



Asian Pay Television Trust



# ASIAN PAY TELEVISION TRUST

30 SEPTEMBER 2019

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# AGENDA

1. 30 SEPTEMBER 2019 RESULTS
2. OUTLOOK & STRATEGY
3. STRATEGIC REVIEW UPDATE
4. BUSINESS OVERVIEW
5. BUSINESS DRIVERS

# 30 SEPTEMBER 2019 RESULTS



## Broadband market penetration improved to 32%; EBITDA margin stood at 58.9%



### Q3 2019 EBITDA & margin lower than pcg

- Revenue and ARPUs under pressure due to a saturated cable TV market, heightened competition from IPTV and from mobile operators offering unlimited wireless data
- Revenue and EBITDA at S\$73.0 million and S\$43.0 million for the quarter
- Operating expenses decreased by 3.1% due to lower broadcast and production costs



### Growth in subscriber base

- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past six quarters
- Added c.9,000 Premium digital cable TV and c.7,000 Broadband subscribers in Q3 2019, which more than offset Basic cable TV churn; total subscribers increased to c.1,175,000



### Growth in Broadband market penetration

- Deepened market penetration to 32% (Q2 2019: 31%; 2018: 29%)
- Continued efforts to drive higher speed plans by deploying more Android-based BandOTT boxes
- With growing data usage, demand for high speed plans and the upcoming 5G network rollout in Taiwan, continued investment to increase network capacity and speed is key to driving growth



### Distributions

- Distribution of 0.30 cents per unit declared for Q3 2019
- Re-affirmed distribution guidance for 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



### Strategic review

- As part of the strategic review, the Trustee-Manager and its financial adviser, Bank of America Securities, have identified potential strategic or financial investors who have indicated interest in APTT
- Preliminary discussions with these parties are underway and the Trustee-Manager will make further announcements when appropriate

# KEY OPERATING METRICS

Premium and Broadband RGUs have been steadily increasing over the last six quarters; Registered a strong increase in Q3 2019, which more than offset Basic cable TV churn, raising total subscriber base to c.1,175,000

	RGUs <sup>1</sup> ('000)			ARPU <sup>2</sup> (NT\$ per month)		
	As at			Quarter ended		
	30 Sep 2019	30 Jun 2019		30 Sep 2019	30 Jun 2019	
Basic cable TV	734	739	↓	489	491	↓
Premium digital cable TV	209	200	↑	112	117	↓
Broadband	232	225	↑	376	391	↓

- **Basic cable TV:** Saturated cable TV market in Taiwan, resulting in RGUs declining; c.734,000 RGUs as at 30 September 2019, ARPU was marginally lower. RGUs were impacted by video piracy issues, competition from aggressively priced IPTV and expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's<sup>3</sup> five franchise areas, particularly in the Taipei region
- **Premium digital cable TV:** RGUs increased to c.209,000. ARPU was lower 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 ARPU
- **Broadband:** RGUs increased to c.232,000. The focus on RGU growth, in the face of competitive market conditions from unlimited wireless data offerings from mobile operators, resulted in strong increase in the quarter. 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. Broadband churn rates remained very low, averaging around 1.0% in Q3 2019

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

(3) TBC refers to Taiwan Broadband Communications group



# FINANCIAL RESULTS



**Q3 2019 EBITDA lower than pcp due to weaker ARPUs; Cost management efforts lowered operating expenses by 3.1%**

Group <sup>1</sup> (\$'000)	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2019	2018	Variance <sup>2</sup> %	2019	2018	Variance <sup>2</sup> %
<b>Revenue</b>						
Basic cable TV	57,882	63,953	(9.5)	173,084	186,139	(7.0)
Premium digital cable TV	3,183	3,396	(6.3)	9,616	10,500	(8.4)
Broadband	11,895	12,471	(4.6)	35,665	37,762	(5.6)
<b>Total revenue</b>	<b>72,960</b>	<b>79,820</b>	<b>(8.6)</b>	<b>218,365</b>	<b>234,401</b>	<b>(6.8)</b>
<b>Total operating expenses<sup>3</sup></b>	<b>(29,980)</b>	<b>(30,951)</b>	<b>3.1</b>	<b>(86,813)</b>	<b>(93,796)</b>	<b>7.4</b>
<b>EBITDA</b>	<b>42,980</b>	<b>48,869</b>	<b>(12.1)</b>	<b>131,552</b>	<b>140,605</b>	<b>(6.4)</b>
EBITDA margin	58.9%	61.2%		60.2%	60.0%	

**In constant Taiwan dollars (“NT\$”), total revenue down 7.5% for the quarter and 4.9% for the nine months as foreign exchange contributed 1.1% negative variance for the quarter and 1.9% for the nine months compared to the pcp**

- **Basic cable TV:** Down 8.4% for the quarter and 5.1% for the nine months in constant NT\$ terms mainly due to lower subscription revenue, driven by lower number of subscribers and ARPU compared to the pcp. Non-subscription revenue for the quarter and nine months was lower mainly due to lower revenue generated from channel leasing and airtime advertising sales
- **Premium digital cable TV:** Down 5.2% for the quarter and 6.5% for the nine months in constant NT\$ terms. Generated predominantly from TBC’s average Premium digital cable TV RGUs each contributing an ARPU of NT\$112 per month during the quarter for Premium digital cable TV packages, bundled DVR or DVR-only services
- **Broadband:** Down 3.5% for the quarter and 3.7% for the nine months in constant NT\$ terms. Generated predominantly from TBC’s average Broadband RGUs each contributing an ARPU of NT\$376 per month during the quarter for high-speed Broadband services

**Total operating expenses:** Lower operating expenses for the quarter and nine months, mainly due to lower broadcast and production costs and other operating expenses

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 gain/loss and mark to market movements on foreign exchange contracts, in order to arrive at EBITDA and EBITDA margin

# NET PROFIT



Net profit more than sufficiently covers distribution payout; Net profit includes non-cash items such as depreciation and amortisation expense, foreign exchange, mark to market movements and deferred taxes

Group <sup>1</sup> (S\$'000)	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2019	2018	Variance <sup>2</sup> %	2019	2018	Variance <sup>2</sup> %
<b>Total revenue</b>	<b>72,960</b>	<b>79,820</b>	<b>(8.6)</b>	<b>218,365</b>	<b>234,401</b>	<b>(6.8)</b>
<b>Operating expenses</b>						
Broadcast and production costs	(13,320)	(14,949)	10.9	(39,689)	(44,686)	11.2
Staff costs	(7,503)	(6,815)	(10.1)	(21,251)	(21,306)	0.3
Trustee-Manager fees	(1,844)	(1,836)	(0.4)	(5,471)	(5,449)	(0.4)
Other operating expenses	(7,313)	(7,351)	0.5	(20,402)	(22,355)	8.7
<b>Total operating expenses</b>	<b>(29,980)</b>	<b>(30,951)</b>	<b>3.1</b>	<b>(86,813)</b>	<b>(93,796)</b>	<b>7.4</b>
<b>EBITDA</b>	<b>42,980</b>	<b>48,869</b>	<b>(12.1)</b>	<b>131,552</b>	<b>140,605</b>	<b>(6.4)</b>
<b>Other expenses</b>						
Depreciation and amortisation expense	(22,162)	(20,297)	(9.2)	(63,697)	(57,106)	(11.5)
Net foreign exchange gain/(loss)	4,406	(2,226)	>100	2,179	630	>100
Mark to market (loss)/gain on derivative financial instruments	(1,374)	(104)	(>100)	651	1,721	(62.2)
Amortisation of deferred arrangement fees	(835)	(2,330)	64.2	(2,494)	(7,002)	64.4
Interest and other finance costs	(13,475)	(13,989)	3.7	(37,690)	(40,576)	7.1
Income tax expense	(4,391)	(7,627)	42.4	(10,783)	(23,018)	53.2
<b>Total other expenses</b>	<b>(37,831)</b>	<b>(46,573)</b>	<b>18.8</b>	<b>(111,834)</b>	<b>(125,351)</b>	<b>10.8</b>
<b>Net profit</b>	<b>5,149</b>	<b>2,296</b>	<b>&gt;100</b>	<b>19,718</b>	<b>15,254</b>	<b>29.3</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



# SELECTED FINANCIAL INFORMATION



Selected financial information<sup>1</sup> are key financial metrics of APTT's business

Group <sup>2</sup> (S\$'000)	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2019	2018	Variance <sup>3</sup> %	2019	2018	Variance <sup>3</sup> %
<b>Revenue</b>						
Basic cable TV	57,882	63,953	(9.5)	173,084	186,139	(7.0)
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<b>Total revenue</b>	<b>72,960</b>	<b>79,820</b>	<b>(8.6)</b>	<b>218,365</b>	<b>234,401</b>	<b>(6.8)</b>
<b>Total operating expenses<sup>4</sup></b>	<b>(29,980)</b>	<b>(30,951)</b>	<b>3.1</b>	<b>(86,813)</b>	<b>(93,796)</b>	<b>7.4</b>
<b>EBITDA</b>	<b>42,980</b>	<b>48,869</b>	<b>(12.1)</b>	<b>131,552</b>	<b>140,605</b>	<b>(6.4)</b>
EBITDA margin <sup>5</sup>	58.9%	61.2%		60.2%	60.0%	
<b>Capital expenditure</b>						
Maintenance	5,551	4,143	(34.0)	13,661	13,529	(1.0)
Network, Broadband and other	12,056	11,643	(3.5)	40,118	36,152	(11.0)
<b>Total capital expenditure</b>	<b>17,607</b>	<b>15,786</b>	<b>(11.5)</b>	<b>53,779</b>	<b>49,681</b>	<b>(8.2)</b>
Income tax paid, net of refunds	(2,614)	(5,496)	52.4	(9,442)	(13,347)	29.3
Interest and other finance costs paid	(3,945)	(13,806)	71.4	(28,131)	(40,300)	30.2

Notes: (1) Some of the selected financial information includes non-IFRS measures

(2) Group refers to APTT and its subsidiaries taken as a whole

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

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

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

## Debt management programme to strengthen balance sheet

Group (S\$'000)	As at	
	30 Sep 2019	31 Dec 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	85,366	73,576
Trade and other receivables	14,801	13,471
Other assets	2,771	3,260
	<b>102,938</b>	<b>90,307</b>
<b>Non-current assets</b>		
Property, plant and equipment	333,916	328,308
Intangible assets	2,368,382	2,371,838
Other assets	1,136	1,065
	<b>2,703,434</b>	<b>2,701,211</b>
<b>Total assets</b>	<b>2,806,372</b>	<b>2,791,518</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings from financial institutions	14,667	5,694
Trade and other payables	22,664	23,133
Income tax payable	7,101	11,444
Other liabilities	62,494	61,176
	<b>106,926</b>	<b>101,447</b>
<b>Non-current liabilities</b>		
Borrowings from financial institutions	1,501,449	1,504,674
Deferred tax liabilities	81,342	74,575
Other liabilities	42,071	37,090
	<b>1,624,862</b>	<b>1,616,339</b>
<b>Total liabilities</b>	<b>1,731,788</b>	<b>1,717,786</b>
<b>Net assets</b>	<b>1,074,584</b>	<b>1,073,732</b>

- **Cash and cash equivalents:** Cash balance of S\$85.4 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 years
  - Plant and equipment: 2-5 years
  - Right of use assets: Lease period

## Refinanced in 2018 at better rates; Effective interest rate improved

Group debt		As at	
		30 Sep 2019	31 Dec 2018
Total size available	S\$ million	1,618	1,626
Total outstanding	S\$ million	1,535	1,531
Effective interest rate - constant dollar	% p.a.	Q3 – 3.0; YTD - 2.7	Full year - 3.2
Effective interest rate - SGD	% p.a.	Q3 - 3.5; YTD - 3.3	Full year - 3.6
Net debt / EBITDA <sup>1</sup>	Multiple	8.3	7.9
Interest cover <sup>2</sup>	Multiple	3.4	3.4
Gearing <sup>3</sup>	%	54.0	54.1

- Successfully completed the refinancing of borrowing facilities in November 2018 at lower interest margin and arrangement fees, which demonstrated strong lender support and confidence in APTT's business and its management
- Additional interest rate swaps were entered into in April 2019, thus hedging approx. 95% of outstanding onshore facilities through to 2021 (from approx. 80% as at 31 December 2018). The average fixed rate on TAIBOR swaps is approx. 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
- Approx. S\$83 million of revolving facilities are available to fund future initiatives
- Effective interest rate in constant dollar terms of 3.0% p.a. for the quarter and 2.7% p.a. for the nine months compared to 3.2% p.a. for 2018. Actual effective interest rate in SGD was 3.5% p.a. for the quarter and 3.3% p.a. for the nine months compared to 3.6% p.a. for 2018

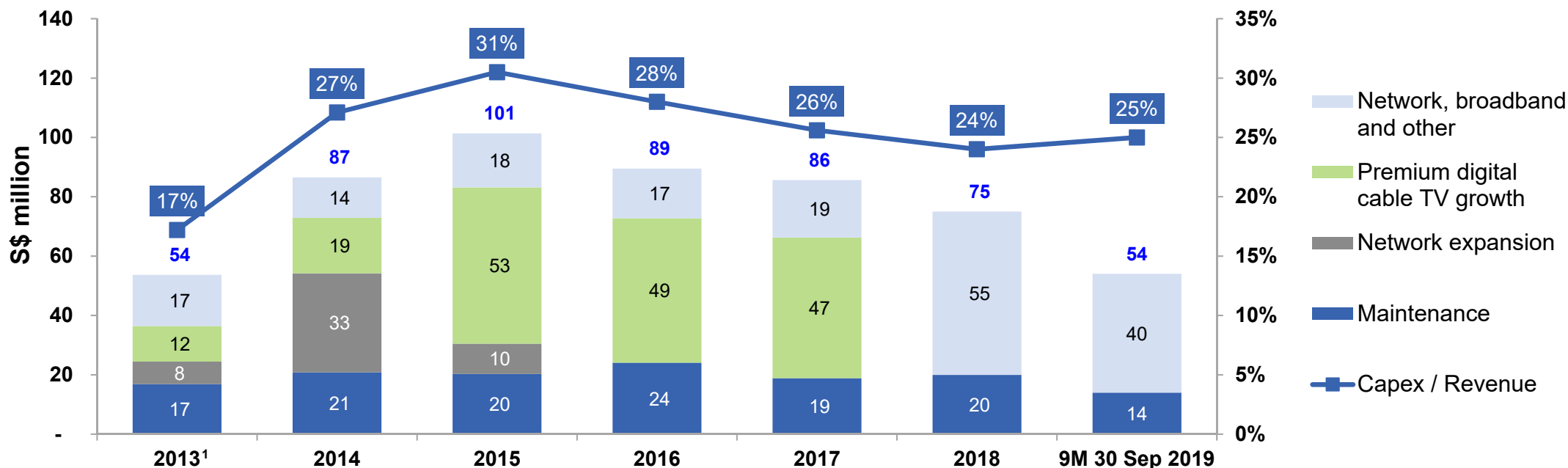
Notes: (1) Total debt outstanding less cash divided by LTM EBITDA

(2) Interest and other finance costs divided by LTM EBITDA

(3) Total debt outstanding (net of unamortised arrangement fees) divided by total assets

# CAPITAL EXPENDITURE

Capex for 2019 will remain elevated but is expected to trend down from 2020; Focus is on areas that will have the best potential in generating growth and sustainability for the long-term



- Capital expenditure was higher from 2015 to 2017 due to the regulatory requirement to switch-off analogue broadcasting and complete the digitisation of TBC's subscriber base by 2017
- The deployment of fibre deeper into the network continues to be a key investment initiative in 2019, to drive the Broadband business, as it will help to increase network capacity, speed and enhance data backhaul infrastructure. This in turn enables APTT to meet the growing demand for data and high-speed broadband services, support wireless carriers in their network rollouts, and pursue other opportunities for the long-term success of the Trust
- Capital expenditure in 2019 will remain elevated due to the key network and Broadband investments, before trending downwards from 2020

## Capital expenditure in 2019 comprised the following:

- Maintenance capital expenditure to support TBC's existing infrastructure and business
- Network, broadband and other capital expenditure included items related to expanding the fibre network such as cabling, additional equipment to upgrade the headends, backbone and fibre nodes, DOCSIS and GPON deployments for higher speed customers, high-speed broadband modems and cable line extensions for new buildings

Note: (1) Capital expenditure for full year 2013 are included here for information purposes only; APTT's ownership of TBC commenced from 29 May 2013

# OUTLOOK & STRATEGY



# POSITIONED FOR THE MID TO LONG-TERM

Initiatives to strengthen operations and drive growth, against an increasingly challenging and competitive environment

## Capital Management

- Interest rate swaps covering ~95% of outstanding onshore facilities are hedged through to 2021 to reduce the risk of rising interest rates
- Average fixed rate on TAIBOR swaps is ~0.82%

## Strengthen Balance Sheet

- 2-year view on distribution guidance to support debt management programme; distribution expected to be 1.20 cents per unit per year for 2019 and 2020, subject to no material changes in planning assumptions
- Lower distributions result in annual cash savings of over S\$76 million, which will enable use of operational cash flows to fund capital expenditure and reduce dependence on borrowings

## Key Investments

- Continue to deploy fibre deeper into the network in 2019 to:
  - Increase capacity and provide subscribers with higher Broadband speed; and
  - Position APTT to benefit from Taiwan's upcoming 5G rollout and drive data backhaul business

## Broadband Growth Strategy

- Be data-backhaul ready; 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 rollout
- Develop new market segments, including enterprise clients
- Introduce value-added solutions (e.g. IoT, smart home devices) that will leverage the Android gateway



## APTT 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

- To navigate the competitive market environment, especially with mobile operators offering unlimited wireless data, continue to 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

- Total RGUs expected to increase in 2019
- ARPUs continue to remain under pressure due to growing popularity of online TV, challenges from video piracy issues and aggressively priced IPTV and competition from mobile operators offering unlimited wireless data
- Decline in demand for home shopping and competition from internet retailing negatively impacting channel leasing revenue for cable industry



#### HIGHLY REGULATED

- Announced by the local authorities before the end of 2018: Basic cable TV rates for 2019 across all five franchise areas have been maintained at the same rates as 2018

**Total operating expenses in 2019 expected to be lower than 2018; Total revenue will be influenced by the ability to increase RGUs while ARPUs to remain under pressure**

# STRATEGIC REVIEW UPDATE



## Special committee, comprising all four independent directors and the CEO, leading the strategic review

- As announced on 20 June 2019, the Trustee-Manager appointed Merrill Lynch (Singapore) Pte. Ltd. (“Bank of America Securities”) 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 Securities will report directly to the special committee
- As part of the strategic review, the Trustee-Manager and Bank of America Securities, have identified potential strategic or financial investors who have indicated interest in APTT
- Preliminary discussions with these parties are underway and the Trustee-Manager will make further announcements when appropriate

### **Important note:**

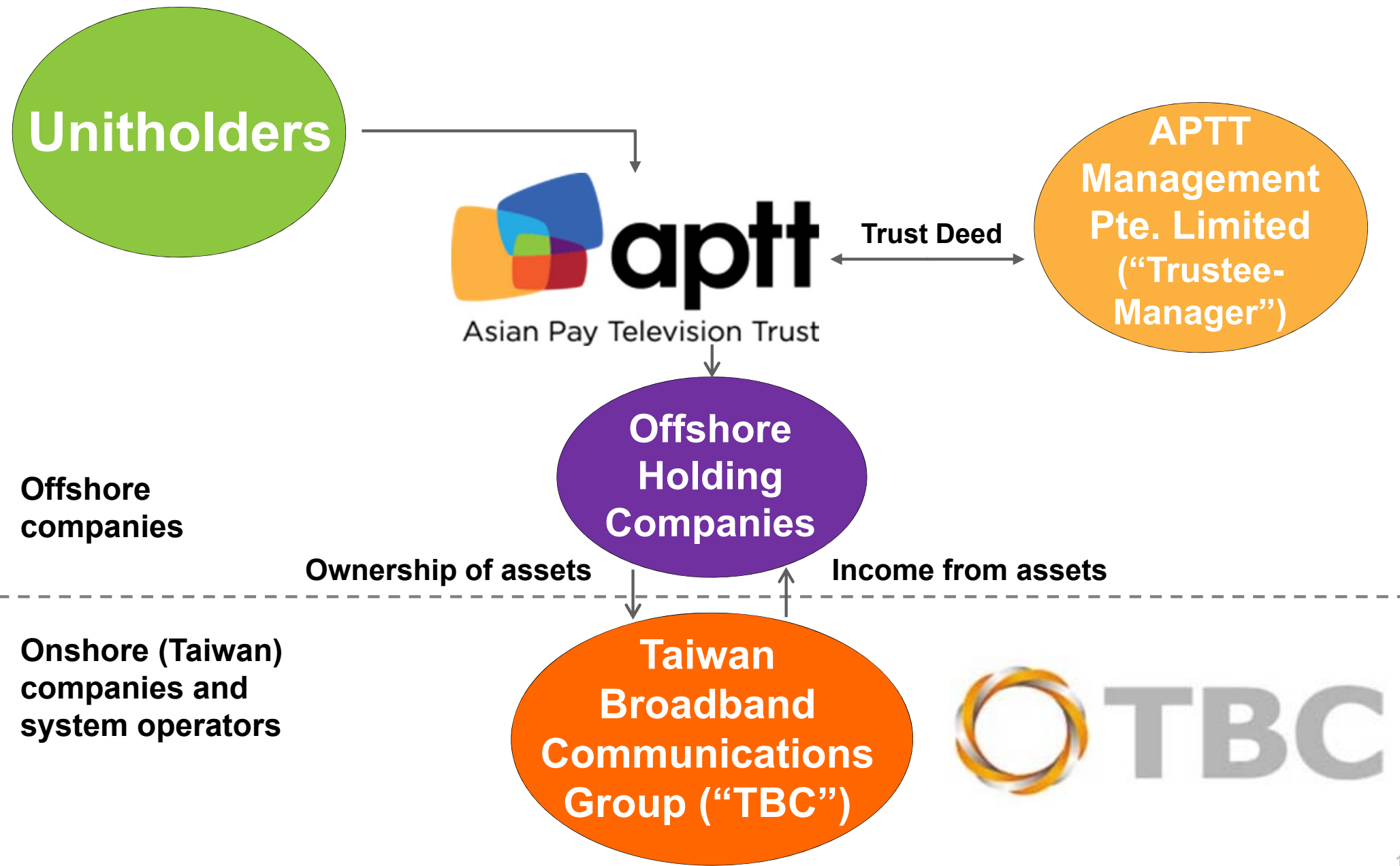
The Trustee-Manager wishes to emphasise that the discussions are preliminary and there is no assurance that any transaction for APTT or TBC will materialise from the strategic review. Further announcements will be made when appropriate.

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.

# BUSINESS OVERVIEW



# TRUST STRUCTURE



# 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

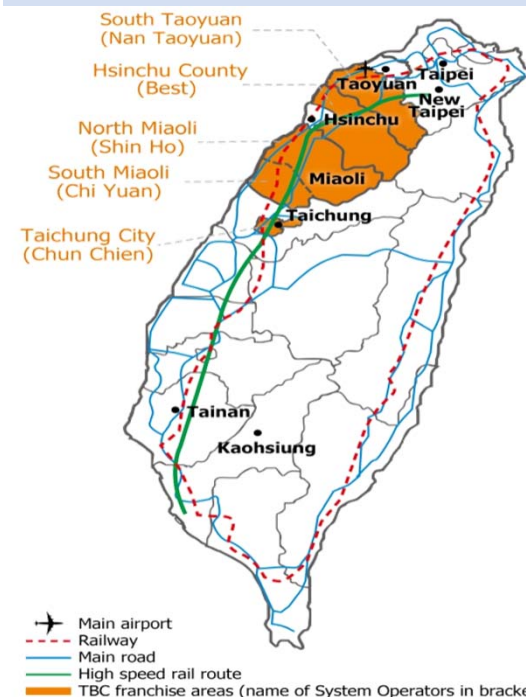
*Approx. 86% of revenue is subscription-based from the three products<sup>1</sup>*

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 popular channels are only available on cable TV	Up to 78 additional channels including 65 HD channels, through MPEG4 platform  28.4% Premium digital cable TV penetration <sup>1</sup> with large addressable market of 100% digital set-top box penetration	32% 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 500 Mbps

Note: (1) As at 30 September 2019

## FRANCHISE AREAS IN NORTHERN & CENTRAL TAIWAN

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



- Highly attractive demographics and low churn rate of 0.8%<sup>1</sup> for Basic cable TV (734K<sup>1</sup> 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



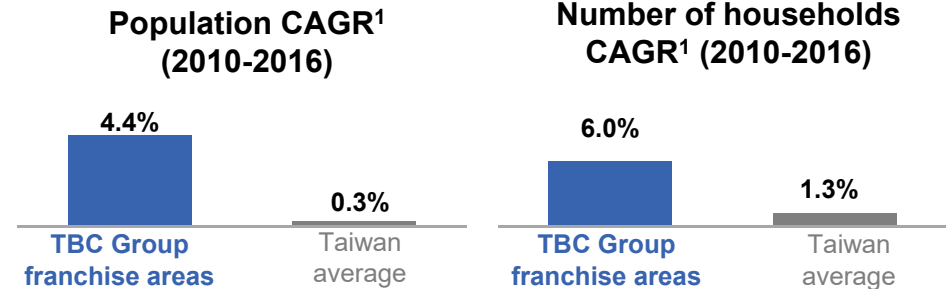
# BUSINESS DRIVERS



# TBC'S FRANCHISE AREAS

## Approx. 1.2 million households across five franchise areas in four counties of Taiwan

- Well connected via major railways, road transportation and/or international airports
- Increasing population due to workforce seeking employment in TBC Group's franchise areas
- Population growth in the five franchise areas (4.4%) outstrips national average (0.3%); Growing number of new households as more young Taiwanese set up families



### South Taoyuan



- Home to Taiwan Taoyuan International Airport and close proximity to Taipei
- Service area covers 918 square km and constitutes over 75% of the total area in Taoyuan County
- Approx. 389K households and population of 1.1 million

### Hsinchu



- Hsinchu Science Park is home to 360 high tech companies, the city has the highest income level in Taiwan<sup>2</sup>
- Approx. 188K households and population of 553K

### Miaoli (North & South)



- Suburban mountainous region geographically located between Hsinchu and Taichung
- Well connected via major railway and road transportation systems
- Approx. 186K households and population of 551K

### Taichung City



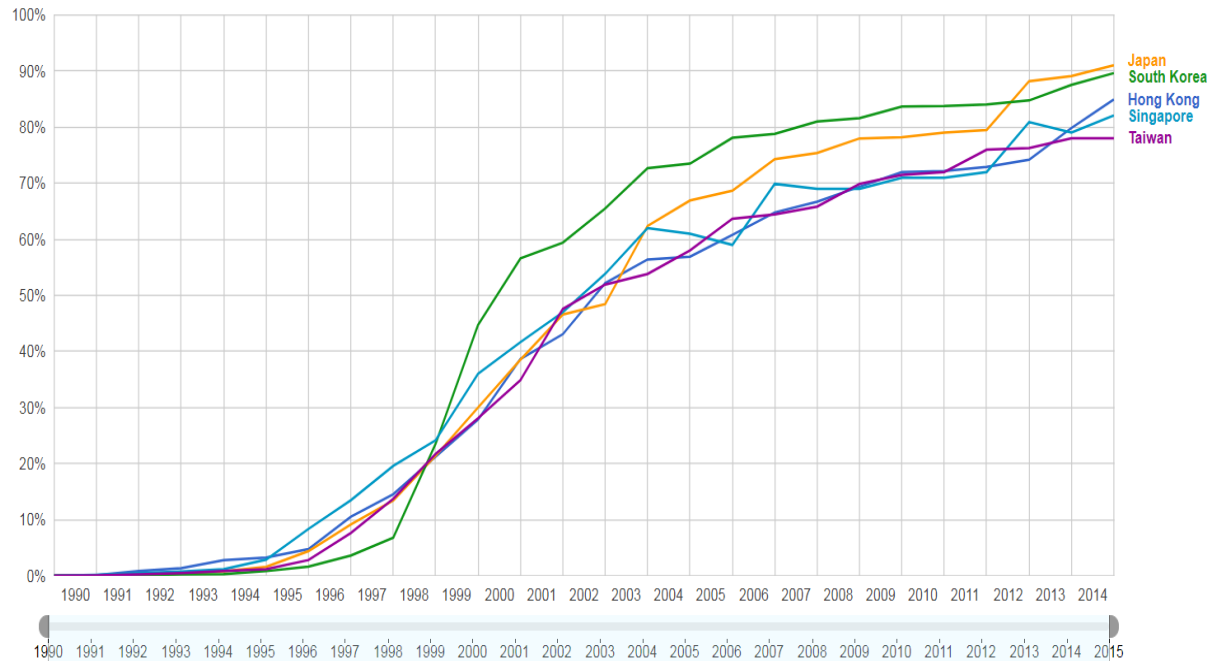
- Second largest city in Taiwan, approx. 2.8 million population; home to Taiwan's third airport - Taichung International Airport
- Vibrant, diverse economy: large industrial areas and a thriving commercial sector that incorporates traditional businesses, small family-run shops & factories
- Approx. 581K households

Notes: (1) National Statistics, R.O.C. (Taiwan) 2016  
(2) Ministry of Labor, Taiwan

# TAIWAN MARKET – POTENTIAL IN BROADBAND



## Relatively lower Broadband penetration and speed compared to other developed APAC markets



- Internet penetration has increased exponentially; but Broadband penetration remains lowest among the other four developed APAC markets (Japan, South Korea, Hong Kong, Singapore)
- Taiwan’s average broadband speed also ranked last among the developed APAC markets at approx. 16.9 Mbps
- TBC’s market penetration in its five franchise areas is approx. 32%
- Opportunity for TBC to gain more market share and meet rising demand for higher-speed broadband plans due to rapidly growing demand for data

International Telecommunications Union

Region	Unique IPv4 Addresses	Average Connection Speed (Mbps)	Average Peak Connection Speed (Mbps)	% Above 4 Mbps	% Above 10 Mbps	% Above 15 Mbps
<b>ASIA PACIFIC</b>						
Hong Kong	3,248,227	21.9	129.5	94%	71%	54%
Japan	46,179,708	20.2	94.5	93%	73%	52%
South Korea	26,226,184	28.6	121.0	98%	85%	69%
Singapore	1,882,779	20.3	184.5	94%	72%	51%
Taiwan	9,524,660	16.9	94.7	95%	65%	38%

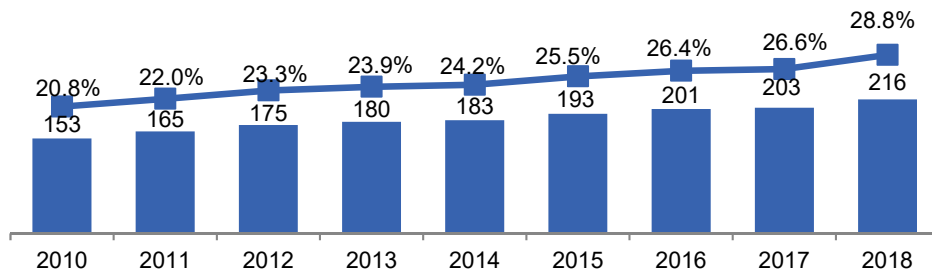
# GROWING BROADBAND MARKET PENETRATION



## TBC's broadband market penetration in its franchise areas: 32% in Q3 2019 vs 29% in 2018

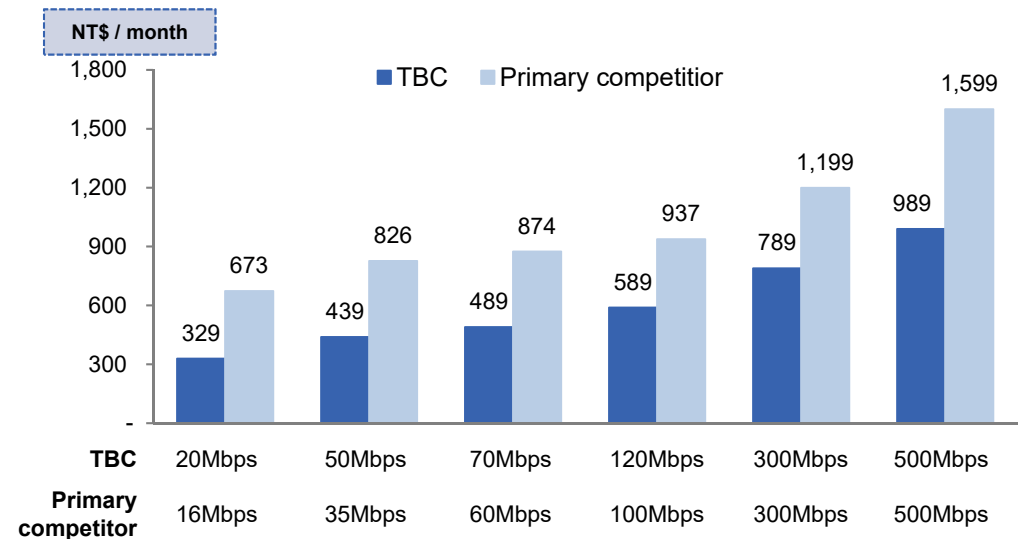
### Broadband RGUs ('000) and penetration

2010-18 Broadband RGU CAGR: 4.4%



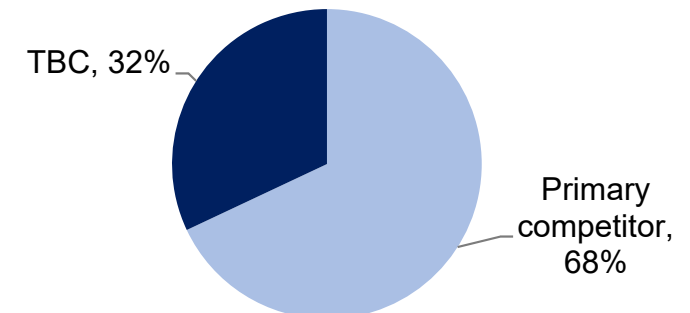
- DOCSIS 3.1 enabled network that meets consumer demand for high-speed internet; 500Mbps launched in 2018
- Competitive pricing and optional bundling with digital TV
- Launch of value-added services including Android OTT gateway and karaoke singing box. Will continue to introduce value-added solutions (e.g. IoT, smart home devices) that will leverage the Android gateway
- Develop new market segments, including enterprise clients
- Support wireless operators with their network development by leveraging TBC network for data backhaul

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



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

### Approx. market penetration of Broadband in TBC's five franchise areas

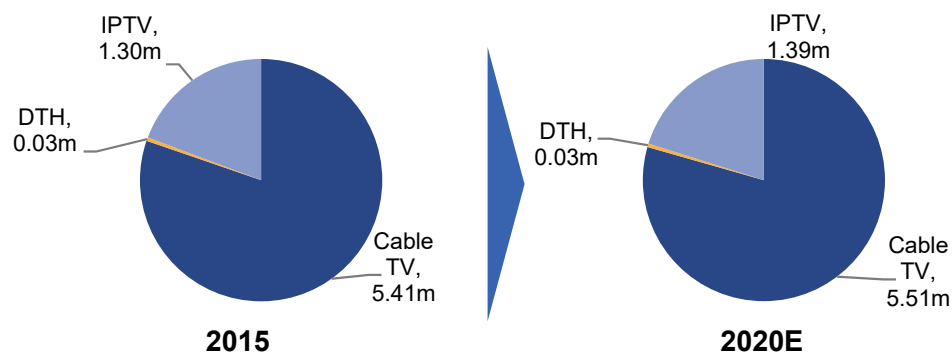


# HIGH BARRIERS TO ENTRY AGAINST CABLE ENTRANTS IN TAIWAN

## Cable TV continues to be the dominant TV platform

- Superior content portfolio at competitive pricing
- Affordable services
- Adoption of superior technology by operators
- Political and technological disadvantages of IPTV in Taiwan

## Pay-TV subscriptions share by platform<sup>1</sup>



## 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 (2018)

1	Sanlih Taiwan Channel
2	Cti News
3	TVBS News
4	EBC News
5	Sanlih E-Television News
6	Formosa TV News
7	YOYO TV
8	Unique Satellite TV
9	GTV Drama
10	Sanlih City Channel
11	ERA News
12	Star Chinese Channel
13	Star Chinese Movies
14	EBC Movies
15	TVBS
16	MoMo Kids
17	EBC Financial News
18	Videoland On-TV
19	Next TV News
20	Videoland Movies

Note: (1) Source: Media Partners Asia 2016



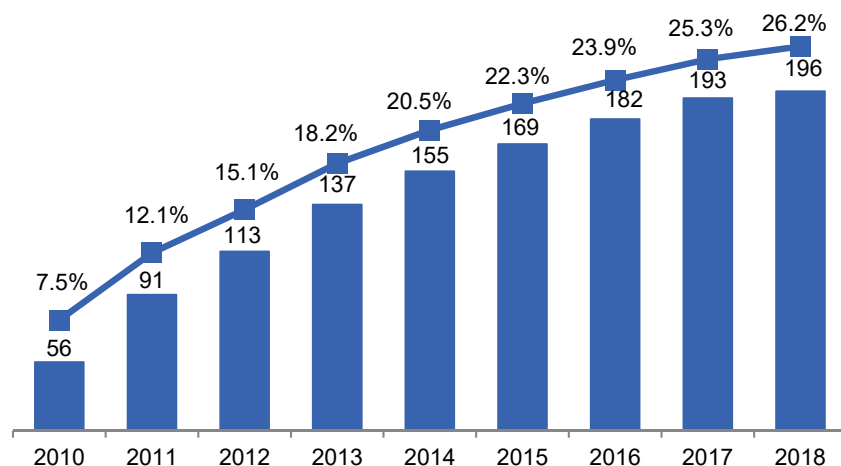
# ORGANIC GROWTH POTENTIAL: PREMIUM DIGITAL CABLE TV



## Capitalising on the rising demand for HD TV sets and better quality videos

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

2010-18 Premium digital cable TV RGU CAGR: 17.1%



- Digital cable TV penetration in Taiwan 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
- Regulatory push by NCC and government - 100% digitisation target by 2017 → TBC was the first large cable TV operator to reach 100% digitisation

### 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

- 10 free channels, including 7 HD channel
- Better video quality across channels
- Incentivises customers to get Premium digital cable TV to access up to 78 additional channels, including 58 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



## Substantially invested in an advanced Hybrid fibre-coaxial (HFC) network which combines optical fibre and coaxial cable for TBC

- Ownership of HFC network and fibre backbone allows TBC to operate independently of third-party networks
- Covers substantially all of ~1.2 million households in TBC Group's franchise areas
- TBC's Cable TV and Broadband services delivered over one advanced HFC network
- 100% DOCSIS 3.1 enabled, fully supporting 500 Mbps Broadband services
- MPEG4 delivery platform set up as early as 2009
  - 100% digital penetration
  - Better video quality
  - Greater video transmission capacity
  - More efficient provision of value-added features such as HDTV and DVR services

### 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 was 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

# SUBSCRIPTION-BASED MODEL WITH EFFICIENT COST STRUCTURE



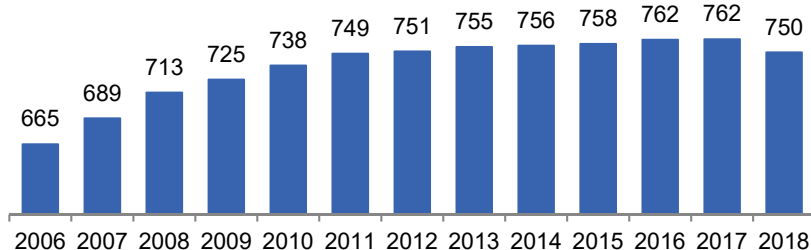
Utility-like, subscription-based business model with majority of payments made in advance

Strong EBITDA and EBITDA margin, competing effectively against alternative platforms & withstanding economic downturns

## Resilient business with large Basic cable TV RGU base

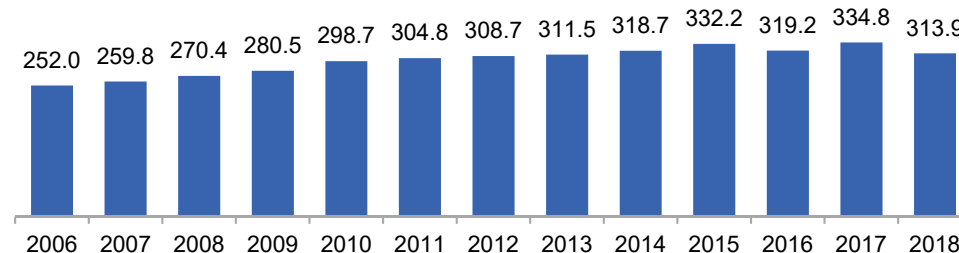
Basic cable TV RGUs ('000)

2006-18 Basic cable TV RGU CAGR: 1.0%



Revenue (\$)

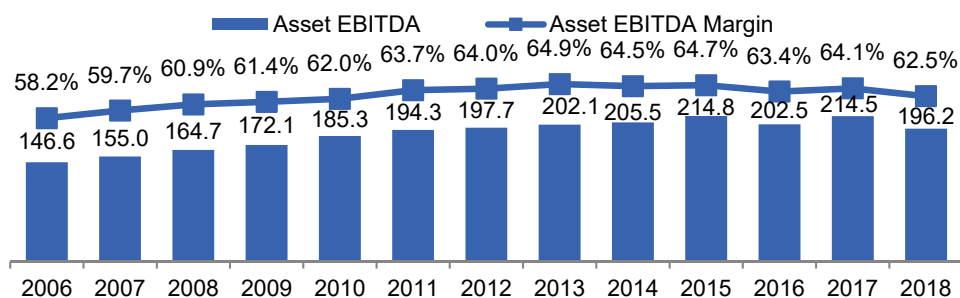
2006-18 Revenue CAGR: 1.8%



## Growing EBITDA due to scalable & efficient cost structure

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

2006-18 EBITDA CAGR: 2.5%



## 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

# NAVIGATING CHALLENGES



- ✓ **Achieve balance sheet flexibility to effectively compete in this economic and operating environment**
- ✓ **Continue to lower operating and financing costs**
- ✓ **Closely monitor capital expenditure to focus on areas that will have the best potential in generating growth and sustainability for the long-term**

## Key Challenges

- **Pressure on cable TV revenue** due to growing popularity of online TV and internet retailing
- **Competition from mobile operators** offering unlimited wireless data offerings
- **ARPU**s are expected to remain under **pressure** in this economic and operating environment

## Strategy to Navigate Challenges & Strengthen Business

- **Focused debt management programme** to reduce dependence on borrowings and strengthen balance sheet
- Pay more conservative distributions to Unitholders and use operating cash flows to **fund capital expenditure** and reduce the dependence on borrowings
- **Strong cost and cash flow management** by managing operating expenses and through lower interest and other finance costs
- **Manage cable TV churn** by continuing to **offer superior content at competitive pricing** and leverage strong Basic cable TV subscriber base, as well as **new and attractively priced product offerings** to improve up-selling and cross-selling of services across subscriber base
- **Drive growth in Broadband business for long-term sustainability<sup>1</sup>**
- Continue to **offer higher speeds at competitive prices** to attract and retain subscribers to fixed-line Broadband services
- Continue with key network and **Broadband investment** in 2019

Note: (1) Refer next slide for Broadband growth strategy

# DRIVING BROADBAND GROWTH

## Drive growth in Broadband business for long-term sustainability

- **Expand market share:** Number of Broadband subscribers continue to increase in 2019; continue to expand Broadband market penetration beyond the current 32% by increasing RGUs through attractively priced packages to acquire new subscribers from competitors and to retain existing ones
- **Support wireless operators with their network development:** TBC's network is 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 rollout
- **Develop new market segments**, including enterprise clients
- 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 (61,000 BandOTT boxes deployed as at 30 September 2019 compared to 52,000 boxes as at 30 September 2018)
- Continue to deploy fibre deeper into the network to **increase network capacity and speed** and support the Broadband business initiatives

END

