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Asian Pay Television Trust

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2023

Singapore – 29 February 2024

Asian Pay Television Trust ("APTT" or the "Trust") today announced its financial results for the quarter and year ended 31 December 2023.

KEY HIGHLIGHTS

- Revenue and EBITDA at $65.4 million[1] and $38.1 million for the quarter, and $266.4 million and $154.2 million for the year; EBITDA margin 58.3% for the quarter and 57.9% for the year
- Positive Broadband momentum continued – growing subscriber base, higher ARPU and over three years of revenue improvement in both S$ and NT$
- Despite the removal of non-paying subscribers, the continued increase in Premium digital cable TV and Broadband subscribers lifted total subscriber base to c.1,312,000 as at 31 December 2023, from c.1,298,000 a year ago
- Distribution of 0.525 cents per unit declared for the second half-year, bringing total 2023 distribution to 1.05 cents per unit
- The Board has re-affirmed distribution guidance of 1.05 cents per unit for the full year 2024; distributions to be paid half-yearly, subject to no material changes in planning assumptions
- Net debt repayments of $49 million for the year; $65 million to be set aside for repayments in 2024; focused debt management has lowered total debt by 18% over the last 4 years
- Capital expenditure decreased by 1.2% for the year, and continued to be within industry norms
- Approximately 90% of outstanding Onshore Facilities (equivalent to 83% of the Group's total debt) are hedged through to 30 June 2025; net exposure to rising interest rates is contained to only 17% of total outstanding debt
- The Trustee-Manager has approved a credit of $494 thousand for the 2024 Trustee-Manager fees – a move that underscores the Trustee-Manager's commitment to cost management and its direct contribution to it
- Impairment loss of $440 million recorded due to decline in cable TV business amidst higher interest rates and a weaker Taiwan dollar; this non-cash item has no impact on operations, cash flows, distributions or financial covenants

FINANCIAL HIGHLIGHTS

APTT[2] reported revenue of $65.4 million for the quarter and $266.4 million for the full year ended 31 December 2023. Earnings before interest, tax, depreciation and amortisation ("EBITDA") and EBITDA margin stood at $38.1 million and 58.3% for the quarter, and $154.2 million and 57.9% for the year. Foreign exchange contributed to a negative variance of 4.1% for the quarter and 6.9% for the year compared to the prior corresponding period ("pcp") due to a relatively weaker Taiwan dollar ("NT$"). In constant NT$, revenue decreased by 1.7% for the quarter and increased by 0.1% for the year compared to the pcp.

Broadband continued to improve on all fronts – number of subscribers, ARPU[3] and over three years of consistent revenue growth in both S$ and NT$. The strong performance validates the success of TBC's growth strategy. During the quarter, c.5,000 subscribers were added, alongside higher ARPU which improved by NT$3 per month to NT$392 per month. In NT$, Broadband revenue, which includes revenue from data backhaul, recorded double-digit growth of 10.7% for the quarter and 11.8% for the 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 Amounts in $'000	Quarter ended 31 December 2023	 2022	 Variance[4] (%)	Year ended 31 December 2023	 2022	 Variance[4] (%)
Revenue						
Basic cable TV	45,586	50,532	(9.8)	188,033	210,007	(10.5)
Premium digital cable TV	2,591	2,745	(5.6)	10,852	11,607	(6.5)
Broadband	17,217	16,148	6.6	67,510	64,350	4.9
Total revenue	**65,394**	**69,425**	**(5.8)**	**266,395**	**285,964**	**(6.8)**
Total operating expenses[5]	**(27,248)**	**(28,275)**	**3.6**	**(112,194)**	**(117,287)**	**4.3**
EBITDA	**38,146**	**41,150**	**(7.3)**	**154,201**	**168,677**	**(8.6)**
EBITDA margin	58.3%	59.3%		57.9%	59.0%	

[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, impairment loss, 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 to record a modest increase in real total revenue in 2023, reflecting the higher contribution from Broadband which has been adding new subscribers and recording higher ARPU and revenue. Over 25% of total revenue is now generated from Broadband, compared to 22% a year ago. While we cannot yet assume that this trend will continue, the growth in total revenue signals that Broadband is at least starting to cushion the impact of the decline in our Basic cable TV business."*

OPERATIONAL PERFORMANCE

TBC's[6] operational highlights for the quarter and year ended 31 December 2023 were as follows:

- **RGU adjustments:** TBC conducted a detailed exercise in the second half of 2023 to remove all non-paying subscribers (greater than 90 days) across all three of TBC's service offerings. As a result, c.3,800 Basic cable TV subscribers, c.2,100 Premium digital cable TV subscribers and c.3,000 Broadband subscribers were removed during the quarter. Including the non-paying subscribers who were removed in the third quarter, a total of c.7,200 Basic cable TV subscribers, c.7,900 Premium digital cable TV subscribers and c.4,700 Broadband subscribers were removed. It is important to note that the removal of these non-paying subscribers had minimal impact to revenue and cash flows as they have not been contributing to TBC's revenue. Despite these adjustments, Premium digital cable TV and Broadband continued to add new subscribers in the quarter, increasing the total subscriber base to c.1,312,000 as at 31 December 2023, from c.1,298,000 a year ago.

- **Basic cable TV:** Basic cable TV revenue of $45.6 million for the quarter, comprising subscription revenue of $37.0 million and non-subscription revenue of $8.6 million, was down 9.8% compared to the pcp. On a full year basis, Basic cable TV revenue of $188.0 million, comprising subscription revenue of $155.4 million and non-subscription revenue of $32.6 million, was down 10.5%. In constant NT$, Basic cable TV revenue for the quarter and year decreased by 5.7% and 3.6%. 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.649,000 Basic cable TV RGUs[7] contributed an ARPU of NT$444 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.10,000 and ARPU was lower by NT$4 per month compared to the previous quarter ended 30 September 2023 (RGUs: c.659,000; ARPU: NT$448 per month). The decline in Basic cable TV RGUs was due to a number of factors, including the removal of c.3,800 non-paying subscribers, competition from aggressively priced IPTV, the growing popularity of online video, as well as expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's franchise areas, particularly in the Taipei region. Non-subscription revenue comprised revenue from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes. In constant NT$, non-subscription revenue for the quarter was higher than the pcp mainly due to higher revenue generated from airtime advertising sales; for the full year, non-subscription revenue 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.

[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.

- **Premium digital cable TV:** Premium digital cable TV revenue of $2.6 million for the quarter was down 5.6% compared to the pcp. On a full year basis, Premium digital cable TV revenue of $10.9 million was 6.5% lower. In constant NT$, Premium digital cable TV revenue for the quarter decreased by 1.5%, and for the year increased by 0.4%. Revenue was generated predominantly from TBC's c.323,000 Premium digital cable TV RGUs each contributing an ARPU of NT$60 per month in the quarter for Premium digital cable TV packages and bundled DVR or DVR-only services. Despite the removal of non-paying subscribers, Premium digital cable TV RGUs increased by c.3,000 compared to the previous quarter ended 30 September 2023. ARPU was marginally lower by NT$1 per month compared to the previous quarter ended 30 September 2023 (RGUs: c.320,000; ARPU: NT$61 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 strong competition from the local telco and from mobile operators offering inexpensive unlimited data plans, and the removal of non-paying subscribers, Broadband RGUs increased by c.5,000 during the quarter. Broadband revenue, including revenue from data backhaul, was $17.2 million for the quarter, an increase of 6.6% compared to the pcp. On a full year basis, Broadband revenue of $67.5 million was 4.9% higher. In constant NT$, Broadband revenue for the quarter and year increased by 10.7% and 11.8%. Broadband revenue was generated predominantly from TBC's c.340,000 Broadband RGUs each contributing an ARPU of NT$392 per month in the quarter, which was NT$3 per month higher than the previous quarter ended 30 September 2023 (RGUs: c.335,000; ARPU: NT$389 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 increased by 27.4%, or $2.6 million, for the quarter due to higher expenditure on network, broadband and other investments, and decreased by 1.2%, or $0.4 million, for the year due to lower expenditure on maintenance. Capital expenditure is at a level that will sufficiently support TBC's Broadband growth strategy. As a percentage of revenue, capital expenditure was 18.3% for the quarter and 12.9% for the year. Going forward, the level of capital expenditure, which will continue to be within industry norms, will be closely monitored and limited to areas that will have the best potential in generating growth and sustainability for the long term.

DEBT MANAGEMENT

As at 31 December 2023, interest rate swaps have been entered into to hedge approximately 90% 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 92% of the Group's total outstanding debt, the net exposure to rising interest rates is contained; approximately 83% 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 was 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 $80 million revolving loan facility) – a direct result of accelerated debt repayments as part of the debt management programme.

Accelerated debt repayments continued during the year, as net debt of $49 million was repaid. The Trustee-Manager will set aside $65 million for debt repayments in the next 12 months. The focused debt management has lowered total debt by 18% over the last 4 years.

IMPACT OF RISING INTEREST RATES ON DEBT

APTT's total outstanding debt comprises 92% Onshore Facilities and 8% Offshore Facilities. Approximately 90% of outstanding Onshore Facilities are hedged through to 30 June 2025, while the Offshore Facilities are not hedged. This means that approximately 83% 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 17% 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 Singapore Overnight Rate Average ("SORA"). The previous Offshore Facilities were exposed to the floating interest rate of Singapore Interbank Offered Rate ("SIBOR"). While TAIBOR rates have not increased significantly over the last year, SORA and SIBOR rates have increased substantially. Although interest rate risk is well managed with hedges on approximately 83% of APTT's total outstanding debt, total interest costs for 2024 are expected to be affected by the changes in TAIBOR and SORA rates on the remaining 17% of total outstanding debt that remains unhedged.

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 2024. 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 2024 are expected to be in line with 2023.

DISTRIBUTIONS

The Board of Directors of the Trustee-Manager (the "Board") has declared an ordinary distribution of 0.525 cents per unit for the half-year ended 31 December 2023. The record date will be 21 March 2024 and the distribution will be paid on 28 March 2024.

The Board is re-affirming the distribution guidance for the full year ending 31 December 2024. The distribution for 2024 is expected to remain unchanged at 1.05 cents per unit, subject to no material changes in planning assumptions. The distribution will continue to be paid in half-yearly instalments of 0.525 cents per unit, calculated as at 30 June 2024 and 31 December 2024 for the six-month period ending on each of the said dates and paid in September 2024 and March 2025 respectively.

Mr McKinley said, *"Our 2024 distribution guidance takes into account the elevated interest rates and a weaker NT$ against S$. We are confident that at this distribution level, our strong cash flows can still support disciplined debt repayments and fund capital expenditure to future-proof our Broadband business."*

IMPAIRMENT ASSESSMENT FOR GOODWILL AND INTANGIBLE ASSETS

Goodwill and cable TV licences with indefinite useful lives are not subject to amortisation and are tested annually for impairment. The Trustee-Manager performs an assessment 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 cash generating unit ("CGU") which supports the impairment assessment.

Interest rates have remained elevated and the business environment continues to be challenging. Over the years, the operating environment in Taiwan, particularly the cable TV industry, has become more challenging. Declining Basic cable TV RGUs has been a trend since 2018 and is expected to continue in the future. Basic cable TV ARPU has also trended lower as TBC has been offering promotions and discounted bundled packages to compete with aggressively priced IPTV. Including the performance in 2023, Basic cable TV churn and revenue have declined for five consecutive years. Separately, the growth of data backhaul services through TBC's network has been lower than originally expected. Network rollouts by wireless operators have been delayed as they manage their capital expenditure and rely on core 5G coverage by updating their headends, without rolling out as much network infrastructure. Although Broadband growth continues and Broadband has shown the potential to offset the decline in Basic cable TV revenue, overall EBITDA has been on a downward trend over the last five years.

The Group conducted an annual impairment assessment for the year ended 31 December 2023. Its external auditors worked with their internal valuation specialists to perform an independent review of the valuation methodology and assumptions like discount rate and terminal value used in the forecast cash flows based on the discounted cash flow model prepared by the Trustee-Manager for the purpose of the impairment assessment. Given current exchange rates, elevated interest rates and the challenging business environment noted above, the recoverable amount of TBC's cable TV licences has reduced and as a result an impairment loss of $440 million was recorded by the Group in the consolidated statement of profit or loss for the year ended 31 December 2023.

It is important to note that an impairment loss is a non-cash item and will not impact the Group's operations or cash flows. The impairment loss will also not impact the Group's financial covenants for the onshore and offshore borrowing facilities, which were reset in December 2021 and July 2023, respectively. The lenders focus on the Group's cash, cash profile, credit quality, and debt repayment capability. There will be no change to the 2024 distribution guidance of 1.05 cents per unit. The Group continues to generate healthy cash flows from its subscription-based product offerings, namely Basic cable TV, Premium digital cable TV and Broadband.

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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