

## SGX-ST Release

### APTT ANNOUNCES RESULTS FOR THE QUARTER ENDED 31 MARCH 2019

Singapore - 14 May 2019

Asian Pay Television Trust ("APTT" or the "Trust") today announced its financial results for the quarter ended 31 March 2019.

#### KEY HIGHLIGHTS

- Revenue and EBITDA were \$73.2 million<sup>1</sup> and \$44.1 million for the quarter ended 31 March 2019
- Total operating expenses for the quarter ended 31 March 2019 decreased by 7.6%, improving EBITDA margin by 1.2 percentage points to 60.2%
- Added c.2,000 Premium digital cable TV and c.4,000 Broadband subscribers during the quarter ended 31 March 2019, which more than offset Basic cable TV churn; total subscribers increased to c.1,163,000
- Total capital expenditure for the quarter ended 31 March 2019 decreased by 16.7%
- Distribution of 0.30 cents per unit declared for the quarter ended 31 March 2019
- Re-affirmed distribution guidance of 1.20 cents per unit per year for 2019 and 2020
- Continued investment in TBC's<sup>2</sup> network and Broadband to drive growth

#### FINANCIAL HIGHLIGHTS

APTT<sup>3</sup> reported total revenue of \$73.2 million and EBITDA of \$44.1 million for the quarter ended 31 March 2019, amidst continued challenging operating and economic conditions in Taiwan.

Compared to the prior corresponding period ("pcp"), total revenue and EBITDA for the quarter were lower by 4.9% and 3.1% mainly due to lower ARPUs<sup>4</sup>.

In constant Taiwan dollar ("NT\$") terms, total revenue for the quarter was 2.5% lower than the pcp. Foreign exchange contributed to a negative variance of 2.4% for the quarter compared to the pcp.

Operating expenses of \$29.1 million decreased by 7.6% compared to the pcp, improving EBITDA margin for the quarter to 60.2%, from 59.0% in the pcp.

Group	Quarter ended 31 March		
	2019	2018	Variance <sup>5</sup> (%)
<b>Amounts in \$'000</b>			
<b>Revenue</b>			
Basic cable TV	58,083	60,691	(4.3)
Premium digital cable TV	3,241	3,613	(10.3)
Broadband	11,883	12,704	(6.5)
<b>Total revenue</b>	<b>73,207</b>	<b>77,008</b>	<b>(4.9)</b>
<b>Total operating</b>	<b>(29,132)</b>	<b>(31,543)</b>	<b>7.6</b>
<b>EBITDA</b>	<b>44,075</b>	<b>45,465</b>	<b>(3.1)</b>
EBITDA margin	60.2%	59.0%	

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

<sup>2</sup> TBC refers to Taiwan Broadband Communications group.

<sup>3</sup> APTT refers to APTT and its subsidiaries taken as a whole.

<sup>4</sup> ARPU refers to Average Revenue Per User.

<sup>5</sup> 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 31 March 2019 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$58.1 million for the quarter ended 31 March 2019 was down 4.3% on the pcp; in constant NT\$ terms, Basic cable TV revenue for the quarter was down 1.9% on the pcp. This comprised subscription revenue of \$48.6 million and non-subscription revenue of \$9.5 million. TBC's c.745,000 Basic cable TV RGUs<sup>6</sup> each contributed an ARPU of NT\$493 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.5,000 and ARPU was marginally lower compared to the previous quarter ended 31 December 2018 (RGUs: c.750,000; ARPU: NT\$494 per month). The decline in Basic cable TV RGUs was due to a number of factors including competition from aggressively priced IPTV, video piracy issues and expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's five franchise areas, particularly in the Taipei region. In constant NT\$ terms, subscription revenue for the quarter was lower than the pcp because of a 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 higher than the pcp mainly due to higher revenue generated from channel leasing partially offset by lower 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. These trends will continue to put pressure on 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 \$3.2 million for the quarter ended 31 March 2019 was down 10.3% on the pcp; in constant NT\$ terms, Premium digital cable TV revenue for the quarter was 7.9% lower than the pcp. Revenue was generated predominantly from TBC's c.198,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$119 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 31 December 2018 (RGUs: c.196,000; ARPU: NT\$122 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 \$11.9 million for the quarter ended 31 March 2019 was down 6.5% on the pcp; in constant NT\$ terms, Broadband revenue for the quarter was 4.1% lower than the pcp. Broadband revenue was generated predominantly from TBC's c.220,000 Broadband RGUs each contributing an ARPU of NT\$404 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.4,000 but ARPU was lower compared to the previous quarter ended 31 December 2018 (RGUs: c.216,000 and ARPU: NT\$417 per month). The availability of low-cost unlimited data offerings from mobile operators is necessitating fixed-line operators to offer higher speeds at competitive prices to acquire new RGUs and re-contract existing RGUs.

<sup>6</sup> RGUs refer to Revenue Generating Units.

Commenting on APTT's latest results, Mr Brian McKinley, Chief Executive Officer said, *"Despite the strong competition, we are pleased to have added c.4,000 Broadband RGUs and c.2,000 Premium digital cable TV RGUs in the first quarter, which more than offset the Basic cable TV churn. With this, our total subscribers increased to c.1,163,000. Our cost containment efforts resulted in a decrease in operating expenses by 7.6%, improving EBITDA margin by 1.2 percentage points to 60.2%. Total capital expenditure also decreased by 16.7% as we continue to closely monitor capital expenditure to focus on areas that will have the best potential in generating growth and sustainability for the long-term."*

Mr McKinley added, *"We are cognizant of the saturated cable TV market in Taiwan and the challenges faced by the entire cable TV and telco industry. We will actively manage Basic cable TV churn and the depressed ARPU by attracting more Broadband and Premium digital cable TV RGUs, while continuing to strengthen our cost and cash flow management. At the same time, we remain focused in growing our fixed-line Broadband market share beyond the current 30%. Our advanced HFC network has enabled us to provide data backhaul to some of Taiwan's major wireless operators as they continue their network rollouts and with continued investment to increase network capacity, we expect data backhaul 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 reduce dependence on borrowings and strengthen balance sheet and cash flows to not only support operations, but to have the flexibility to effectively compete in this economic and operating environment as APTT repositions itself for the future.

APTT successfully implemented a focused debt management programme, which enabled the Trust to:

- Refinance its outstanding borrowing facilities at lower arrangement fees and improved margins in November 2018, which demonstrate strong lender support and confidence in APTT's business and its management.
- In April 2019, extend interest rate swaps to hedge approximately 95% of outstanding onshore facilities through to 2021, from approximately 80% of outstanding onshore facilities as at 31 December 2018; the average fixed rate on TAIBOR swaps through to 2021 is approximately 0.82%.

The refinancing and extension of interest rate swaps collectively form an important part of the debt management programme as they will enable APTT to derive substantial annual savings through lower interest costs.

The distribution guidance of 1.20 cents per unit 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.

Total operating expenses for the full year 2019 are expected to be lower than 2018. Total revenue for the full year, however, will be influenced by the ability to increase RGUs while ARPUs 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 will continue to put pressure on channel leasing revenue for the cable industry.

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. The level of capital expenditure will be closely monitored to focus on areas that will have the best potential in generating growth and sustainability for the long-term.

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.64,000 BandOTT boxes deployed as at 31 March 2019 compared to c.31,000 boxes as at 31 March 2018).

## DISTRIBUTIONS

The Board of directors of the Trustee-Manager has declared an ordinary interim distribution of 0.30 cents per unit for the quarter ended 31 March 2019. The books closure date will be on 21 June 2019 and the distribution will be paid on 28 June 2019.

The Board is re-affirming distribution guidance for the years ending 31 December 2019 and 2020. The distribution is expected to be 1.20 cents per unit per year 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.

### STRATEGIC REVIEW

As announced on 15 April 2019, APTT is undertaking an independent strategic review of options available for APTT and its investment in TBC. The Board has established a special committee, consisting of four independent directors and the Chief Executive Officer, to oversee the strategic review.

The Trustee-Manager is in the process of selecting an independent financial adviser to assist with the strategic review and expects to make an appointment in the near future.

There is no assurance that any transaction for APTT or TBC will materialise from the strategic review. The Trustee-Manager will make appropriate announcements in the event of any material developments.

Unitholders of APTT are advised to refrain from taking any action in respect of their units or other securities of APTT which may be prejudicial to their interests, and to exercise caution when dealing in such units or other securities.

### 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](mailto:contact@aptt.sg)

**Kreab**

Nora Sng / Yap Meng Lee

Tel: +65 3163 7477 / +65 3163 7476

Email: [aptt@kreab.com](mailto:aptt@kreab.com)