

aptt
Asian Pay Television Trust

# JUNE QUARTER 2016 RESULTS PRESENTATION

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# AGENDA

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# HIGHLIGHTS

## Performance in line with expectations

- Revenue for Q2 2016 of S$78.2 million was lower than pcp[1] driven predominantly by foreign exchange and lower Basic cable TV revenue
- EBITDA for Q2 2016 of S$46.7 million was lower on pcp
- APTT distribution of 1.625 cents per unit declared for the quarter ended 30 June 2016 in line with guidance
- Reaffirm 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

Note: (1) pcp refers to prior corresponding period ended 30 June 2015

# KEY OPERATIONAL METRICS

## Higher subscribers

| | As at 30 June 2016 | As at 31 March 2016 | |
|---|---|---|---|
| **Subscribers ('000s)** | | | |
| Basic cable TV | 760 | 759 | ↑ |
| Premium digital cable TV[1] | 176 | 172 | ↑ |
| Broadband | 197 | 195 | ↑ |

| ARPU[2] (NT$ per month) | Three months ended 30 June 2016 | Three months ended 31 March 2016 | |
|---|---|---|---|
| Basic cable TV | 530 | 528 | ↑ |
| Premium digital cable TV[1] | 159 | 162 | ↓ |
| Broadband | 484 | 493 | ↓ |

Notes: (1) Premium digital cable TV subscribers and ARPU have been updated to reflect the number of subscribers contributing incremental subscription revenue for additional video content and/or DTV-related services, such as DVR. This can result in more than one subscription, i.e. revenue generating unit ("RGU"), per home. The 2016 March quarter figures for Premium digital cable TV subscribers and ARPU have been restated to conform to the new presentation
(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
(3) TBC refers to Taiwan Broadband Communications group

- **Subscribers and ARPU:**
  - Basic cable TV: Subscribers increased to c.760,000 with ARPU higher
  - Premium digital cable TV: Subscribers increased to c.176,000 with ARPU lower due to promotions and discounted bundled packages
    - TBC[3] 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.197,000 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, however the eventual timing may be influenced by when content rights can be secured

# FINANCIAL RESULTS

## Lower revenue compared to pcp

| Group[1] | Quarter ended 30 June 2016 S$'000 | Quarter ended 30 June 2015 S$'000 | Variance[2] % | Half-year ended 30 June 2016 S$'000 | Half-year ended 30 June 2015 S$'000 | Variance[2] % |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Basic cable TV | 62,257 | 65,786 | (5.4) | 123,960 | 131,543 | (5.8) |
| Premium digital cable TV | 3,647 | 3,808 | (4.2) | 7,297 | 7,488 | (2.6) |
| Broadband | 12,304 | 13,086 | (6.0) | 24,783 | 25,941 | (4.5) |
| **Total revenue** | **78,208** | **82,680** | **(5.4)** | **156,040** | **164,972** | **(5.4)** |
| **Total operating expenses[3]** | **(31,493)** | **(32,254)** | **2.4** | **(63,311)** | **(65,883)** | **3.9** |
| | | | | | | |
| **EBITDA** | **46,715** | **50,426** | **(7.4)** | **92,729** | **99,089** | **(6.4)** |
| EBITDA margin | 59.7% | 61.0% | | 59.4% | 60.1% | |

- **Revenue:** Total revenue was S$156.0 million and EBITDA was S$92.7 million for the half-year ended 30 June 2016. Total revenue of S$78.2 million for the quarter ended 30 June 2016 and S$156.0 million for the half-year ended 30 June 2016 was 5.4% lower than pcp:
  - **Basic cable TV**: Revenue of S$62.3 million, was 5.4% lower than pcp, mainly due to foreign exchange, lower subscription revenue and lower revenue generated from channel leasing and airtime advertising sales
  - **Premium digital cable TV**: Revenue of S$3.6 million, was 4.2% lower than pcp. This was generated predominantly from TBC's 176,000 Premium digital cable TV subscribers paying an ARPU of NT$159 per month for the quarter for Premium digital cable TV packages, bundled DVR or DVR-only services
  - **Broadband**: Revenue of S$12.3 million was 6.0% lower than pcp. This was generated predominantly from TBC's 197,000 broadband subscribers paying an ARPU of NT$484 per month for the quarter for high speed broadband services
- **Operating expenses:** Total operating expenses of S$63.3 million for the half-year ended 30 June 2016 were 3.9% lower than pcp, due to lower staff costs, other operating expenses and foreign exchange, partially offset by higher broadcast and production costs

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) Total operating expenses exclude depreciation and amortisation expense, net foreign exchange gain/(loss), mark to market movements on foreign exchange contracts at Trust level and one-time debt advisory fee paid to Macquarie Capital (Hong Kong) Limited for services provided in relation to refinancing the debt facilities in the first quarter of 2015, 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 30 June 2016 S$'000 | Trust as at 30 June 2016 S$'000 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | 51,928 | 7,291 |
| Trade and other receivables | 12,529 | - |
| Other assets | 5,290 | 2,171 |
| | **69,747** | **9,462** |
| Non-current assets | | |
| Investment in subsidiaries | - | 1,342,351 |
| Property, plant and equipment | 248,978 | - |
| Intangible assets | 2,214,560 | - |
| Other assets | 1,298 | 254 |
| | **2,464,836** | **1,342,605** |
| **Total assets** | **2,534,583** | **1,352,067** |
| | | |
| **Liabilities** | | |
| Current liabilities | | |
| Borrowings from financial institutions | 10,457 | - |
| Trade and other payables | 20,373 | 9,047 |
| Income tax payable | 11,535 | - |
| Other liabilities | 52,443 | 113 |
| | **94,808** | **9,160** |
| Non-current liabilities | | |
| Borrowings from financial institutions | 1,177,407 | - |
| Deferred tax liabilities | 53,524 | - |
| Other liabilities | 36,574 | - |
| | **1,267,505** | **-** |
| **Total liabilities** | **1,362,313** | **9,160** |
| **Net assets** | **1,172,270** | **1,342,907** |

- **Cash and cash equivalents:** Cash balance of S$51.9 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

- 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$124 million of the revolving facility is available to fund future initiatives

| Debt as at 30 June 2016 | |
|---|---|
| **Total size** | NT$32.0 billion (S$1,339 million[1]) |
| **Total drawn[2]** | NT$29.1 billion (S$1,215 million[1]) |
| **All-in hedged rate** | c.4% per annum |
| **Total debt / asset EBITDA** | 6.0x |
| **Gearing[3]** | 46.9 % |
| **Interest coverage ratio** | c.4 times |

## New facilities

- As announced on 11 July 2016, APTT has secured a new multicurrency term loan facility in an aggregate amount of S$125 million and a multicurrency revolving loan facility in an aggregate amount of S$125 million (the “New Facilities”) for the partial refinancing of existing borrowings and for general corporate purposes
- The New Facilities will enable TBC to fund the necessary capital expenditure to digitise all of TBC’s franchise areas in accordance with the cable law amendments that became effective on 8 January 2016
- Importantly, the New Facilities diversify APTT’s funding sources and demonstrate the confidence of the banks in APTT’s business. APTT intends to refinance the balance of TBC’s existing borrowings in the second half of 2016, with the goal of reducing annual borrowing costs and satisfying borrowing needs through to 2019

Notes: (1) S$:NT$ = 23.91 as at 30 June 2016
(2) Amount includes issue costs of NT$651.5 million (S$27 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[3] | - |
| **Premium digital cable TV[2]** | <15[4] | 19 | 53 | 50 – 55 | 50 – 55 |

- Capital expenditure related to the network expansion during the second quarter of 2016 amounted to S$0.3 million (half-year ended 30 June 2016: S$0.4 million)
  - The network expansion is expected to be completed in 2016, however the eventual timing may be influenced by when content rights can be secured
- Capital expenditure related to the Premium digital cable TV during the second quarter of 2016 amounted to S$8.2 million (half-year ended 30 June 2016: S$20.9 million)
  - TBC expects to spend approximately $100 to $110 million over 2016 and 2017 to complete the digitisation of its franchise areas as a result of cable law amendments that became effective on 8 January 2016
- 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 installation related expenditure and digital head-end upgrades
(3) Eventual timing of capital expenditure may be influenced by when content rights for the greater Taichung region can be secured
(4) Actual full year 2013 included 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 one-off revenue items 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 as a result of cable TV law amendments
- APTT distribution of 1.625 cents per unit will be paid on 23 September 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