

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND HALF-YEAR ENDED 30 JUNE 2019

Singapore - 14 August 2019

Asian Pay Television Trust ("APTT" or the "Trust") today announced its financial results for the quarter and half-year ended 30 June 2019.

KEY HIGHLIGHTS

- Revenue and EBITDA were \$72.2 million¹ and \$44.5 million for the quarter ended 30 June 2019
- Total operating expenses for the quarter ended 30 June 2019 decreased by 11.5%, improving EBITDA margin by 2.0 percentage points to 61.6%
- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past five quarters; Added c.2,000 Premium digital cable TV and c.5,000 Broadband subscribers during the quarter ended 30 June 2019, which more than offset Basic cable TV churn; total subscribers increased to c.1,164,000
- Distribution of 0.30 cents per unit declared for the quarter ended 30 June 2019
- Re-affirmed distribution guidance of 1.20 cents per unit per year for 2019 and 2020
- Continued investment in TBC's² network and Broadband to grow market share beyond the current 31%
- Bank of America Merrill Lynch in the midst of conducting the strategic review; the Trustee-Manager will make appropriate announcements in the event of any material developments

FINANCIAL HIGHLIGHTS

APTT³ reported total revenue of \$72.2 million and EBITDA of \$44.5 million for the quarter ended 30 June 2019, amidst continued challenging market conditions in Taiwan. For the half-year ended 30 June 2019, total revenue and EBITDA were \$145.4 million and \$88.6 million.

Compared to the prior corresponding period ("pcp"), total revenue and EBITDA for the quarter were lower by 6.9% and 3.8% mainly due to weaker ARPUs⁴. This was a result of pricing pressure arising from the intense competition that has impacted the entire cable TV and telecommunications industry.

Foreign exchange contributed to a negative variance of 2.2% for the quarter and 2.3% for the half-year compared to the pcp. In constant Taiwan dollar ("NT\$") terms, total revenue for the quarter and half-year was 4.7% and 3.6% lower than the pcp.

With lower broadcast and production costs, operating expenses for the quarter decreased by 11.5% to \$27.7 million, improving EBITDA margin to 61.6%, from 59.6% in the pcp. For the half-year, operating expenses of \$56.8 million decreased by 9.6% and accordingly, EBITDA margin improved to 60.9%, from 59.3% in the pcp.

Group Amounts in '\$000	Quarter ended 30 June			Half-year ended 30 June		
	2019	2018	Variance ⁵ (%)	2019	2018	Variance ⁵ (%)
Revenue						
Basic cable TV	57,119	61,495	(7.1)	115,202	122,186	(5.7)
Premium digital cable TV	3,192	3,491	(8.6)	6,433	7,104	(9.4)
Broadband	11,887	12,587	(5.6)	23,770	25,291	(6.0)
Total revenue	72,198	77,573	(6.9)	145,405	154,581	(5.9)
Total operating expenses	(27,701)	(31,302)	11.5	(56,833)	(62,845)	9.6
EBITDA	44,497	46,271	(3.8)	88,572	91,736	(3.4)
EBITDA margin	61.6%	59.6%		60.9%	59.3%	

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

TBC's operational highlights for the quarter ended 30 June 2019 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$57.1 million for the quarter ended 30 June 2019 was down 7.1% on the pcp; in constant NT\$ terms, Basic cable TV revenue for the quarter was down 4.9% on the pcp. This comprised subscription revenue of \$47.9 million and non-subscription revenue of \$9.2 million. TBC's c.739,000 Basic cable TV RGUs⁶ each contributed an ARPU of NT\$491 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.6,000 and ARPU was marginally lower compared to the previous quarter ended 31 March 2019 (RGUs: c.745,000; ARPU: NT\$493 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. 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, generated from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes, was lower than the pcp mainly due to lower revenue generated from airtime advertising sales. The leasing of television channels, which is mainly to third-party home shopping networks, was 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 30 June 2019 was down 8.6% on the pcp; in constant NT\$ terms, Premium digital cable TV revenue for the quarter was 6.4% lower than the pcp. Revenue was generated predominantly from TBC's c.200,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$117 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 March 2019 (RGUs: c.198,000; ARPU: NT\$119 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 30 June 2019 was down 5.6% on the pcp; in constant NT\$ terms, Broadband revenue for the quarter was 3.4% lower than the pcp. Broadband revenue was generated predominantly from TBC's c.225,000 Broadband RGUs each contributing an ARPU of NT\$391 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.5,000 but ARPU was lower compared to the previous quarter ended 31 March 2019 (RGUs: c.220,000 and ARPU: NT\$404 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.

⁶ RGUs refer to Revenue Generating Units.

Commenting on APTT's latest results, Mr Brian McKinley, Chief Executive Officer said, *"Notwithstanding the intense competition, our Premium digital cable TV and Broadband subscriber base has been steadily growing for the past five quarters, which more than offset the Basic cable TV churn. Through continued cost management, our EBITDA margin for the quarter and first half have also improved to surpass the 60% mark. To better manage Basic cable TV churn and our overall ARPU, we will continue to drive higher speed plans by deploying our Android-based BandOTT boxes, which will allow subscribers to view over-the-top content and enjoy other value-added home-centric solutions through IoT and smart home devices. Along with our efforts to develop new market segments including enterprise clients, we are confident of growing our fixed-line Broadband market share beyond the current 31%."*

As at 30 June 2019, TBC has deployed c.64,000 BandOTT boxes, compared to c.41,000 boxes a year ago.

Mr McKinley added, *"Another major growth driver is our data backhaul business, which is expected to be a cornerstone of our broadband business within five years. We are targeting to be fully data-backhaul ready when 5G rolls out. As our advanced hybrid fibre coaxial cable network will play a major role in this strategy, continued*

investments to increase network capacity is critical in driving growth. Already, we have started providing data backhaul services to a growing number of wireless operators who prefer tapping into our network.”

OUTLOOK

The Trustee-Manager is fully committed to navigating the challenges that APTT and the industry are facing. A key focus is to reduce our dependence on borrowings and 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.

As part of the focused debt management programme, APTT refinanced its outstanding borrowing facilities at lower arrangement fees and improved margins in November 2018, demonstrating strong lender support and confidence in APTT's business and its management. In April 2019, additional interest rate swaps were entered into 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%. With the refinancing and interest rate swaps, APTT's effective interest rate in 2019 is expected to be lower than 2018.

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.

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 30 June 2019. The books closure date will be on 20 September 2019 and the distribution will be paid on 27 September 2019.

The Board has re-affirmed 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 20 June 2019, the Trustee-Manager appointed Merrill Lynch (Singapore) Pte. Ltd. (“Bank of America Merrill Lynch”) as its exclusive financial adviser in connection with the independent strategic review of options available for APTT and its investment in TBC. Bank of America Merrill Lynch will report directly to the special committee that is leading the strategic review. The committee consists of all four independent directors and the Chief Executive Officer.

Bank of America Merrill Lynch is in the midst of conducting 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.

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.

TRUSTEE-MANAGER UNITS IN APTT

As announced on 22 July 2019, APTT issued 5,328,412 units to the Trustee-Manager at a price of \$0.1876731597 per unit, as payment of \$1 million, out of the total \$3.6 million Trustee-Manager base fees for the six-month period from 1 January 2019 to 30 June 2019. The issue price per unit was based on APTT's volume weighted average price for a unit for all trades done on the Singapore Exchange Securities Trading Limited (the "SGX-ST") in the ordinary course of trading on the SGX-ST for the ten business days immediately prior to the date of issue. The balance of \$2.6 million Trustee-Manager base fees along with GST and any rounding off adjustment from the issue of units was settled in cash.

Following the issuance of the units to the Trustee-Manager, the total number of issued units in APTT is 1,442,128,412. The Trustee-Manager's direct unitholding in APTT represents approximately 0.37% of the total number of issued units in APTT. Hong Han Investment Co., Ltd., a related entity of the Trustee-Manager, continues to hold 43,103,999 units, representing approximately 2.99% of the total number of issued units in APTT.

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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