

aptt
Asian Pay Television Trust

2015 FULL YEAR RESULTS PRESENTATION

23 February 2016

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AGENDA

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HIGHLIGHTS

Performance is in line with expectations

- Revenue for the year of S$332.2 million driven by higher revenue across each of TBC's[1] service offerings despite challenging operating conditions
- EBITDA for the year higher at S$201.0 million
- APTT distribution of 2.25 cents per unit declared for the quarter ended 31 December 2015
- 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

Notes: (1) TBC refers to Taiwan Broadband Communications group

KEY OPERATIONAL METRICS

Higher subscribers

	As at 31 December 2015	As at 30 September 2015	
Subscribers ('000s)			
Basic cable TV	758	757	↑
Premium digital cable TV	145	142	↑
Broadband	193	191	↑

ARPU (NT$ per month)[1]	Three months ended 31 December 2015	Three months ended 30 September 2015	
Basic cable TV	537	535	↑
Premium digital cable TV	177	182	↓
Broadband	502	512	↓

1. 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

- **Subscribers and ARPU:**
  - Basic cable TV: Subscribers increased to c.758,000 with APRU marginally higher
  - Premium digital cable TV: Subscribers increased to c.145,000 with APRU lower
    - TBC 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.193,000 with ARPU lower
- **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

FINANCIAL RESULTS

Higher revenue generated across each of TBC's service offerings

Group[1]	Quarter ended 31 December 2015 S$'000	Quarter ended 31 December 2014 S$'000	Variance[2] %	Year ended 31 December 2015 S$'000	Year ended 31 December 2014 S$'000	Variance[2] %
Revenue						
Basic cable TV	68,688	65,891	4.2	264,962	255,774	3.6
Premium digital cable TV	4,081	3,530	15.6	15,366	13,792	11.4
Broadband	12,846	12,425	3.4	51,824	49,163	5.4
Total revenue	**85,615**	**81,846**	**4.6**	**332,152**	**318,729**	**4.2**
Total operating expenses[3]	**(32,678)**	**(32,660)**	**(0.1)**	**(131,107)**	**(124,284)**	**(5.5)**
EBITDA	**52,937**	**49,186**	**7.6**	**201,045**	**194,445**	**3.4**
EBITDA margin	**61.8%**	**60.1%**		**60.5%**	**61.0%**	

- **Revenue:** Total revenue was S$332.2 million and EBITDA was S$201.0 million for the year ended 31 December 2015. Total revenue of S$85.6 million for the quarter ended 31 December 2015 and S$332.2 million for the year ended 31 December 2015 was 4.6% and 4.2% higher than pcp:
  - Basic cable TV: Revenue of S$68.7 million, was up 4.2% on pcp, mainly due to foreign exchange
  - Premium digital cable TV: Revenue of S$4.1 million, was up 15.6% on pcp. This was generated predominantly from TBC's 145,000 Premium digital cable TV subscribers paying an ARPU of NT$177 per month for the quarter for Premium digital cable TV packages and bundled DVR services
  - Broadband: Revenue of S$12.8 million was up 3.4% on pcp. This was generated predominantly from TBC's 193,000 broadband subscribers paying an ARPU of NT$502 per month for the quarter for high speed broadband services
- **Operating expenses:** Total operating expenses of S$131.1 million for the year ended 31 December 2015 were 5.5% higher than pcp, due to foreign exchange and higher staff 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 loss, mark to market movements on Trust level swaps, one-time debt advisory fee of $5.5 million paid to Macquarie Capital (Hong Kong) Limited for services provided in relation to refinancing the borrowing facilities and a one-time tax advisory fee of $1.2 million paid to Deloitte (Taiwan) for services performed in relation to the settlement of the tax dispute 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 31 December 2015 S$'000	Trust as at 31 December 2015 S$'000
Assets		
Current assets		
Cash and cash equivalents	60,926	7,458
Trade and other receivables	17,650	32
Other assets	1,229	416
	79,805	**7,906**
Non-current assets		
Investment in subsidiaries	-	1,342,351
Property, plant and equipment	242,751	-
Intangible assets	2,283,440	-
Other assets	1,804	4
	2,527,995	**1,342,355**
Total assets	**2,607,800**	**1,350,261**
Liabilities		
Current liabilities		
Borrowings from financial institutions	8,617	-
Trade and other payables	20,486	9,997
Income tax payable	9,672	4
Other liabilities	65,436	1,464
	104,211	**11,465**
Non-current liabilities		
Borrowings from financial institutions	1,183,231	-
Deferred tax liabilities	52,501	-
Other liabilities	36,740	294
	1,272,472	**294**
Total liabilities	**1,376,683**	**11,759**
Net assets	**1,231,117**	**1,338,502**

- **Cash and cash equivalents:** Cash balance of S$60.9 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

Debt as of 31 December 2015	
Total size	NT$32.0 billion (S$1,379 million[1])
Total drawn[2]	NT$28.4 billion (S$1,221 million[1])
All-in hedge rate	c.4% per annum
Total debt / asset EBITDA	5.7x
Gearing[3]	46%
Interest coverage ratio	Greater than 4 times

- 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
- An additional revolving facility of approximately S$158 million is available to fund future initiatives
- No borrowings at trust level

Notes: (1) S$:NT$ = 23.21 as at 31 December 2015
(2) Amount includes issue costs of NT$686 million (S$29.5 million)
(3) Total debt / total assets

KEY DEVELOPMENTS

Recent developments that have an impact on TBC's business

- **Cable Law Amendment**
  - On 18 December 2015, the Taiwanese Legislative Yuan considered and approved a package of Cable Law amendments which became effective on 8 January 2016.
  - The key amendment that has an impact on TBC is the requirement to switch-off analogue broadcasting and the associated requirement to deploy set-top boxes to digitise all of TBC's franchise areas as a condition of the renewal of its operating licenses. The review of TBC's operating licenses is scheduled for 2017/2018.
  - As a result of the Cable Law amendment, TBC is required to submit its analogue switch-off/digitisation plan to its regulator, the National Communications Commission (NCC) within three months of the effective date of the amended Cable Law. As a result, TBC's capital expenditure plan has been impacted due to this regulatory change. The consequence is that TBC's capital expenditure plan has needed to be amended with significantly higher concentration of capital expenditure in 2016 and 2017.
  - However, the completion of the analogue switch-off/digitisation process is anticipated to be favourable for TBC, as compliance with the process will aid in protecting TBC's Basic cable TV rates, enable gains in revenue due to conversion of pirate basic cable TV subscribers and facilitate more effective bundling of Premium digital cable TV products.

- **Revised Basic Cable TV Rates**
  - The 2016 Basic cable TV rate review for all of TBC's franchise areas was challenging. Due to ongoing weak economic conditions which are impacting consumer spending, local governments across Taiwan pursued a general reduction of basic cable TV rates.
  - Further, the push to switch-off analogue broadcasting/digitisation also drove rate policy downwards as cable TV operators were encouraged by local governments to accelerate digitisation with future basic cable TV rate increases used as a potential incentive.
  - As a consequence, TBC's Basic cable TV rates were reduced by NT$10 to NT$15 per month in three of its five franchise areas.
  - Despite the reduction, TBC's Basic cable TV rates across its five franchise areas continue to be at upper end of the basic cable TV rate range in Taiwan reflecting strong customer service delivery and local community support for TBC.

CAPITAL EXPENDITURE

Accelerated capital expenditure in 2016 and 2017 to position TBC for future growth

	2013	2014	2015	2016	2017
Network build[1] (necessary capital expenditure)	<S$10 million	S$33 million	S$10 million	S$20 – S$25 million	-
Home connections (success based capital expenditure)	Not applicable	S$200 – S$250 per home			
Premium digital cable TV[2]	<S$15 million[3]	S$19 million	S$53 million	S$50 – S$55 million	S$50 – S$55 million

- Capital expenditure related to the network expansion during the fourth quarter amounted to S$0.8 million (year ended 31 December 2015: S$10.2 million)
  - The network expansion is expected to be completed in 2016
- The 2016 and 2017 combined capital expenditure related to Premium digital cable TV is estimated to be between S$100 million to S$110 million
- 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 the installation related expenditure and digital head-end upgrades
(3) Actual full year 2013 reflected to facilitate a like-for-like comparison. APTT's ownership of TBC commenced from 29 May 2013

OUTLOOK

Stable TBC business positioned to be more robust in the future

- 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 and the non-recurrence of revenue 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
- APTT distribution of 2.25 cents per unit will be paid on 24 March 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