growing its market share for Broadband by increasing RGUs through attractively priced packages to acquire new subscribers from competitors and to retain existing ones. At the same time, new initiatives to improve up-selling and cross-selling of services across TBC's subscriber base will continue to be rolled out to drive growth in subscribers.
- Supporting wireless operators with their network development: TBC's network is already beginning to provide data backhaul to some of Taiwan's major wireless operators. With 5G network development, data backhaul through TBC's network is expected to become a material part of the Broadband business within five years as wireless carriers tap into TBC's network for their 5G rollout.
- The Trust is making headway with its strategy to develop new market segments, including enterprise clients.
- The Trust will continue to introduce value-added solutions (e.g. IoT, smart home devices) that will leverage the Android gateway that many subscribers are now including in their broadband plans (52 thousand BandOTT boxes deployed as at 30 September 2018 compared to 13 thousand boxes as at 30 September 2017).

Commenting on APTT's latest results, Mr Brian McKinley, Chief Executive Officer said, "APTT has been paying a large distribution to Unitholders for as long as it could. However, given the Trust's current level of borrowings and the challenging environment which has capped our growth in the recent years, the Board has deemed it prudent to implement a debt management programme to strengthen APTT's balance sheet. Among the initiatives include using operational cash flows to fund all capital expenditure, including growth capital expenditure. A lower distribution to Unitholders is therefore necessary as APTT repositions itself for the future."

"Notwithstanding the heightened competition and challenges which have impacted the entire industry, our EBITDA margins for the quarter and nine months ended 30 September 2018 have improved compared to the pcp. We will continue with our key investment initiative to deploy fibre deeper into the network. We believe this is necessary to drive our Broadband growth and be data-backhaul ready to support the wireless operators with their 5G network development. Already, this strategy is beginning to bear fruits as we continue to develop new market segments, including enterprise clients and launching value-added solutions." added Mr McKinley.

DISTRIBUTIONS

The Board of directors of the Trustee-Manager has declared an ordinary interim distribution of 1.625 cents per unit for the quarter ended 30 September 2018. The books closure date will be on 14 December 2018 and the distribution will be paid on 21 December 2018.

To support the debt management programme, the Board has taken a two-year view on the distribution level. The distribution is expected to be 1.20 cents per unit for 2019 and 2020, subject to no material changes in planning assumptions. It is anticipated that the distribution will continue to be paid quarterly. The new distribution level will be implemented from the fourth quarter of 2018; the fourth quarter distribution of 2018 will be prorated to 0.30 cents per unit.

The lower distribution also offers the potential for future unit buybacks as the current unit price of APTT is undervalued. Depending on the Trust's performance in 2019 and 2020, the distribution level could be adjusted after 2020.

ABOUT APTT

APTT is the first listed business trust in Asia focused on pay-TV businesses. APTT has an investment mandate to acquire controlling interests in and to own, operate and maintain mature, cash generative pay-TV and broadband businesses in Taiwan, Hong Kong, Japan and Singapore. APTT is managed by its Trustee-Manager, APTT Management Pte. Limited. The Trustee-Manager has the dual responsibility of safeguarding the interests of Unitholders and managing the business conducted by APTT. The Trustee-Manager manages APTT's business with an objective of providing Unitholders with stable and sustainable distributions.

For further information, please contact:

Brian McKinley

Chief Executive Officer

Tel: +65 6727 8370

Email: contact@aptt.sg

Kreab

Nora Sng

Tel: +65 3163 7477

Email: aptt@kreab.com