



中華電信  
Chunghwa Telecom

## **CHT 4Q2022 Results February 2, 2023 at 3:00 P.M. (Taipei Time)**

Thank you. This is Angela Tsai, Director of Investor Relations for Chunghwa Telecom. Welcome to our fourth quarter 2022 results conference call. Joining me on the call today are Harrison Kuo, our President, and Vincent Chen, our Chief Financial Officer.

During today's call, management will begin by providing an overview of our business in the fourth quarter, followed by a discussion of our segment performance and the financial highlights. After, we will move on to the question and answer portion of the call.

On slide 2, please note our safe harbor statement.

Now, I will turn the call over to President Kuo. President Kuo, please go ahead.

### *Business Overview – Mobile Service*

Thank you, Angela, and hello, everyone. Welcome to our fourth quarter results conference call. To begin with, we'd like to send our best wishes to our peers as their merger plans were approved by the National Communication Commission in January. We believe the resulting change of the market landscape is positive to the telecom industry in Taiwan as the health of the market's development could strength and overall 5G adoption in Taiwan could consistently maintain its stable growth. Under the new landscape, we will continue our focus on building ecosystems and creating long-term value for customers. As the market leader in terms of network quality, service quality, and subscriber numbers in Taiwan, we are confident in remaining ahead of our peers in all these aspects going forward.

Now, let's turn to page 4 for an update on our performance in the fourth quarter. In the fourth quarter, our revenue share and subscriber share climbed to 39.5% and 36.6%, respectively, achieving another solid period of growth on both a year-over-year and quarter-over-quarter basis. In addition, the year-over-year increase of both revenue share and subscriber share also progressed into the 5th consecutive quarter, affirming our strong leading position in Taiwan's mobile market sustained by our notable growth momentum.

## Business Overview – Mobile Service

Please turn to slide 5 for a closer look at our mobile business.

In the fourth quarter, our total mobile service revenue was up by 5.8% year-over-year, maintaining its year-over-year growth for 20 consecutive months, attributable to the upsell resulting from 5G migration and the outperforming subscriber number increase. As our 5G penetration steadily progressed, we observed an average 41% uplift in mobile monthly fees, attributable to consumers who migrate from 4G to 5G. In addition, we are delighted to see the increase of roaming revenue and pre-paid revenue during the quarter. Revitalized cross-border activities also contributed to the increase of pre-paid subscriber numbers. Together with the strong growth of post-paid subscriber numbers as well as the lowest churn rate among our peers, our total mobile subscriber numbers, excluding IoT SIMS, increased by 3.5% year-over-year.

In general, our postpaid ARPU achieved 3.3% year-over-year growth in the fourth quarter, maintaining its upward trajectory for the 7th consecutive quarter.

We are also delighted to report that both Speedtest and Opensignal acknowledged us as the fastest 5G service provider in Taiwan recently. We are proud of the results, and will continue to provide first-class 5G network quality for customers to drive up 5G migration.

## Business Overview – Fixed Broadband Service

Moving on to slide 6, you may find an update of our fixed broadband business.

In the fourth quarter, our fixed broadband revenue increased by 3.7% year over year and subscriber number continued to grow as well. In addition, the accumulated sign-ups for service speeds of 300Mbps or higher increased by 51.9% year over year, mainly thanks to our 速在必行 promotion package, which effectively accelerated our subscribers' migration to higher service speed. By 2022, we were excited to see more than 70% of the package adopters of 速在必行 upgraded their service speeds, while more than 60% of the adopters signed up for service speeds of 500Mbps or higher. Our fixed-broadband ARPU therefore achieved 2.1% year-over-year growth in the fourth quarter, maintaining its upward trend for 13 consecutive quarters.

In 2023, we will continue the momentum by rolling out another promotion package, 速在好禮, and further strengthen the incentives by lifting the upstream speed that paired with 300Mbps service from 100Mbps to 150Mbps, distinguishing us from our peers.

Now, let's move on to the performance of our customer-centric business groups.

#### Consumer Business Group (CBG) – 4Q22 Financial Summary

Slide 8 presents the revenue of our consumer business group, or CBG.

In the fourth quarter, total revenue of CBG decreased by 2.1% year-over-year in spite of the strong growth of our core business. Mobile service revenue grew by 7.1% year-over-year propelled by the increases of postpaid subscriber numbers and steady 5G migration. While fixed voice revenue continued to decline as expected, our total fixed-line service revenue of CBG still gained a slight year-over-year increase thanks to the successful upsell propelled by the speed upgrade promotion package as well as the FIFA World Cup broadcast and campaign in November. However, sales revenue decreased by 12% year-over-year mainly due to the continued unstable iPhone supply during the quarter. Other revenue also decreased by 34.9% year-over-year, owing to the higher base resulting from the government subsidies for accelerated 5G construction in the fourth quarter of 2021.

#### Consumer Business Group (CBG) – 4Q22 Highlights

Slide 9 further illustrates our consumer business group highlights.

In the fourth quarter, our multiple-play package continued to support the growth momentum of our CBG business. The subscriber numbers of mobile, fixed-broadband and Wi-Fi services altogether demonstrated a 28% quarter-over-quarter growth. In particular, our Home Wi-Fi device subscription numbers grew more than 1.5 times on a year-over-year basis, boosting our subscription-based revenue and sustaining the popularity of home-centric applications.

The number of our video subscription that comprised of MOD and Hami Video, which are paid in monthly fees on an annual basis rather than one-time sign-ups, grew by 8.9% year-over-year in the fourth quarter, with growth mainly driven by Hami Video, thanks to the popular FIFA World Cup taking place in November. We were also delighted to see the related advertising revenue was 5 times more than that of the last FIFA World Cup held four years ago, demonstrating our success in presenting popular content to customers.

Heading into 2023, we will continue the content investment strategy, with a focus on sports events and exclusive dramas, to further enhance overall subscriber stickiness and contribution.

#### Enterprise Business Group (EBG) – 4Q22 Financial Summary

Please turn to slide 10 for an overview of our enterprise business group performance.

In the fourth quarter, EBG maintained its growth trajectory by demonstrating 2.9% revenue increase on a year-over-year basis, mainly attributable to the growth of our ICT business, particularly in IDC, cyber security, 5G private networks and big data services. Also, our EBG mobile services revenue increased by 3.3% driven by 5G upselling and the increase of customers. Other revenue also increased by 46.8% year over year mainly due to the equipment sales revenue from subsidiaries.

Additionally, we see the digital transformation trend and its opportunities continued to drive up data communication and broadband access revenue to grow by 5.4% year over year, especially the speed upgrade demand from enterprises and schools, although fixed-line revenue kept flat year over year in the fourth quarter dragged by the decreased voice revenue.

#### Enterprise Business Group (EBG) – 4Q22 Highlights

Slide 11 illustrates our enterprise business highlights.

In the fourth quarter, our total enterprise emerging application revenue increased by 8.8% year-over-year as most of our major applications demonstrated double-digit year-over-year growth rate.

5G private networks revenue delivered multiple-fold growth mainly due to the increased accumulated projects that bring in recurring revenues. In addition, we are evolving the 5G private network business model by providing leasing arrangement for enterprises to yield recurring revenue. We were delighted to report that the 5G private network leasing arrangement gained popularity in the PCB industry in the fourth quarter, and is expected to extend to other vertical going forward.

For IDC, big data, and cybersecurity services, we are delighted to see year-over-year revenue growth by 45%, 37% and 17%, respectively, owing to the increasing demands of digital transformation and opportunities. In the fourth quarter, we successfully leveraged our big data

analysis, information security and block-chain technologies to deliver integrated solutions for the insurance industry. In addition to the big data platform tailor-made for insurance regulatory oversight, we also help the industry to consolidate accounts across different insurance companies owned by the same policyholder to streamline reimbursement process.

#### International Business Group (IBG) – 4Q22 Financial Summary

Slide 12 illustrates our international business performance.

In the fourth quarter, our international business group revenue decreased by 7.1% year-over-year, mainly due to the higher base of other revenue recognized in the fourth quarter of 2021 related to ST-2 compensation. Excluding the non-recurring impact, IBG revenue in the fourth quarter maintained its growth momentum and increased by 19.7% year-over-year, mainly driven by emerging business revenue and fixed broadband revenue due to strong demand for IDC and cloud services from global clients.

In December, our technical support center in Malaysia has officially started operations to fully support business expansion in the Indo-Pacific market.

Now, I would like to turn the call to Vincent for our financial highlights.

#### Financial Overview

Thank you, President Kuo. Good afternoon, everyone. I will now walk you through our fourth quarter financial results.

#### Income Statement Highlights

Let's start with Slide 14, income statement highlights.

For the fourth quarter of 2022, while revenue generated from our core business increased by 2.3%, total revenues decreased by 0.7% on a year-over-year basis, mainly attributable to decreased sales revenues resulting from the shortage of handsets. Net income decreased by 2.2%, primarily due to sales decline and the grant of government subsidy for the acceleration of 5G deployment in Q4 of 2021. Meanwhile, our EBITDA margin increased to 35.05% from 34.82%.

For the full year results, we were glad to see total revenue increased by 3.0% compared to 2021, driven by growing core business including mobile, ICT and broadband services. Income from operations and net income grew by 4.2% and 2.1% on year, respectively, mainly due to our robust core businesses and growing ICT business. EBITDA margin rose from 39.59% to 39.80%.

### Balance Sheet Highlights

Now move on to page 15 for balance sheet highlights.

Total assets at the end of 2022 increased by 2.1% on year, mainly driven by increase in cash and cash equivalents as a result of cash proceeds from issuance of sustainable bonds as well as decreased negotiable certificates of deposit.

Total liabilities increased by 6.5%, primarily attributed to increase of bonds payable, unearned revenues, and deferred government grants income.

Our balance sheet remains strong in that debt ratio stays below 25% and net debt over EBITDA is zero.

### Consolidated Cash Flow Summary

Page 16 presents the summary of our cash flows.

Cash flows from operating activities increased by 1.4% on year, mainly due to higher net income arising from our strong operating performance.

As for capital expenditure, the amount of mobile and non-mobile capex combined decreased by 10.7% on year. Of which, mobile-related capex was reduced by about 18% year-over-year as 5G capital spending was peaked in 2021. Additionally, relative to 2021, free cash flows increased by 12.4%.

Overall, our robust cash flows together with strong balance sheet enable us to steer through economic uncertainty and focus on long-term value creation.

### Operating Results vs. Forecast

On slide 17, we provide a table that compares our financial results with our financial guidance.

In the fourth quarter of 2022, key performance measures, such as revenue, net income and EBITDA, meet or beat our financial forecasts. For the full year results, all performance measures exceeded our guidance with operating income and net income beating our projections by a modest margin.

### Financial Forecasts for 2023

Moving on to slide 18, please see our guidance for 2023.

Looking ahead, total revenue for 2023, compared to 2022, is expected to increase by between 2.1% and 2.8%, primarily driven by growth momentum in our core business that benefits from 5G migration and broadband upgrades. ICT business also contributes as we expect growing emerging services to meet customers' demands for digital transformation and its opportunities. Operating costs and expenses for 2023 are expected to rise by 4% as a result of the investments in talents and infrastructure that supports future business development in core and emerging businesses. Given these projections, we expect our EPS to be in the range between 4.45 and 4.65.

As for capital spending, we budget 35.32 billion for 2023. Mobile-related capex accounts for 1/3 and represents an expected decrease of about 13% on year. Non-mobile related capex, which comprised of investments in fixed line network, IDC and submarine cables, is expected to increase by 32% on year to support business expansion in emerging business.

Now, I would like to turn the call over to President Kuo for our awards and recognitions.

### ESG Achievements

Thank you, Vincent.

We have always considered ESG while operating our business, and the next page demonstrates our ESG efforts. Our ESG efforts have been widely recognized by both domestic and international organizations and rating agencies, such as DJSI of S&P Global, Forbes, and The Asset. To further extend our influence, in the fourth quarter, we launched the green ICT supply chain, joining hands with 35 key suppliers to move towards net-zero emissions. We also partnered with KIPP Inspired School Taiwan to reach out to cities that have a relative lack of teaching resources to help facilitate online learning. We believe these new developments are key to our success and long-term growth, and we will continue to focus on ESG development going forward.

This concludes our prepared remarks, thank you for your attention. At this time, I would like to open up our conference call for questions.

**- Q&A Session -**