



## **CHT 1Q2021 Results**

### **May 4, 2021 at 3:00 P.M. (Taipei Time)**

Thank you. This is Angela Tsai, Director of Investor Relations for Chunghwa Telecom. Welcome to our first quarter 2021 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 from this quarter, followed by a discussion of operational and financial highlights. After, we will move on to the question and answer session.

On slide 2, please note our safe harbor statement.

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

#### Chunghwa Telecom Overview

Let's begin on slide 4. In the first quarter of 2021, mobile business continued to be the main focus in the market. We set a target of accumulating 2 million 5G subscribers by the end of this year, and we are glad to report the number of our 5G sign-ups are on track and potentially exceed our internal target. As over three fourths of 5G subscribers and roughly 90% of iPhone 12 subscribers have adopted plans of NT\$999 or above, we remain positive about achieving year-over-year growth of our mobile post-paid ARPU in the second quarter, and expect this trend to continue as well. In addition, with more than 6.3 thousand 5G base stations completed during the quarter, compared with our annual target of accumulating 10 thousand 5G base stations by the end of this year, our 5G network construction is well ahead of schedule. In the international institute Opensignal's 5G Experience Report in April, Taiwan was ranked the top position in terms of 5G upload speed and 2nd position of 5G download speed in the world. As Taiwan's leading telecom service provider, we remain committed to spearheading 5G deployment to enhance 5G user experience in Taiwan.

Regarding our broadband business, we are pleased to see ARPU uplift continue as a result of the ongoing increase in higher price plan adoption. Subscriber migration to our broadband of 300 Mbps or higher continued to increase by approximately 58% year-over-year, contributing to year-over-year broadband revenue growth for the fourteenth month in a row. The number of Home Wi-Fi devices also increased 352% year-over-year to support the popularity of our home-centric applications. MOD business continued to roll-out popular packages to enhance overall performance, and we are pleased to see upsell in both SVOD services and channel services.

#### Number One Mobile Services Provider

Now, allow me to walk you through each of our business lines. Turning to Slide 5, you can see an update of our mobile business.

In the first quarter, we continued to maintain our leading position in the mobile market, excluding IoT SIMs, as revenue market share increased to 39% and subscriber share reached approximately 36%. Since the international roaming revenue loss had a full impact by border lockup due to COVID-19 in the 2nd quarter last year, we remain optimistic and expect an overall year-over-year growth of mobile service revenue in the second quarter this year.

### Fixed Broadband Services

Please turn to slide 6 for an update on our broadband business in the first quarter.

This quarter, we were pleased to see our broadband ARPU increased by 3% year-over-year, which reflects our success in migrating subscribers to adopt higher-speed services and other benefits stemming from stay-at-home opportunities in “the new normal.”

The number of subscribers that signed up for connection speeds of 300 megabits per second or higher increased by 58% year-over-year, while VPN circuit revenue contributions from enterprise customers grew as well. Thus, we are confident that we will maintain the overall upward trend in our broadband business, despite the ongoing decline in the number of lower-speed subscribers quarter-over-quarter.

Looking ahead, we intend to encourage migration by rolling out higher speed services to further enhance overall ARPU and solidify our leading status in both household and enterprise market.

### MOD/IPTV Service

Slide 7 illustrates our MOD business performance.

In the first quarter of 2021, our MOD/IPTV platform continued to be the largest video platform in Taiwan with more than 2.06 million subscribers. Since the COVID-19 pandemic delayed majority large sporting events and movie releases, our subscription momentum decelerated as a result. However, our MOD ARPU achieved slight growth year over year as a result of the successful design of our product portfolio and pricing schemes. During the quarter, we rolled out a new service package, SVODs ALL PASS, by aggregating several SVODs as a complete package, which resulted in a quarter-over-quarter decrease in the number of SVOD sign-ups, but successfully brought in SVOD service upsell and drove up SVOD revenue to increase quarter over quarter. In addition, our tier-priced channel packages continued to be popular, which actually upsold as well.

Going forward, we will continue to focus on strengthening customer contribution to enhance ARPU. We aim to explore new famous content and introduce hot influencer channels to create new growth drivers.

### ICT Business

Please turn to slide 8 for an update on our ICT business.

Overall ICT project revenue in the first quarter increased by 20% year-over-year.

Our emerging ICT service revenues increased year-over-year as well. IDC revenue and cloud revenues increased by 14% and 16% year-over-year, respectively, mainly due to revenue recognition from some government-related projects. Cyber security revenue increased 31% year-over-year, which was primarily due to smart campus projects.

As ICT project revenue accounted for a greater proportion of our total revenue year over year, we will continue to enhance our overall ICT technology capabilities and be more selective to further increase project profit margin.

Now, I would like to turn the call over to Vincent, who will review our financial results.

### Financial Overview

Thank you President Kuo. Good afternoon, everyone. I will now discuss our first quarter financial results.

### Income Statement Highlights

Please turn to Slide 10, which provides highlights from our income statement.

For the first quarter of 2021, on a year-over-year basis, total revenues increased by 4.1%, and operating costs and expenses increased by 3.7%. Income from operations increased by 5.5%, and our net income increased by 6.4%. In addition, our EBITDA margin increased to 41.09% from 40.18% in the same period of 2020.

### Business Segment Revenues

Slide 11 provides a breakdown of revenue by business segment.

In the first quarter of 2021, total revenue increased by 4.1% year over year, mainly due to the increase in ICT project revenue and handset sales revenue, which offset the decrease in the revenue from voice and mobile services as a result of COVID-19 impact and VoIP substitution.

### Costs and Expenses

Moving on to slide 12, our operating costs and expenses in the first quarter increased by NT\$1.37 billion, or 3.7%, year-over-year, mainly due to higher ICT project costs and cost of goods sold.

### Cash Flow

Slide 13 shows that cash flows from operating activities for the first quarter of 2021 decreased by NT\$3.44 billion, or 25.8%, compared to the prior year period. This was mainly due to a decrease of accounts payable and an increase of accounts receivable.

As of March 31, 2021, the balance of cash and cash equivalents was NT\$30.06 billion, an increase of NT\$13.49 billion, or 81.4%, relative to 2020. The increase was primarily attributable to the issuance of corporate bonds.

### Operating Results vs. Forecast

On page 14, you may find a table that compares our financial results with forecasts.

As you can see, for Q1 2021, though our revenue was lower than our first quarter guidance, our performance measures including income from operations, net income, EPS, EBITDA, and EBITDA margin, all exceeded our forecasts.

Effective and Efficient Capital Expenditure

Lastly, please turn to slide 15.

For 2021, we are budgeting NT\$43.1 billion in capex, including spending on business focuses in 2021, such as accelerating the construction of 5G network, IDC and submarine cable, as well as deferred items from 2020.

**- Q&A Session -**