



Asian Pay Television Trust



# ASIAN PAY TELEVISION TRUST

31 MARCH 2020

# IMPORTANT NOTICES AND DISCLAIMERS

## **Disclaimers**

Asian Pay Television Trust (“APTT”) is a business trust registered under the Business Trusts Act (Chapter 31A of Singapore) and listed on the Main Board of the Singapore Exchange Securities Trading Limited. APTT Management Pte. Limited (“AMPL”) is the Trustee-Manager of APTT. AMPL is a wholly owned subsidiary of Dynami Vision Pte. Ltd. (“Dynami”), which is a Singapore-incorporated company. A majority of the shares in Dynami are held by Mr Lu Fang-Ming, the Chairman of Asia Pacific Telecom Co., Ltd.

This presentation has been prepared based on available information. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, neither APTT, AMPL, their directors, employees or agents, nor any other person accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on the part of APTT, AMPL or their directors, employees or agents. In particular, no representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in the information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Each recipient of the information should make its own independent assessment of the information and take its own independent professional advice in relation to the information and any action taken on the basis of the information.

## **General Securities Warning**

This presentation is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in APTT, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding, purchasing or selling securities or other instruments in APTT. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of APTT. Past performance is not a reliable indication of future performance.

Investors should note that there are limitations on the rights of certain investors to own units in APTT under applicable Taiwan laws and regulations. Such investors include individuals or certain corporate entities in the People’s Republic of China (“PRC”), the Taiwan Government and political entities and other restricted entities and restricted persons. For further information, investors should refer to the prospectus dated 16 May 2013 issued by APTT and the deed of trust constituting APTT dated 30 April 2013.

# AGENDA

1. 31 MARCH 2020 RESULTS
2. OUTLOOK & STRATEGY
3. STRATEGIC REVIEW UPDATE
4. BUSINESS OVERVIEW
5. BUSINESS DRIVERS

# 31 MARCH 2020 RESULTS



## Broadband market penetration improved to 34%; Improved EBITDA margin to 60.9% for the quarter



### Q1 2020 revenue and EBITDA higher than pcp

- Revenue and EBITDA up 8.3% and 9.5% to S\$79.3 million and S\$48.3 million, respectively
- EBITDA margin increased to 60.9%
- Revenue and ARPUs continued to be under pressure due to a saturated cable TV market, heightened competition from IPTV and from mobile operators offering unlimited wireless data



### Growth in subscriber base

- Premium digital cable TV and Broadband subscribers have been steadily increasing over the past eight quarters
- Added c.5,000 Premium digital cable TV and c.4,000 Broadband subscribers in the quarter, which more than offset Basic cable TV churn; total subscribers increased to c.1,186,000



### Growth in Broadband market penetration

- Deepened market penetration to 34% (Q1 19: 30%; 2019: 33%), driven by growing data usage and demand for higher speed plans
- Continued efforts to drive higher speed plans and tap opportunities in data backhaul



### Distributions

- Distribution of 0.30 cents per unit declared for Q1 2020
- Refer to APTT Results Announcement for distribution guidance



### Strategic review

- A new strategic partnership at the Trustee-Manager level was one of the options considered by the Strategic Review Committee
- Dynami's parent company had entered into a sale and purchase agreement with Da Da Digital Convergence Co., Ltd ("Da Da Digital") for a 65% stake in Dynami; subject to approvals
- There is no assurance that any transaction for APTT or TBC will materialise from the Strategic Review

# KEY OPERATING METRICS

Premium and Broadband RGUs have been steadily increasing over the last eight quarters, which more than offset Basic cable TV churn, raising total subscriber base to c.1,186,000

	RGUs <sup>1</sup> ('000)			ARPU <sup>2</sup> (NT\$ per month)		
	As at			Quarter ended		
	31 Mar 2020	31 Dec 2019		31 Mar 2020	31 Dec 2019	
Basic cable TV	725	729	↓	486	489	↓
Premium digital cable TV	219	214	↑	104	107	↓
Broadband	242	238	↑	360	366	↓

- **Basic cable TV:** Saturated cable TV market in Taiwan, resulting in RGUs declining; c.725,000 as at 31 March 2020, ARPU was lower. RGUs were impacted by i) video piracy issues, ii) competition from aggressively priced IPTV and iii) 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.219,000. 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.242,000. The continued focus on TBC's broadband growth strategy, in the face of competitive market conditions from unlimited wireless data offerings from mobile operators, lifted the number of RGUs 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 0.9% in Q1 2020

Notes: (1) RGUs refer to Revenue Generating Units, another term for subscribers or subscriptions; the terms are used interchangeably

(2) Average Revenue Per User ("ARPU") is calculated by dividing the subscription revenue for Basic cable TV or 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



**Q1 2020 revenue and EBITDA higher than pcp; EBITDA margin improved to 60.9%; ARPU continued to be under pressure**

Group <sup>1</sup> (S\$'000)	Quarter ended 31 Mar		
	2020	2019	Variance <sup>2</sup> %
<b>Revenue</b>			
Basic cable TV	63,669	58,083	9.6
Premium digital cable TV	3,254	3,241	0.4
Broadband	12,381	11,883	4.2
<b>Total revenue</b>	<b>79,304</b>	<b>73,207</b>	<b>8.3</b>
<b>Total operating expenses<sup>3</sup></b>	<b>(31,044)</b>	<b>(29,132)</b>	<b>(6.6)</b>
<b>EBITDA</b>	<b>48,260</b>	<b>44,075</b>	<b>9.5</b>
EBITDA margin	60.9%	60.2%	

In constant Taiwan dollars (“NT\$”), total revenue up 3.6% for the quarter as foreign exchange contributed 4.7% positive variance for the quarter compared to the pcp

- **Basic cable TV:** Up 4.9% for the quarter in constant NT\$ terms mainly due to higher non-subscription revenue that was generated from airtime advertising sales and others
- **Premium digital cable TV:** Down 4.3% for the quarter in constant NT\$ terms. Generated predominantly from TBC’s average Premium digital cable TV RGUs each contributing an ARPU of NT\$104 per month during the quarter for Premium digital cable TV packages, bundled DVR or DVR-only services
- **Broadband:** Marginally down 0.5% for the quarter in constant NT\$ terms. Generated predominantly from TBC’s average Broadband RGUs each contributing an ARPU of NT\$360 per month during the quarter for high-speed Broadband services

**Total operating expenses:** Higher operating expenses for the quarter, mainly due to higher staff costs and other operating expenses, partially offset by lower broadcast and production costs

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 the 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 31 Mar		
	2020	2019	Variance <sup>2</sup> %
<b>Total revenue</b>	<b>79,304</b>	<b>73,207</b>	<b>8.3</b>
<b>Operating expenses</b>			
Broadcast and production costs	(13,713)	(14,524)	5.6
Staff costs	(8,274)	(6,569)	(26.0)
Trustee-Manager fees	(1,830)	(1,804)	(1.4)
Other operating expenses	(7,227)	(6,235)	(15.9)
<b>Total operating expenses</b>	<b>(31,044)</b>	<b>(29,132)</b>	<b>(6.6)</b>
<b>EBITDA</b>	<b>48,260</b>	<b>44,075</b>	<b>9.5</b>
<b>Other expenses</b>			
Depreciation and amortisation expense	(21,554)	(20,535)	(5.0)
Net foreign exchange gain/(loss)	1,168	(1,709)	>100
Mark to market (loss)/gain on derivative financial instruments	(2,734)	1,424	(>100)
Amortisation of deferred arrangement fees	(864)	(830)	(4.1)
Interest and other finance costs	(12,476)	(11,994)	(4.0)
Income tax expense	(5,693)	(2,957)	(92.5)
<b>Total other expenses</b>	<b>(42,153)</b>	<b>(36,601)</b>	<b>(15.2)</b>
<b>Net profit</b>	<b>6,107</b>	<b>7,474</b>	<b>(18.3)</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 31 Mar		
	2020	2019	Variance <sup>3</sup> %
<b>Revenue</b>			
Basic cable TV	63,669	58,083	9.6
Premium digital cable TV	3,254	3,241	0.4
Broadband	12,381	11,883	4.2
<b>Total revenue</b>	<b>79,304</b>	<b>73,207</b>	<b>8.3</b>
<b>Total operating expenses<sup>4</sup></b>	<b>(31,044)</b>	<b>(29,132)</b>	<b>(6.6)</b>
<b>EBITDA</b>	<b>48,260</b>	<b>44,075</b>	<b>9.5</b>
EBITDA margin <sup>5</sup>	60.9%	60.2%	
<b>Capital expenditure</b>			
Maintenance	4,312	3,823	(12.8)
Network, Broadband and other	6,800	10,899	37.6
<b>Total capital expenditure</b>	<b>11,112</b>	<b>14,722</b>	<b>24.5</b>
Income tax paid, net of refunds	(1,117)	(2,931)	61.9
Interest and other finance costs paid	(12,460)	(11,960)	(4.2)

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

# FINANCIAL POSITION



## Debt management programme continues to strengthen balance sheet

Group (S\$'000)	As at	
	31 Mar 2020	31 Dec 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	96,830	79,101
Trade and other receivables	14,882	11,956
Other assets	20,769	17,895
	<b>132,481</b>	<b>108,952</b>
<b>Non-current assets</b>		
Property, plant and equipment	346,090	338,796
Intangible assets	2,504,731	2,390,549
Other assets	1,864	1,232
	<b>2,852,685</b>	<b>2,730,577</b>
<b>Total assets</b>	<b>2,985,166</b>	<b>2,839,529</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings from financial institutions	19,572	15,400
Trade and other payables	44,364	39,278
Income tax payable	10,035	7,582
Other liabilities	58,294	54,502
	<b>132,265</b>	<b>116,762</b>
<b>Non-current liabilities</b>		
Borrowings from financial institutions	1,566,674	1,511,288
Deferred tax liabilities	90,553	84,793
Other liabilities	51,405	42,156
	<b>1,708,632</b>	<b>1,638,237</b>
<b>Total liabilities</b>	<b>1,840,897</b>	<b>1,754,999</b>
<b>Net assets</b>	<b>1,144,269</b>	<b>1,084,530</b>

- **Cash and cash equivalents:** Cash balance of S\$96.8 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

# BORROWINGS



## Refinancing of borrowing facilities in 2018 and extension of interest rate swaps lowered effective interest rate to 3.2%

Group debt		As at	
		31 Mar 2020	31 Dec 2019
Total size available	S\$ million	1,691	1,628
Total outstanding	S\$ million	1,604	1,545
Effective interest rate - constant dollar	% p.a.	Q1 - 2.6	Full year - 2.7
Effective interest rate - SGD	% p.a.	Q1 - 3.2	Full year - 3.3
Net debt / EBITDA <sup>1</sup>	Multiple	8.4	8.4
Interest cover <sup>2</sup>	Multiple	3.5	3.5
Gearing <sup>3</sup>	%	53.1	53.8

- 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
- Interest rate swaps in place to hedge approx. 95% of outstanding onshore facilities through to 2021. The average fixed rate on TAIBOR swaps is approx. 0.82%
- The refinancing and extension of interest rate swaps resulted in substantial annual savings through lower interest costs
- Effective interest rate in constant dollar terms of 2.6% p.a. for the quarter compared to 2.7% p.a. for 2019. Actual effective interest rate in SGD was 3.2% p.a. for the quarter compared to 3.3% p.a. for 2019
- Approx. S\$87 million of revolving facilities are available to fund future initiatives

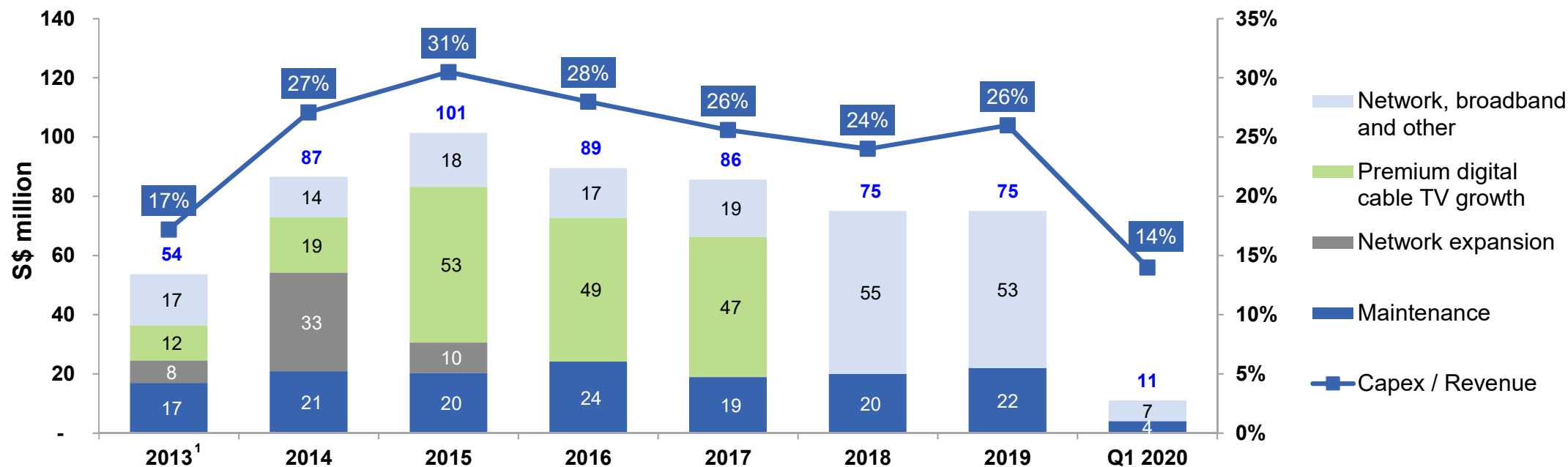
Notes: (1) Total debt outstanding less cash divided by LTM EBITDA

(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 in the first quarter decreased by 24.5%; Capital expenditure is trending down from 2020 onwards; more cash generated from operations may be available to make debt repayments, subject to operating conditions



- 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 for 2020, 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 is trending down from 2020 onwards; more cash generated from operations may be available to make debt repayments, subject to operating conditions
- Focus will continue to be on areas that will have the best potential in generating growth and sustainability for the long-term

## Capital expenditure in 2020 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

- Continue to use operational cash flows to fund capital expenditure and reduce the dependence on borrowings
- Step up on debt management programme

## Key Investments

- Investments to focus on:
  - Driving higher speed plans
  - Positioning 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 the next few 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 2020
- 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 2019: Basic cable TV rates for 2020 across all five franchise areas have been maintained at the same rates as 2019

*While Premium digital cable TV and Broadband RGUs are expected to grow in 2020, total revenue will be influenced by the ability to maintain ARPUs which will remain under pressure; Total operating expenses in 2020 expected to be in line with 2019*

# STRATEGIC REVIEW UPDATE





## Strategic Review Committee, comprising all four independent directors and the CEO, leading the strategic review

- Following preliminary discussions with various interested parties in Q4 2019 and Q1 2020, the Strategic Review Committee and Bank of America Securities shortlisted select parties for more in-depth discussions in relation to APTT and its investment in TBC
- On 11 February 2020, the Trustee-Manager announced that Dynami's parent company had entered into a sale and purchase agreement with Da Da Digital for a strategic 65% stake in Dynami; subject to approvals from regulatory bodies in Taiwan and lenders of APTT and TBC
- The Strategic Review Committee is of the view that:
  - Da Da Digital's proposed acquisition, if approved by the regulatory bodies in Taiwan and lenders of APTT and TBC, will be a win-win solution for all parties, and for APTT unitholders
  - There is potential to create synergies between APTT and Da Da Digital on the back of industry changes from Taiwan's 5G rollout
- Da Da Digital has indicated its interest to increase its stake in APTT in the mid to long term, while adhering to the necessary regulations in both Taiwan and Singapore
- The Strategic Review Committee, which is steadfast in protecting unitholders' interest, looks forward to growing the partnership and working closely with Da Da Digital to extract greater value for unitholders

### **Important note:**

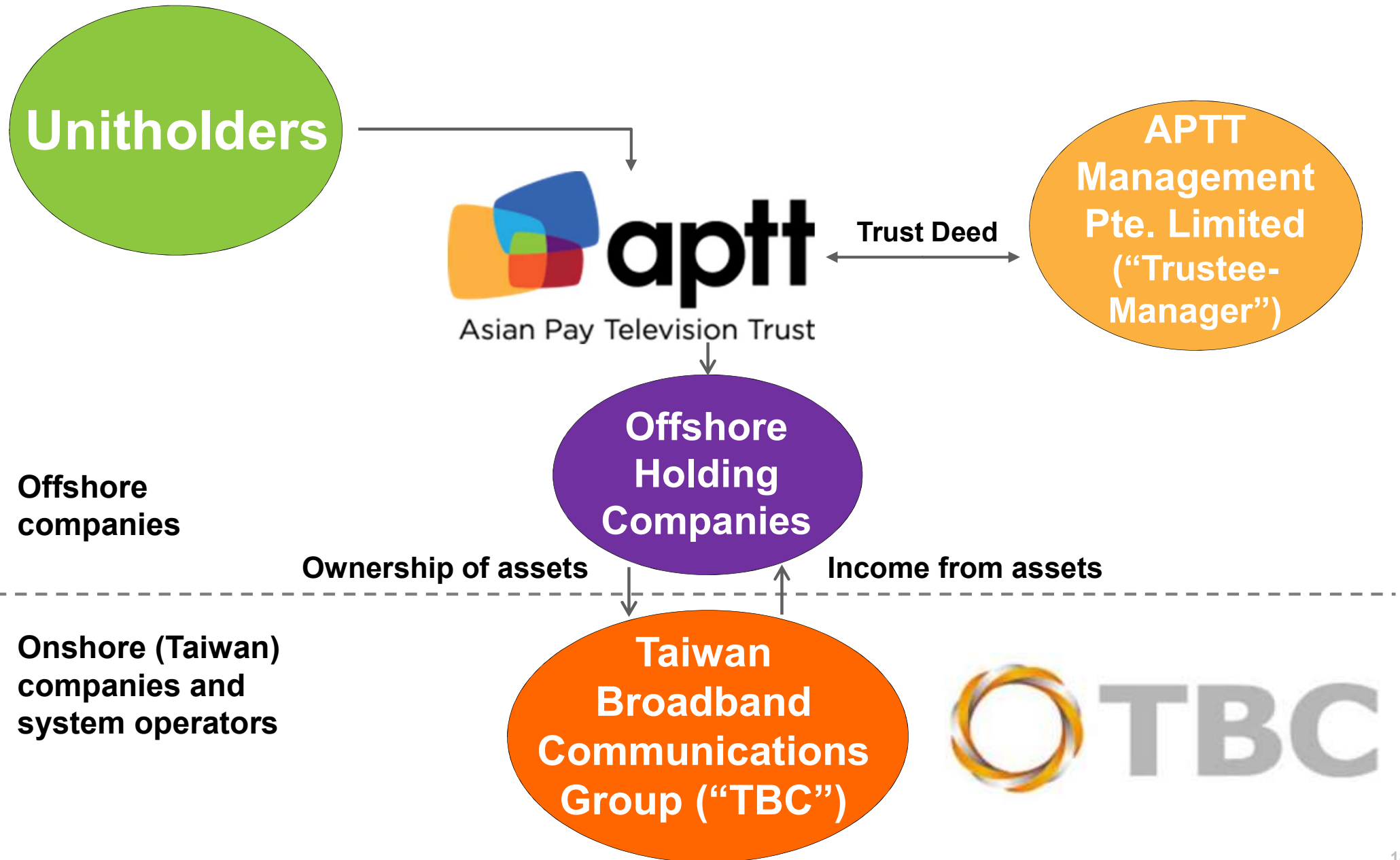
The Trustee-Manager will make further announcements when appropriate.

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.

# 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 7)
- **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

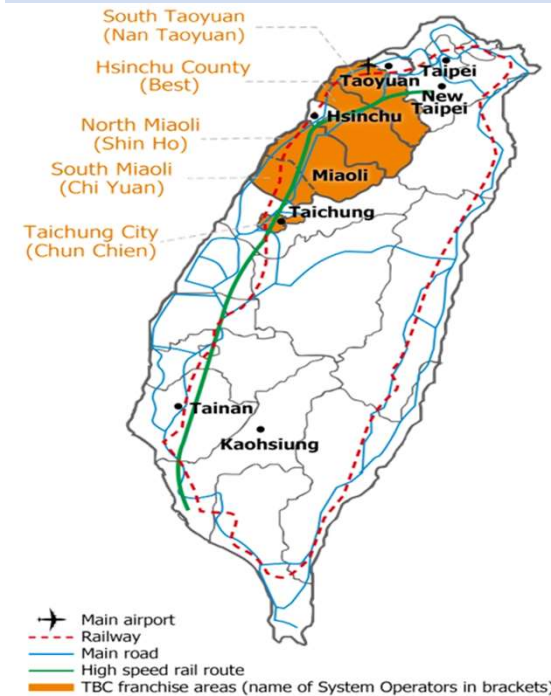
*Approx. 80% of revenue is subscription-based from the three products<sup>1</sup>*

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 75 additional channels including 64 HD channels, through MPEG4 platform  30% Premium digital cable TV penetration <sup>1</sup> with large addressable market of 100% digital set-top box penetration	34% 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 1 Gbps

Note: (1) As at 31 March 2020

## FRANCHISE AREAS IN NORTHERN & CENTRAL TAIWAN

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



- Highly attractive demographics and low churn rate of 0.6%<sup>1</sup> for Basic cable TV (725K<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

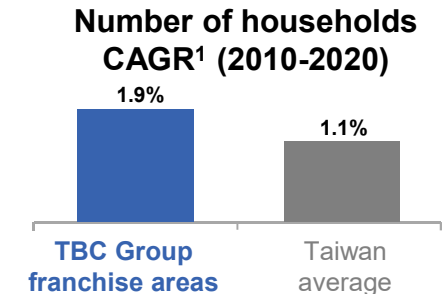
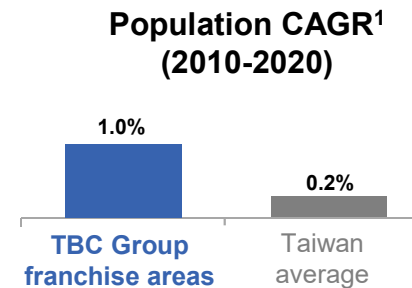
# BUSINESS DRIVERS



# TBC'S FRANCHISE AREAS

Network coverage of more than 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 (1.0%) outstrips national average (0.2%); 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. 421K households and population of close to 1.2 million

## Hsinchu



- Hsinchu Science Park is home to high tech companies, the city has one of the highest income levels in Taiwan
- Approx. 201K households and population of 565K

## Miaoli (North & South)



- Suburban mountainous region geographically located between Hsinchu and Taichung
- Well connected via major railway and road transportation systems
- Approx. 192K households and population of 545K

## Taichung City

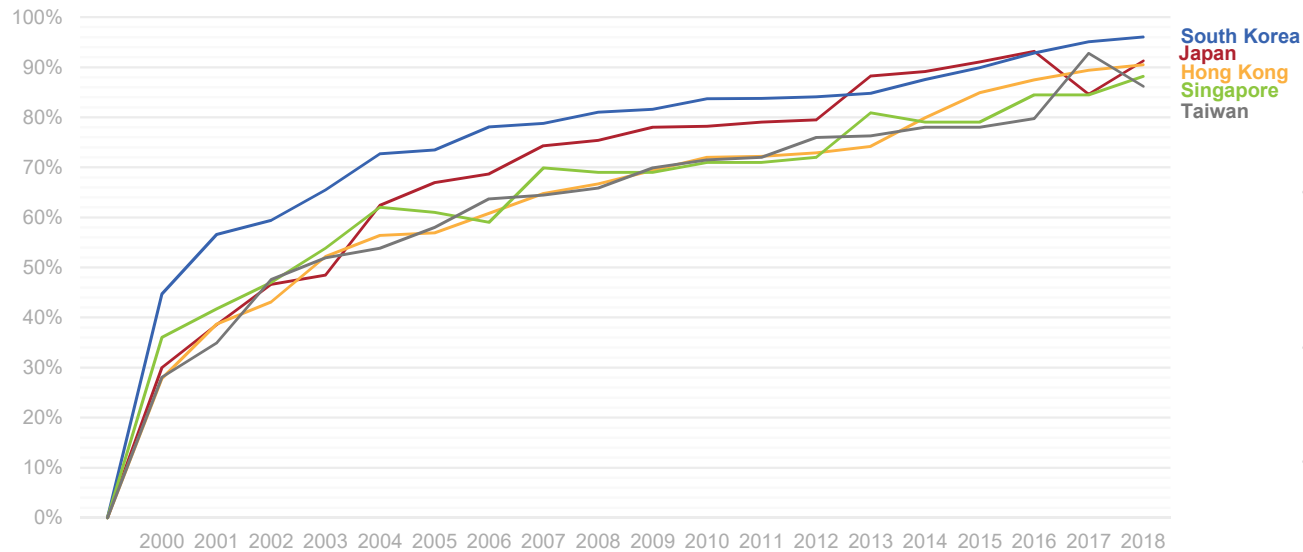


- One of the most populous cities in Taiwan; home to Taichung International Airport
- Vibrant, diverse economy: large industrial areas and a thriving commercial sector that incorporates traditional businesses, small family-run shops & factories
- Approx. 452K households and population of 1.2 million

# 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, compared to four other developed APAC markets (South Korea, Japan, Hong Kong, Singapore)
- Taiwan’s average broadband speed has improved, but is still ranked second last among the developed APAC markets at approx. 137.9 Mbps
- TBC’s market penetration in its five franchise areas is approx. 34%
- 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	Number of Internet users (million)	Average speed of fixed internet connections (Mbps)	Year-on-year change in average speed of fixed internet connections
<b>Asia-Pacific</b>			
Taiwan	20.51	137.90	+113%
South Korea	49.21	144.41	+21%
Japan	116.5	104.58	+14%
Singapore	5.14	200.12	+4.8%
Hong Kong	6.79	164.88	+2.2%

# GROWING BROADBAND MARKET PENETRATION



## TBC's broadband market penetration in its franchise areas: 34% in Q1 2020 vs 33% in 2019

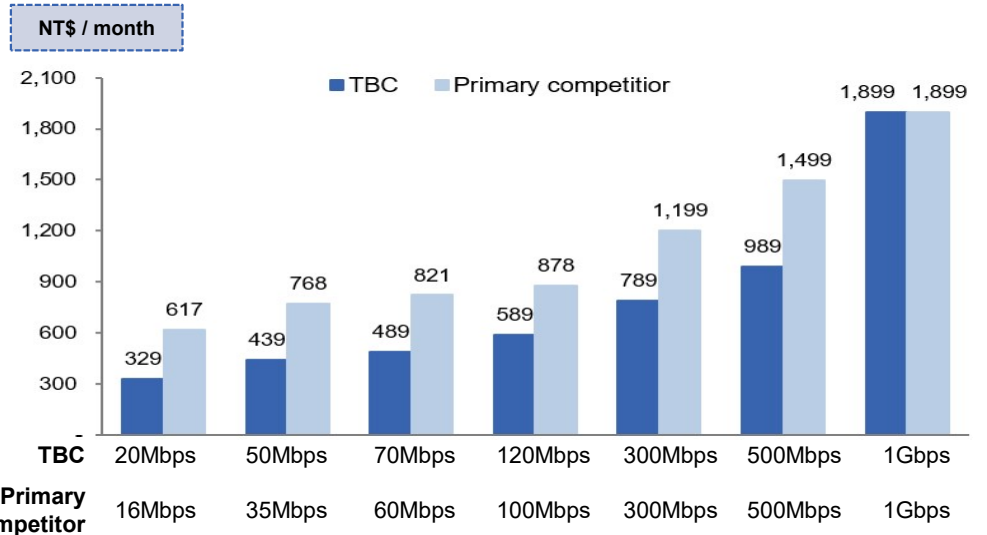
### Broadband RGUs ('000) and penetration

2010-19 Broadband RGU CAGR: 5.0%



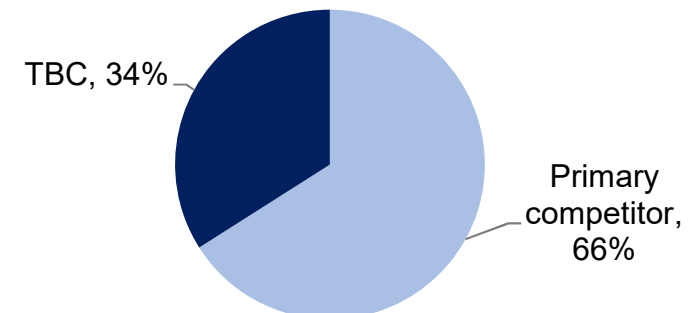
- DOCSIS 3.1 enabled network that meets consumer demand for high-speed internet; 1 Gbps launched in Q4 2019
- Competitive pricing and optional bundling with digital TV
- Launch of value-added services including Android OTT gateway and karaoke singing box. Will continue to introduce value-added solutions (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

## 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 (2019)

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

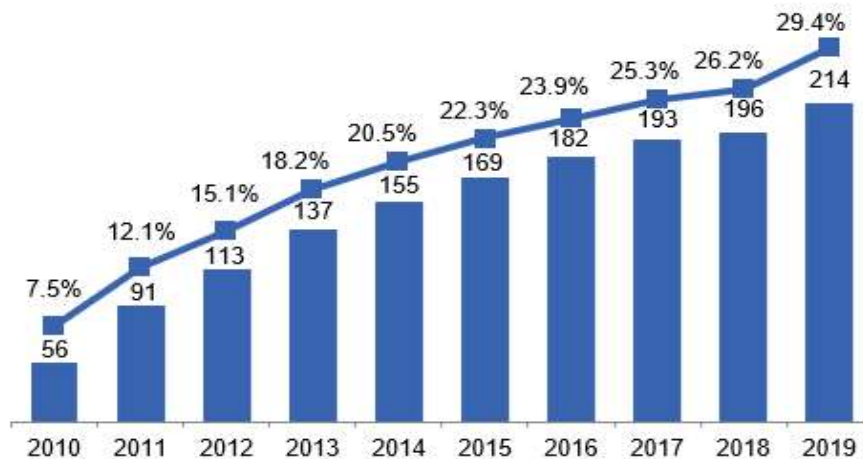
# ORGANIC GROWTH POTENTIAL: PREMIUM DIGITAL CABLE TV



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

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

2010-19 Premium digital cable TV RGU CAGR: 16.2%



- 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 8 HD channel
- Better video quality across channels
- Incentivises customers to get Premium digital cable TV to access up to 75 additional channels, including 64 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

# STATE-OF-THE-ART DELIVERY PLATFORM ADVANCED HFC NETWORK



## 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 1 Gbps 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



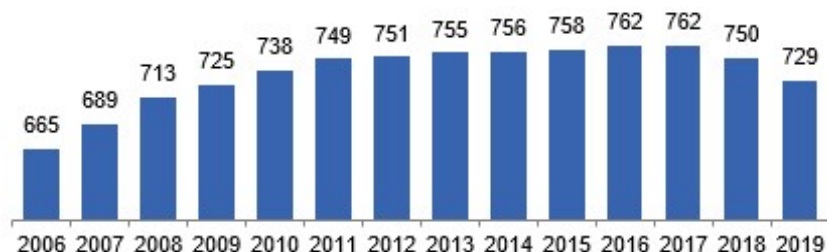
Utility-like, subscription-based business model with majority of payments made in advance

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

## Resilient business with large Basic cable TV RGU base

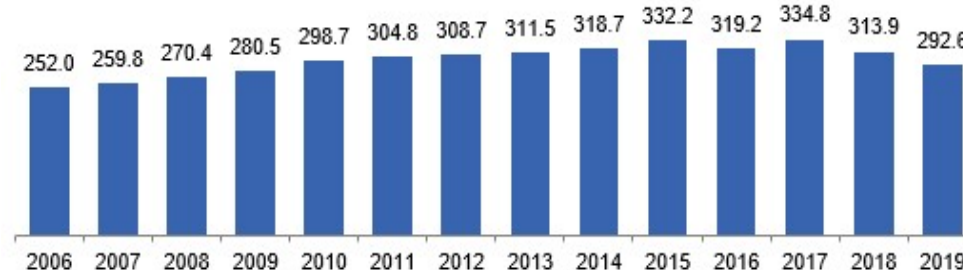
Basic cable TV RGUs ('000)

2006-19 Basic cable TV RGU CAGR: 0.7%



Revenue (\$)

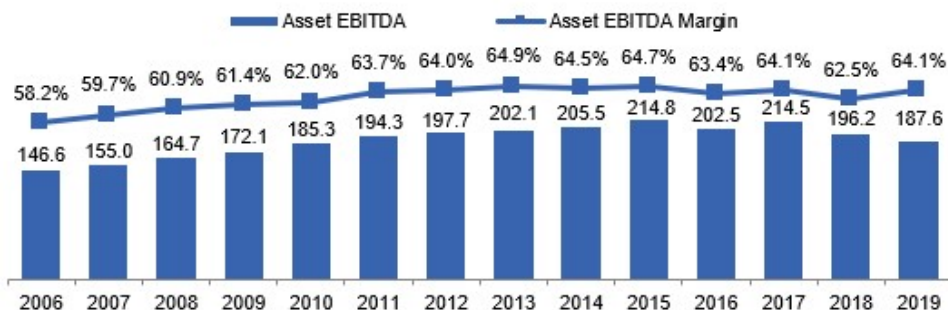
2006-19 Revenue CAGR: 1.2%



## Growing EBITDA due to scalable & efficient cost structure

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

2006-19 EBITDA CAGR: 1.9%



## 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 margin 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

- Reduce dependence on borrowings and strengthen balance sheet
- 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

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

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

- **Expand market share:** Number of Broadband subscribers continue to increase in 2020; continue to expand Broadband market penetration beyond the current 34% 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 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 at the beginning of 2020, TBC is targeting to be fully backhaul ready to support 5G network carriers in their eventual rollout. With continued wireless network development, data backhaul through TBC's network is expected to become a material part of the Broadband business within the next few years
- **Develop new market segments,** including enterprise clients

END

