

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

Singapore - 11 November 2019

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and nine months ended 30 September 2019.

KEY HIGHLIGHTS

- Revenue and EBITDA were \$73.0 million¹ and \$43.0 million for the quarter ended 30 September 2019
- Premium digital cable TV and Broadband subscribers have been steadily increasing for the past six quarters; added c.9,000 Premium digital cable TV and c.7,000 Broadband subscribers during the quarter ended 30 September 2019, which more than offset Basic cable TV churn; total subscribers increased to c.1,175,000
- Distribution of 0.30 cents per unit declared for the quarter ended 30 September 2019; re-affirmed distribution guidance of 1.20 cents per unit per year for 2019 and 2020
- Continued investment in TBC’s² network and Broadband to deepen market penetration beyond the current 32%
- As part of the strategic review, the Trustee-Manager and its financial adviser, Bank of America Securities, have identified potential strategic or financial investors who have indicated interest in APTT; preliminary discussions with these parties are underway and the Trustee-Manager will make further announcements when appropriate

FINANCIAL HIGHLIGHTS

APTT³ reported total revenue of \$73.0 million and EBITDA of \$43.0 million for the quarter ended 30 September 2019, amidst continued challenging market conditions in Taiwan. For the nine months ended 30 September 2019, total revenue and EBITDA were \$218.4 million and \$131.6 million.

Compared to the prior corresponding period (“pcp”), total revenue and EBITDA for the quarter were lower by 8.6% and 12.1% and for the nine months were lower by 6.8% and 6.4%, mainly due to weaker ARPUs⁴. The decline was a result of pricing pressure from the intense competition that has impacted the entire cable TV and telecommunications industry.

Foreign exchange contributed to a negative variance of 1.1% for the quarter and 1.9% for the nine months compared to the pcp. In constant Taiwan dollar (“NT\$”) terms, total revenue for the quarter and nine months was 7.5% and 4.9% lower than the pcp.

Operating expenses continued to decline due to lower broadcast and production costs. For the quarter, operating expenses decreased by 3.1% to \$30.0 million, while EBITDA margin stood at 58.9%. For the nine months, operating expenses of \$86.8 million decreased by 7.4% and accordingly, EBITDA margin for the nine months improved to 60.2%, from 60.0% in the pcp.

Group Amounts in \$'000	Quarter ended 30 September			Nine months ended 30 September		
	2019	2018	Variance ⁵ (%)	2019	2018	Variance ⁵ (%)
Revenue						
Basic cable TV	57,882	63,953	(9.5)	173,084	186,139	(7.0)
Premium digital cable TV	3,183	3,396	(6.3)	9,616	10,500	(8.4)
Broadband	11,895	12,471	(4.6)	35,665	37,762	(5.6)
Total revenue	72,960	79,820	(8.6)	218,365	234,401	(6.8)
Total operating expenses	(29,980)	(30,951)	3.1	(86,813)	(93,796)	7.4
EBITDA	42,980	48,869	(12.1)	131,552	140,605	(6.4)
EBITDA margin	58.9%	61.2%		60.2%	60.0%	

¹ All figures, unless otherwise stated, are presented in Singapore dollars (“\$”).

² TBC refers to Taiwan Broadband Communications group.

³ APTT refers to APTT and its subsidiaries taken as a whole.

⁴ ARPU refers to Average Revenue Per User.

⁵ A positive variance is favourable to the Group and a negative variance is unfavourable to the Group.

OPERATIONAL PERFORMANCE

TBC's operational highlights for the quarter ended 30 September 2019 were as follows:

- **Basic cable TV:** Basic cable TV revenue of \$57.9 million for the quarter ended 30 September 2019 was down 9.5% on the pcp; in constant NT\$ terms, Basic cable TV revenue for the quarter was down 8.4% on the pcp. This comprised subscription revenue of \$47.7 million and non-subscription revenue of \$10.2 million. TBC's c.734,000 Basic cable TV RGUs⁶, each contributed an ARPU of NT\$489 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 2019 (RGUs: c.739,000; ARPU: NT\$491 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 and 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. Subscription revenue for the quarter was lower than the pcp because of a lower number of subscribers and ARPU in the quarter. Non-subscription revenue, comprising revenue from the leasing of television channels to third parties, sale of airtime advertising and fees for the installation of set-top boxes, was lower than the pcp mainly due to lower revenue generated from channel leasing and airtime advertising sales. The leasing of television channels, which is mainly to third-party home shopping networks, was affected by the decline in 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:** While Premium digital cable TV RGUs increased, the lower ARPU has resulted in a decline in revenue. Premium digital cable TV revenue of \$3.2 million for the quarter ended 30 September 2019 was down 6.3% on the pcp; in constant NT\$ terms, Premium digital cable TV revenue for the quarter was 5.2% lower than the pcp. Revenue was generated predominantly from TBC's c.209,000 Premium digital cable TV RGUs, each contributing an ARPU of NT\$112 per month in the quarter for Premium digital cable TV packages, bundled DVR or DVR-only services. Premium digital cable TV RGUs increased by c.9,000 but ARPU was lower compared to the previous quarter ended 30 June 2019 (RGUs: c.200,000; ARPU: NT\$117 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 \$11.9 million for the quarter ended 30 September 2019 was down 4.6% on the pcp; in constant NT\$ terms, Broadband revenue for the quarter was 3.5% lower than the pcp. Broadband revenue was generated predominantly from TBC's c.232,000 Broadband RGUs, each contributing an ARPU of NT\$376 per month in the quarter for high-speed Broadband services. Broadband RGUs increased by c.7,000 but ARPU was lower compared to the previous quarter ended 30 June 2019 (RGUs: c.225,000 and ARPU: NT\$391 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 RGUs refer to Revenue Generating Units.

Mr Brian McKinley, Chief Executive Officer said, *"We have been steadily adding Premium digital cable TV and Broadband subscribers over the last six quarters and are heartened with the strong increase in the third quarter. This has raised our total subscriber base to c.1,175,000. Our fixed-line Broadband market penetration continued to grow, increasing by 1 percentage point quarter-on-quarter to 32%. To manage pressure on ARPU, we will continue with cost management initiatives and pursue our Broadband growth strategy, driving higher speed plans, developing new market segments and introducing more value-added solutions that leverage the Android gateway."*

As at 30 September 2019, TBC deployed c.61,000 Android-based BandOTT boxes compared to c.52,000 boxes a year ago. BandOTT boxes allow higher speed plan subscribers to view over-the-top content and enjoy other value-added home-centric solutions through IoT and smart home devices.

On prospects for the Broadband business, Mr McKinley added, *"The first round of 5G spectrum auctions in December 2019 and the award of licenses early next year are positive developments for our data backhaul services, which are expected to become a material part of our broadband business within five years. As we are targeting to be fully data-backhaul ready to support 5G network carriers, it is important that we continue to invest and increase the capacity of our advanced hybrid fibre coaxial cable network. Already, we have started providing data backhaul services to a growing number of wireless operators who prefer tapping into our superior network."*

OUTLOOK

The Trustee-Manager is fully committed to navigating the challenges that APTT and the industry are facing. A key focus is to reduce our dependence on borrowings and strengthen the balance sheet and cash flows to not only support operations, but to have the flexibility to effectively compete in this economic and operating environment.

As part of the focused debt management programme, APTT refinanced its outstanding borrowing facilities at lower arrangement fees and improved margins in November 2018, demonstrating strong lender support and confidence in APTT's business and its management. In April 2019, additional interest rate swaps were entered into to hedge approximately 95% of outstanding onshore facilities through to 2021; the average fixed rate on TAIBOR swaps through to 2021 is approximately 0.82%. With the refinancing and interest rate swaps, APTT's effective interest rate in 2019 is expected to be lower than 2018.

The distribution guidance of 1.20 cents per unit per year for 2019 and 2020, subject to no material changes in planning assumptions, will also result in annual cash savings of over \$76 million, enabling the Trust to use operational cash flows to fund capital expenditure and reduce the dependence on borrowings.

Total operating expenses for the full year 2019 are expected to be lower than 2018. Total revenue for the full year, however, will be influenced by the ability to increase RGUs while ARPUs remain under pressure due to challenges from video piracy issues, the growing popularity of online TV, aggressively priced IPTV and competition from mobile operators offering unlimited wireless data plans. The decline in the demand for home shopping and competition from internet retailing will continue to put pressure on channel leasing revenue for the cable industry.

Capital expenditure in 2019 will remain elevated due to the key investment initiative to deploy fibre deeper into the network but it is expected to trend down from 2020 onwards. The level of capital expenditure will be closely monitored to focus on areas that will have the best potential in generating growth and sustainability for the long-term.

DISTRIBUTIONS

The Board of directors of the Trustee-Manager has declared an ordinary interim distribution of 0.30 cents per unit for the quarter ended 30 September 2019. The books closure date will be on 17 December 2019 and the distribution will be paid on 24 December 2019.

The Board has re-affirmed distribution guidance for the years ending 31 December 2019 and 2020. The distribution is expected to be 1.20 cents per unit per year for 2019 and 2020, subject to no material changes in planning assumptions. It is anticipated that the distribution will continue to be paid quarterly at 0.30 cents per unit per quarter.

STRATEGIC REVIEW

As announced on 20 June 2019, the Trustee-Manager appointed Merrill Lynch (Singapore) Pte. Ltd. ("Bank of America Securities") as its exclusive financial adviser in connection with the independent strategic review of options available for APTT and its investment in TBC. Bank of America Securities reports directly to the special committee that is leading the strategic review. The committee consists of all four independent directors and the Chief Executive Officer.

As part of the strategic review, the Trustee-Manager and Bank of America Securities, have identified potential strategic or financial investors who have indicated interest in APTT. Preliminary discussions with these parties are underway.

The Trustee-Manager wishes to emphasise that the discussions are preliminary and there is no assurance that any transaction for APTT or TBC will materialise from the strategic review. Further announcements will be made when appropriate.

Unitholders of APTT are advised to refrain from taking any action in respect of their units or other securities of APTT which may be prejudicial to their interests, and to exercise caution when dealing in such units or other securities.

ABOUT APTT

APTT is the first listed business trust in Asia focused on pay-TV 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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