

SGX-ST Release

APTT ANNOUNCES RESULTS FOR THE QUARTER AND HALF-YEAR ENDED 30 JUNE 2022

Singapore – 12 August 2022

Asian Pay Television Trust (“APTT” or the “Trust”) today announced its financial results for the quarter and half-year ended 30 June 2022.

KEY HIGHLIGHTS

- Continued Broadband positive momentum: growing subscriber base, higher ARPU and eight consecutive quarters of Broadband revenue improvement in both S\$ and NT\$
- Revenue and EBITDA at \$71.8 million¹ and \$42.4 million for the quarter, and \$145.4 million and \$85.6 million for the half-year; EBITDA margin 59.1% for the quarter and 58.9% for the half-year
- Steady increase in Broadband (c.9,000) and Premium digital cable TV (c.8,000) subscribers over the past 17 quarters more than offset Basic cable TV churn; total subscribers increased to c.1,271,000
- Distribution of 0.25 cents per unit declared for the quarter; re-affirmed 2022 full year guidance of 1.0 cent per unit
- As at the date of this report, 93% of the outstanding Onshore Facilities are hedged through to 30 June 2025 to mitigate risk of rising interest rates

FINANCIAL HIGHLIGHTS

APTT² reported revenue of \$71.8 million for the quarter and \$145.4 million for the half-year ended 30 June 2022. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) and EBITDA margin stood at \$42.4 million and 59.1% for the quarter, and \$85.6 million and 58.9% for the half-year.

Foreign exchange contributed to a negative variance of 1.8% for the quarter and less than 0.1% for the half-year. Total revenue in constant Taiwan dollars (“NT\$”) decreased by 0.7% for the quarter and 1.8% for the half-year, mainly due to lower contributions from Basic cable TV.

Broadband continued to be the growth driver, recording improvements on all fronts – number of subscribers, ARPU³ and revenue in both S\$ and NT\$. The strong performance validated the success of TBC’s Broadband growth strategy. During the quarter, c.9,000 subscribers were added, alongside higher ARPU which improved by NT\$4 per month to NT\$377 per month. In NT\$, Broadband revenue, which includes revenue from data backhaul, increased 18.2% for the quarter and 16.5% for the half-year.

Together with the c.8,000 increase in Premium digital cable TV subscribers, TBC’s total number of subscribers increased to c.1,271,000 as at 30 June 2022. The continued growth in Premium digital cable TV and Broadband subscribers over the past 17 quarters has consistently more than offset the churn in Basic cable TV.

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 30 June			Half-year ended 30 June		
	2022	2021	Variance ⁴ (%)	2022	2021	Variance ⁴ (%)
Revenue						
Basic cable TV	52,875	56,738	(6.8)	107,574	114,215	(5.8)
Premium digital cable TV	2,913	3,160	(7.8)	5,980	6,513	(8.2)
Broadband	16,006	13,752	16.4	31,806	27,313	16.5
Total revenue	71,794	73,650	(2.5)	145,360	148,041	(1.8)
Total operating expenses⁵	(29,357)	(28,407)	(3.3)	(59,734)	(57,413)	(4.0)
EBITDA	42,437	45,243	(6.2)	85,626	90,628	(5.5)
EBITDA margin	59.1%	61.4%		58.9%	61.2%	

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.

Mr Brian McKinley, Chief Executive Officer of the Trustee-Manager said, *“We are pleased with the continued growth in Broadband. There is a lot of room to win more broadband-only subscribers through our partnership programs with mobile operators, and move our existing Broadband subscribers to higher speed plans which are of higher value. Over the long term, our aim is to grow cash flows from Broadband to a level that more than offsets the decline in our Basic cable TV business.”*

To broaden its fixed-line broadband market share, TBC will continue to offer higher speed plans at competitive prices, and step-up partnerships with mobile operators who view TBC’s fixed-line offering as a value-add to their mobile customers.

OPERATIONAL PERFORMANCE

TBC’s⁶ operational highlights for the quarter ended 30 June 2022 were as follows:

- Basic cable TV:** Basic cable TV revenue of \$52.9 million for the quarter, which comprised subscription revenue of \$45.2 million and non-subscription revenue of \$7.7 million, was down 6.8% compared to the prior corresponding period (“pcp”). In constant NT\$, Basic cable TV revenue for the quarter decreased by 5.0%. 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 resulting from lower channel leasing and airtime advertising sales. TBC’s c.684,000 Basic cable TV RGUs⁷ contributed an ARPU of NT\$469 per month in the quarter to access over 100 cable TV channels. Basic cable TV RGUs decreased by c.4,000 and ARPU was lower by NT\$3 per month compared to the previous quarter ended 31 March 2022 (RGUs: c.688,000; ARPU: NT\$472 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 for the quarter, comprising revenue from the leasing of television channels to third parties, the sale of airtime advertising and fees for the installation of set-top boxes, 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.
- Premium digital cable TV:** Premium digital cable TV revenue of \$2.9 million for the quarter was down 7.8% compared to the pcp. In constant NT\$, Premium digital cable TV revenue for the quarter decreased by 6.0%. Revenue was generated predominantly from TBC’s c.289,000 Premium digital cable TV RGUs each contributing an ARPU of NT\$70 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.8,000 but ARPU was lower by NT\$3 per month compared to the previous quarter ended 31 March 2022 (RGUs: c.281,000; ARPU: NT\$73 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.

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.

- **Broadband:** Despite strong competition from mobile operators offering inexpensive unlimited data plans, Broadband RGUs increased by c.9,000 during the quarter, alongside an NT\$4 per month improvement in ARPU. Broadband revenue, including revenue from data backhaul, was \$16.0 million for the quarter, an increase of 16.4% compared to the pcp. In constant NT\$, Broadband revenue for the quarter increased by 18.2%. Broadband revenue was generated predominantly from TBC's c.298,000 Broadband RGUs each contributing an ARPU of NT\$377 per month in the quarter, which was NT\$4 per month higher than the previous quarter ended 31 March 2022 (RGUs: c.289,000; ARPU: NT\$373 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 17.6% or \$1.6 million for the quarter, and 5.4% or \$0.9 million for the half-year. The increase was primarily due to improvement in network speed to future proof TBC's network, support TBC's growing Broadband business and meet the demand for higher speed plans. As a percentage of revenue, capital expenditure was 14.8% for the quarter and 11.9% for the half-year.

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 2022. 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 2022 are expected to be higher than 2021, mainly due to the benefit of lower expenses in 2021 from the reversal of pole rental provisions.

Aggressive targets have been set to tighten capital expenditure, which will be within industry norms. TBC will continue to future proof its network by increasing fibre density to lower the number of homes served per fibre node beyond the current level of less than 250 homes.

On debt management, for the Onshore Facilities, as at 30 June 2022, TAIBOR swaps were entered to hedge approximately 80% of the outstanding Onshore Facilities through to 30 June 2025, at an average fixed rate of 0.89%. To further mitigate the risk of rising interest rates, the Trustee-Manager entered into additional TAIBOR swaps after 30 June 2022. 93% of the outstanding Onshore Facilities are now hedged through to 30 June 2025 at an average fixed rate of 0.94%.

For the Offshore Facilities, the Trustee-Manager has commenced discussions with lenders to further extend the maturity date to at least 2025. Subject to the successful extension, and no changes to planning assumptions, the Trustee-Manager would not have to revisit borrowing facilities, both onshore and offshore, until 2025. Subject to operating conditions, there may be some flexibility with respect to distributions after 2022.

Mr McKinley explained, *"Our balance sheet is now stronger due to our disciplined cost and debt management approach. In the first half of the year, we made debt repayments of \$35 million. In the next six months, approximately \$32 million has been set aside for scheduled principal repayments, which will further strengthen our balance sheet. We aim to accelerate debt repayments using cash generated from operations, to further save on interest costs and lower our gearing."*

UPDATE ON LAWSUITS

In the second quarter of 2021, one of TBC's programming vendors (the "Plaintiff") filed lawsuits against TBC claiming certain programming costs for 2020 amounting to NT\$336 million (approximately \$16.2 million). TBC had a contract in place for 2020 and 2021 with a content agent, who acquired content from programming vendors on behalf of TBC.

As announced on 29 July 2022, TBC received a court judgement (the "Judgement") for one of the lawsuits. The court accepted the Plaintiff's claims and has ordered TBC to pay an amount of NT\$135 million (approximately \$6.5 million) as programming licence fees to the Plaintiff.

TBC has discussed the Judgement with its attorneys and intends to appeal against the Judgement and will vigorously defend its position. TBC does not contest that the Plaintiff should be paid for its programming, however TBC has already paid all of the programming costs for 2020 under its contract with its content agent. The payment of programming costs

has also been recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2020, as broadcast and production costs. However, the content agent has not made payment to the programming vendor in question that has filed the lawsuits.

The Trustee-Manager continues to view the dispute as a matter between the content agent and the programming vendor. The Trustee-Manager also believes that all parties will work towards reaching an agreement and that no material loss will accrue to the Group.

TBC continues to contest the three remaining lawsuits. Based on the schedule of court dates and hearings, the Trustee-Manager does not expect further progress on these cases before Q3 2022. No interruption of service is expected as a result of these lawsuits and the Judgement.

The content agent has also not made payment to the programming vendor for 2021. It is not expected that lawsuits will be filed claiming programming costs for 2021, as the conclusions reached for the 2020 lawsuits are also expected to be applied to 2021 programming costs. TBC has therefore withheld payment of programming costs to the content agent since February 2021. TBC intends to offset amounts against those withheld in case any amount becomes payable by TBC to the programming vendor following court judgements. The amount withheld by TBC is in excess of the amounts owed by the content agent to programming vendors for both 2020 and 2021.

In order to save potential default interest on unpaid amounts accumulating during the litigation process, TBC signed agreements with the programming vendors in April 2022, to pay temporary payments of NT\$252 million each (approximately \$12.6 million each) for 2020 and 2021 unpaid programming costs.

DISTRIBUTIONS

The Board of Directors of the Trustee-Manager (the "Board") has declared an ordinary interim distribution of 0.25 cents per unit for the quarter ended 30 June 2022. The record date will be 16 September 2022 and the distribution will be paid on 23 September 2022.

The Board is re-affirming the distribution guidance for the full year ending 31 December 2022. The distribution for 2022 is expected to remain at 1.0 cent per unit, to be paid in quarterly instalments of 0.25 cents per unit, subject to no material changes in planning assumptions.

Distribution guidance for 2023 is expected to be announced when APTT releases its material business updates and key financial information for the third quarter of 2022.

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 has been limited to date.

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. TBC has adhered to all regulations and guidelines from government authorities related to the containment of the virus, including split team arrangements, safe-distancing and encouraging staff to work from home, embrace good personal hygiene, and will continue to do so. Likewise, the Trustee-Manager in Singapore has activated its BCP plan that adheres to the relevant regulations in Singapore.

Additional expenses incurred to implement COVID-19 related measures during the year ended 31 December 2021 were not material. While some additional expenses are expected to be incurred to implement further COVID-19 related measures in 2022, they are not expected to be material.

While the COVID-19 outbreak in Taiwan has been relatively contained compared to other countries, Taiwan's outlook remains uncertain as the expected 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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