

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

Singapore - 10 February 2020

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and year ended 31 December 2019.

KEY HIGHLIGHTS

- Revenue and EBITDA were \$74.3 million¹ and \$42.9 million for the quarter and \$292.6 million and \$174.5 million for the year
- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past seven quarters; added c.5,000 Premium digital cable TV and c.6,000 Broadband subscribers during the quarter and c.18,000 Premium digital cable TV and c.22,000 Broadband subscribers during the year, which more than offset Basic cable TV churn for the quarter and year; total subscribers increased to c.1,181,000
- Efforts in executing the Broadband growth strategy deepened TBC’s² fixed-line Broadband market penetration to 33%, from 29% a year ago
- Operating expenses declined, improving EBITDA margin to 57.8% for the quarter and 59.6% for the year
- Distribution of 0.30 cents per unit declared for the quarter; re-affirmed distribution guidance of 1.20 cents per unit for 2020
- Following preliminary discussions with various interested parties, the Special Committee and its financial adviser, Bank of America Securities, have shortlisted select parties for more in-depth discussions in relation to APTT and its investment in TBC; discussions are progressing

FINANCIAL HIGHLIGHTS

APTT³ reported total revenue of \$74.3 million and EBITDA of \$42.9 million for the quarter ended 31 December 2019, amidst continued challenging market conditions in Taiwan. For the year ended 31 December 2019, total revenue and EBITDA were \$292.6 million and \$174.5 million.

Compared to the prior corresponding period (“pcp”), total revenue and EBITDA were lower by 6.5% and 2.4% for the quarter and 6.8% and 5.5% for the year, mainly due to weaker ARPUs⁴. The decline was a result of pricing pressure from the intense competition that has impacted the entire cable TV and telecommunications industry.

Foreign exchange contributed to a positive variance of 0.3% for the quarter and a negative variance of 1.4% for the year compared to the pcp. In constant Taiwan dollar (“NT\$”) terms, total revenue for the quarter and year was 6.8% and 5.4% lower than the pcp.

Operating expenses continued to decline due to lower broadcast and production costs. For the quarter, operating expenses decreased by 11.6% to \$31.4 million, improving EBITDA margin to 57.8%, from 55.4% in the pcp. For the year, operating expenses of \$118.2 million decreased by 8.6%, improving EBITDA margin to 59.6%, from 58.8% in the pcp.

| Group Amounts in \$'000 | Quarter ended 31 December | | | Year ended 31 December | | |
|---------------------------------|---------------------------|-----------------|---------------------------|------------------------|------------------|---------------------------|
| | 2019 | 2018 | Variance ⁵ (%) | 2019 | 2018 | Variance ⁵ (%) |
| Revenue | | | | | | |
| Basic cable TV | 59,067 | 63,905 | (7.6) | 232,151 | 250,044 | (7.2) |
| Premium digital cable TV | 3,181 | 3,349 | (5.0) | 12,797 | 13,849 | (7.6) |
| Broadband | 12,012 | 12,200 | (1.5) | 47,677 | 49,962 | (4.6) |
| Total revenue | 74,260 | 79,454 | (6.5) | 292,625 | 313,855 | (6.8) |
| Total operating expenses | (31,352) | (35,470) | 11.6 | (118,165) | (129,266) | 8.6 |
| EBITDA | 42,908 | 43,984 | (2.4) | 174,460 | 184,589 | (5.5) |
| EBITDA margin | 57.8% | 55.4% | | 59.6% | 58.8% | |

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

TBC's operational highlights for the quarter and year ended 31 December 2019 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$59.1 million for the quarter, comprising subscription revenue of \$48.0 million and non-subscription revenue of \$11.1 million, was down 7.6% on the pcp. On a full year basis, Basic cable TV revenue of \$232.2 million, comprising subscription revenue of \$192.1 million and non-subscription revenue of \$40.1 million, was down 7.2% on the pcp. In constant NT\$ terms, Basic cable TV revenue for the quarter and year decreased by 7.9% and 5.8%. TBC's c.729,000 Basic cable TV RGUs⁶, each contributed an ARPU of NT\$489 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.5,000 and ARPU remained unchanged compared to the previous quarter ended 30 September 2019 (RGUs: c.734,000; ARPU: NT\$489 per month). The decline in Basic cable TV RGUs was due to a number of factors including 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 five franchise areas, particularly in the Taipei region. 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 for the quarter and year, comprising revenue from the leasing of television channels to third parties, sale of airtime advertising and fees for the installation of set-top boxes, was also lower than the pcp mainly due to lower revenue generated from channel leasing and 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 resulted in a decline in revenue. Premium digital cable TV revenue of \$3.2 million for the quarter ended 31 December 2019 was down 5.0% on the pcp. On a full year basis, Premium digital cable TV revenue of \$12.8 million was 7.6% lower. In constant NT\$ terms, Premium digital cable TV revenue for the quarter and year decreased by 5.3% and 6.2%. Revenue was generated predominantly from TBC's c.214,000 Premium digital cable TV RGUs, each contributing an ARPU of NT\$107 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.5,000 but ARPU was lower compared to the previous quarter ended 30 September 2019 (RGUs: c.209,000; ARPU: NT\$112 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 ARPU.
- **Broadband:** Despite the strong competition from mobile operators offering unlimited wireless data, Broadband RGUs continued to increase during the quarter. Broadband revenue of \$12.0 million for the quarter ended 31 December 2019 was down 1.5% on the pcp. On a full year basis, Broadband revenue of \$47.7 million was 4.6% lower. In constant NT\$ terms, Broadband revenue for the quarter and year decreased by 1.8% and 3.2%. Broadband revenue was generated predominantly from TBC's c.238,000 Broadband RGUs, each contributing an ARPU of NT\$366 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 2019 (RGUs: c.232,000 and ARPU: NT\$376 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.

Mr Brian McKinley, Chief Executive Officer said, *"Despite the intense competition that has negatively impacted almost every player in the cable TV and telecommunications market globally, we have been steadily increasing the number of Premium digital cable TV and Broadband RGUs over the past seven quarters; this has more than offset the Basic cable TV churn. Continued efforts in executing our Broadband growth strategy, which involves network investment to increase speed and capacity, have also deepened our fixed-line Broadband market penetration from 29% in 2018 to 33%. The strategy of growing our Broadband business is key to managing cable TV churn and pressure on ARPU."*

As part of its Broadband growth strategy, TBC has started providing data backhaul services to a growing number of wireless operators who prefer tapping into its superior network. With the first round of 5G licences awarded recently, TBC is targeting to be fully backhaul ready to support 5G network carriers in their eventual rollout.

Mr McKinley added, *“We are confident that data backhaul will become a material part of our business in the next few years. In addition, to meet consumers’ growing data usage, we will continue to drive higher speed plans, develop new market segments and introduce more value-added solutions that leverage the Android gateway.”*

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 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.

Through the refinancing of its borrowing facilities in November 2018 and extension of interest rate swaps to hedge approximately 95% of outstanding onshore facilities through to 2021, the Group’s effective interest rate in 2020 is expected to remain in line with 2019.

The distribution guidance of 1.20 cents per unit for 2020, subject to no material changes in planning assumptions, will enable the Trust to continue using operational cash flows to fund capital expenditure and reduce the dependence on borrowings. At present, the Trust has no plans to draw on its \$83.9 million of revolving facilities, except for managing working capital requirements if needed.

Capital expenditure 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. Subject to operating conditions, more cash generated from operations may be available to make debt repayments.

While the number of Premium digital cable TV and Broadband RGUs is expected to grow in 2020, total revenue will be influenced by the ability to maintain ARPU which will remain under pressure due to video piracy issues, growing popularity of online TV, aggressively priced IPTV and competition from mobile operators offering unlimited wireless data plans. The decline in demand for home shopping and competition from internet retailing will continue to put pressure on channel leasing revenue for the cable industry. Total operating expenses in 2020 are expected to be in line with 2019.

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 2019. The record date will be on 20 March 2020 and the distribution will be paid on 27 March 2020.

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

The Trustee-Manager refers to previous announcements in relation to the independent strategic review of options available for APTT and its investment in TBC (the “Strategic Review”).

Merrill Lynch (Singapore) Pte. Ltd. (“Bank of America Securities”) is acting as the exclusive financial adviser of the Trustee-Manager in connection with the Strategic Review and reports directly to a special committee comprising all four independent directors and the Chief Executive Officer of the Trustee-Manager (the “Special Committee”).

Following preliminary discussions with various interested parties, the Special Committee and Bank of America Securities have shortlisted select parties for more in-depth discussions in relation to APTT and its investment in TBC. These discussions are progressing but there is no assurance that any transaction for APTT or TBC will materialise from the Strategic Review.

The Trustee-Manager will make further announcements 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.

TRUSTEE-MANAGER UNITS IN APTT

Subsequent to the year ended 31 December 2019, on 10 January 2020, APTT issued 2,955,468 units to the Trustee-Manager at a price of \$0.1691778996 per unit, as payment of \$0.5 million, out of the total \$3.7 million Trustee-Manager base fees for the six-month period from 1 July 2019 to 31 December 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 \$3.2 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 TM Units, the Trustee-Manager's direct unitholding in APTT is 8,283,880 Units, representing approximately 0.573% of the total number of issued Units in APTT. Mr Lu Fang-Ming, the non-executive director and vice-chair of the Trustee-Manager, holds 5,000,000 Units, representing approximately 0.346% of the total number of issued Units in APTT. Mr Lu is the majority owner of Dynami Vision Pte. Ltd., which is the sole shareholder of the Trustee-Manager. Hong Han Investment Co., Ltd., a related entity of the Trustee-Manager, holds 43,103,999 Units, representing approximately 2.983% of the total number of issued Units in APTT. The total number of issued Units in APTT as at the date of this announcement is 1,445,083,880.

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