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Asian Pay Television Trust

**SGX-ST Release**

# APTT ANNOUNCES RESULTS FOR THE QUARTER AND HALF-YEAR ENDED 30 JUNE 2023

**Singapore – 14 August 2023**

**Asian Pay Television Trust** ("APTT" or the "Trust") today announced its financial results for the quarter and half-year ended 30 June 2023.

## KEY HIGHLIGHTS

- Revenue and EBITDA at $68.3 million[1] and $38.7 million for the quarter, and $135.3 million and $78.1 million for the half-year; EBITDA margin 56.7% for the quarter and 57.7% for the half-year
- Revenue, in constant NT$, increased for the third consecutive quarter, reflecting the higher contribution from Broadband
- Positive Broadband momentum continued – growing subscriber base, higher ARPU and three years of revenue improvement in both S$ and NT$
- Continued increase in Broadband and Premium digital cable TV subscribers more than offset Basic cable TV churn; added c.10,000 net subscribers in the quarter, increasing total subscriber base to c.1,318,000
- Distribution of 0.525 cents per unit declared for the half-year; re-affirmed distribution guidance of 1.05 cents per unit for full year 2023; distributions to be paid half-yearly, subject to no material changes in planning assumptions
- Repaid net debt of $42 million in the half-year and lowered gearing to 48.1%; $38 million to be set aside for repayments for the rest of 2023
- Capital expenditure decreased by 29.3% for the quarter and 20.0% for the half-year, and continued to be within industry norms
- Approximately 93% of outstanding Onshore Facilities (constituting 91% of the Group's total debt) are hedged through to 30 June 2025; net exposure to rising interest rates is contained to only 15% of total outstanding debt

## FINANCIAL HIGHLIGHTS

APTT[2] reported revenue of $68.3 million for the quarter and $135.3 million for the half-year ended 30 June 2023. Earnings before interest, tax, depreciation and amortisation ("EBITDA") and EBITDA margin stood at $38.7 million and 56.7% for the quarter, and $78.1 million and 57.7% for the half-year.

Foreign exchange contributed to a negative variance of 6.8% for the quarter and 8.0% for the half-year due to a relatively stronger Taiwan dollar ("NT$"). In constant NT$, revenue increased by 1.9% for the quarter and 1.1% for the half-year. The year-on-year increase for three consecutive quarters reflects the positive momentum and higher contributions from Broadband.

Broadband continued to improve on all fronts – number of subscribers, ARPU[3] and three years of consistent revenue growth in both S$ and NT$. The strong performance validates the success of TBC's Broadband growth strategy. During the quarter, c.8,000 subscribers were added, alongside higher ARPU which improved by NT$2 per month to NT$386 per month. In NT$, Broadband revenue, which includes revenue from data backhaul, recorded double-digit growth at 12.1% for the quarter and 12.8% for the half-year.

[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.

| Group<br>Amounts in $'000 | Quarter ended 30 June 2023 | 2022 | Variance[4] (%) | Half-year ended 30 June 2023 | 2022 | Variance[4] (%) |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Basic cable TV | 48,681 | 52,875 | (7.9) | 96,570 | 107,574 | (10.2) |
| Premium digital cable TV | 2,715 | 2,913 | (6.8) | 5,444 | 5,980 | (9.0) |
| Broadband | 16,856 | 16,006 | 5.3 | 33,318 | 31,806 | 4.8 |
| **Total revenue** | **68,252** | **71,794** | **(4.9)** | **135,332** | **145,360** | **(6.9)** |
| **Total operating expenses[5]** | **(29,538)** | **(29,357)** | **(0.6)** | **(57,245)** | **(59,734)** | **4.2** |
| **EBITDA** | **38,714** | **42,437** | **(8.8)** | **78,087** | **85,626** | **(8.8)** |
| EBITDA margin | 56.7% | 59.1% | | 57.7% | 58.9% | |

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

5 Operating expenses presented here 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 presented here.

Mr Brian McKinley, Chief Executive Officer of the Trustee-Manager said, *"We are encouraged by the continued increase in total revenue in constant NT$ for three consecutive quarters, compared to the prior corresponding period. While we cannot assume that this trend will continue, it signals that Broadband is starting to cushion the impact of the decline in our Basic cable TV business. Broadband, which now constitutes around 25% of our total revenue, will remain the largest driver of our long-term growth. We aim to extract more value from our aggressive Broadband growth strategy and grow cash flows that consistently more than offset the decline in Basic cable TV."*

TBC added c.10,000 net subscribers in the quarter, increasing the total number of subscribers to c.1,318,000 as at 30 June 2023, with Broadband and Premium digital cable TV subscribers increasing by c.8,000 and c.7,000, respectively. The steady increase in Premium digital cable TV and Broadband subscribers over the past five years has consistently more than offset the churn in Basic cable TV.

## OPERATIONAL PERFORMANCE

TBC's[6] operational highlights for the quarter ended 30 June 2023 were as follows:

- **Basic cable TV:** Basic cable TV revenue of $48.7 million for the quarter, which comprised subscription revenue of $39.8 million and non-subscription revenue of $8.9 million, was down 7.9% compared to the prior corresponding period ("pcp"). In constant NT$, Basic cable TV revenue for the quarter decreased by 1.1%. The overall decline in Basic cable TV revenue was mainly due to lower subscription revenue resulting from the decline in the number of subscribers and lower ARPU. TBC's c.667,000 Basic cable TV RGUs[7] contributed an ARPU of NT$455 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.5,000 and ARPU was lower by NT$5 per month compared to the previous quarter ended 31 March 2023 (RGUs: c.672,000; ARPU: NT$460 per month). The decline in Basic cable TV RGUs was due to a number of factors including competition from aggressively priced IPTV, the growing popularity of online video, as well as expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's five franchise areas, particularly in the Taipei region. Non-subscription revenue comprised revenue from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes. In constant NT$, non-subscription revenue for the quarter was higher than the pcp mainly due to higher revenue generated from channel leasing and airtime advertising sales. The leasing of television channels, which is mainly to third-party home shopping networks, will continue to face pressure from lower demand for home shopping and heightened competition from internet retailing. These trends will continue to impact channel leasing revenue.

- **Premium digital cable TV:** Premium digital cable TV revenue of $2.7 million for the quarter was down 6.8% compared to the pcp. In constant NT$, Premium digital cable TV revenue for the quarter was in line with the pcp. Revenue was generated predominantly from TBC's c.321,000 Premium digital cable TV RGUs each contributing an ARPU of NT$63 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.7,000 but ARPU was marginally lower by NT$1 per month compared to the previous quarter ended 31 March 2023 (RGUs: c.314,000; ARPU: NT$64 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.

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.

- **Broadband:** Despite strong competition from mobile operators offering inexpensive unlimited data plans, Broadband RGUs increased by c.8,000 during the quarter, alongside an NT$2 per month improvement in ARPU. Broadband revenue, including revenue from data backhaul, was $16.9 million for the quarter, an increase of 5.3% compared to the pcp. In constant NT$, Broadband revenue for the quarter increased by 12.1%. Broadband revenue was generated predominantly from TBC's c.330,000 Broadband RGUs each contributing an ARPU of NT$386 per month in the quarter, which was NT$2 per month higher than the previous quarter ended 31 March 2023 (RGUs: c.322,000; ARPU: NT$384 per month). The growth in both Broadband subscribers and ARPU reflects the success of TBC's Broadband strategy to target the broadband-only segment, partner with mobile operators, as well as to offer higher speed plans at competitive prices to acquire new RGUs and re-contract existing ones.

Capital expenditure decreased by 29.3%, or $3.1 million, for the quarter, and 20.0%, or $3.5 million, for the half-year due to lower expenditure on maintenance as well as network, broadband and other investments. However, it was still at a level that could sufficiently support TBC's Broadband growth strategy. As a percentage of revenue, capital expenditure was 11.0% for the quarter and 10.2% for the half-year. Going forward, the level of capital expenditure, which will continue to be within industry norms, will be closely monitored, limiting to areas that will have the best potential in generating growth and sustainability for the long term.

## DEBT MANAGEMENT

As at 30 June 2023, interest rate swaps have been entered into to hedge approximately 93% of outstanding Onshore Facilities through to 30 June 2025, at an average fixed rate of 0.94% which is currently lower than the prevailing three-month Taipei Interbank Offered Rate ("TAIBOR"). As Onshore Facilities constitute approximately 91% of the Group's total outstanding debt, the net exposure to rising interest rates is contained; approximately 85% of total debt is protected against the risk of rising interest rates through to 2025.

The financial close of the new 30-month Offshore Facilities on the same major terms has been successfully completed on 14 July 2023, at the maturity of the previous Offshore Facilities. The new Offshore Facilities, comprising a $46.6 million term loan facility and a $75 million revolving loan facility, are $83.4 million lower than the previous Offshore Facilities ($125 million term loan facility and a $80 million revolving loan facility) – a direct result of accelerated debt repayments as part of the debt management programme.

In the first six months, net debt of $42 million was repaid, which in turn lowered gearing to 48.1%. For the second half of 2023, the Trustee-Manager will set aside $38 million for debt repayments.

Mr McKinley said, *"Compared to four years ago, we are now in a stronger position to navigate an increasingly challenging and competitive environment. Apart from our positive Broadband growth momentum, we have been making good progress with our debt management. Our net exposure to potential rising interest rates is significantly contained due to our hedging programme, while our disciplined debt repayments will continue to reduce our total debt. When an opportunity arises, we hope to do a full refinancing for our offshore loan, which is significantly more expensive, and bring all our debt back onshore."*

## OUTLOOK

Operationally, while the Trustee-Manager does not expect growth in Basic cable TV RGUs due to Taiwan's saturated cable TV market, we expect the number of Premium digital cable TV and Broadband RGUs to continue increasing in 2023. 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 impact channel leasing revenue.

The Trustee-Manager is managing every expense line item very closely. Total operating expenses in 2023 are expected to be in line with 2022.

## DISTRIBUTIONS

The Board of Directors of the Trustee-Manager (the "Board") has declared an ordinary interim distribution of 0.525 cents per unit for the half-year ended 30 June 2023. The record date will be 22 September 2023 and the distribution will be paid on 29 September 2023.

The Board is re-affirming the distribution guidance for the year ending 31 December 2023. The distribution for the full year 2023 is expected to be 1.05 cents per unit, to be paid in half-yearly instalments of 0.525 cents per unit, subject to no material changes in planning assumptions.

## IMPACT OF RISING INTEREST RATES

### On Debt:

APTT's total outstanding debt comprises 91% Onshore Facilities and 9% Offshore Facilities. Approximately 93% of outstanding Onshore Facilities are hedged through to 30 June 2025, while the Offshore Facilities are not hedged. This means that approximately 85% of APTT's total outstanding debt is protected against the risk of rising interest rates through to 2025.

The rising interest rates do have an impact on the cost of debt for the remaining 15% of total outstanding debt that remains unhedged. The Onshore Facilities are exposed to the floating interest rate of Taiwan's three-month TAIBOR, and the new Offshore Facilities are exposed to the floating interest rate of the Singapore Overnight Rate Average ("SORA"). The previous Offshore Facilities were exposed to the floating interest rate of the Singapore Interbank Offered Rate ("SIBOR"). While TAIBOR rates have not increased significantly over the last year, SORA/SIBOR rates increased substantially. Although interest rate risk is well managed with hedges on approximately 85% of APTT's total outstanding debt, total interest costs for 2023 are expected to be affected by the changes in TAIBOR and SORA rates on the remaining 15% of total outstanding debt that remains unhedged.

### On Intangible Assets:

The rising interest rates also affect the calculation of APTT's Weighted Average Cost of Capital ("WACC") used in the annual impairment assessment of goodwill, cable TV licences with indefinite useful lives and property, plant and equipment. The Trustee-Manager performs an assessment of the recoverable amount of the Cash Generating Unit ("CGU") using the Discounted Cash Flow ("DCF") method. The Group's cash flow forecasts, along with relevant market discount rates and average long-term growth rates, are used to derive the value-in-use of the Group's single CGU which supports the impairment assessment.

While no impairment assessment was performed for the half-year ended 30 June 2023, the impairment assessment that was performed at the end of 2022 showed that APTT's WACC was higher, due to rising interest rates, and headroom between APTT's DCF value and book value was lower, compared to 2021. The headroom was still marginally positive, mainly due to healthy business assumptions and net cash flow forecasts. Therefore, no impairment has been recognised by the Group as at the previous year ended 31 December 2022.

If interest rates continue to stay elevated and/or the business environment continues to be challenging, combined with changes in other assumptions, e.g. a lower terminal growth rate, there is a possibility that this could result in an impairment loss on intangible assets in the future. Should an impairment loss on intangible assets be required, it would be recorded in the consolidated statement of profit or loss. An impairment loss would be a non-cash item and would not impact the operations of the Group or its cash flows; there would be no change to distribution guidance. The Trustee-Manager will make appropriate announcements, including a profit warning, if necessary, in the event of any material developments on the impairment assessment of intangible assets.

## 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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