



中華電信  
Chunghwa Telecom

## **CHT 2Q2024 Results August 6, 2024, at 3:00 P.M. (Taipei Time)**

Thank you. I am Angela Tsai, Assistant Vice President of the Financial Department for Chunghwa Telecom. Welcome to our second quarter 2024 results conference call. Joining me on the call today are our Chairman Harrison Kuo, President Ivan Lin, and Vincent Chen, our Chief Financial Officer.

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

On slide 2, please read our disclaimers and note concerning forward-looking statements.

Now, without further delay, I will turn the call over to our Chairman. Chairman Kuo, please go ahead.

### CEO's Message

Thank you, Angela, and hello, everyone. Welcome to our second quarter 2024 results conference call.

We are pleased to announce our continued success in expanding our lead in Taiwan's telecom market in the second quarter, amidst the three-player market landscape. Our revenue share in Taiwan's mobile market continued to steadily grow from 40.4% to 40.5%, quarter over quarter, while subscriber share enjoyed a slight increase to 37.7%, maintaining growth in the new market landscape. In addition, for the past six consecutive quarters, our postpaid mobile ARPU has demonstrated the highest year-over-year growth in the industry, showcasing our growth capability. With this contribution, our total revenue in the second quarter reached a new high for the same period since 2018.

In addition, our strategy of leveraging content investment to enhance our video performance has been successful. In August, during the first week of our exclusive 2024 Paris Olympic Games broadcast, we were pleased to see our video platform subscriptions surpass 3 million, a milestone that further expanded our lead among all the video platforms in Taiwan. As the games

are more intense, we are optimistic about the overall performance of our Olympic Games broadcast.

Another area in which we currently invest is AI deployment. As Chunghwa Group holds the largest IDC market share in Taiwan, we are well-positioned to extend our leading IDC and cloud experiences to construct AI data centers and GPU cloud. We offer our enterprise customers to leverage the GPU cloud either to build their own Sovereign AI or use our GPU-as-a-service. In addition, targeting the vast opportunities of AI-driven applications, we are developing the CHT AI Factory. This initiative aims to produce various customized AI models, AI-driven operation process, and AI Agents for enterprise customers, supporting them in their AI transformation. We believe this market has immense potential.

Lastly, to strategically enhance our Group's value, we are excited to announce that our subsidiary, CHT Security, the largest managed security service provider in Taiwan, will become a publicly traded company this month and will pursue its main board listing next year. This will be followed by our another subsidiary, International Integrated Systems Company, a benchmark company in Taiwan focusing on opportunities related to government projects, smart city, FinTech and digital healthcare. We also continued to seek potential M&A targets to create synergy and enhance our agility in driving growth and increasing market value.

Now, let's move on to the business overview of the second quarter of 2024.

#### Business Overview – Mobile Service

We are pleased to report another quarter of market-share gains in the second quarter of 2024, after the industry's market consolidation. Our revenue share of Taiwan's mobile market continued to stay above 40%, hitting 40.5% as of the end of June, further widening our lead against our peers on both YoY and QoQ basis. Meanwhile, our subscriber share was 37.7%, achieving a stable YoY increase. Our excess revenue share over subscriber share was 2.8% due to the exciting revenue share gains, reflecting our healthy growth.

As our postpaid subscriber net-adds continued to outperform peers, along with growing 5G migration and steady international roaming contribution, our mobile service revenue and post-paid ARPU, recorded a 3.5% and 2% YoY increase, respectively, maintaining their growth for 39 consecutive months and 13 consecutive quarters.

In the second quarter, the average monthly fee uplift from customers who migrated from 4G to 5G exhibited a 39% uptick, maintaining healthy momentum.

### Business Overview – Fixed Broadband Service

Let's move on to slide 6 for an update of our fixed broadband business.

In the second quarter, the year-over-year growth of our fixed broadband revenue and subscriber number continued to increase by 4.4% and 0.6%, expanding growth margin compared with that of the previous quarter, thanks to our successful strategy of encouraging speed upgrade.

300Mbps or higher continued to be the mainstream service offerings. Its sign-ups increased by 24% YoY in the second quarter, maintaining double-digit growth, and resulting in the 2% increase of fixed broadband ARPU on a year-over-year basis, which is outstanding.

Now, let me hand the call over to Ivan for the performance of our customer-centric business groups.

### Consumer Business Group (CBG) – 2Q24 Financial Summary

Thank you, Chairman Kuo, and hello everyone. Now, please flip to page 8 for an update on our CBG performance.

In the second quarter, total CBG revenue increased by 2.6% year-over-year, driven by the increase of mobile service revenue from ongoing 5G migration and more postpaid subscribers, steady growth of fixed broadband revenue, and strong sales of iPhone series due to effective promotion.

Although CBG delivered promising business performance, its income before tax decreased by 1.6% year-over-year mainly due to the increase of talent investment, including salary raises.

### Consumer Business Group (CBG) – 2Q24 Highlights

Slide 9 further illustrates our consumer business group highlights.

In the second quarter, our multiple-play packages, which provide subscribers with the combination of our mobile, fixed-broadband and Wi-Fi services altogether, demonstrated 80% year-over-year growth, in line with the growth of CBG's core business.

In terms of individual and home centric applications, we saw a 5.2% increase of our video platform subscriptions, mainly from Hami Video, stemming from the pre-promotion of the 2024 Paris Olympic Games in the second quarter. In August, we introduced AR and Multi-camera

replay functions to broadcast the summer Olympic Games for the first time, which successfully created exciting new viewing experience for customers and attracted new sign-ups. We expect subscriptions to continue rising as games become more intense, leading to greater revenue contribution.

In terms of the well-received consumer cybersecurity services, we are pleased with its growth momentum as the sign-ups increased by 15.3% year over year in the second quarter, making meaningful revenue contribution.

### Enterprise Business Group (EBG) – 2Q24 Financial Summary

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

In the second quarter, EBG's total revenue decreased by 3.7% year-over-year, mainly due to decreased ICT business revenue resulting from last year's high base from large projects and the deferral of revenue expected in the second quarter. Notwithstanding these factors, our ICT business remained on track as expected. In addition, although revenue from EBG's mobile services decreased slightly, excluding the impact of prepaid card projects, mobile revenue from 5G, roaming and text businesses continued to increase year-over-year.

For EBG's fixed-line business, despite the continued and steady growth of broadband access revenue and data communication revenue from clients' speed upgrade, the decline in fixed voice revenue significantly offset these gains. This was the main cause of the 9.6% year-over-year decrease in EBG's income before tax for the second quarter.

### Enterprise Business Group (EBG) – 2Q24 Highlights

Slide 11 illustrates our enterprise business highlights.

In the second quarter, our IDC and cybersecurity business continued to demonstrate robust growth. IDC revenue achieved 6.6% growth year-over-year owing to growing project numbers and the long-tailed recurring revenue injection. Meanwhile, cybersecurity revenue exhibited 6.9% growth year-over-year driven by rising demands for consulting services and network security products, particularly the zero-trust related offerings, making cybersecurity revenue achieve growth for 10 consecutive quarters

In spite of encouraging performance in IDC and cybersecurity business, EBG's total emerging enterprise application revenue decreased by 5.9% year-over-year in the second quarter, mainly due to the aforementioned higher basis resulted from large ICT project in the same period last year.

It's worth noting that although our cloud service revenue decreased year-over-year due to one-time project recognition in the base period, we are pleased to see our recurring revenue from international public cloud services continued to grow strongly by 42% year-over-year.

In addition, our limited racks priced at a premium in Banqiao IDC designated for the financial industry were sold out quickly after the launch in the second quarter, reflecting the strong demand for IDC service. In the meantime, to meet future demand, we continue to invest in construction of AI data centers, aiming to offer various AI-enabled functions and GPU as a service.

Looking into second half of the year, as the revenue deferred from the second quarter is expected to be recognized and with a healthy pipeline of orders, we remain confident in our full-year ICT performance.

#### International Business Group (IBG) – 2Q24 Financial Summary

Slide 12 illustrates our international business performance.

In the second quarter, we are pleased to see another positive quarter result for IBG, as its revenue and income before tax increased by 21.8% and 8.2% on a yearly basis, respectively, mainly contributed from overseas ICT business, which offset the slight decrease of fixed-line revenue resulting from portfolio change.

During this quarter, leveraging our robust integrated ICT capabilities, we successfully secured overseas ICT projects from Taiwan high-tech companies to support their new plant construction in Thailand and Vietnam. In addition, Chunghwa's subsidiary, CHT Security, aims to expand in Singapore. Our subsidiary based in Singapore will collaborate to promote our cloud security and network security business in Southeast Asia.

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

#### Financial Overview

Thank you, President Ivan. Good afternoon, everyone. Now, I will present a financial summary of our second quarter results in 2024.

#### Income Statement Highlights

Let's begin with page 14, income statement highlights.

Revenue for the second quarter of 2024 was around 54 billion dollars, the highest for the same

quarter in 7 years. This is a 1.2% increase from the same quarter last year, primarily driven by higher mobile service revenue, increased broadband service revenue and growing ICT business revenue. Income from operations and net income decreased by 2.7% and 1.0% on year, respectively, largely attributed to higher personnel and utility costs. EPS for Q2 is 1.27. EBITDA margin continued to stay at above 40%.

Overall, in the first half of the year, revenue increased by 1.3% compared to same period last year as a result of higher mobile service revenue, increased broadband service revenue, growing ICT business revenue and greater handset sales revenue. Income from operations and net income decreased by 2.4% and 1.8% on year, mainly due to the high base from one-time government compensation related to ST-2 satellite last year, and higher personnel and utility costs. Excluding the one-time item of government compensation, year-over-year changes in net income have remained positive, demonstrating the healthy growth momentum of our core and ICT businesses. EPS is 2.48. EBITDA and the EBITDA margin exhibited stability.

#### Balance Sheet Highlights

Now move on to page 15 for balance sheet highlights.

Total assets increased by 2.4%, as of June 30, 2024, compared to the year-end of 2023. This increase was largely attributed to higher current assets, mainly driven by other current monetary assets, which offset a decline in property, plant and equipment.

Total liabilities expanded by 23.4% relative to the year-end of 2023 and increased by 1.9% year-over-year. The rise was primarily due to dividends payable. Excluding the effect of dividends payable, debt ratio is 22.79%, indicating a healthy financial position.

#### Consolidated Cash Flow Summary

Page 16 provides the summary of our cash flows.

Cash flows from operating activities increased by 3.0 % on year, mainly due to a rise in unearned revenue from ICT projects.

Capital expenditures (capex) experienced an overall 12.8% decline on year. Specifically, mobile-related capex decreased by 51.1% while non-mobile capex increased by 6.7%, primarily attributed to the deployment of FTTH and submarine cable. Additionally, free cash flows increased by 14.1% year-over-year.

Taken together, our strong balance sheet and robust operating cash flows provide the foundation needed for business expansion and the pursuit of digital opportunities amid economic uncertainty.

#### Operating Results vs. Forecast

On page 17, let's turn to the table that shows our operating performance relative to the guidance.

During the second quarter of 2024, revenue was in line with our projection. Performance measures, such as income from operations, net income, EBITDA, and EBITDA margin all exceeded our forecasts by modest margins.

For the first half of 2024, revenue was about expected. However, income from operations, net income, EBITDA, and EBITDA margin all outperformed our guidance. The better-than-expected results were primarily driven by the steady growth of core business and the enhanced profitability of ICT business.

This wraps up our financial results for the second quarter. Let me hand it over to Chairman Harrison.

#### Awards and ESG Recognitions

Thank you, Vincent. On slide 18, you can see our awards and ESG achievement highlights from the second quarter of this year.

First of all, in our pursuit of global sustainability initiatives, we have successfully passed the greenhouse gas emission Net-Zero Targets review by SBTi in July. Our goal is to achieve the reduction of Scope 1 and Scope 2 greenhouse gas emissions by 95% by 2040 compared to the baseline year of 2020 in the long-term. We've also published the inaugural TNFD English report as the first Taiwanese telco, reinforcing our dedication to transparency and biodiversity, in line with global best practices.

Besides, I'd like to report that Chunghwa has been recognized among the top 2% of the world's most sustainable companies by TIME magazine and included in the FTSE4Good Taiwan ESG Index for the eighth consecutive year. We've been consistently ranked in the top 5% by Taiwan Stock Exchange's corporate governance evaluation for the ninth time. These comprehensive achievements underscore the company's commitments to lead the telecom industry through sustainable governance.

Moreover, I'm glad to share that we've been honored with 5 top awards from the Asian Excellence Awards for our exceptional leadership in sustainability and IR practices. Additionally, we won the Golden Prize from the Taiwan Sustainable Investment Awards this year as the sole telco awardee as we are the first Taiwanese telco to issue a bond in 2022 and fully utilize the raised funds for initiatives for sustainability within two years. We will continue to mutually benefit with the environment, society, and stakeholders to achieve a sustainable vision.

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

**- Q&A Session -**