

aptt
Asian Pay Television Trust

MARCH QUARTER 2016 RESULTS PRESENTATION

10 May 2016

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AGENDA

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HIGHLIGHTS

Performance in line with expectations

- Revenue for Q1 2016 of S$77.8 million was lower than pcp[1] driven predominantly by lower Basic cable TV revenue
- EBITDA for Q1 2016 of S$46.0 million was lower by 5.4% on pcp
- APTT distribution of 1.625 cents per unit declared for the quarter ended 31 March 2016
- APTT distribution guidance of 6.5 to 7.0 cents per unit for the year ending 31 December 2016, subject to no material changes in planning assumptions including for asset performance and refinancing

Notes: (1) pcp refers to prior corresponding period ended 31 March 2015

KEY OPERATIONAL METRICS

Higher subscribers, lower ARPU

	As at 31 March 2016	As at 31 December 2015	
Subscribers ('000s)			
Basic cable TV	759	758	↑
Premium digital cable TV	149	145	↑
Broadband	195	193	↑

ARPU[1] (NT$ per month)	Three months ended 31 March 2016	Three months ended 31 December 2015	
Basic cable TV	528	537	↓
Premium digital cable TV	173	177	↓
Broadband	493	502	↓

Notes: (1) 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
(2) TBC refers to Taiwan Broadband Communications group

- **Subscribers and ARPU:**
  - Basic cable TV: Subscribers increased to c.759,000 with ARPU lower due to reduction of Basic cable TV rates in three of five franchise areas and lower non-subscription revenue
  - Premium digital cable TV: Subscribers increased to c.149,000 with ARPU lower due to promotions and discounted bundled packages
    - TBC[2] remains at the forefront of digitisation in Taiwan and is well positioned to provide subscribers with the opportunity to watch the latest TV offerings in high definition digital format
  - Broadband: Subscribers increased to c.195,000 with ARPU lower due to promotions and discounted bundled packages
- **Greater Taichung Expansion:**
  - All requisite regulatory licenses to operate in the new coverage areas have been secured and marketing of broadband services commenced
  - However, full commercial operations have been delayed as a result of the delay in securing content rights to deliver cable TV services in the greater Taichung region
  - TBC is working actively with the content providers to secure the necessary content rights in 2016
  - The network expansion into greater Taichung is anticipated to be completed in 2016

FINANCIAL RESULTS

Lower revenue compared to pcp

Group[1]	Quarter ended 31 March 2016 S$'000	Quarter ended 31 March 2015 S$'000	Variance[2] %
Revenue			
Basic cable TV	61,703	65,757	(6.2)
Premium digital cable TV	3,650	3,680	(0.8)
Broadband	12,479	12,855	(2.9)
Total revenue	**77,832**	**82,292**	**(5.4)**
Operating expenses[3]			
Broadcast and production costs	(15,060)	(16,162)	6.8
Staff costs	(7,574)	(7,276)	(4.1)
Trustee-Manager fees	(1,800)	(1,786)	(0.8)
Other operating expenses	(7,384)	(8,405)	12.1
Total operating expenses	**(31,818)**	**(33,629)**	**5.4**
EBITDA	**46,014**	**48,663**	**(5.4)**
EBITDA margin	59.1%	59.1%	

- **Revenue:** Total revenue was S$77.8 million and EBITDA was S$46.0 million for the quarter ended 31 March 2016. Total revenue for the quarter ended 31 March 2016 was 5.4% lower than the pcp:
  - Basic cable TV: Revenue of S$61.7 million, was down 6.2% on pcp, mainly due to the reduction of TBC's regulated Basic cable TV rates by NT$10 to NT$15 per month in three of its five franchise areas and lower non-subscription revenue
  - Premium digital cable TV: Revenue of S$3.7 million, was down 0.8% on pcp. This was generated predominantly from TBC's 149,000 Premium digital cable TV subscribers paying an ARPU of NT$173 per month in the quarter for Premium digital cable TV packages and bundled DVR services
  - Broadband: Revenue of S$12.5 million was down 2.9% on pcp. This was generated predominantly from TBC's 195,000 Broadband subscribers paying an ARPU of NT$493 per month in the quarter for high speed Broadband services
- **Operating expenses:** Total operating expenses of S$31.8 million for the quarter ended 31 March 2016 were 5.4% lower than pcp, mainly due to lower broadcast and production cost and other operating expenses

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) Operating expenses exclude depreciation and amortisation expenses, net foreign exchange gain/(loss), mark to market movements on foreign exchange swaps at Trust level and one-time debt advisory fee paid to Macquarie Capital (Hong Kong) Limited for services provided in relation to refinancing the borrowing facilities, in order to arrive at EBITDA and EBITDA margin.

FINANCIAL POSITION

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

	Group as at 31 March 2016 S$'000	Trust as at 31 March 2016 S$'000
Assets		
Current assets		
Cash and cash equivalents	52,523	5,191
Trade and other receivables	15,845	31
Other assets	5,268	2,079
	73,636	**7,301**
Non-current assets		
Investment in subsidiaries	-	1,342,351
Property, plant and equipment	243,011	-
Intangible assets	2,213,521	-
Other assets	1,447	466
	2,457,979	**1,342,817**
Total assets	**2,531,615**	**1,350,118**
Liabilities		
Current liabilities		
Borrowings from financial institutions	8,357	-
Trade and other payables	18,744	6,897
Income tax payable	10,757	4
Other liabilities	57,749	204
	95,607	**7,105**
Non-current liabilities		
Borrowings from financial institutions	1,167,594	-
Deferred tax liabilities	53,946	-
Other liabilities	36,031	-
	1,257,571	**-**
Total liabilities	**1,353,178**	**7,105**
Net assets	**1,178,437**	**1,343,013**

- **Cash and cash equivalents:** Cash balance of S$52.5 million
- **Depreciation/amortisation:** Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:
  - Buildings: 2 – 50 years
  - Leasehold improvements: 3 – 10 years
  - Network equipment: 6 – 10 years
  - Transport equipment: 5 – 7 years
  - Plant and equipment: 2 – 6 years
  - Leased equipment: 3 years

BORROWINGS

Sufficient capacity to fund future initiatives

Debt as of 31 March 2016	
Total size	NT$32.0 billion (S$1,337 million[1])
Total drawn[2]	NT$28.8 billion (S$1,203 million[1])
All-in hedge rate	c.4% per annum
Total debt / asset EBITDA	5.9x
Gearing[3]	46.5 %
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
- Approximately S$134 million of the revolving facility is available to fund future initiatives

Notes: (1) S$:NT$ = 23.93 as at 31 March 2016
(2) Amount includes issue costs of NT$658.0 million (S$28 million)
(3) Total debt / total assets

CAPITAL EXPENDITURE

Accelerated capital expenditure in 2016 and 2017 to position TBC for future growth

S$'million	2013 Actual	2014 Actual	2015 Actual	2016 Forecast	2017 Forecast
Network expansion[1]	<10	33	10	20 – 25	-
Premium digital cable TV[2]	<15[3]	19	53	50 – 55	50 – 55

- Capital expenditure related to the network expansion during the first quarter of 2016 amounted to S$0.2 million
  - The network expansion is expected to be completed in 2016
- Capital expenditure related to the Premium digital cable TV during the first quarter of 2016 amounted to S$12.7 million
- Capital expenditure related to network expansion and Premium digital cable TV will be funded from TBC's borrowing facilities

Notes: (1) Includes the cost of extending the core network and building in selected neighbourhoods
(2) Includes the installation related expenditure and digital head-end upgrades
(3) Actual full year 2013 reflected to facilitate a like-for-like comparison. APTT's ownership of TBC commenced from 29 May 2013

OUTLOOK

TBC is a stable business that is well positioned for future growth

- The focus in 2016 remains on driving growth in cash flows through up-selling and cross-selling of services across TBC's subscriber base and progressing the network and operational expansion in greater Taichung region
- Total revenue for the full year 2016 is anticipated to be influenced by a number of factors including the continued weakness in Taiwanese economy, marginally lower Basic cable TV rates in three of TBC's five franchise areas and the non-recurrence of revenue generated in 2015
- Overall EBITDA for the full year 2016 is expected to be marginally lower than 2015
- Accelerated capital expenditure driven by Premium digital cable TV
- APTT distribution of 1.625 cents per unit will be paid on 24 June 2016
- APTT distribution guidance of 6.5 to 7.0 cents per unit for the full year ending 31 December 2016, subject to no material changes in planning assumptions including for asset performance and refinancing