

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

Singapore - 25 February 2019

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and year ended 31 December 2018.

KEY HIGHLIGHTS

- Revenue and EBITDA at \$79.5 million¹ and \$44.0 million for the quarter ended 31 December 2018
- Revenue and EBITDA at \$313.9 million and \$184.6 million for the year ended 31 December 2018
- Added c.3,000 Premium digital cable TV and c.13,000 Broadband subscribers during the year ended 31 December 2018
- Successfully completed refinancing of existing borrowing facilities; improved interest margin and arrangement fees
- Distribution of 0.30 cents per unit declared for the quarter ended 31 December 2018
- Re-affirmed two-year view on the distribution level to support the debt management programme
- Continued investment in TBC’s² network and Broadband to drive growth

FINANCIAL HIGHLIGHTS

APTT³ reported total revenue of \$79.5 million and EBITDA of \$44.0 million for the quarter ended 31 December 2018, amidst continued challenging operating and economic conditions in Taiwan. For the year ended 31 December 2018, total revenue and EBITDA were \$313.9 million and \$184.6 million.

Compared to the prior corresponding period (“pcp”), total revenue and EBITDA for the quarter were lower by 6.2% and 15.1% due to lower ARPUs⁴ and channel leasing revenue. EBITDA was also impacted by higher operating expenses arising from provisions for additional pole rental expenses and provisions for fines imposed by the Taiwan regulators. While both issues have not been concluded, the Trust has taken a prudent approach by making provisions for these exposures.

In constant Taiwan dollar (“NT\$”) terms, total revenue for the quarter and year was 5.3% and 4.9% lower than the pcp. Foreign exchange contributed to a negative variance of 0.9% for the quarter and 1.4% for the year compared to the pcp.

Group Amounts in \$'000	Quarter ended 31 December			Year ended 31 December		
	2018	2017	Variance ⁵ (%)	2018	2017	Variance ⁵ (%)
Revenue						
Basic cable TV	63,905	68,349	(6.5)	250,044	268,304	(6.8)
Premium digital cable TV	3,349	3,769	(11.1)	13,849	15,619	(11.3)
Broadband	12,200	12,590	(3.1)	49,962	50,915	(1.9)
Total revenue	79,454	84,708	(6.2)	313,855	334,838	(6.3)
Total operating expenses	(35,470)	(32,927)	(7.7)	(129,266)	(133,415)	3.1
EBITDA	43,984	51,781	(15.1)	184,589	201,423	(8.4)
EBITDA margin	55.4%	61.1%		58.8%	60.2%	

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

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 and year ended 31 December 2018 are as follows:

- **Basic cable TV:** Basic cable TV revenue of \$63.9 million for the quarter ended 31 December 2018 was down 6.5% on the pcp; in constant NT\$ terms, Basic cable TV revenue for the quarter was down 5.6% on the pcp. This comprised subscription revenue of \$49.7 million and non-subscription revenue of \$14.2 million. On a full year basis, Basic cable TV revenue of \$250.0 million was down 6.8% on the pcp; in constant NT\$ terms, it was 5.4% lower than the pcp. This comprised subscription revenue of \$203.3 million and non-subscription revenue of \$46.7 million. TBC's c.750,000 Basic cable TV RGUs⁶ each contributed an ARPU of NT\$494 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.7,000 and ARPU was lower compared to the previous quarter ended 30 September 2018 (RGUs: c.757,000; ARPU: NT\$496 per month). The decline in Basic cable TV RGUs in 2018, which was the first in TBC's history, was due mainly to the cessation of analogue TV broadcasting and accordingly, there were no more analogue TV piracy households to convert to paying Basic cable TV RGUs. Video piracy issues and aggressively priced IPTV have also impacted the ability to attract new RGUs. In constant NT\$ terms, subscription revenue for the quarter and year was lower than the pcp because of a lower number of subscribers and ARPU in the quarter and year. 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 and year 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 heightened competition from internet retailing. Both trends have negatively impacted the channel leasing revenue not just for TBC, but for the entire cable industry in Taiwan.
- **Premium digital cable TV:** While Premium digital cable TV RGUs increased, the lower ARPU has resulted in a decline in revenue. Premium digital cable TV revenue of \$3.3 million for the quarter ended 31 December 2018 was down 11.1% on the pcp; in constant NT\$ terms, Premium digital cable TV revenue for the quarter was 10.2% lower than the pcp. On a full year basis, Premium digital cable TV revenue of \$13.8 million was down 11.3% on the pcp; in constant NT\$ terms, it was 9.9% lower than the pcp. Revenue was generated predominantly from TBC's c.196,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$122 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.2,000 but ARPU was lower compared to the previous quarter ended 30 September 2018 (RGUs: c.194,000; ARPU: NT\$127 per month) 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 have also impacted the ability to attract new RGUs and strengthen ARPU.
- **Broadband:** Despite the strong competition from mobile operators offering unlimited wireless data, Broadband RGUs continued to increase during the quarter. Broadband revenue of \$12.2 million for the quarter ended 31 December 2018 was down 3.1% on the pcp; in constant NT\$ terms, Broadband revenue for the quarter was 2.2% lower than the pcp. On a full year basis, Broadband revenue of \$50.0 million was down 1.9% on the pcp; in constant NT\$ terms, it was marginally lower by 0.5% compared to the pcp. Broadband revenue was generated predominantly from TBC's c.216,000 Broadband RGUs each contributing an ARPU of NT\$417 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.6,000 but ARPU was lower compared to the previous quarter ended 30 September 2018 (RGUs: c.210,000 and ARPU: NT\$425 per month). 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.

Commenting on APTT's latest results, Mr Brian McKinley, Chief Executive Officer said, "We are cognizant of the saturated cable TV market in Taiwan and that the growing popularity of online TV and internet retailing will continue to put pressure on the demand for cable TV services and ARPU. In recent years, significant efforts have been channelled to grow our Broadband business. We are heartened to have added c.13,000, or more than 6%, Broadband RGUs in 2018. This was achieved despite strong competition from mobile operators. Including our Premium digital RGU growth, the increase in subscriber base for Broadband and Premium digital more than offset our Basic cable TV churn in 2018, raising total subscribers to c.1,162,000."

Mr McKinley added, "As TBC owns 100% of the hybrid fibre coaxial cable network that passes over 1.2 million homes in our franchise areas, broadband is a natural key growth driver. With consumers' growing data usage and the demand for reliable, higher speed plans, we are in a good stead to tap our wide subscriber base and expand our fixed-line Broadband market share beyond the current 29%. Our strong infrastructure has also enabled us to provide data backhaul to some of Taiwan's major wireless operators as they continue their network rollouts. Data backhaul through TBC's network is expected to become a material part of the Broadband business within five years."

OUTLOOK

The Trustee-Manager is fully committed to navigating the challenges that APTT and the industry are facing. A key focus is to strengthen the balance sheet and cash flows to not only support operations, but to have the flexibility to effectively compete in this economic and operating environment. A focused debt management programme has been implemented to reduce the dependence on borrowings as APTT repositions itself for the future.

In the fourth quarter of 2018, APTT successfully refinanced its existing borrowing facilities and extended its interest rate swaps, which collectively form an important part of its debt management programme as these will lower APTT's borrowing costs by approximately \$9 million per year:

- As part of the focused debt management programme, APTT successfully completed the refinancing of its existing NT\$29.0 billion borrowing facilities ("Previous Facilities") with new seven-year facilities of NT\$31.0 billion ("Onshore Facilities") and also extended the maturity date ("Amendment") of its existing offshore facilities from July 2019 to July 2021 ("Offshore Facilities") in November 2018. The successful refinancing of the Previous Facilities and the Amendment are collectively referred to as the "Refinancing". The successful Refinancing at lower interest margin and arrangement fees demonstrates strong lender support and confidence in APTT's business and its management. More importantly, the Refinancing will enable APTT to derive substantial savings through lower interest costs. It will also provide funding certainty for the next three years.
- Additionally, to reduce the risk of rising interest rates, APTT extended its interest rate swaps on Taiwan's three-month Taipei Interbank Offered Rate ("TAIBOR") to the end of 2021 to fix approximately 80% of the outstanding Onshore Facilities. The average fixed rate on these TAIBOR swaps was 0.84%. Interest rate swaps will continue to be gradually entered into until 90% to 95% of outstanding Onshore Facilities are hedged through to 2021.

Total operating expenses in 2019 are expected to be at same level as 2018. Total revenue, however, will be influenced by the ability to increase RGUs while ARPU's remain under pressure due to the growing popularity of online TV, challenges from video piracy issues, aggressively priced IPTV and competition from mobile operators offering unlimited wireless data plans. The decline in the demand for home shopping and competition from internet retailing may continue to negatively impact channel leasing revenue for the cable industry.

The revised distribution guidance of 1.20 cents per year for 2019 and 2020, subject to no material changes in planning assumptions, will also result in annual cash savings of over \$76 million, enabling the Trust to use operational cash flows to fund capital expenditure and reduce the dependence on borrowings.

Capital expenditure in 2019 will remain elevated due to the key investment initiative to deploy fibre deeper into the network but it is expected to trend down from 2020 onwards.

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 continued wireless 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 network rollouts.

- 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 (c.62,000 BandOTT boxes deployed as at 31 December 2018 compared to c.18,000 boxes as at 31 December 2017).

DISTRIBUTIONS

The Board of directors of the Trustee-Manager has declared an ordinary distribution of 0.30 cents per unit for the quarter ended 31 December 2018. The books closure date will be on 22 March 2019 and the distribution will be paid on 29 March 2019.

The Board is re-affirming the two-year view on the distribution level to support the debt management programme. 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 at 0.30 cents per unit per quarter through to 2020.

The lower distribution also offers the potential for future unit buybacks. 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.

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