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Asian Pay Television Trust

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2022

Singapore – 24 February 2023

Asian Pay Television Trust ("APTT" or the "Trust") today announced its financial results for the quarter and year ended 31 December 2022.

KEY HIGHLIGHTS

- Continued Broadband positive momentum – growing subscriber base, higher ARPU and 10 consecutive quarters of Broadband revenue improvement in both S$ and NT$
- Broadband and Premium digital cable TV subscribers increased by c.8,000 and by c.9,000, respectively, during the quarter; steady increase over the past four years more than offset Basic cable TV churn; added c.12,000 net subscribers in the quarter, increasing total subscriber base to c.1,298,000
- Revenue and EBITDA at $69.4 million[1] and $41.2 million for the quarter, and $286.0 million and $168.7 million for the year; EBITDA margin 59.3% for the quarter and 59.0% for the year
- Distribution of 0.25 cents per unit declared for the quarter
- Re-affirmed distribution guidance of 1.05 cents per unit for full year 2023 – 5% higher than 2022; distributions to be paid half-yearly, subject to no material changes in planning assumptions
- Made net debt repayments of $62 million for the year; $76 million to be set aside for repayments in 2023
- Refinanced Offshore Facilities on the same major terms; size of facilities to reduce by $83.4 million upon financial close, due to accelerated debt repayments
- Approximately 93% of the outstanding Onshore Facilities are hedged through to 30 June 2025; as Onshore Facilities form 90% of the Group's total debts, the net exposure to rising interest rates is contained

FINANCIAL HIGHLIGHTS

APTT[2] reported revenue of $69.4 million for the quarter and $286.0 million for the full year ended 31 December 2022. Earnings before interest, tax, depreciation and amortisation ("EBITDA") and EBITDA margin stood at $41.2 million and 59.3% for the quarter, and $168.7 million and 59.0% for the year.

Foreign exchange contributed to a negative variance of 9.2% for the quarter and 3.7% for the year. In constant Taiwan dollars ("NT$"), revenue increased by 0.3% for the quarter mainly due to higher contributions from Broadband, and decreased by 0.9% for the year mainly due to lower contributions from Basic cable TV.

Positive momentum for Broadband continued with improvements on all fronts – number of subscribers, ARPU[3] and 10 consecutive quarters of revenue growth in both S$ and NT$. The strong performance validated the success of TBC's Broadband growth strategy. During the quarter, c.8,000 subscribers were added, alongside higher ARPU which improved by NT$3 per month to NT$382 per month. In NT$, Broadband revenue, which includes revenue from data backhaul, increased by 14.1% for the quarter and 15.7% 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	Quarter ended 31 December			Year ended 31 December		
Amounts in $'000	2022	2021	Variance[4] (%)	2022	2021	Variance[4] (%)
Revenue						
Basic cable TV	50,532	57,726	(12.5)	210,007	229,481	(8.5)
Premium digital cable TV	2,745	3,126	(12.2)	11,607	12,806	(9.4)
Broadband	16,148	15,393	4.9	64,350	57,458	12.0
Total revenue	**69,425**	**76,245**	**(8.9)**	**285,964**	**299,745**	**(4.6)**
Total operating expenses[5]	**(28,275)**	**(29,948)**	**5.6**	**(117,287)**	**(116,640)**	**(0.6)**
EBITDA	**41,150**	**46,297**	**(11.1)**	**168,677**	**183,105**	**(7.9)**
EBITDA margin	59.3%	60.7%		59.0%	61.1%	

[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, 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.

Together with the c.9,000 increase in Premium digital cable TV subscribers, TBC's total number of subscribers increased by net c.12,000 to c.1,298,000 as at 31 December 2022. The continued growth in Premium digital cable TV and Broadband subscribers over the past four years has consistently more than offset the churn in Basic cable TV.

Mr Brian McKinley, Chief Executive Officer of the Trustee-Manager said, *"It is very encouraging to see that, in constant Taiwan dollars, revenue in the fourth quarter increased by 0.3% due to higher contributions from Broadband. Against a declining cable TV business which is taking place industry wide, Broadband will be the largest driver of long-term growth. Our aim is to gradually grow cash flows from Broadband to a level that more than offsets the decline in our Basic cable TV business. We will continue with our strategy of partnering mobile operators to target the broadband-only segment and offering higher speed plans at competitive prices to meet consumers' demand for more bandwidth and higher quality fixed-line broadband services."*

OPERATIONAL PERFORMANCE

TBC's[6] operational highlights for the quarter and year ended 31 December 2022 were as follows:

- **Basic cable TV:** Basic cable TV revenue of $50.5 million for the quarter, which comprised subscription revenue of $41.6 million and non-subscription revenue of $8.9 million, was down 12.5% compared to the prior corresponding period ("pcp"). On a full year basis, Basic cable TV revenue of $210.0 million, comprising subscription revenue of $177.7 million and non-subscription revenue of $32.3 million, was down 8.5%. In constant NT$, Basic cable TV revenue for the quarter and year decreased by 3.3% and 4.8%. 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, as well as lower non-subscription revenue. TBC's c.675,000 Basic cable TV RGUs[7] contributed an ARPU of NT$462 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.5,000 and ARPU was lower by NT$4 per month compared to the previous quarter ended 30 September 2022 (RGUs: c.680,000; ARPU: NT$466 per month). The decline in Basic cable TV RGUs was due to a number of factors including competition from aggressively priced IPTV, the growing popularity of online video, as well as expectations from consumers for discounts as they compare with the lower cable TV pricing outside of TBC's five franchise areas, particularly in the Taipei region. Non-subscription revenue comprised revenue from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes. In constant NT$, non-subscription revenue for the quarter was higher than the pcp mainly due to higher revenue generated from channel leasing, and for the year 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, will continue to face pressures from lower demand for home shopping and heightened competition from internet retailing. These trends will continue to impact channel leasing revenue.

[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 $2.7 million for the quarter was down 12.2% compared to the pcp. On a full year basis, Premium digital cable TV revenue of $11.6 million was 9.4% lower. In constant NT$, Premium digital cable TV revenue for the quarter and year decreased by 3.0% and 5.7%. Revenue was generated predominantly from TBC's c.308,000 Premium digital cable TV RGUs each contributing an ARPU of NT$65 per month in the quarter for Premium digital cable TV packages and bundled DVR or DVR-only services. Premium digital cable TV RGUs increased by c.9,000 but ARPU was lower by NT$3 per month compared to the previous quarter ended 30 September 2022 (RGUs: c.299,000; ARPU: NT$68 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 mobile operators offering inexpensive unlimited data plans, Broadband RGUs increased by c.8,000 during the quarter, alongside an NT$3 per month improvement in ARPU. Broadband revenue, including revenue from data backhaul, was $16.1 million for the quarter, an increase of 4.9% compared to the pcp. On a full year basis, Broadband revenue of $64.4 million was 12.0% higher. In constant NT$, Broadband revenue for the quarter and year increased by 14.1% and 15.7%. Broadband revenue was generated predominantly from TBC's c.315,000 Broadband RGUs each contributing an ARPU of NT$382 per month in the quarter, which was NT$3 per month higher than the previous quarter ended 30 September 2022 (RGUs: c.307,000; ARPU: NT$379 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, comprising maintenance as well as network, broadband and other investments, increased 46.7% or $3.0 million for the quarter, and 16.5% or $4.9 million for the year. The increase was primarily to improve network speeds to future-proof the growing Broadband business and meet the demand for higher speed plans. As a percentage of revenue, capital expenditure is within industry norms at 13.5% for the quarter and 12.2% for the year. Moving forward, capital expenditure will continue to be within industry norms.

DEBT MANAGEMENT

As at 31 December 2022, interest rate swaps have been entered into to hedge approximately 93% of the 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 90% of the Group's total outstanding debts, the net exposure to rising interest rates is contained.

As announced on 17 January 2023, the Trustee-Manager has signed the facility agreement to refinance its Offshore Facilities (10% of the Group's total outstanding debts) for a 30-month period, on the same major terms. The financial close is expected to be in July 2023, at the maturity of the existing Offshore Facilities. The refinanced Offshore Facilities, comprising a $46.6 million term loan facility and a $75 million revolving loan facility, is significantly lower than the current Offshore Facilities ($125 million term loan facility and a $80 million revolving loan facility).

Mr McKinley said, *"The significant $83.4 million reduction in offshore loans reflects the results of our debt management programme, where we have made accelerated debt repayments over the last two years, using cash generated from operations. In the next 12 months, we will set aside $76 million for both onshore and offshore debt repayments. We aim to accelerate debt repayments to further save on interest costs. Over the long term, we aim to eliminate offshore debt, which is more expensive. As soon as we can, we hope to bring all our debt back onshore."*

OUTLOOK

Operationally, while the Trustee-Manager does not expect growth in Basic cable TV RGUs due to Taiwan's saturated cable TV market, it expects the number of Premium digital cable TV and Broadband RGUs to continue increasing in 2023. 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 2023 are expected to be in line with 2022.

DISTRIBUTIONS

The Board of Directors of the Trustee-Manager (the "Board") has declared an ordinary distribution of 0.25 cents per unit for the quarter ended 31 December 2022. The record date will be 17 March 2023 and the distribution will be paid on 24 March 2023.

The Board is re-affirming the distribution guidance for the year ending 31 December 2023. The distribution for the full year 2023 is expected to be 1.05 cents per unit, which is 5% higher than 2022, to be paid in half-yearly instalments of 0.525 cents per unit, subject to no material changes in planning assumptions.

IMPACT OF RISING INTEREST RATES

On Debt:

APTT's total outstanding debt comprises 90% Onshore Facilities and 10% Offshore Facilities. Approximately 93% of the outstanding Onshore Facilities are hedged through to 30 June 2025, while the Offshore Facilities are not hedged. This means that approximately 84% 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 16% 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 Offshore Facilities are currently exposed to the floating interest rate of the Singapore Interbank Offered Rate ("SIBOR"). While TAIBOR rates have not increased significantly over the last year, SIBOR rates increased substantially. Although interest rate risk is well managed with hedges on approximately 84% of APTT's total outstanding debt, total interest costs for 2023 are expected to be affected by the changes in TAIBOR and SIBOR rates on the remaining 16% of total outstanding debt that remains unhedged.

On Intangible Assets:

The rising interest rates also affect the calculation of APTT's Weighted Average Cost of Capital ("WACC") used in the annual impairment assessment of goodwill, cable TV licences with indefinite useful lives and property, plant and equipment. The Trustee-Manager performs an assessment of the recoverable amount of the Cash Generating Unit ("CGU") 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 CGU which supports the impairment assessment.

Due to rising interest rates, the WACC as at the end of the year has increased compared to 31 December 2021. The impairment assessment as at 31 December 2022, using the higher WACC, shows that the headroom between APTT's DCF value and book value has decreased compared to 31 December 2021. The headroom is still marginally positive, mainly due to healthy business assumptions and net cash flow forecasts. Therefore, no impairment has been recognised by the Group as at 31 December 2022.

If interest rates continue to stay elevated and the business environment continues to be challenging, combined with changes in other assumptions, e.g. a lower terminal growth rate, there is a possibility that this could result in an impairment loss on intangible assets in the future. Should an impairment loss on intangible assets be required, it would be recorded in the consolidated statement of profit or loss; there would be no change to distribution guidance. An impairment loss would be a non-cash item and would not impact the operations of the Group or its cash flows. The Trustee-Manager will make appropriate announcements, including a profit warning, if necessary, in the event of any material developments on the impairment assessment of intangible assets.

UPDATE ON LAWSUITS

As announced on 2 November 2022, TBC has reached an agreement with the programming vendor and content agent in relation to the content costs to be paid to the programming vendor for 2020 and 2021. As a result of the settlement, no additional expenses will accrue to the Group from those already recognised in the consolidated statement of profit or loss for the years ended 31 December 2020 and 2021.

As per the agreement, TBC paid NT$72 million (approximately $3.2 million) to the programming vendor for 2020 and 2021 for full and final settlement of the lawsuits. TBC will completely offset the NT$72 million payment to the programming vendor from the amount already withheld from the content agent.

IMPACT OF COVID-19

TBC operates in a relatively defensive industry, providing cable TV and fixed-line broadband services to local households in its five closely clustered franchise areas in northern and central Taiwan. Given the subscription-based nature of its business, the impact of the COVID-19 pandemic on TBC was limited.

TBC activated its Business Continuity Plan ("BCP") since the start of the virus outbreak in Taiwan. The BCP aims to protect the health and safety of all staff while minimising disruptions to its service delivery and overall operations. During the pandemic, TBC has adhered to all regulations and guidelines from government authorities related to the containment of the virus, including split team arrangements, safe-distancing, encouraging staff to work from home and embrace good personal hygiene. Likewise, the Trustee-Manager in Singapore activated its BCP plan and adhered to the relevant regulations in Singapore. Additional expenses incurred to implement COVID-19 related measures during the year ended 31 December 2022 were not material.

Taiwan's outlook remains uncertain as any downturn in other countries will invariably have an impact on Taiwan's export-driven economy and GDP growth. A significant and prolonged deterioration in the national GDP, disposable income or overall economic conditions could in turn adversely affect TBC's ability to grow or maintain revenues, and its financial position.

The Trustee-Manager will continue to monitor developments of COVID-19 and their related impact on operations and exercise prudence, manage its operational and capital expenditure and strengthen APTT's debt management programme. A stronger balance sheet will provide APTT with the flexibility to navigate and compete more effectively in today's uncertain economic climate.

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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