

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

Singapore – 12 November 2020

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and nine months ended 30 September 2020.

KEY HIGHLIGHTS

- Revenue and EBITDA were higher at \$75.9 million¹ and \$45.2 million for the quarter ended 30 September 2020
- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past ten quarters; added c.10,000 Premium digital cable TV and c.2,000 Broadband subscribers during the quarter, which more than offset Basic cable TV churn; total subscribers increased by c.7,000 to c.1,199,000
- Broadband subscribers rose 18% over the last 24 months, underscoring the success of TBC’s Broadband growth strategy
- Distribution of 0.25 cents per unit declared for the quarter; re-affirmed distribution guidance of 0.25 cents per unit for the fourth quarter of 2020, subject to no material changes in planning assumptions
- Distribution guidance for 2021 to remain at 1.0 cent per unit, subject to no material changes in planning assumptions

FINANCIAL HIGHLIGHTS

APTT² reported higher revenue and EBITDA for the quarter and nine months ended 30 September 2020, amid continued challenging market conditions. Revenue and EBITDA stood at \$75.9 million and \$45.2 million for the third quarter, and \$230.9 million and \$138.1 million for the nine months.

Compared to the prior corresponding period (“pcp”), total revenue for the quarter and nine months increased by 4.0% and 5.7% while EBITDA increased by 5.1% and 5.0%, respectively. Foreign exchange contributed to a positive variance of 6.3% for the quarter and nine months compared to the pcp. In constant Taiwan dollar (“NT\$”), total revenue for the quarter and nine months was lower by 2.3% and 0.6%, compared to the pcp.

TBC’s business continued to be impacted by lower ARPUs³, arising from pricing competition across the entire cable TV and telecommunications industry.

Operating expenses for the quarter and nine months increased primarily due to the impact of foreign exchange. In constant dollar terms, staff costs and other operating expenses for the nine months were higher compared to the pcp, while broadcast and production costs remained stable.

EBITDA margin for the quarter and nine months also remained stable at 59.5% and 59.8%.

Group	Quarter ended 30 September			Nine months ended 30 September		
	2020	2019	Variance ⁴ (%)	2020	2019	Variance ⁴ (%)
Amounts in \$'000						
Revenue						
Basic cable TV	59,933	57,882	3.5	183,204	173,084	5.8
Premium digital cable TV	3,237	3,183	1.7	9,791	9,616	1.8
Broadband	12,742	11,895	7.1	37,868	35,665	6.2
Total revenue	75,912	72,960	4.0	230,863	218,365	5.7
Total operating expenses⁵	(30,738)	(29,980)	(2.5)	(92,776)	(86,813)	(6.9)
EBITDA	45,174	42,980	5.1	138,087	131,552	5.0
EBITDA margin	59.5%	58.9%		59.8%	60.2%	

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 September 2020 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$59.9 million for the quarter, which comprised subscription revenue of \$48.7 million and non-subscription revenue of \$11.2 million, was up 3.5% on the pcp. In constant NT\$, Basic cable TV revenue for the quarter decreased by 2.8%. TBC's c.716,000 Basic cable TV RGUs⁷ contributed an ARPU of NT\$482 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.5,000 and ARPU was marginally lower compared to the previous quarter ended 30 June 2020 (RGUs: c.721,000; ARPU: NT\$483 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 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:** Premium digital cable TV revenue of \$3.2 million for the quarter ended 30 September 2020 was up 1.7% on the pcp. In constant NT\$, Premium digital cable TV revenue for the quarter decreased by 4.6%. Revenue was generated predominantly from TBC's c.235,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$95 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.10,000 but ARPU was lower compared to the previous quarter ended 30 June 2020 (RGUs: c.225,000; ARPU: NT\$100 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 September 2020 was up 7.1% on the pcp. In constant NT\$, Broadband revenue for the quarter increased by 0.8%. Broadband revenue was generated predominantly from TBC's c.248,000 Broadband RGUs each contributing an ARPU of NT\$355 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.2,000 but ARPU was marginally lower compared to the previous quarter ended 30 June 2020 (RGUs: c.246,000; ARPU: NT\$356 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.

Mr Brian McKinley, Chief Executive Officer of the Trustee-Manager said, *"We have been seeing a steady trend, where the growth in Premium digital cable TV and Broadband subscribers continues to offset Basic cable TV churn. Our total number of subscribers has increased to nearly 1.2 million. This wide subscriber base puts us in a good position to intensify our Broadband growth strategy – driving higher speed plans, developing new market segments and rolling out higher value solutions that leverage the Android gateway. At the same time, we will continue with our network investment to unlock the potential of TBC's data backhaul service, which is expected to be a key component of our Broadband business within the next few years."*

Indeed, TBC's aggressive push to grow its Broadband business has resulted in an 18% increase in Broadband subscribers over the last 24 months.

Mr McKinley added, *"We are heading in the right direction. Our balance sheet is now stronger. We have lowered our debt while capital expenditure has also started to trend down. This will enable us to navigate the competitive landscape more effectively, and capitalise on the data backhaul opportunities presented by Taiwan's 5G rollout. The Board has guided that the distribution for 2021 will remain at 1 cent per unit, to be paid in quarterly instalments of 0.25 cents per unit per quarter, subject to no changes in planning assumptions."*

As a proof-of-concept, TBC has been providing data backhaul for 4G networks to a number of wireless operators who prefer tapping into its network, rather than its main competitor who is also competing in the wireless space. Taiwan's 5G

rollout will be a multi-year investment for the wireless operators – presenting opportunities for TBC's data backhaul business.

OUTLOOK

Debt management remains an important focus. To provide funding certainty, discussions are underway to refinance APTT's offshore facilities before their maturity in 2021.

The Trustee-Manager aims to gradually reduce debt levels. Net proceeds of \$45.0 million from the Rights Issue in the second quarter of 2020 were 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.

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 growth in Basic cable TV RGUs due to Taiwan's saturated cable TV market, it expects the number of Premium digital cable TV and Broadband RGUs to continue increasing. 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.

DISTRIBUTIONS

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 September 2020. The record date will be 11 December 2020 and the distribution will be paid on 18 December 2020.

The board has reaffirmed distribution guidance of 0.25 cents per unit for the fourth quarter of 2020, subject to no material changes in planning assumptions.

The Board has also provided distribution guidance for the year ending 31 December 2021. The distribution for 2021 is expected to remain at 1.0 cent per unit, to be paid in quarterly instalments of 0.25 cents per unit per quarter, subject to no material changes in planning assumptions.

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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