



中華電信
Chunghwa Telecom

4Q 2020 Operating Results

JPMorgan Taiwan CEO-CFO Conference

February 22, 2021

Taipei

Disclaimer

STATEMENT REGARDING UNAUDITED FINANCIAL INFORMATION

The unaudited financial information under T-IFRSs in this presentation is preliminary and subject to adjustments and modifications. Adjustments and modifications to the financial statements may be identified during the course of the audit /review work, which could result in significant differences from this preliminary unaudited financial information.

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Statements that are not historical facts, including statements about Chunghwa’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Investors are cautioned that actual events and results could differ materially from those statements as a result of a number of factors including, but not limited to the risks outlined in Chunghwa’s filings with the U.S. Securities and Exchange Commission on Forms F-1, F-3, 6-K and 20-F, in each case as amended. The forward-looking statements in this presentation reflect the current belief of Chunghwa as of the date of this presentation and Chunghwa undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date, except as required under applicable law.

This presentation is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling security holder and that will contain detailed information about the company and management, as well as financial statements.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

A body of generally accepted accounting principles is commonly referred to as "GAAP". A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. We disclose in this report certain non-GAAP financial measures, including EBITDA. EBITDA for any period is defined as consolidated net income (loss) excluding (i) depreciation and amortization, (ii) total net comprehensive financing cost (which is comprised of net interest expense, exchange gain or loss, monetary position gain or loss and other financing costs and derivative transactions), (iii) other expenses, net, (iv) income tax, (v) cumulative effect of change in accounting principle, net of tax and (vi) (income) loss from discontinued operations.

In managing our business we rely on EBITDA as a means of assessing our operating performance. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies because it excludes the effect of (i) depreciation and amortization, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates and inflation rates, which have little or no bearing on our operating performance, (iii) income tax and tax on assets and statutory employee profit sharing, which is similar to a tax on income and (iv) other expenses or income not related to the operation of the business.

EBITDA is not a measure of financial performance under U.S. GAAP or T-IFRSs. EBITDA should not be considered as an alternate measure of net income or income from operations, as determined on a consolidated basis using amounts derived from statements of operations prepared in accordance with U.S. GAAP or T-IFRSs, as an indicator of operating performance or as cash flows from operating activity or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company's overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses and income taxes, depreciation, pension plan reserves or capital expenditures and associated charges. These non-GAAP measures are not in accordance with or an alternative for GAAP financial data, the non-GAAP results should be reviewed together with the GAAP results and are not intended to serve as a substitute for results under GAAP, and may be different from non-GAAP measures used by other companies.

Committed to Improving Shareholder Value

Cash Return

NT\$ bn



2020 AGM resolved to distribute NT\$32.8 billion to shareholders

- NT\$4.226 per share
- payout ratio 99.98%

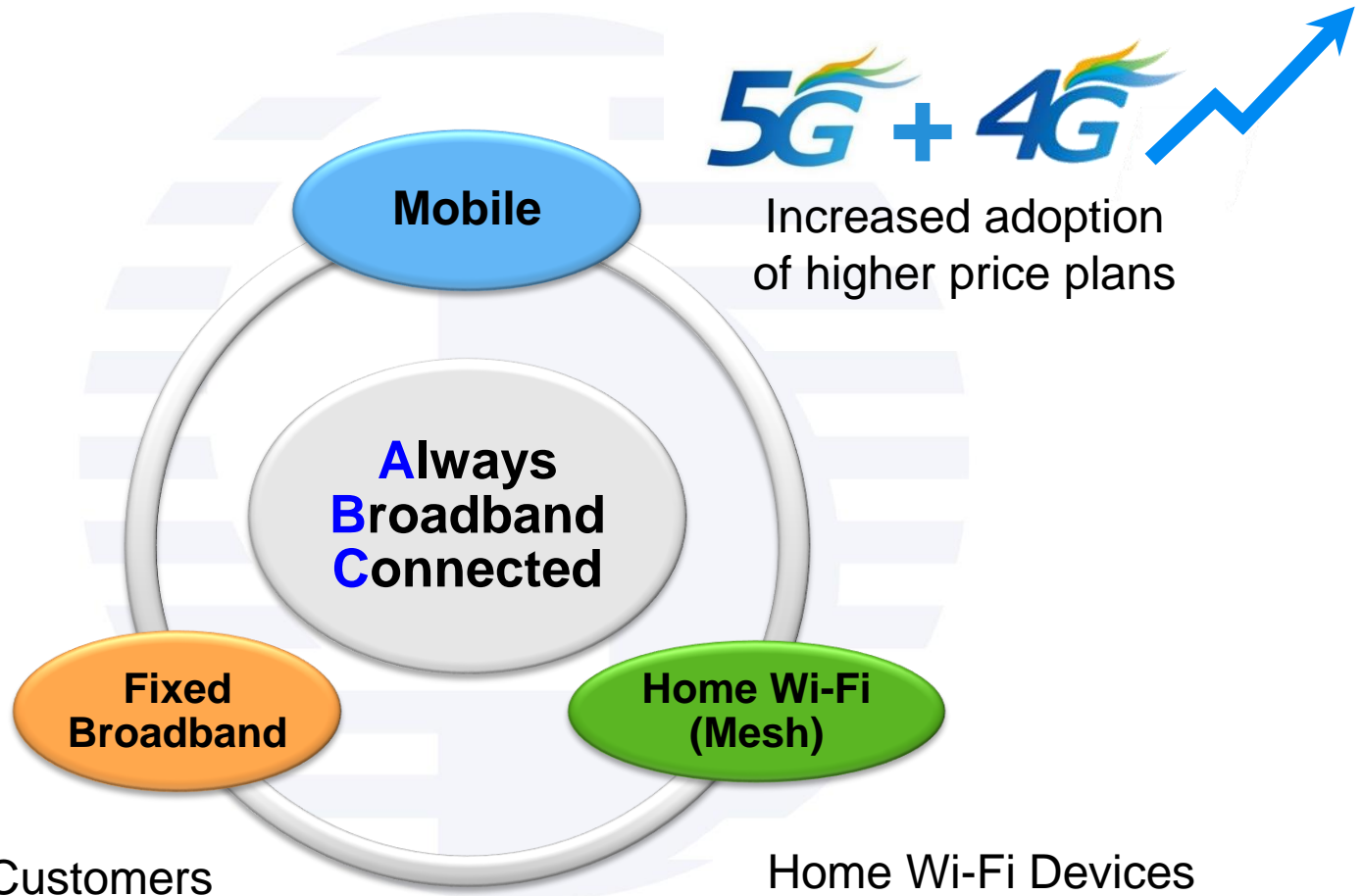
Note:

1. 1 ADR = 10 common shares
2. The regular dividend has been calculated based on total share number 7,757,446,545.



Business Overview

Business Overview



300Mbps ↑ Customers

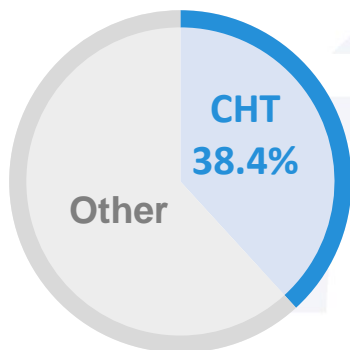
YoY ▲ 69%

Home Wi-Fi Devices

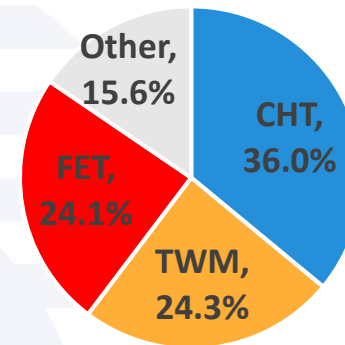
YoY ▲ 373%

#1 Mobile Services Provider

#1 Mobile Revenue (a)(b)

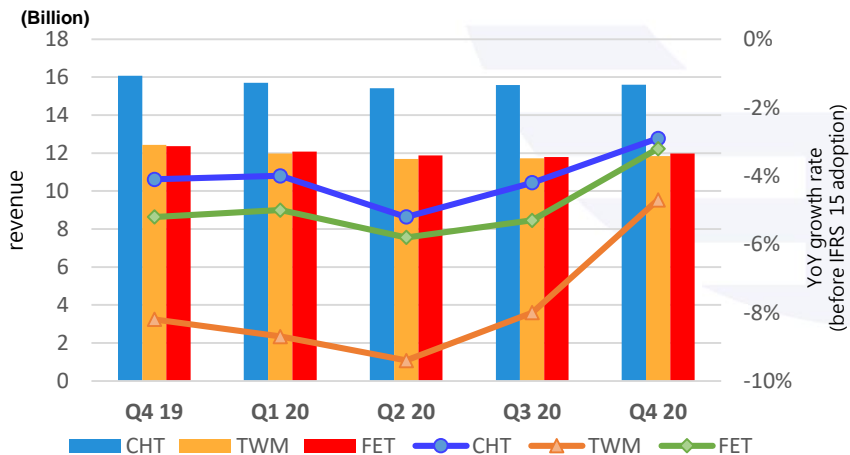


#1 Mobile Subscribers

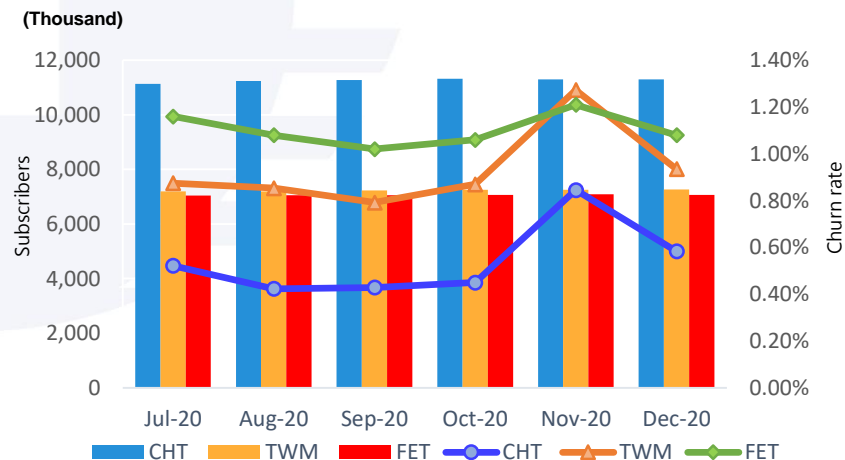


Source: Company data, MOTC and NCC statistics
 Note :
 a) Market share as of December 2020
 b) Revenues are based on T-IFRSs

Better Performance in Mobile Service Revenue



Highest Subs & Lowest Churn

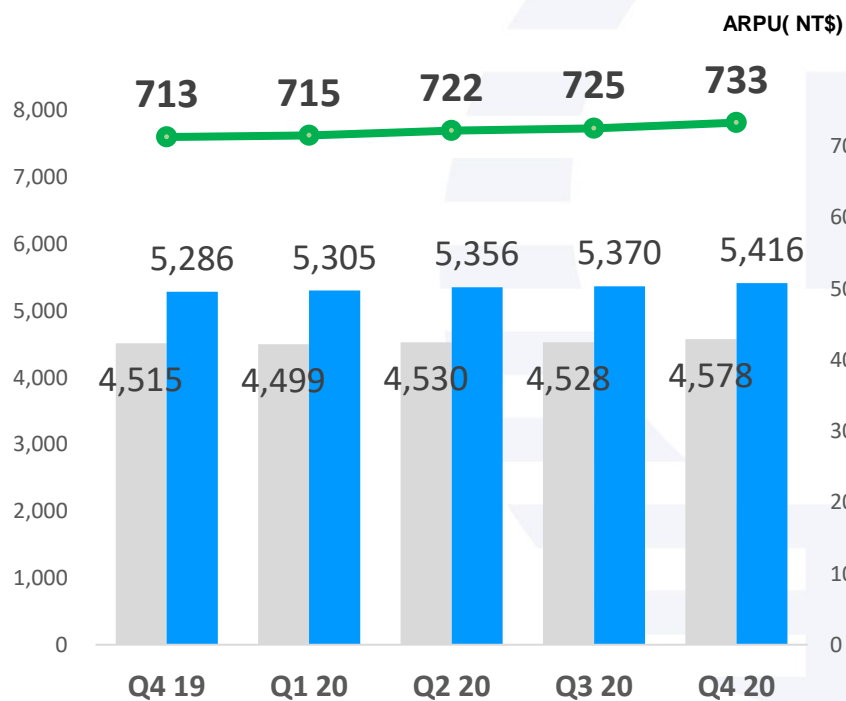


Note : For TWm and FET, mobile service revenue is derived from mobile ARPU under Residual Value Method times the average subscriber number.

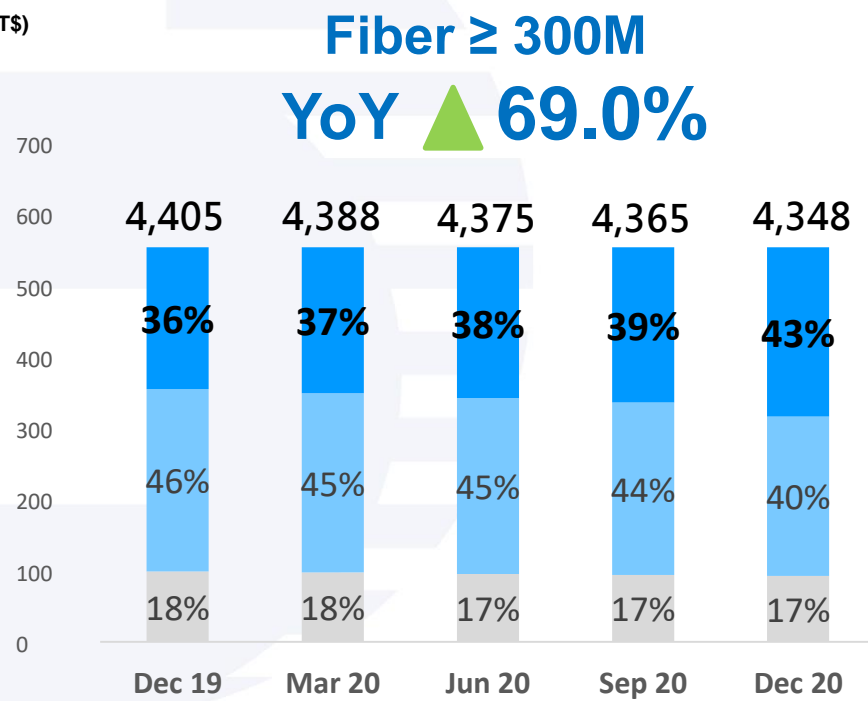
Note : Churn rate for postpaid subscribers

Fixed Broadband Service

Broadband Revenue



Fixed Broadband Subs



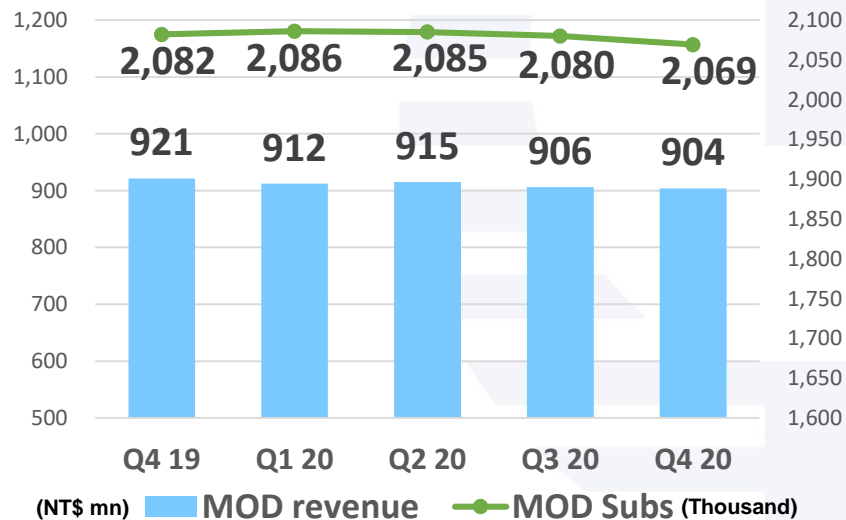
(NT\$ mn) — Broadband Access — Data Communications — ARPU

Note1 : Broadband ARPU is calculated as access plus ISP
 Note2 : Revenue is calculated based on T-IFRSs

(Thousand) — ADSL — Fiber (<100M) — Fiber (≥100M)

MOD/ IPTV Service

MOD Revenue and Subs



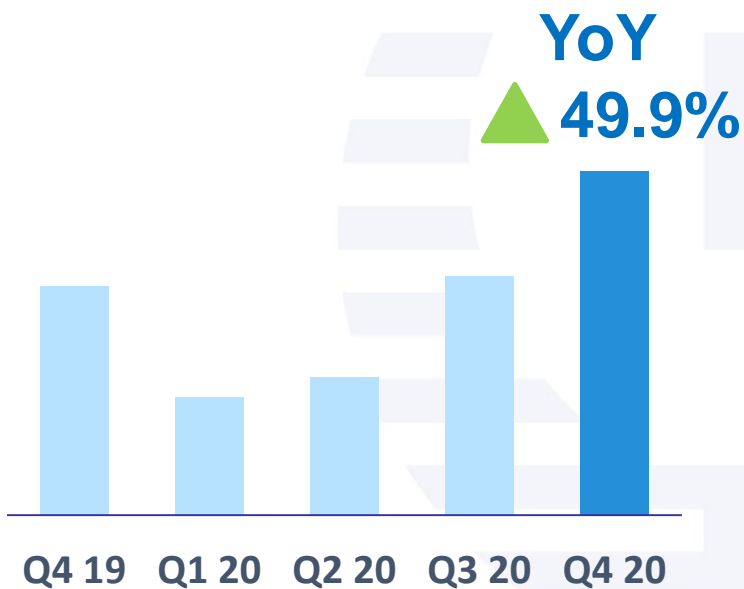
SVOD Subscribers



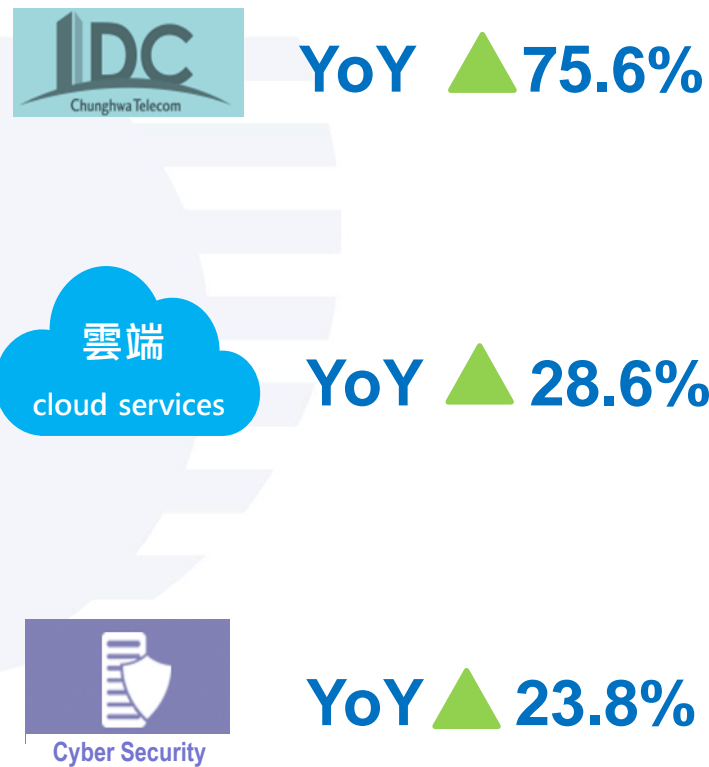
SVOD : Subscription Video on Demand

ICT Business

ICT Business Revenue



Emerging Business Revenue





Financials Overview

Financials: Income Statement Highlights

(NT\$bn)	Consolidated					
	Q4 2020	Q4 2019	Growth %	2020	2019	Growth %
Revenues	59.48	55.23	7.7	207.61	207.52	0.0
Operating Costs and Expenses	50.30	45.20	11.3	166.85	166.74	0.1
Income from Operations	10.50	9.93	5.7	42.36	40.65	4.2
Net Income²	8.23	7.77	5.8	33.42	32.79	1.9
EPS	1.06	1.00	5.8	4.31	4.23	1.9
EBITDA	19.89	18.75	6.1	78.70	75.82	3.8
EBITDA Margin (%)	33.44	33.94		37.91	36.54	

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
2. Net income attributable to owners of the parent.
3. EBITDA = operating income + Depreciation & Amortization.
4. The calculation of growth rates is based on NT\$mn.

Financials: Business Segment Revenues

(NT\$bn)	Q4 2020	Q4 2019	Growth %	2020	2019	Growth %
Domestic Fixed	20.24	18.36	10.2	69.47	65.59	5.9
Local	6.04	6.27	(3.6)	24.46	25.56	(4.3)
DLD	0.49	0.54	(9.5)	2.02	2.20	(8.2)
Broadband Access	4.58	4.52	1.4	18.14	17.98	0.9
MOD	0.90	0.92	(1.8)	3.64	3.60	0.9
ICT and Other Services	7.11	5.06	40.7	16.94	12.07	40.4
Mobile	24.96	24.46	2.0	90.23	95.47	(5.5)
Mobile Service Revenue	14.21	14.59	(2.6)	56.72	58.70	(3.4)
Sales of Mobile Handsets and Wearable Devices	10.30	9.51	8.4	32.11	35.55	(9.7)
ICT and Other Services	0.45	0.37	22.2	1.39	1.22	14.2
Internet	9.72	8.22	18.3	32.12	30.45	5.5
Data Communications	5.42	5.29	2.5	21.45	21.03	2.0
Application VAS	3.55	2.13	66.2	8.33	6.77	23.0
Services Provided to the government	0.76	0.80	(5.0)	2.34	2.65	(11.8)
International Fixed	2.14	2.62	(18.5)	8.70	11.27	(22.8)
ILD	0.26	0.87	(70.2)	1.53	4.58	(66.5)
Leased line	0.58	0.53	9.6	2.35	2.49	(5.4)
ICT and Other Services	0.64	0.59	8.3	2.24	1.76	27.1
Others	2.43	1.57	55.1	7.10	4.75	49.6
Total	59.48	55.23	7.7	207.61	207.52	0.0

- Note:
- Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
 - The calculation of growth rates is based on NT\$ mn.
 - Businesses shown under each segment are highlighted; therefore, sum of the highlighted revenues is not equal to the total.

Financials: Costs & Expenses

(NT\$bn)	Consolidated					
	Q4 2020	Q4 2019	Growth %	2020	2019	Growth %
Operating Costs	42.33	37.18	13.8	137.03	135.95	0.8
Operating Expenses	7.97	8.02	(0.5)	29.82	30.79	(3.2)
Marketing	5.50	5.72	(3.7)	20.96	22.09	(5.1)
General and Administrative	1.50	1.32	13.3	5.01	4.76	5.3
R&D Expense	0.97	0.98	(0.6)	3.85	3.94	(2.3)
Total	50.30	45.20	11.3	166.85	166.74	0.1

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.

Financials: Cash Flow

(NT\$bn)	Consolidated					
	Q4 2020	Q4 2019	Growth %	2020	2019	Growth %
Net Cash Flow from Operating Activities	27.40	23.58	16.2	74.31	72.43	2.6
CapEx	9.28	7.81	18.9	23.31	24.17	(3.5)
Free Cash Flow	18.12	15.77	14.9	51.00	48.26	5.7
Cash and Cash Equivalents at the end of period	30.44	34.05	(10.6)	30.44	34.05	(10.6)

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
2. The calculation of growth rates is based on NT\$ mn.
3. Free cash flow is calculated by subtracting CapEx from Net Cash Flows from Operating Activities.

Operating Results vs. Forecast

(NT\$bn)	Consolidated					
	Q4 2020 (A)	Q4 2020 (E)	Achieving %	2020 (A)	2020 (E)	Achieving %
Revenues	59.48	59.42 ~ 59.80	99.5 ~ 100.1	207.61	214.10 ~ 215.29	96.4 ~ 97.0
Operating Costs and Expenses	50.31	50.00 ~ 50.06	100.5 ~ 100.6	166.85	175.51 ~ 175.83	94.9 ~ 95.1
Income from Operations	10.50	9.49 ~ 10.04	104.6 ~ 110.6	42.36	38.54 ~ 40.25	105.2 ~ 109.9
Net Income²	8.23	7.57 ~ 8.02	102.6 ~ 108.6	33.42	30.91 ~ 32.47	102.9 ~ 108.1
EPS	1.06	0.98 ~ 1.03	102.6 ~ 108.6	4.31	3.99 ~ 4.19	102.9 ~ 108.1
EBITDA	19.89	18.92 ~ 19.44	102.4 ~ 105.2	78.70	74.91 ~ 76.53	102.8 ~ 105.1
EBITDA Margin (%)	33.44	31.84 ~ 32.50	-	37.91	34.99 ~ 35.55	-

- Note:
1. Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
 2. Net income attributable to owners of the parent.
 3. EBITDA = operating income + Depreciation & Amortization.

2021 Forecast

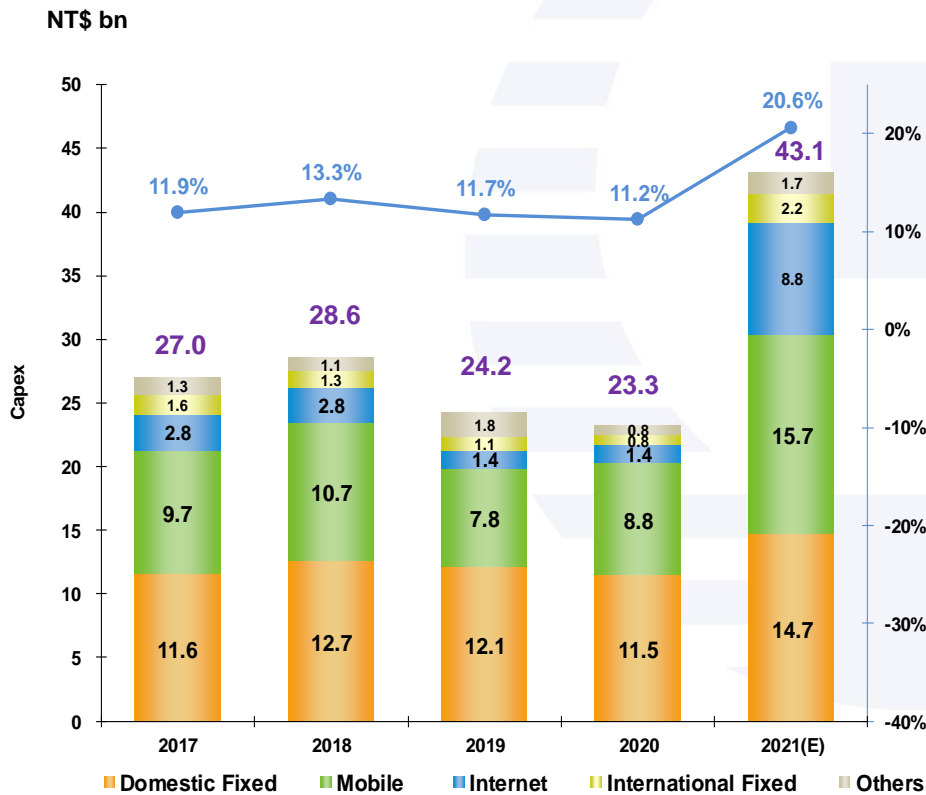
(NT\$bn)	Consolidated		
	2021 (E)	2020	Growth %
Revenues	209.26~209.72	207.61	0.8~1.0
Operating Costs and Expenses	167.58~167.66	166.85	0.4~0.5
Income from Operations	41.72~42.51	42.36	-1.5~0.4
Net Income²	32.60~34.09	33.42	-2.5~2.0
EPS	4.20~4.40	4.31	-2.5~2.0
EBITDA	79.90~80.65	78.70	1.5~2.5
EBITDA Margin (%)	38.18~38.46	37.91	-

Note :

1. Financials are prepared in accordance with T-IFRSs. Figures for 2020 are unaudited.
2. Net income attributable to owners of the parent.
3. The information therein is predictive and will not necessarily be fully realized in the future, and that reference to the company's significant accounting policy and summary of basic assumptions shall be made for further details.

Effective and Efficient Capital Expenditure






Capital Expenditure








- Budgeted capex for 2021: NT\$43.1 bn
- Continue to focus on core businesses for future investments
 - 5G
 - FTTx
 - IDC/ Cloud
 - Submarine cable

Note: Actual capital expenditure are cash-based.

2021 Strategic Focuses - 5G + Transformation

-  Accelerate 5G network deployment, assure leading network speed and enhance mobile service revenue
-  Expand 5G enterprise network and strengthen partnership to develop smart applications by leveraging the second phase of Forward-looking Infrastructure Development Program to grow ICT business
-  Continue fixed broadband migration and Always Broadband Connected strategy to enhance fixed broadband revenue
-  Build industrial ecosystem to provide cybersecurity, IDC/cloud and AIoT services by Acquiring, Building and Collaborating with partners
-  Build Asia Pacific region submarine cable double rings and become Asia Pacific submarine cable center

Awards and Recognition

-  Recognized as **Brand of the Year Award** at the **World Branding Forum** for 6th consecutive year
-  Received recognition in corporate governance and sustainability:
 - ✓ Won **Platinum Award** at the **Asset ESG Corporate Awards** for 8th consecutive year and only Taiwan-based award winner.
 - ✓ Listed as **Top Ten Sustainable Model Enterprise** at **2020 Taiwan Corporate Sustainability Awards**
-  Best-in-Class Services Validated by Amazon and Microsoft
 - ✓ Only operator in Taiwan with both **AWS MSP** and **AWS Direct Connect** validation
 - ✓ First operator to obtain **Microsoft Azure Expert MSP** in greater China
 - ✓ Only service provider with **Azure Expert MSP** and **Direct Connect ExpressRoute** in Taiwan.
-  Received **Frost & Sullivan Best Practice Awards** in multiple categories:
 - ✓ Named as **Taiwan Data Center Service Provider of the Year** and **Taiwan Mobile Data Service Provider of the Year**
 - ✓ Named as **Taiwan Cloud Infrastructure Service Provider of the Year** for the first time
-  Recognized by Speedtest as the **No.1 Mobile Network Speed and Coverage**:
 - ✓ Received prizes for **Fastest Mobile Network**, **Best Coverage Mobile Network** and **Fastest Mobile Network for iPhone 12** in the second half of 2020



Q&A