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Asian Pay Television Trust

SGX-ST Release

ASIAN PAY TELEVISION TRUST
EIGHTH ANNUAL GENERAL MEETING
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Singapore – 29 April 2021

APTT Management Pte. Limited (the "Trustee-Manager"), as Trustee-Manager of Asian Pay Television Trust ("APTT"), refers to the announcement dated 9 April 2021 in relation to the Annual General Meeting ("AGM") to be held by way of electronic means today, 29 April 2021, at 10.00 a.m. (Singapore time).

The Trustee-Manager would like to thank all unitholders who have submitted their questions in advance of the AGM. We have endeavoured to address all substantial and relevant questions, grouped into the key topics as shown below. Questions posed by the Securities Investors Association (Singapore) ("SIAS") have also been included.

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As there were several overlapping questions, and to avoid repetition, we have summarised and answered each question only once. Please refer to the responses in the following pages.

Key questions will also be addressed by Mr Brian McKinley, CEO of the Trustee-Manager, during his presentation at the AGM. Unitholders who are participating in the AGM electronically may also type their questions in the online chat box. The Board of the Trustee-Manager will address the substantial and relevant questions during the AGM.

Please refer to all AGM related documents on APTT's corporate website at the URL https://www.aptt.sg/news/news-2021/.

Following the conclusion of the AGM, the voting results of the AGM will be made available on the website of the SGX-ST and on APTT's corporate website.

AUTHORITY TO ISSUE NEW UNITS

1) APTT conducted a fund-raising exercise last year via a rights issue. Why is there a need to seek for authority to issue new units again? How do you plan to use the additional funds being raised if new units are issued?

Granting authority to issue new units is a common mandate often sought by listed companies and listed trusts, to give flexibility and efficiency to raise capital within the limits of the mandate, in case the need arises, without requiring the time and financial resources of convening an extraordinary general meeting each time.

DATA BACKHAUL

2) Management has been expecting data backhaul to be a key component of the broadband business. How big is the data backhaul market?

For data to move more efficiently from one point to another in a wireless network, there needs to be a fibre backbone that allows these points to interface with each other.

While there is no publicly available data on the size of the data backhaul market, it is important to understand the backdrop: wireless operators have had to spend a lot on 5G spectrum, while at the same time wireless competition is intense. It will be a multi-year investment for the wireless operators to build out their 5G networks and they will need to be as efficient as possible given this landscape.

In our five franchise areas, TBC is one of two players that owns a distributed and dense underground fibre network that could be leveraged in a 5G build-out. Most importantly, we do not compete in the wireless space, unlike the other player which does compete in the wireless space and is also our main fixed-line broadband competitor.

This is an attractive proposition for the wireless operators. Being able to lease our fibre network for data backhaul, versus building out their own or leasing from the competitor, will be a way that wireless operators can efficiently plan out their networks.

We are working with the c-suite from the wireless operators to ensure utilising TBC's network is in their planning process. Although its contribution is not yet significant, revenue from data backhaul over the last two years has been gradually increasing. We are confident that data backhaul will be a key component of our Broadband business within the next few years.

3) When can TBC start providing its data backhaul network to wireless operators as they roll out their 5G services?

TBC is already using its network to provide data backhaul services to wireless operators. Although its contribution is not yet significant, revenue from data backhaul over the last two years has been gradually increasing.

It will be a multi-year investment for the wireless operators to build out their 5G networks. We are confident that data backhaul will be a key component of our Broadband business within the next few years.

4) Will data backhaul be able to contribute as much, if not more, revenue than current home-based broadband business? By which year do you expect 5G data backhaul to start to meaningfully contribute to revenues?

As this is an emerging area, the Trustee-Manager is not in a position to provide projected revenue contributions. Although its contribution is not yet significant, revenue from data backhaul over the last two years has been gradually increasing. We are confident that data backhaul will be a key component of our Broadband business within the next few years.

5) When will 5G networks be launched in TBC's five franchise areas? Will TBC be able to compete effectively in the 5G broadband segment?

The first round of 5G licences were awarded at the beginning of 2020 and while some initial 5G services are gradually being launched, it will be a multi-year investment for the wireless operators.

Taiwan's 5G rollout translates to opportunities for TBC to provide data backhaul to wireless operators who prefer tapping into our fibre network, rather than working with our main competitor as it also competes with these operators in the wireless broadband segment.

Over the last three years, we have invested significantly in our network. To give you an idea, we have increased fibre density from an average of more than 750 end-homes per fibre node 3 years ago to less than 250 end-homes per fibre node – removing network congestion and allowing data to be transmitted at higher speeds.

We believe we have reached a level that can adequately deliver higher speed plans, and at the same time, support wireless operators in their 5G network rollout.

6) I understand that 4G data backhaul revenue is currently not significant. May I know where is this revenue currently captured? Will it be under Broadband non-subscription revenue? Please advise.

Data backhaul revenue is captured in Broadband subscription revenue. Wireless operators lease a number of fibre circuits to provide data backhaul; the revenue is recurring and subscription-based in nature.

BORROWINGS

7) Can the Trustee-Manager comment if the lenders for the Offshore Facilities were unwilling to refinance without the lump sum repayment of S$45 million?

The Rights Issue and the extension of the Offshore Facilities were unrelated transactions. Even under the existing economic and operating environment, with continued pressures on APTT's EBITDA, four unitholders stepped forward to provide undertakings for the Rights Issue. Since this opportunity presented itself, we exercised prudence by paying down debt.

It was in the best interests of APTT and unitholders that we continue to lower gearing.

8) It was disclosed that the Offshore Facilities bear a floating interest rate of Singapore Interbank Offered Rate plus an interest margin of 4.1% to 5.5% (2019: 4.1% to 5.5%) per annum based on the leverage ratio of the Group. Please clarify if a lower spread was secured, given the S$45 million repayment under the new loan amendment agreement.

Interest margin on the Offshore Facilities ranges from 4.1% to 5.5% based on the degree of leverage. As repayments are made and the leverage ratio decreases, the interest margin will automatically decrease based on the pre-agreed ranges of leverage ratio and interest margin.

9) Did the Trustee-Manager look for other sources of financing?

Yes, and the existing Onshore and Offshore Facilities are the most cost efficient sources of financing currently available to the Trust.

10) When is the first tranche of the onshore debt maturing? How confident are you to be able to roll over all or a significant part of the onshore debt repayable in tranches by 2025, without affecting the dividend payment?

Most of the onshore debt is in Facility A and this facility includes a principal repayment schedule that began one quarter after the refinancing in 2018. The repayment schedule gradually escalates over the period of the seven-year facility until maturity at the end of seven years when there would be 50% of the facility still outstanding.

We have begun discussions to refinance our onshore facilities ahead of maturity in 2025. We are confident that we can successfully refinance the onshore facilities within the next 12 months with no impact on the distribution, subject to no material changes in planning assumptions.

We will make announcements as and when appropriate.

CAPITAL EXPENDITURE

11) What determines the pace of capital expenditure for the Trust in the next 18 – 24 months?

Our capital expenditure comprises two main parts: (i) Maintenance capital expenditure which is necessary to support TBC's existing infrastructure and business; and (ii) Network and Broadband investments to drive growth.

Our network investments are past the peak. Unless there are new regulatory requirements that require mandatory capital expenditure, we expect capital expenditure to continue trending down.

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

12) Given that capital expenditure is expected to trend down in 2021, will the Board consider increasing the distribution to unitholders?

For 2021, the Board has reaffirmed distribution guidance of 1 Singapore cent per unit, to be paid in quarterly instalments of 0.25 cents, subject to no material changes in planning assumptions.

The Board has not guided on distributions beyond 2021.

Our aim is to continue to strengthen the balance sheet by using cash generated from operations to make debt repayments. We are working hard to mitigate the impact of lower ARPUs by growing our subscriber base and yielding results from our Broadband strategy.

As and when appropriate, we certainly hope to increase distributions to unitholders. The Trustee-Manager and its owners have a stake in APTT. There is a strong alignment of interests if we can increase distributions.

FINANCIALS

13) Cash and cash equivalents are at a record high, what is the reason for this?

A significant portion (S$34 million) of cash at 31 December 2020 represents collections received in advance to provide Basic cable TV, Premium digital cable TV and Broadband subscription services in future periods.

We maintain cash balances to fund the daily cash requirements of our business, including to i) pay for operating expenses; ii) service our existing debt facilities, in the form of interest payments and scheduled debt repayments; iii) fund capital expenditure to support our existing infrastructure, albeit at a lower level compared to previous years; and iv) pay distributions to unitholders.

Some cash is being reserved as we prepare to make higher scheduled principal repayments in 2021 of approx. S$23m. As is normal course, we are exercising prudence in spending capital expenditure and deferring some payments to the second half of the year.

14) ARPU for Premium digital cable TV and Broadband has dropped by NT$16 and NT$24 respectively in 2020. Please clarify the reason. Did ARPU decrease so as to increase customer base? Are you reducing prices further in 2021?

Yes, the lower prices form part of our marketing strategy to attract new customers and retain existing ones.

Premium digital cable TV ARPU was lower due to promotions and discounted bundled packages to compete with pirated content and aggressively priced IPTV, while Broadband ARPU declined as we continue to offer higher speed plans at competitive prices to acquire new RGUs and re-contract existing ones. This is to compete with the many mobile operators offering inexpensive unlimited wireless data.

In the face of intense competition, it is important to keep our pricing competitive. We expect ARPUs to remain under pressure.

15) Please explain the "settlement of programming fees" of S$5,360,000, as mentioned in Consolidated Statements of P&L for the year 2020.

Since 2019, TBC had been in the process of facilitating certain content programming discussions between its programming vendors and agent and had placed a refundable deposit of NT$359 million (approximately S$16.9 million) with the programming vendors to ensure no interruption of service while the discussions were in progress.

In January 2020, again to ensure no interruption of service, the Group utilised the refundable deposit to pay programming fees of NT$359 million (approximately S$16.9 million) directly to its programming vendors, such sum being claimable against the agent.

Following final negotiations between TBC and the agent in April 2020, TBC agreed to bear an additional programming cost of NT$113 million (approximately S$5.4 million) from the agent. This was recognised as a one-time settlement of programming fees in 2020.

16) Was the forex movement of S$64.5 million, as indicated in Note 12 for the year 2020, recognised as part of movement in reserves in the Statement of Financial Position. If it is not, where is it recognised in the balance sheet and profit and loss?

The foreign exchange movement of S$64.5 million, as indicated in Note 12 to the Financial Statements in the Annual Report, was recognised as part of movement in ‘Reserves’ in the Statement of Financial Position.

In accordance with Note 2(e)(iii) to the Financial Statements in the Annual Report, for entities within APTT group, that have a functional currency other than SGD, all assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of financial position. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserves.

Refer to Note 19(i) to the Financial Statements in the Annual Report for foreign currency translation reserves movements during the year. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity, giving rise to such reserve.

STRATEGIC REVIEW

17) Will there be further follow-up action on the strategic review after your last announcement?

The strategic review process ended with the proposed ownership changes at the Trustee-Manager level and the successful completion of the Rights Issue in the second quarter of 2020.

The Trustee-Manager and the Board of Directors remain committed to protecting unitholders’ interests and growing the partnership with the incoming majority owner of the Trustee-Manager, Da Da Digital Convergence Co., Ltd. (“Da Da Digital”) to extract greater value for unitholders.

18) What was the cost of the strategic review and is the Trustee-Manager satisfied with the outcome?

Total professional fees incurred in relation to the Strategic Review were approximately S$400,000.

The Strategic Review Committee is of the view that Da Da Digital’s proposed acquisition of a 65% interest in the Trustee-Manager, if approved, will be a win-win solution for all parties, including for APTT unitholders. There is potential to create synergies between APTT and Da Da Digital, especially on the back of industry changes from Taiwan’s 5G rollout.

Da Da Digital also indicated its interest to increase its stake in APTT in the mid to long term, while adhering to the necessary regulations in both Taiwan and Singapore.

The Trustee-Manager is also satisfied with the outcome of the Rights Issue. Even under the existing economic and operating environment, with continued pressures on APTT’s EBITDA, four unitholders stepped forward to provide undertakings for the Rights Issue. Since this opportunity presented itself, we exercised prudence by paying down debt. It was in the best interests of APTT and unitholders that we continue to lower gearing.

RIGHTS ISSUE

19) Has the Board carried out a review to understand the reasons for the low valid acceptances by unitholders (other than the undertaking unitholders)?

Valid acceptances and excess applications were received for 474,661,223 Rights Units, representing 131.4% of the 361,270,970 Rights Units available under the Rights Issue. This included acceptances and excess applications by the Undertaking Unitholders for an aggregate of 361,270,970 Rights Units.

The Board is of the view that the Rights Issue was a more inclusive option to raise funds, compared to other fund-raising methods like private placements which would have been entirely dilutive to existing unitholders.

The Trustee-Manager is satisfied with the outcome of the Rights Issue; it was in the best interests of APTT and unitholders that we continue to lower gearing.

20) Did the Board consider the attractiveness of the rights issue, given that the net proceeds were mainly to be used to reduce debt?

Yes, reducing debt is a key priority for the Trust.

Coupled with capital expenditure trending down, we strive to use cash generated from operations to continue to make debt repayments, and further strengthen our balance sheet. A stronger balance sheet will provide us with the flexibility to navigate and compete more effectively in today's uncertain economic climate.

BUSINESS, STRATEGY & OUTLOOK

21) What is the Trustee-Manager doing to reduce Basic cable TV churn and to maintain the ARPU? With the current trend in the basic cable TV segment, would the group be able to generate sufficient cash flow to meet the Trust's cash flow needs?

It is important to note that the churn in Basic cable TV was more than offset by the growth in Premium digital cable TV and Broadband RGUs. The net effect is that we are still growing our subscriber base despite the Basic cable TV churn. With our marketing efforts, we expect this growth momentum to continue.

The subscription-based nature of our business model generates strong cash flows. We continue to focus on our core strategy which is to drive cash flow generation through operating TBC's business, generate growth in cash flows through up-selling and cross-selling of our services across our subscriber base, and driving our broadband initiatives.

To note also is that there is a higher operating cash flow contribution from Broadband RGUs since there is no content cost involved as with cable TV.

22) Two other growth areas identified by the management are enterprise client and value-added solutions that leverage the Android gateway. Can the management elaborate more on the current competitive landscape, the potential market size and plans to capture these 2 markets? Any major cost or capex required?

These two segments are a natural extension as we continue to increase our network capacity. In the Enterprise segment, we are looking to target small and medium sized businesses already within our network footprint. We are not looking to expand our network into industrial parks and where the competition is already crowded with the nation's three large carriers.

As we continue to offer higher speed plans at competitive rates, our strategy is to move existing subscribers up the speed plans with value added services such as select OTT content over the Android gateway. There is no major cost or capex required. Our yearly capex to increase network capacity and speed supports these two segments.

23) Three cable TV licences are up for renewal in 2021. One licence has already been renewed until 2030. What is the status of the other two licences?

We have submitted renewal applications and corresponding business plans for the other two licences. Based on the successful renewal history for us and the industry as a whole, there is no reason to believe that the remaining two licences will not be renewed.

We expect approvals before the licence expiry dates later this year.

24) What are the Board's concrete plans to increase long-term unitholder value?

We are confident of the strength of our Broadband growth strategy. To extract greater value from our key asset – a fully owned advanced hybrid fibre coaxial cable network across TBC's five franchise areas, we will continue with our network investment. Not only will this enable us to meet consumers' growing demand for more data and higher speed plans, but it also lays the ground for TBC to be fully data-backhaul ready for the wireless operators when they roll out 5G services.

In particular, we are very focused on executing our:

- Broadband growth strategy to i) tap consumers' growing demand for higher internet speed; and ii) wireless operators' demand for data backhaul.
- Debt management programme; we have lowered our gearing from 53.8% a year ago to 51.7%. We strive to use cash generated from operations to make debt repayments to strengthen our balance sheet.

We will also continue to drive cash flow generation through operating TBC's business, generate growth in cash flows through up-selling and cross-selling of our services across our subscriber base, and driving our Broadband growth initiatives.

OTHERS

25) Why is the unit price trending down? What are your plans to revive the business and hence the unit price?

APTT's unit price is affected by a number of external factors that are outside of our control. What is within our control is the management of APTT.

We own a pay-TV business in five franchise areas across Taiwan. Our business model generates strong cash flows. We continue to focus on our core strategy which is to drive cash flow generation through operating TBC's business, generate growth in cash flows through up-selling and cross-selling of our services across our subscriber base, and driving our Broadband growth initiatives.

A key priority is also to continue to manage debt levels and strengthen the balance sheet. A stronger balance sheet will provide APTT with the flexibility to navigate and compete more effectively in today's uncertain economic climate.

26) Since the entire business of APTT is in Taiwan, will the Trustee-Manager consider a dual listing on the Taiwan Stock Exchange?

A dual listing is not being considered at this time, however it could remain a possibility for the future.

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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