aptt
Asian Pay Television Trust



JUNE QUARTER & HALF YEAR 2014 RESULTS PRESENTATION

12 August 2014

IMPORTANT NOTICE AND DISCLAIMER

Disclaimer

Asian Pay Television Trust (APTT) is a business trust registered under the Business Trusts Act (Chapter 31A of Singapore) and listed on the Singapore Exchange Securities Trading Limited. Macquarie APTT Management Pte. Limited (MAPTTPL) is the Trustee-Manager of APTT. MAPTTPL is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) (MGL).

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL). MBL does not guarantee or provide assurance in respect of the obligations of these entities.

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 MGL, MBL, APTT, MAPTTPL, 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 MGL, MBL, APTT, MAPTTPL 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.

The offering of units in APTT was sponsored by Macquarie Capital (Singapore) Pte. Limited and J.P. Morgan (S.E.A.) Limited as joint issue managers (the Joint Issue Managers). The Joint Issue Managers assume no responsibility for the contents of this presentation.

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 right of certain investors to own units in APTT under applicable Taiwan laws and regulations. Such investors include PRC individuals and corporate entities, the Taiwan government and political entities and other restricted entities and restricted persons. For further information, investors should refer to the APTT Prospectus dated 16 May 2013 issued by APTT.

AGENDA

1. HIGHLIGHTS
2. KEY OPERATING METRICS
3. FINANCIAL RESULTS
4. FINANCIAL POSITION
5. BORROWINGS
6. NETWORK EXPANSION
7. OUTLOOK

HIGHLIGHTS

Performance is in line with expectations

- Revenue for the quarter of S$79.2 million
- Asset EBITDA[1] for the quarter of S$52.0 million
- Distribution of 4.12 cents per unit declared for the half-year ended 30 June 2014, to be paid on 26 September 2014
- Move to quarterly distributions approved; first quarterly distribution to be declared for the quarter ending 30 September 2014
- Re-affirm distribution guidance of 4.13 cents per unit for the second half of 2014
  - To be declared as 2.00 cents per unit for the quarter ending 30 September 2014 and 2.13 cents per unit for the quarter ending 31 December 2014
- Tax dispute settled in line with expectations
- Taichung network expansion has progressed
  - Television temporary operational licence secured, working to secure broadband licence
  - Expect to commence commercial operations in fourth quarter 2014

Notes: (1) Asset EBITDA represents EBITDA of Taiwan Broadband Communications Group (TBC) only and does not include expenses attributable to the Trust and offshore entities.

KEY OPERATING METRICS

Revenue in line with expectations: subscriber numbers have grown, penetration rates have increased

	Actual as at 30 June 2014		Actual as at 31 December 2013	
	Subscribers[1] ('000s)	ARPU[2] (NT$ per month)	Subscribers[1] ('000s)	ARPU[2] (NT$ per month)
Basic cable TV	756	537	755	537
Premium digital cable TV	128	198	123	207
Broadband	181	526	180	543

- **Subscribers:** Basic cable TV subscribers of 756k were 0.1% higher than FY2013, Premium digital cable TV subscribers of 128k were 4.1% higher than FY2013, Broadband subscribers of 181k were 0.6% higher than FY2013
- **ARPU:** Basic cable TV ARPU was flat, Premium digital cable TV ARPU was lower than FY2013 – the focus remains on winning subscribers, Broadband ARPU was lower than FY2013 – some subscribers choosing to subscribe for lower cost Broadband packages reflecting softer economic conditions in Taiwan
- **Digital set-top box penetration:** As at 30 June 2014, digital set-top box penetration was 48%, penetration on track to meet 70% by the end of 2014
- **Capex spend:** Excluding the network expansion, 10.9% of total revenue on YTD basis, expected to be 16% for FY2014

Notes: (1) Subscribers are as at the period end.
(2) ARPU (Average Revenue Per User) is calculated by dividing the subscription revenue for Basic cable TV, Premium digital cable TV or Broadband, as applicable, by the average number of subscribers for that service during the period.

FINANCIAL RESULTS

YTD performance consistent with expectations, on track to meet full year expectations

	Quarter ended 30 June 2014 S$'000	Half-year ended 30 June 2014 S$'000	Prospectus forecast for 12 months ending 31 December 2014 S$'000
Revenue			
Basic cable TV	63,603	125,156	251,185
Premium digital cable TV	3,412	6,816	16,166
Broadband	12,177	24,424	56,402
Total revenue	**79,192**	**156,396**	**323,753**
Operating expenses			
Broadcast and production costs	(14,922)	(29,640)	(60,813)
Staff costs	(6,386)	(12,762)	(27,726)
Other operating expenses[2]	(5,921)	(12,260)	(24,396)
Total operating expenses	**(27,299)**	**(54,662)**	**(112,935)**
Asset EBITDA	**51,963**	**101,734**	**210,818**
Asset EBITDA margin (%)	65.6%	65.0%	65.1%
Trustee-Manager fee	(1,787)	(3,554)	(7,196)
Trust expenses	(947)	1,693	(1,439)
Offshore expenses	(844)	(1,526)	(2,254)
Bank charges[1]	501	1,003	1,933
Total	**(3,077)**	**(2,384)**	**(8,956)**
EBITDA	**48,886**	**99,350**	**201,862**

Notes: (1) Bank charges have been adjusted here for comparison purposes to the Prospectus as the Prospectus included bank charges in "Interest and other finance costs" and were excluded from the calculation of EBITDA. Bank charges have been included in "Other operating expenses" for the quarter ended 30 June 2014 and therefore have not been deducted in arriving at EBITDA in the SGX Report.
(2) Other operating expenses exclude a one-time fee payable to Deloitte (Taiwan) for services provided in settling the tax dispute; this fee is non-recurring and has been excluded from EBITDA.

FINANCIAL POSITION

Strong balance sheet, supportive of ongoing cash flow and future growth

	Group as at 30 June 2014 S$'000	Trust as at 30 June 2014 S$'000
Assets		
Current assets		
Cash and cash equivalents	94,961	3,591
Trade and other receivables	25,498	225
Other assets	2,964	1,302
	123,423	5,118
Non-current assets		
Investment in subsidiaries	-	1,342,351
Property, plant and equipment	152,335	-
Intangible assets	2,207,103	-
Other assets	2,140	319
	2,361,578	1,342,670
Total assets	**2,485,001**	**1,347,788**
Liabilities		
Current liabilities		
Borrowings from financial institutions	9,285	-
Derivative financial instruments	6	6
Trade and other payables	30,882	7,184
Income tax payable	22,326	-
Other liabilities	53,628	123
	116,127	7,313
Non-current liabilities		
Borrowings from financial institutions	971,247	-
Derivative financial instruments	628	-
Other liabilities	68,049	170
	1,039,924	170
Total liabilities	**1,156,051**	**7,483**
Net assets	**1,328,950**	**1,340,305**

- **Cash and cash equivalents:** Cash balance of S$95.0 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 improvement: 3 – 10 years
  - Network equipment: 2 – 10 years
  - Transport equipment: 5 years
  - Plant and equipment: 2 – 6 years
  - Leased equipment: 3 years
- **Net asset value (NAV):** Group NAV is S$0.92 per unit

BORROWINGS

Sufficient capacity to fund future organic and inorganic growth initiatives

As of 30 June 2014	
Total size	NT$27,000 million (S$1,127 million[1])
Total drawn[2]	NT$24,067 million (S$1,004 million[1])
All-in hedge rate	c.4% per annum
Total debt / asset EBITDA	5.0x
Gearing[3]	40.4%
Interest coverage ratio	Greater than 4 times

- Interest rate swaps have been entered into which fix a significant portion of the interest rate exposure resulting in a total interest rate cost of approximately 4% per annum
- An additional revolving facility of approximately S$123 million is available to fund future ongoing growth capital expenditure and the remaining tax settlement at the same interest rate cost outlined above
- No borrowings at the trust level

Notes: (1) S$:NT$ = 23.96.
(2) Amount excludes issue costs of NT$675 million (S$27.9 million).
(3) Total debt / total assets.

NETWORK EXPANSION

Positive progress has been made with the network expansion across Taichung

	2013	1H 2014	2H 2014	2015	2016
Network build[1] (necessary capital expenditure)	<S$10 million	S$10 million	S$30 – S$40 million	S$10 – S$15 million	S$10 – S$15 million
Home connections (success based capital expenditure)	Not applicable	Not applicable	S$200 – S$250 per home (will be spent from 2014 and beyond)		

- Network coverage in excess of 30% of homes in the new coverage areas in the region
  - Television temporary operational licence now secured
  - Working to obtain broadband license before commencing commercial operations in the new coverage areas
  - Commercial operations expected to commence during the fourth quarter of 2014
- Total addressable market is in excess of 400k homes
  - Target penetration rate of at least 35% over 5 years
- Product offering will be similar to existing offers
- 2014 Revenue, EBITDA not materially impacted, distributions will be as forecast
- Capital expenditure funded from existing borrowing facilities

Notes: (1) Includes the cost of extending the core network and building in selected neighbourhoods.

OUTLOOK

2014 performance expected to be in line with forecasts outlined in the Prospectus

- Total revenue, operating expenses and cash flow generation are expected to be in line with the forecasts outlined in the Prospectus
  - Basic cable TV: growth in line with household growth, continued focus on service delivery, keeping churn rates down, and driving non-subscriber revenue
  - Premium digital cable TV: continued growth in line with expectations, ARPU to remain at current levels, focus on subscriber additions
  - Broadband: growth influenced by economic sentiment, ARPU to remain at current levels, focus remains on subscriber additions
- Distribution of 4.12 cents per unit will be paid on 26 September 2014
- Re-affirm distribution guidance of 4.13 cents per unit for the second half of 2014; to be declared as 2.00 cents per unit for the quarter ending 30 September 2014 and 2.13 cents per unit for the quarter ending 31 December 2014
- Digital set-top box penetration on track to meet 70% by the end of 2014
- Capital expenditure excluding rezoning for 2014 to reach 16% of total revenue
  - Driven by accelerated digital set-top box rollout
- Focus remains on driving growth in cash flows through up-selling and cross-selling of services across the subscriber base, driving non-subscriber revenue and progressing the network expansion