



# ASIAN PAY TELEVISION TRUST

30 SEPTEMBER 2020

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# AGENDA

1. 30 SEPTEMBER 2020 RESULTS
2. OUTLOOK & STRATEGY
3. BUSINESS OVERVIEW
4. BUSINESS DRIVERS

# 30 SEPTEMBER 2020 RESULTS



**Total number of subscribers increased to nearly 1.2 million; Q3 2020 EBITDA margin higher at 59.5%**



## **Q3 2020 revenue and EBITDA higher than pcp**

- Revenue and EBITDA up 4.0% and 5.1% to S\$75.9 million and S\$45.2 million
- EBITDA margin higher at 59.5%
- ARPU continued to be under pressure due to a saturated cable TV market, video piracy issues, heightened competition from IPTV and from mobile operators offering unlimited wireless data



## **Growth momentum for Premium digital cable TV and Broadband increased total subscriber base to nearly 1.2 million**

- Premium digital cable TV and Broadband subscribers have been steadily increasing over the past ten quarters
- Added c.10,000 Premium digital cable TV and c.2,000 Broadband subscribers in the quarter, which more than offset Basic cable TV churn; total subscribers increased by c.7,000 to c.1,199,000



## **Broadband growth strategy**

- 18% increase in Broadband subscribers over the last 24 months
- Low churn rates, averaging 0.9% in Q3 2020 (24 months ago: 1.2%)
- Registered revenue growth in S\$ and NT\$ in Q3 2020 compared to pcp
- Continued efforts to drive higher speed plans and capitalise on data backhaul opportunities

## **Distributions**

- Distribution of 0.25 cents per unit declared for Q3 2020
- 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, to be paid in quarterly instalments of 0.25 cents per unit per quarter, subject to no material changes in planning assumptions



# KEY OPERATING METRICS

Premium and Broadband RGUs have been steadily increasing over the last ten quarters, which more than offset Basic cable TV churn; total subscribers increased by c.7,000 to c.1,199,000

	RGUs <sup>1</sup> ('000)			ARPU <sup>2</sup> (NT\$ per month)		
	As at			Quarter ended		
	30 Sep 2020	30 Jun 2020		30 Sep 2020	30 Jun 2020	
Basic cable TV	716	721	↓	482	483	↓
Premium digital cable TV	235	225	↑	95	100	↓
Broadband	248	246	↑	355	356	↓

- Basic cable TV:** Saturated cable TV market in Taiwan resulting in RGUs declining; c.716,000 as at 30 September 2020, ARPU was marginally lower. RGUs were impacted by i) video piracy issues, ii) competition from aggressively priced IPTV, iii) growing popularity of online video and iv) 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.235,000. 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.248,000. The continued focus on TBC's broadband growth strategy, in the face of competitive market conditions from unlimited wireless data offerings from mobile operators, led to an increase in 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 Q3 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



**Q3 2020 revenue and EBITDA higher than pcp; EBITDA margin higher at 59.5%; ARPU under pressure**

Group <sup>1</sup> (S\$'000)	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2020	2019	Variance <sup>2</sup> %	2020	2019	Variance <sup>2</sup> %
<b>Revenue</b>						
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
<b>Total revenue</b>	<b>75,912</b>	<b>72,960</b>	<b>4.0</b>	<b>230,863</b>	<b>218,365</b>	<b>5.7</b>
<b>Total operating expenses<sup>3</sup></b>	<b>(30,738)</b>	<b>(29,980)</b>	<b>(2.5)</b>	<b>(92,776)</b>	<b>(86,813)</b>	<b>(6.9)</b>
<b>EBITDA</b>	<b>45,174</b>	<b>42,980</b>	<b>5.1</b>	<b>138,087</b>	<b>131,552</b>	<b>5.0</b>
EBITDA margin	59.5%	58.9%		59.8%	60.2%	

**In constant Taiwan dollars (“NT\$”), total revenue down 2.3% for the quarter and 0.6% for the nine months; foreign exchange contributed to a positive variance of 6.3% for the quarter and nine months compared to the pcp**

- **Basic cable TV:** Down 2.8% for the quarter and 0.5% for the nine months in constant NT\$ mainly due to lower subscription revenue, driven by a lower number of subscribers and ARPU compared to the pcp. Non-subscription revenue for the quarter was higher mainly due to higher revenue generated from channel leasing and others. Non-subscription revenue for the nine months was higher mainly due to higher revenue generated from airtime advertising sales, channel leasing and others
- **Premium digital cable TV:** Down 4.6% for the quarter and 4.5% for the nine months in constant NT\$. Generated predominantly from TBC’s Premium digital cable TV RGUs each contributing an ARPU of NT\$95 per month during the quarter for Premium digital cable TV packages and bundled DVR or DVR-only services
- **Broadband:** Up 0.8% for the quarter and down 0.1% for the nine months in constant NT\$. Generated predominantly from TBC’s Broadband RGUs each contributing an ARPU of NT\$355 per month during the quarter for high-speed Broadband services

**Total operating expenses:** Higher operating expenses for the quarter and nine months primarily due to the impact of foreign exchange. In constant dollar terms, staff costs were lower for the quarter and higher for the nine months, while broadcast and production costs and other operating expenses remained stable

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 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



# NET PROFIT



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		
	2020	2019	Variance <sup>2</sup> %	2020	2019	Variance <sup>2</sup> %
<b>Total revenue</b>	<b>75,912</b>	<b>72,960</b>	<b>4.0</b>	<b>230,863</b>	<b>218,365</b>	<b>5.7</b>
<b>Operating expenses</b>						
Broadcast and production costs	(14,206)	(13,320)	(6.7)	(42,141)	(39,689)	(6.2)
Staff costs	(7,324)	(7,503)	2.4	(22,914)	(21,251)	(7.8)
Trustee-Manager fees	(1,850)	(1,844)	(0.3)	(5,509)	(5,471)	(0.7)
Other operating expenses	(7,358)	(7,313)	(0.6)	(22,212)	(20,402)	(8.9)
<b>Total operating expenses</b>	<b>(30,738)</b>	<b>(29,980)</b>	<b>(2.5)</b>	<b>(92,776)</b>	<b>(86,813)</b>	<b>(6.9)</b>
<b>EBITDA</b>	<b>45,174</b>	<b>42,980</b>	<b>5.1</b>	<b>138,087</b>	<b>131,552</b>	<b>5.0</b>
<b>Other expenses</b>						
Settlement of programming fees	-	-	-	(5,360)	-	(100)
Depreciation and amortisation expense	(22,524)	(22,162)	(1.6)	(66,126)	(63,697)	(3.8)
Net foreign exchange gain	162	4,406	(96.3)	998	2,179	(54.2)
Mark to market gain/(loss) on derivative financial instruments	673	(1,374)	>100	(2,018)	651	(>100)
Amortisation of deferred arrangement fees	(930)	(835)	(11.4)	(2,705)	(2,494)	(8.5)
Interest and other finance costs	(11,395)	(13,475)	15.4	(36,229)	(37,690)	3.9
Income tax expense	(6,677)	(4,391)	(52.1)	(11,241)	(10,783)	(4.2)
<b>Total other expenses</b>	<b>(40,691)</b>	<b>(37,831)</b>	<b>(7.6)</b>	<b>(122,681)</b>	<b>(111,834)</b>	<b>(9.7)</b>
<b>Net profit</b>	<b>4,483</b>	<b>5,149</b>	<b>(12.9)</b>	<b>15,406</b>	<b>19,718</b>	<b>(21.9)</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		
	2020	2019	Variance <sup>3</sup> %	2020	2019	Variance <sup>3</sup> %
<b>Revenue</b>						
Basic cable TV	59,933	57,882	3.5	183,204	173,084	5.8
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<b>Total operating expenses<sup>4</sup></b>	<b>(30,738)</b>	<b>(29,980)</b>	<b>(2.5)</b>	<b>(92,776)</b>	<b>(86,813)</b>	<b>(6.9)</b>
<b>EBITDA</b>	<b>45,174</b>	<b>42,980</b>	<b>5.1</b>	<b>138,087</b>	<b>131,552</b>	<b>5.0</b>
EBITDA margin <sup>5</sup>	59.5%	58.9%		59.8%	60.2%	
<b>Capital expenditure</b>						
Maintenance	5,552	5,551	(0.0)	14,098	13,661	(3.2)
Network, Broadband and other	11,368	12,056	5.7	30,078	40,118	25.0
<b>Total capital expenditure</b>	<b>16,920</b>	<b>17,607</b>	<b>3.9</b>	<b>44,176</b>	<b>53,779</b>	<b>17.9</b>
Income tax paid, net of refunds	(3,431)	(2,614)	(31.3)	(7,080)	(9,442)	25.0
Interest and other finance costs paid	(11,497)	(3,880)	(>100)	(36,601)	(28,001)	(30.7)

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 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

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

## Debt management programme continues to strengthen balance sheet

Group (S\$'000)	As at	
	30 Sep 2020	31 Dec 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	84,102	79,101
Trade and other receivables	12,336	11,956
Other assets	3,676	17,895
	<b>100,114</b>	<b>108,952</b>
<b>Non-current assets</b>		
Property, plant and equipment	339,600	338,796
Intangible assets	2,516,226	2,390,549
Other assets	1,560	1,232
	<b>2,857,386</b>	<b>2,730,577</b>
<b>Total assets</b>	<b>2,957,500</b>	<b>2,839,529</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings from financial institutions	188,016	15,400
Trade and other payables	20,765	39,278
Income tax payable	5,726	7,582
Other liabilities	58,745	54,502
	<b>273,252</b>	<b>116,762</b>
<b>Non-current liabilities</b>		
Borrowings from financial institutions	1,345,929	1,511,288
Deferred tax liabilities	94,770	84,793
Other liabilities	47,148	42,156
	<b>1,487,847</b>	<b>1,638,237</b>
<b>Total liabilities</b>	<b>1,761,099</b>	<b>1,754,999</b>
<b>Net assets</b>	<b>1,196,401</b>	<b>1,084,530</b>

- **Cash and cash equivalents:** Cash balance of S\$84.1 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

**Rights issue net proceeds used to pare down S\$45 million of offshore facilities in June 2020, deriving annual interest cost savings of approx. S\$2.9 million; lowered gearing to 51.9% (31 Dec 2019: 53.8%); discussions are underway to refinance APTT's offshore facilities**

Group debt		As at	
		30 Sep 2020	31 Dec 2019
Total size available	S\$ million	1,683	1,628
Total outstanding	S\$ million	1,550	1,545
Effective interest rate - constant dollar	% p.a.	Q3 - 2.6; YTD - 2.6	Full year - 2.7
Effective interest rate - SGD	% p.a.	Q3 - 2.9; YTD - 3.1	Full year - 3.3
Net debt / EBITDA <sup>1</sup>	Multiple	8.1	8.4
Interest cover <sup>2</sup>	Multiple	3.7	3.5
Gearing <sup>3</sup>	%	51.9	53.8

- Interest rate swaps in place to hedge approx. 96% of outstanding onshore facilities through to 2021. The average fixed rate on TAIBOR swaps is approx. 0.82%
- Offshore facilities pared down by S\$45.0 million from the rights issue in June 2020, deriving annual interest cost savings of approx. S\$2.9 million
- Effective interest rate in constant dollar terms of 2.6% p.a. for the quarter and nine months compared to 2.7% p.a. for 2019. Actual effective interest rate in SGD was 2.9% p.a. for the quarter and 3.1% p.a. for the nine months compared to 3.3% p.a. for 2019
- Approx. S\$132 million of revolving facilities are available to fund future initiatives, if required

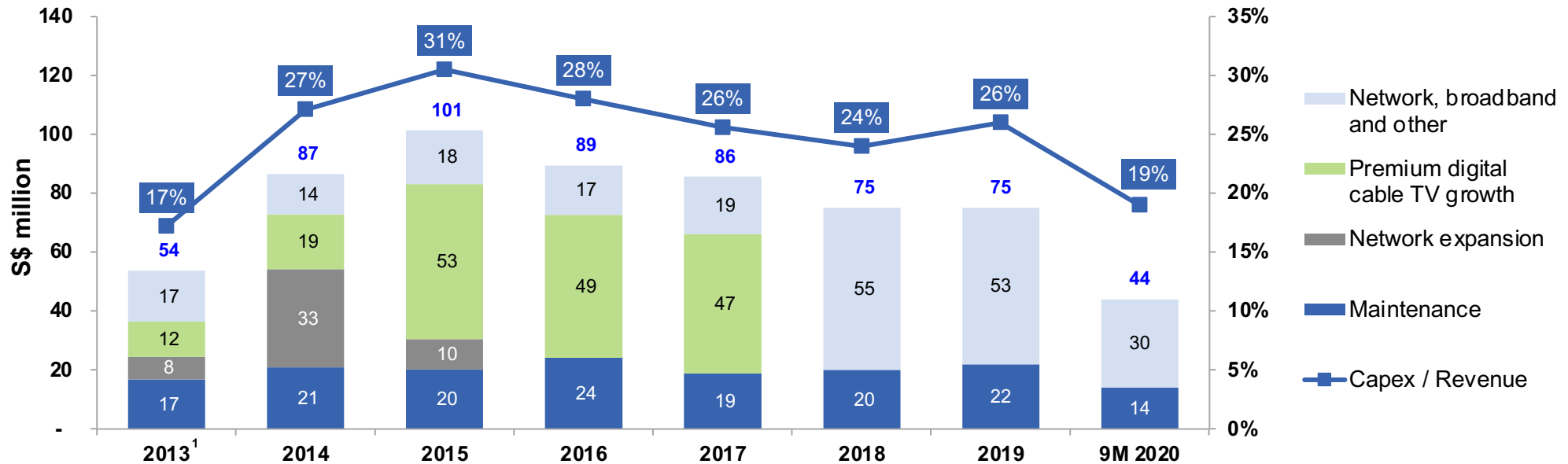
Notes: (1) Total debt outstanding less cash divided by LTM EBITDA

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

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

# CAPITAL EXPENDITURE

Capital expenditure is trending down from 2020; more cash generated from operations may be available to make debt repayments, subject to operating conditions; exercising prudence



- 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, 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; more cash generated from operations may be available to make debt repayments, subject to operating conditions
- Focus will continue to be on areas that 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 ~96% 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%
- Net proceeds of S\$45 million from the rights issue in June 2020 have been used to pare down 20% of outstanding offshore facilities; annual interest cost savings of ~S\$2.9 million
- Lowered gearing to 51.9% as at 30 Sep 2020 (31 Dec 2019: 53.8%)

## 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

## Strengthen Balance Sheet

- Cash generated from operations to continue funding capital expenditure; reduce the dependence on borrowings
- Capital expenditure is trending down from 2020 and more cash generated from operations may then be available to make debt repayments, subject to operating conditions
- Discussions underway to refinance APTT's offshore facilities
- Step up on debt management programme

## Broadband Growth Strategy

- Be data-backhaul ready; data backhaul through TBC's network is expected to become a key component of the broadband business within the next few years as wireless carriers tap into TBC's network for their network rollout; multi-year investment for the wireless operators
- Develop new market segments, including enterprise clients
- Introduce value-added solutions (e.g. IoT, smart home devices) that will leverage 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

### 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, 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



#### 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



#### HIGHLY REGULATED

- Basic cable TV rates for 2020 across all five franchise areas have been maintained at the same rates as 2019, announced by the local authorities before the end of 2019
- Two licences renewed in 2020, remaining 3 licences to be renewed in 2021; licence renewal every 9 years

*While Premium digital cable TV and Broadband RGUs are expected to grow, 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*



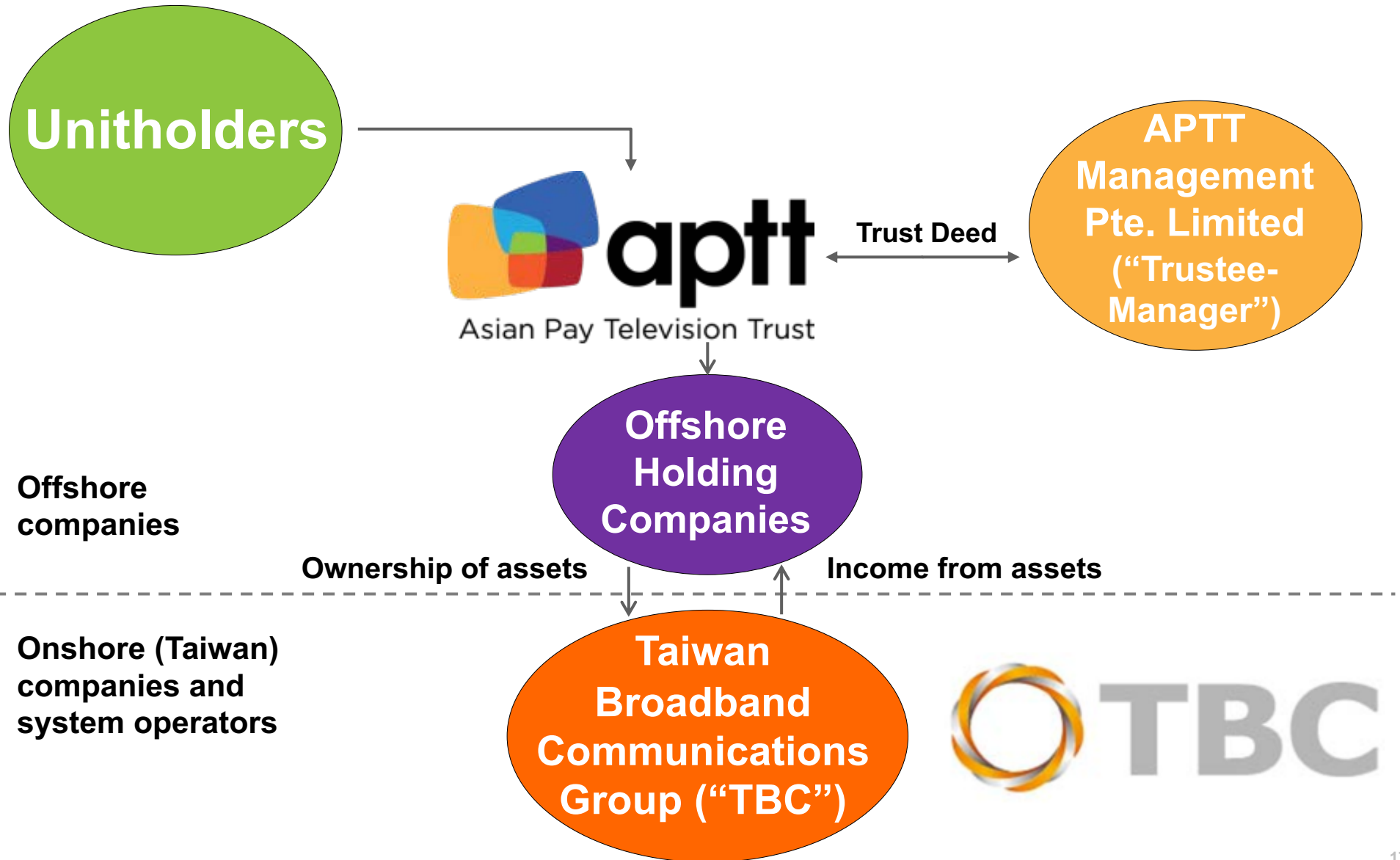
## **Impact of the COVID-19 pandemic on TBC has been limited to date due to the subscription-based nature of its business**

- While the COVID-19 outbreak in Taiwan is 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 by managing operational and capital expenditure and strengthening 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.
- TBC and the Trustee-Manager have activated their respective Business Continuity Plans that adhere to all regulations and guidelines in their respective jurisdictions.

# 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**



**Cable TV operator in five franchise areas in Taiwan, with network coverage of more than 1.2 million homes**

- Owns 100% of the advanced 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

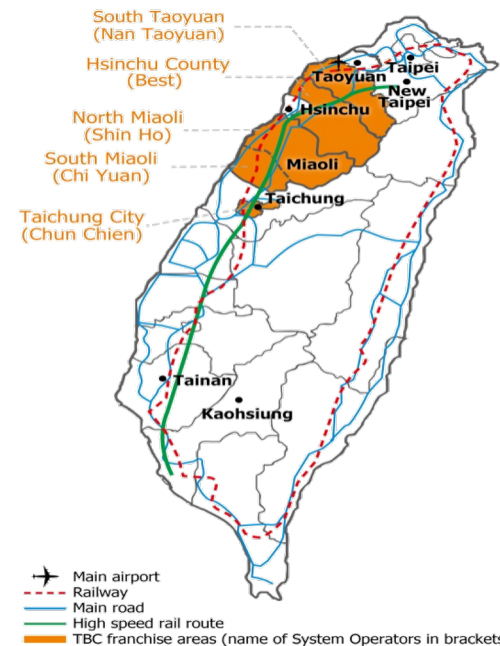
## PRODUCT OFFERINGS

*Approx. 84% 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, most of the popular channels are only available on cable TV	Up to 75 additional channels including 71 HD channels, through MPEG4 platform  33% Premium digital cable TV penetration <sup>1</sup> with large addressable market of 100% digital set-top box penetration	35% 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 30 September 2020

## FRANCHISE AREAS IN NORTHERN & CENTRAL TAIWAN



- Low churn rate of 0.6%<sup>1</sup> for Basic cable TV (716K<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

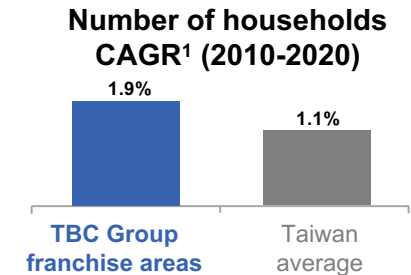
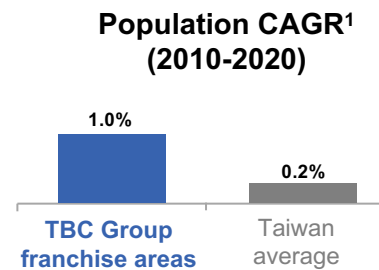
# BUSINESS DRIVERS



# 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



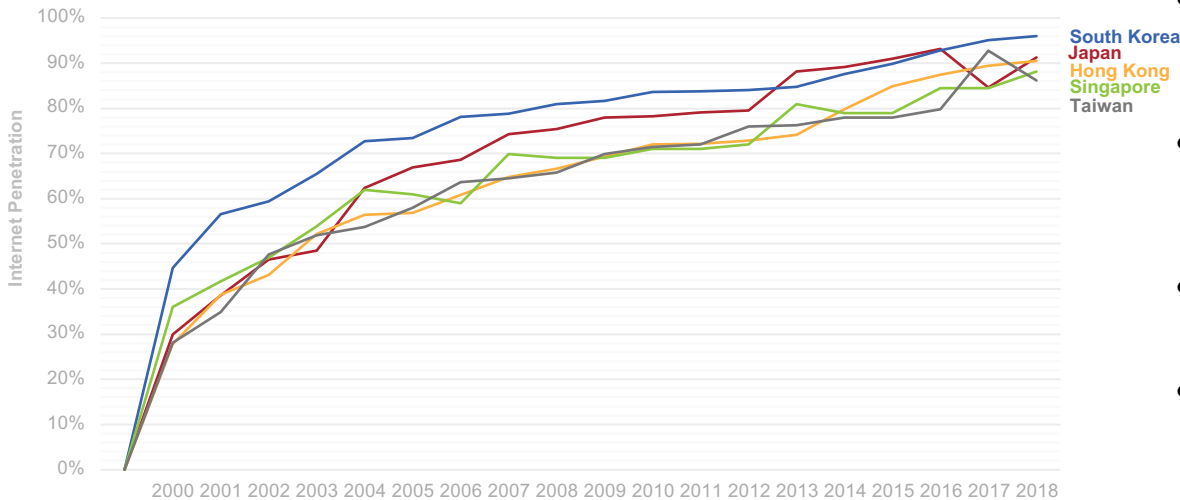
- One of the most populous cities in Taiwan; home to Taichung International Airport
- Vibrant, diverse economy: large industrial areas and a thriving commercial sector that incorporates traditional businesses, small family-run shops & factories
- Approx. 452K households and population of 1.2 million



# TAIWAN MARKET – POTENTIAL IN BROADBAND



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



- Internet penetration has increased significantly in South Korea, Japan, Hong Kong, Singapore and Taiwan; but remains lowest in Taiwan, compared to the four markets
- While Taiwan's average internet speed has improved, it is still ranked second last among the developed APAC markets at approx. 137.9 Mbps
- TBC's Broadband market penetration in its five franchise areas is approx. 35% as at 30 September 2020
- 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%



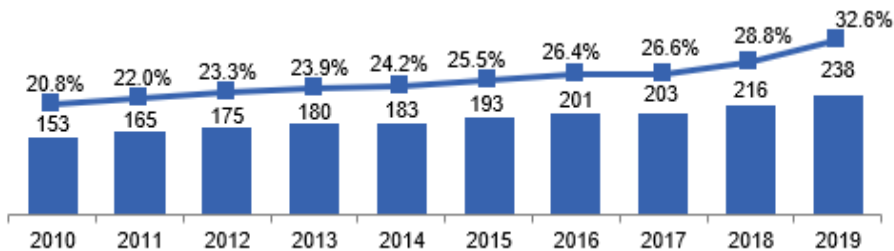
# GROWING BROADBAND MARKET PENETRATION



**TBC's broadband market penetration in its franchise areas: 35% in Q3 2020 vs 33% in 2019**

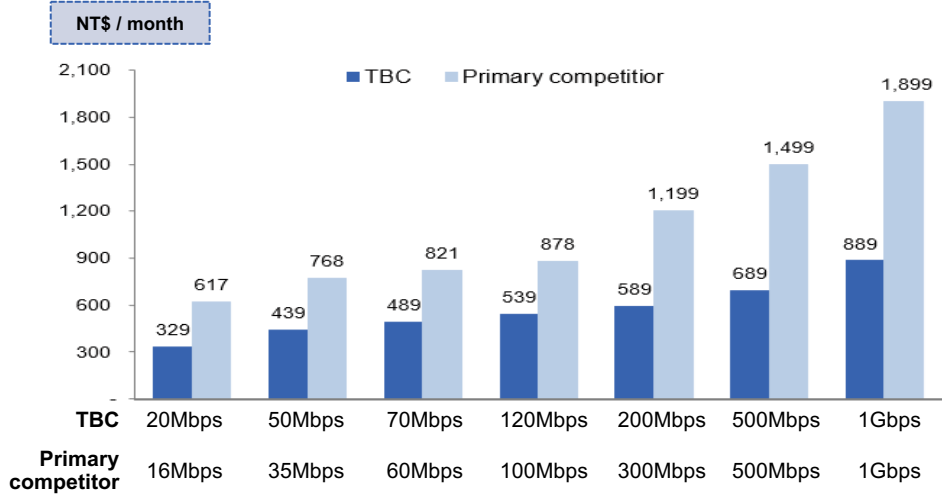
## Broadband RGUs ('000) and penetration

**2010-19 Broadband RGU CAGR: 5.0%**



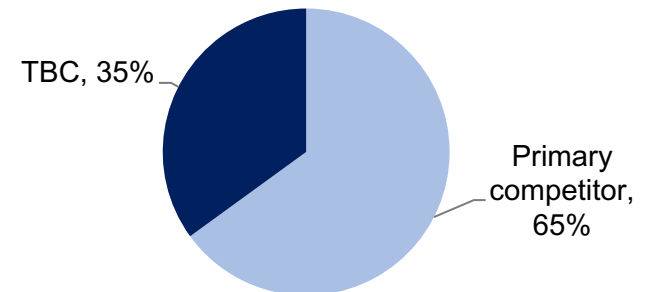
- DOCSIS 3.1 enabled network that meets consumer demand for high-speed internet; 1 Gbps launched in Q4 2019
- Competitive pricing and optional bundling with digital TV
- Launch of value-added services including Android OTT gateway and karaoke singing box. Will continue to introduce value-added solutions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

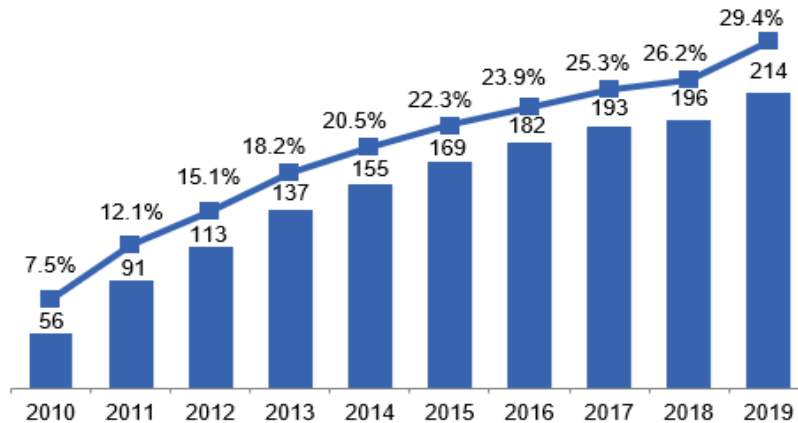
# ORGANIC GROWTH POTENTIAL: PREMIUM DIGITAL CABLE TV



## 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 10 HD channel
- Better video quality across channels
- Incentivises customers to get Premium digital cable TV to access up to 75 additional channels, including 71 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 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



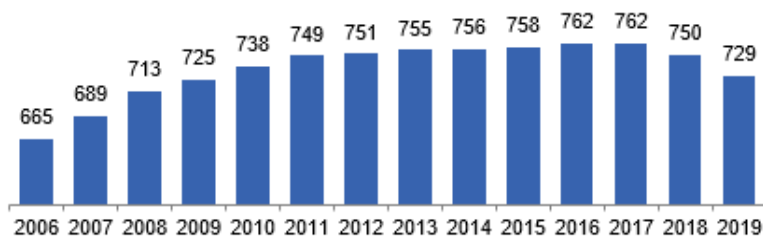
Utility-like, subscription-based business model with majority of payments made in advance

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

## Resilient business with large Basic cable TV RGU base

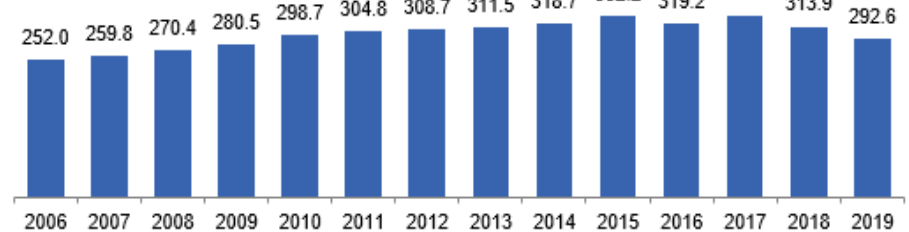
Basic cable TV RGUs ('000)

2006-19 Basic cable TV RGU CAGR: 0.7%



Revenue (\$)

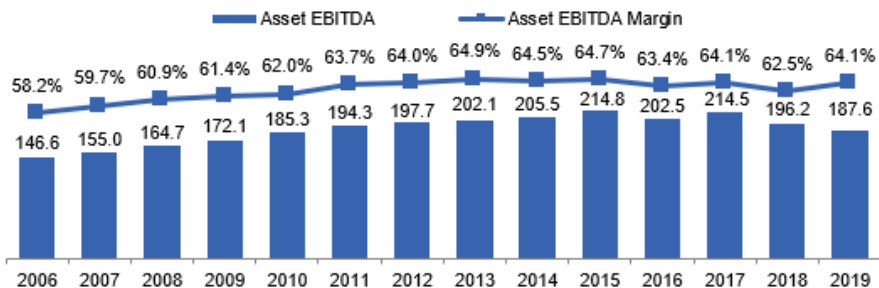
2006-19 Revenue CAGR: 1.2%



## 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

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

- **Expand market share:** Number of Broadband subscribers continues to increase in 2020; continue to expand Broadband market penetration beyond the current 35% 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 key component of the Broadband business within the next few years
- **Develop new market segments,** including enterprise clients



END

