

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND HALF-YEAR ENDED 30 JUNE 2020

Singapore – 7 August 2020

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and half-year ended 30 June 2020.

KEY HIGHLIGHTS

- Revenue and EBITDA were higher at \$75.6 million¹ and \$44.7 million for the quarter ended 30 June 2020
- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past nine quarters; added c.6,000 Premium digital cable TV and c.4,000 Broadband subscribers during the quarter, which more than offset Basic cable TV churn; total subscribers increased by c.6,000 to c.1,192,000
- Focused on executing Broadband growth strategy
- Distribution of 0.25 cents per unit declared for the quarter, based on the enlarged unitholdings following the completion of 1-for-4 renounceable non-underwritten Rights Issue; quarterly distribution is expected to remain at 0.25 cents per unit until the end of 2020, subject to no material changes in planning assumptions
- Net proceeds of \$45.0 million from the Rights Issue pared down 20% of outstanding offshore facilities, deriving annual interest cost savings of approximately \$2.9 million

FINANCIAL HIGHLIGHTS

APTT² reported higher revenue and EBITDA for the quarter and half-year ended 30 June 2020, amid continued challenging market conditions. Revenue and EBITDA stood at \$75.6 million and \$44.7 million for the second quarter, and \$155.0 million and \$92.9 million for the half-year.

Compared to the prior corresponding period (“pcp”), total revenue for the quarter and half-year increased by 4.8% and 6.6% while EBITDA grew by 0.4% and 4.9%, respectively. Foreign exchange contributed to a positive variance of 7.8% for the quarter and 6.2% for the half-year compared to the pcp. In constant Taiwan dollar (“NT\$”), total revenue for the quarter was 3.0% lower but 0.4% higher for the half-year compared to the pcp. The decrease in second quarter revenue was due to lower subscription revenue from all three business segments. ARPU³ continued to be under pressure due to the pricing competition amongst mobile operators. This trend has impacted the entire cable TV and telecommunications industry.

Operating expenses for the quarter and half-year increased due to higher broadcast and production costs, arising from the timing in which programming fees were recorded in the prior year. Staff costs and other operating expenses also increased compared to the pcp.

EBITDA margin for the quarter and half-year remained stable at 59.0% and 60.0%.

Group	Quarter ended 30 June			Half-year ended 30 June		
	2020	2019	Variance ⁴ (%)	2020	2019	Variance ⁴ (%)
Amounts in \$'000						
Revenue						
Basic cable TV	59,602	57,119	4.3	123,271	115,202	7.0
Premium digital cable TV	3,300	3,192	3.4	6,554	6,433	1.9
Broadband	12,745	11,887	7.2	25,126	23,770	5.7
Total revenue	75,647	72,198	4.8	154,951	145,405	6.6
Total operating expenses⁵	(30,994)	(27,701)	(11.9)	(62,038)	(56,833)	(9.2)
EBITDA	44,653	44,497	0.4	92,913	88,572	4.9
EBITDA margin	59.0%	61.6%		60.0%	60.9%	

¹ All figures, unless otherwise stated, are presented in Singapore dollars (“\$”).

² APTT refers to APTT and its subsidiaries taken as a whole.

³ ARPU refers to Average Revenue Per User.

⁴ A positive variance is favourable to the Group and a negative variance is unfavourable to the Group.

⁵ Operating expenses presented here exclude settlement of programming fees, 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 presented here. Settlement of programming fees were \$5.4 million and represent a one-time programming cost following final negotiations between TBC and the agent in relation to the content programming discussions TBC had been facilitating between its programming vendors and agent since 2019.

OPERATIONAL PERFORMANCE

TBC's⁶ operational highlights for the quarter ended 30 June 2020 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$59.6 million for the quarter, which comprised subscription revenue of \$49.5 million and non-subscription revenue of \$10.1 million, was up 4.3% on the pcp. In constant NT\$, Basic cable TV revenue for the quarter decreased by 3.5%. TBC's c.721,000 Basic cable TV RGUs⁷ contributed an ARPU of NT\$483 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.4,000 and ARPU was lower compared to the previous quarter ended 31 March 2020 (RGUs: c.725,000; ARPU: NT\$486 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, the growing popularity of online video, as well as 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. Non-subscription revenue for the quarter, including revenue from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes, was marginally higher than the pcp mainly due to higher revenue generated from channel leasing and others. The leasing of television channels, which is mainly to third-party home shopping networks, continued to be affected by lower 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 in constant NT\$. Premium digital cable TV revenue of \$3.3 million for the quarter ended 30 June 2020 was up 3.4% on the pcp. In constant NT\$, Premium digital cable TV revenue for the quarter decreased by 4.4%. Revenue was generated predominantly from TBC's c.225,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$100 per month in the quarter for Premium digital cable TV packages and bundled DVR or DVR-only services. Premium digital cable TV RGUs increased by c.6,000 but ARPU was lower compared to the previous quarter ended 31 March 2020 (RGUs: c.219,000; ARPU: NT\$104 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 \$12.7 million for the quarter ended 30 June 2020 was up 7.2% on the pcp. In constant NT\$, Broadband revenue for the quarter decreased marginally by 0.6%. Broadband revenue was generated predominantly from TBC's c.246,000 Broadband RGUs each contributing an ARPU of NT\$356 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.4,000 but ARPU was lower compared to the previous quarter ended 31 March 2020 (RGUs: c.242,000; ARPU: NT\$360 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 TBC refers to Taiwan Broadband Communications group.

⁷ RGUs refer to Revenue Generating Units, another term for subscribers or subscriptions; the terms are used interchangeably.

TBC's Broadband growth strategy is producing results. Over the last 18 months, efforts to drive higher speed plans, develop new market segments and introduce more value-added solutions that leverage the Android gateway, which allow higher speed plan subscribers to view over-the-top content and enjoy other value-added home-centric solutions, has increased the number of Broadband subscribers by 14%.

The growth strategy also plays a key role in unlocking the potential of TBC's data backhaul service, which is expected to be a key component of the Broadband business within the next few years.

Mr Brian McKinley, Chief Executive Officer of the Trustee-Manager said, "As a proof-of-concept, TBC is providing data backhaul for 4G networks to a number of wireless operators who prefer tapping into our superior network, rather than the main telco who is also competing with them in the wireless space. The first round of 5G licences were awarded at the beginning of 2020 and while some initial 5G services are targeted to be introduced in 2020, it will be a multi-year investment for the wireless operators. It is therefore important to continue with our network and Broadband investment as this will not only enable us to meet consumers' growing demand for data and high-speed plans, but to be fully data-backhaul ready to support wireless operators in their eventual 5G rollout."

OUTLOOK

Apart from executing the Broadband growth strategy, managing APTT's debt levels remains another important focus, as a stronger balance sheet will provide the Trust with the flexibility to navigate and compete more effectively in today's uncertain economic climate. The Trustee-Manager aims to gradually reduce debt levels.

Net proceeds of \$45.0 million from the Rights Issue have been used to pare down 20% of APTT's outstanding offshore facilities, which translates to annual interest cost savings of approximately \$2.9 million. Additionally, with capital expenditure trending down from 2020, more cash generated from operations may be available to make debt repayments, subject to operating conditions.

Mr McKinley added, *"As is normal course for capital expenditure spending, amid continued industry challenges and pressure on ARPUs, and with the uncertain global economic outlook brought about by the COVID-19 pandemic, we are exercising extra prudence. Some capital expenditure has been deferred until the second half of 2020. The level of capital expenditure, which is trending down compared to previous years, will be closely monitored to focus on areas that will have the best potential in generating growth and sustainability for the long-term."*

While the Trustee-Manager does not expect to record Basic cable TV RGU growth due to Taiwan's saturated cable TV market, it expects the number of Premium digital cable TV and Broadband RGUs to increase in 2020. Total revenue will, however, be influenced by the ability to maintain ARPUs which will remain under pressure due to market dynamics. 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.

The strategic review process has come to an end with the proposed ownership changes at the Trustee-Manager level and the successful completion of the Rights Issue. The Trustee-Manager and the Board of Directors remain committed to protecting unitholders' interests and growing the partnership with the incoming majority owner, Da Da Digital Convergence Co., Ltd. ("Da Da Digital"), to extract greater value for unitholders.

RIGHTS ISSUE

On 28 April 2020, APTT announced a renounceable non-underwritten rights issue (the "Rights Issue") of 361,270,970 new units (the "Rights Units") at an issue price of \$0.128 per Rights Unit. The issue price represented a discount of approximately 3.8% to the closing price of \$0.133 per unit on 27 April 2020, being the last trading date immediately prior to the date of announcement of the Rights Issue. The SGX-ST granted its approval in-principle on 18 May 2020 for the listing of and quotation for the Rights Units on the Main Board of the SGX-ST.

The Rights Issue provided eligible unitholders with an opportunity to maintain their equity interest in APTT. Four unitholders, APTT Management Pte. Limited (in its own capacity as unitholder of APTT and not as the Trustee-Manager of APTT), Araedis Investment Pte. Ltd., Mr Hsiao Han Shen and Mr Lu Fang-Ming, stepped forward to provide undertakings for the Rights Issue. Since this opportunity presented itself and with the continued pressures on APTT's EBITDA amid the challenging operating environment, the Trustee-Manager exercised prudence by paying down debt.

The record date for the purpose of determining the Rights of entitled unitholders was fixed at 5.00 p.m. on 1 June 2020. The offer information statement in relation to the Rights Issue was dated and lodged with the MAS on 1 June 2020. As at the close of the Rights Issue on 18 June 2020, the Rights Issue was fully subscribed with valid acceptances and excess applications received for 474,661,223 Rights Units, including acceptances and excess applications by undertaking unitholders for 100% of the 361,270,970 Rights Units.

All 361,270,970 Rights Units were allotted and issued on 25 June 2020 and the Rights Units were listed, quoted and traded on the Main Board of the SGX-ST with effect from 9.00 a.m. on 26 June 2020. Following the allotment and issue of the Rights Units, the total number of issued Units in APTT increased to 1,806,354,850.

As announced on 30 June 2020, the total gross proceeds of approximately \$46.2 million raised from the Rights Issue were fully utilised: (i) \$45.0 million for partial repayment of the Offshore Facilities; and (ii) \$1.2 million for payment of the expenses incurred in connection with the Rights Issue.

DISTRIBUTIONS

With the completion of the Rights Issue, APTT's total unitholdings have increased by 25%. On a total quarterly distribution basis, the distribution will increase from \$4.3 million to \$4.5 million per quarter, a 4.2% rise. Based on the enlarged unitholdings, this translates to an adjusted distribution of 0.25 cents per unit per quarter, subject to no material changes in planning assumptions.

The Board of directors of the Trustee-Manager has declared an ordinary interim distribution of 0.25 cents per unit for the quarter ended 30 June 2020. The record date will be on 18 September 2020 and the distribution will be paid on 25 September 2020.

The quarterly distribution is expected to remain at 0.25 cents per unit for the remaining quarters in 2020, subject to no material changes in planning assumptions. The distribution will continue to be paid quarterly.

Distribution guidance for 2021 is expected to be announced when APTT releases its third quarter results for 2020.

TRUSTEE-MANAGER UNITS IN APTT

Prior to the Rights Issue, the Trustee-Manager's direct unitholdings in APTT were 8,283,880 units. Pursuant to an undertaking provided by the Trustee-Manager to support the Rights Issue, 2,070,970 Rights Units were allotted and issued to the Trustee-Manager on 25 June 2020. As a result, the Trustee-Manager's direct unitholdings in APTT increased to 10,354,850 units, representing approximately 0.573% of the total number of issued units in APTT, following the Rights Issue.

Mr Lu Fang-Ming, the non-executive director and vice-chair of the Trustee-Manager, holds 6,250,000 units, representing approximately 0.346% of the total number of issued units in APTT. This includes 1,250,000 Rights Units allotted and issued on 25 June 2020 pursuant to an undertaking provided by Mr Lu Fang-Ming to support the Rights Issue.

As announced on 29 April 2020, the Trustee-Manager was informed by Dynami Vision Pte. Ltd. ("Dynami"), which is the sole shareholder of the Trustee-Manager, that the proposed sale by Mr Terry Gou of his indirect interest of 20% in Dynami to Mr Lu Fang-Ming, as announced on 14 May 2019, had been approved by the Investment Commission, Ministry of Economic Affairs of Taiwan and the National Communications Commission of Taiwan. On 12 May 2020, Brave Guts Limited acquired the remaining 20% interest in Gear Rise Limited and with this completion of the sale and transfer of shares, Mr Lu Fang-Ming became sole ultimate shareholder of Gear Rise Limited, Dynami and the Trustee-Manager.

Separately, as announced on 11 February 2020, Dynami informed the Trustee-Manager that its parent company, Gear Rise Limited, had entered into a sale and purchase agreement with Da Da Digital for a 65% stake in Dynami. This is subject to, among others, approvals from regulatory bodies in Taiwan and lenders of APTT and TBC. Da Da Digital also 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. Prior to the Rights Issue, Da Da Digital's parent company, Araedis Global Investment Holdings Ltd. had already accumulated a 2.5% stake in APTT, through its wholly owned subsidiary Araedis Investment Pte. Ltd. ("Araedis"). As a show of confidence in APTT, Araedis supported the Rights Issue by providing an undertaking which has resulted in its stake increasing to over 14% following the Rights Issue.

IMPACT OF COVID-19

TBC operates in a relatively defensive industry, providing cable TV and fixed-line broadband services to the local households in its five closely clustered franchise areas in northern and central Taiwan. Given the subscription-based nature of its business, the impact of the COVID-19 pandemic on TBC has been limited to date.

TBC activated its Business Continuity Plan ("BCP") since the start of the virus outbreak in Taiwan. The BCP aims to protect the health and safety of all staff while minimising disruptions to its service delivery and overall operations. TBC has adhered to all regulations and guidelines from government authorities related to the containment of the virus, including split team arrangements, safe-distancing and encouraging staff to embrace good personal hygiene, and will continue to do so.

Likewise, the Trustee-Manager in Singapore has activated its BCP plan that adheres to the relevant regulations in Singapore.

Although some additional expenses have been incurred to date to implement COVID-19 related measures, they are not material and are not expected to be material on a full year basis.

While the COVID-19 outbreak in Taiwan has been relatively contained as compared to other countries, Taiwan's outlook remains uncertain as the expected downturn in other countries will invariably have an impact on Taiwan's export-driven economy and GDP growth. A significant and prolonged deterioration in the national GDP, disposable income or overall economic conditions could in turn adversely affect TBC's ability to grow or maintain revenues, and its financial position.

The Trustee-Manager will continue to:

- monitor developments of COVID-19 and their related impact on operations; and
- exercise prudence, manage its operational and capital expenditure and strengthen APTT's debt management programme. A stronger balance sheet will provide APTT with the flexibility to navigate and compete more effectively in today's uncertain economic climate.

ABOUT APTT

APTT is the first listed business trust in Asia focused on pay-TV and broadband 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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