



中華電信
Chunghwa Telecom

CHT 4Q2024 Results **January 23, 2025, 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 fourth quarter 2024 results conference call. Joining me on the call today are our President Rong-Shy Lin, and our Chief Financial Officer, Audrey Hsu.

During today's call, management will begin by providing recent strategic achievement and our business overview of the fourth 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 President. President Lin, please go ahead.

Recent Strategic Achievements

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

To begin with, I'd like to report our exceptional financial performance for year 2024. Thanks to our relentless efforts, Chunghwa's operating income, income before tax, and EPS for 2024 all exceeded the upper-end of our forecast, highlighting our strong execution and effective strategic direction. Revenue wise, our full-year revenue reached a seven-year high, driven by robust growth across all of our business sectors. Notably, our full-year EPS of 4.8 NTD also marked a seven-year high, continuing a streak of five consecutive years of annual growth. These achievements underscore our unwavering commitment to innovation, operational excellence, and delivering sustained value for our stakeholders.

In collaboration with NTT, we showcased an ultra-low-latency immersive video show in the fourth quarter via the world's first international APN connection powered by IOWN technology. We successfully reduced the VR-induced sickness in the exhibition, paving a new way for the better virtual viewing solutions. Additionally, our partnership in Open RAN opens new avenues for global opportunities. Chunghwa, the only telco in Taiwan capable of offering Open RAN testing,

has successfully supported Taiwanese vendors in securing funding from the U.S. government for Open RAN development. This collaboration highlights our cutting-edge technological capabilities and unique position in accelerating commercialization of Open RAN within the value chain. Furthermore, we look forward to providing commercial connection services of OneWeb, the low-earth orbit satellite operator, and SES, the median-earth orbit satellite operator, by the first half of 2025, further driving growth in our satellite-related revenues.

Lastly, I'd like to highlight that in the fourth quarter, we once again maintained our position in the 2024 Dow Jones Sustainability World Index and Emerging Market Index. We also received the highest honor from The Asset ESG Corporate Jade Award, and represent the only Taiwanese Telco included in Newsweek's "World's Most Trustworthy Companies 2024" list. These recognitions reaffirm our commitment to sustainability and leadership in responsible business growth.

Looking ahead into 2025, Chunghwa Telecom is confident in maintaining its leading position across all key benchmarks in the industry.

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

Business Overview – Mobile Service

Please turn to page five to review our leading position in Taiwan's mobile market.

Based on the statistics from Taiwan's telecom regulator as of November, our overall subscriber shares of Taiwan's mobile market reached 37.9%, achieving its 11th consecutive quarter-over-quarter increase. We are happy to see ongoing subscriber growth. Even more excitingly, our 5G subscriber share surpassed our mobile subscriber share, reaching 38.8% and maintaining our position as the industry leader. In the fourth quarter, our postpaid subscriber number increased by 0.2 million, while 5G postpaid subscriber number increased by 0.7 million. Additionally, our revenue share maintained the highest in the industry at 40.3% as of November, consistently outperforming our subscriber share, and reflecting our strong and healthy growth.

According to the financial disclosures of domestic industry players, we also learned that from January 2024, our quarterly subscriber net-adds outperformed peers for every quarter throughout the year. Along with our steady 5G penetration, our mobile service revenue recorded a 1.7% year-over-year increase in the fourth quarter, and a 3% year-over-year growth for the full year of 2024.

In the fourth quarter, we are pleased to see the average monthly fee uplift from 5G migration showing a 45% increase, maintaining its healthy momentum

Business Overview – Fixed Broadband Service

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

In the fourth quarter, our cross-tier upgrade promotion package continued to be well-received as more than 70% of the package adopters chose service offerings of 300Mbps and above, including the highest speed offering of 1Gbps. As a result, on the year-over-year basis, the number of subscribers with speeds of 300Mbps and above increased by 17%, maintaining its double-digit growth, and our subscriber net-adds of 1Gbps service doubled, which is encouraging. Given the success, our total number of fixed broadband subscribers also saw an increase in the fourth quarter.

Thanks to our successful speed upgrade strategy, our fixed broadband revenue and ARPU continued to increase by 2.9% and 1.7% on year, respectively, and we are confident that this growth will persist.

Now, let's get a closer look at the performance of our business groups..

Consumer Business Group (CBG) – 4Q24 Financial Summary

Page 8 presents our CBG's performance.

In the fourth quarter, total CBG revenue increased by 2.2% year-over-year, driven by the increase of mobile service revenue resulting from 5G migration and subscriber growth, along with the increased fixed broadband revenue owing to the successful speed upgrade strategy. In addition, sales revenue rose year-over-year mainly due to stronger smartphone sales.

Our CBG's income before tax grew 0.77 billion year-over-year primarily due to the strong performance of our core business and a one-time impairment loss recognized in the fourth quarter of 2023.

Consumer Business Group (CBG) – 4Q24 Highlights

Slide 9 further illustrates our consumer business group highlights.

In the fourth quarter, our multiple-play packages, with service offerings of mobile, fixed-broadband and Wi-Fi altogether, continued to deliver outstanding year-over-year growth of 57%. This success is attributable to the strength of our quality networks and the effectiveness of our reward point strategy.

In the fourth quarter, we were extremely proud to see that Taiwan won the World Baseball Softball Confederation's (WBSC) Premier12 for the first time. The remarkable event, following the popular Olympic Games in the third quarter, further boosted our video service subscriptions, which reached a record high with a 15.2% year-over-year increase, particularly from the subscriber number increase of our OTT brand, Hami Video. Revenues from both subscription and advertisement on the platform continued to grow as well, and we are committed to maintain the positive momentum by consistently investing in the popular content going forward.

In addition, our consumer cybersecurity subscription also surged by 22% year-over-year in the fourth quarter, steadily increasing its revenue contribution as expected.

Thanks to our ongoing efforts in the businesses mentioned, we have reached a milestone of three "Million-subscriber" services as of December 2024. Our Wi-Fi device subscriber number is around 2 million, while both the Hami video subscriber number and the consumer cybersecurity subscriber number exceeded 1 million. We are optimistic with the continued growth in the coming year.

Enterprise Business Group (EBG) – 4Q24 Financial Summary

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

In the fourth quarter, EBG's total revenue increased by 10.2% year-over-year, primary driven by a robust 24.1% year-over-year growth in ICT business revenue. Major growth drivers, such as IDC, cloud, and cybersecurity services, all delivered strong performance and demonstrated around 50% year-over-year growth, fueled by both their projects and recurring revenues.

Despite the ongoing 5G migration and fixed broadband speed upgrades, which continued to positively contribute to related service revenues, the decline in mobile voice revenue and fixed voice revenue resulted in a relatively flat year-over-year performance in our EBG's core business. This, in turn, contributed to a decline in EBG's income before tax on a year-over-year basis.

Enterprise Business Group (EBG) – 4Q24 Highlights

Slide 11 illustrates our enterprise business highlights.

We are excited to report the strong performance of our ICT emerging business in the fourth quarter, with its revenue increasing by 23% year-over-year. This growth was driven by strong performance across our major pillars and the recurring revenue growth from all service offerings.

For our IDC, cloud, and cybersecurity businesses, we saw year-over-year revenue increases of 62%, 46%, and 56%, respectively. For IDC business, we were happy to see revenue contributions from several large projects completed for high-tech companies in Taiwan, as well as the successful construction of the first overseas AIDC in Mexico for our enterprise customer. Additionally, our higher-margin racks and the new IDC in operation also contributed to the increase of recurring revenue, ensuring the Group to maintain a stable consolidated IDC market share in Taiwan at more than 70%. Also, in the fourth quarter, our cybersecurity business achieved its 12th consecutive quarter of year-over-year growth including the contribution from our subsidiary.

For the fourth quarter, we are proud to report the successful development of Taiwan's first 5G unmanned vehicle solution for smart harbor inspections. These solutions are capable of operating across land, sea, and sky, enabling robots to handle port transportation, unmanned vehicles to clean marine pollution, and drones to do rescue in water. We expect to further extend these applications into other sectors, including firefighting, coast patrolling, forest ecosystem protection, etc.

Lastly, we remain optimistic about AI-driven opportunities this year. We have leveraged generative AI technologies to deliver projects in smart government and healthcare sectors, enhancing efficiency and reducing manpower costs through chatbots for troubleshooting and information retrieval. Additionally, we are utilizing AI medical assistants to generate medical summaries and reduce paperwork. We believed that more Generative AI applications will emerge to create opportunities in the future.

International Business Group (IBG) – 4Q24 Financial Summary

Slide 12 illustrates our international business performance.

In the fourth quarter, IBG's total revenue dipped slightly by 2.3%, mainly due to the decline in international voice revenue. However, as our robust IDC business grew and its demand continued to increase, IBG's income before tax increased year-over-year.

As we continued to expand our IDC business to cater to the increasing demand, in the fourth quarter, we were glad to close a contract with a well-known global hyper-scaler. This agreement secures capacity in our under-construction IDC for the hyper-scaler and ensures the long-term stable revenue generation for Chunghwa.

Additionally, our overseas subsidiaries have achieved remarkable business success worldwide in 2024 by providing our ICT solutions to high-tech companies in Japan and the United States, as well as providing ICT total solutions to the PCB industry in Southeast Asia, proving our

exceptional capabilities.

More excitingly, our capex allocation in undersea cables has also yielded positive results. Although the SJC2 and Apricot international submarine cable is still awaiting completion, currently 80% of the capacity we invested in was sold in the fourth quarter of 2024. This is expected to bring in revenue in the second half of this year, reflecting the strong demand for international bandwidth and the success of our investment strategy.

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

Financial Overview

Thank you, President. Good afternoon, everyone. It is my pleasure to present an overview of our financial performance for the fourth quarter of 2024 and share our financial guidance for 2025.

Income Statement Highlights

Let's turn to page 14, which highlights our income statement.

For the fourth quarter of 2024, revenue exceeded 65 billion dollars. This represents a 5.6% increase compared to the same quarter last year. This growth was primarily driven by significant expansion in our ICT business. Income from operations and net income increased by 11.5% and 9.0%, respectively. Additionally, earnings per share for the quarter reached \$1.16, marking the highest fourth-quarter EPS in nine years.

Let's now move to the columns for the full year of 2024, as we shift our focus from quarterly to annual performance. For the entire year, revenue increased by 3.1% compared to 2023, driven by sustained strong performance across ICT, mobile, and broadband services. Income from operations and net income increased by 1.1% and 0.8%, respectively, highlighting the steady growth of our core and ICT businesses. Earnings per share for the whole year reached 4.80, while the EBITDA margin remain stable at 37.6%. This solid performance reflects the resilience and strength of our operations.

Balance Sheet Highlights

Now let's move on to page 15 to review the balance sheet highlights.

As of the end of 2024, total assets increased by 2.0%, compared to 2023. This increase was

largely attributed to the growth of cash, other current monetary assets and long-term investments. Also property, plant and equipment decreased, primarily because the additions of new assets were less than the depreciation recognized.

Total liabilities increased by 5.7% relative to the year-end of 2023, primarily due to the increase in accounts payable and contract liabilities.

Additionally, debt ratio remained stable and net debt over EBITDA remained at zero. A low debt level not only underscores our commitment to fiscal responsibility but also enhances our resilience against economic uncertainties.

Taken together, these metrics demonstrate the robustness and stability of our balance sheet.

Consolidated Cash Flow Summary

Turning to Page 16, which provides the summary of our cash flows.

Cash flows from operating activities increased by 6.2% year-over-year, primarily due to the increase in accounts payable and contract liabilities between 2024 and 2023.

Capital expenditures for the year 2024 was 28.82 billion, reflecting a 6.2% year-over-year decline and achieving 15% savings compared to the budgeted amount announced in our 2024 forecast. This reduction is part of our approach to optimizing capital allocation.

Consequently, free cash flows increased by 14.9% on year, highlighting the strength of our operational efficiency and disciplined financial management.

This robust free cash flow enhances our financial flexibility, enabling us to pursue strategic growth opportunities, while reinforcing our long-term sustainability.

Operating Results vs. Forecast

Earlier, I was comparing our results relative to last year. Now, I am shifting focus to compare our performance relative to our forecasts.

On page 17, you'll see a table summarizing our operating performance relative to our forecasts.

During the fourth quarter of 2024, revenue exceeded our target. Key performance measures, including income from operations, net income, and EPS, were all in line with our forecasts. The performance was supported by ongoing efforts to optimize and control costs contributed to this outcome. Slower network construction activity also resulted in depreciation expenses coming in below expectations.

Moving to the column for the full year, revenue in 2024 aligned with our forecasts. In addition, income from operations, net income, and EPS all surpassed our guidance. These better-than-expected results were primarily driven by the steady growth of our core business and the enhanced profitability of our ICT segment.

This concludes our review of the financial results for the fourth quarter and the full year of 2024.

Financial Forecast for 2025

Finally, I would like to provide our forecasts for 2025. Moving on to slide 18, please refer to our guidance for 2025.

Looking ahead, we anticipate total revenues for 2025 to grow by 1.2% to 1.6% compared to 2024. The growth is expected to be driven by strong growth momentum in our core business, supported by the success of our 5G services and broadband speed upgrade promotions, which are boosting our subscriber numbers and ARPU. Additionally, ICT business is also expected to contribute to revenue growth as we continued to see digital transformation opportunities in the market. Operating costs and expenses are expected to rise by 2.4%, reflecting our continued investments in talent, including enhancements to employee benefits, and ongoing infrastructure that support future business development in core and emerging businesses. Higher electricity costs, stemming from rate adjustments, will also drive up operational and maintenance expenses. Given these projections, we expect our EPS to be in the range between 4.62 and 4.82.

In terms of capital spending, we have budgeted 32.36 billion for 2025. Our mobile-related capex is expected to decline by 13.3% on year. This continues a four-year consecutive downtrend since 2021. In contrast, non-mobile related capital expenditures are expected to increase by 25.2% year-over-year, driven by investments to support business expansion into AI internet data center, the construction of submarine cables, and other strategic initiatives. Our capital expenditure strategy focus on maintaining a competitive edge, enhancing network resilience and security, and advancing ESG commitments by eliminating energy-intensive equipment.

Thank you for your attention. At this time, we would like to open the floor for questions.

- Q&A Session –

- Chat Box Question –

Q : Could you please elaborate a bit on how much we are investing in AI in some key initiatives or revenue opportunities this year?

A : Wen-Hsin Hsu

As I just mentioned for the forecast of the non-mobile part, there is an increase in total capex in the AIDC center. We don't disclose the breakdown for our mobile capex, but we can give you some overview of our company's mission related to AI.

We are fully committed to leveraging AI to enhance our operations and drive digital transformation for our business. So, through strategic partnership and innovation, we will basically cover the internal AI application. We will also cover the external, something that AI infrastructure and platforms. Give you some examples, like AI data centers. We launched a submarine AI service, optimized cloud resources, and integrated AI solutions across cloud and on-premises environments, with a focus on sustainability and intelligence. Also, we had an AI Factory. We provide cross-cloud PaaS solutions, including standardized public cloud bundles and resource management. And we build some SaaS capabilities, including domain-specific AI models, digital twins, and AI agents. So other than that, we may also strengthen our AI capabilities through collaboration with leading academic institutions, research centers, cloud providers and media to accelerate development and deployment. So, this is just to give you some overview of our strategy for AI in the coming years.

Q : How about the outlook of the ICT business in 2025?

A : Cho-Fen Tsai

Okay. For the ICT business in 2024, we are glad to see that our ICT revenue has successfully exceeded our full-year guidance. For 2025, we are also focused on our major pillars of the ICT services like the IDC, cloud, cybersecurity, and 5G private network, the sectors in which we have great performance in 2024. And what we have to do is that we will focus more on improving our ICT project margin to enhance the overall ICT performance. In addition, as the recurring revenue percentage continues to increase in the percentage of the total ICT revenues, we think that the increase of recurring revenue will further stabilize our ICT revenues and further increase the overall ICT margin in 2025.

Q : Do you have any plans to improve shareholder return like raising the payout?

A : Wen-Hsin Hsu

As mentioned before, maximum shareholder return is always one of the key objectives of our corporation. As for the dividend policy, we are a company that focuses very much on sustainability. Keeping a sustained dividend policy is always our goal. And dividend policy is subject to the board of directors' approval. But I expect that the policy will be consistent with the previous policy. So, as the EPS increases continuously, we may expect that shareholders will receive a continuous increase in dividends following our consistent dividend policy. So, this is the basic guidance.

Q : Given the non-mobile capex is going up by a sharp 25% in 2025, can you provide

more details about where this capex is going, including how much is going to AI data centers?

A : Wen-Hsin Hsu

Thanks for the question. As I mentioned, we don't disclose the breakdowns of our non-mobile capex. As we mentioned many of our segments for the corporation ICT, you can imagine that we will deploy our capital resources based mainly on our AIDC center, the submarine, satellite, etc. As you can see, the digital transformation opportunities in the market are mainly from AI, cloud computing, and cyber security. This is the growth engine for the company. Although, at this moment, that non-mobile capex is expected to increase by 25%, I want to remind you that our CEO will always want us to try to simplify- to apply the 80/20 rule to prioritize resources on the most impactful projects, ensuring optimal adaption and maximum returns. We think that the extra spending this year will probably decrease if the 80/20 percent rule to do the right thing and the principle continues to be applied. We will streamline our operations. So, we will probably save more capital expenditures in the future.

Q : In terms of the revenue guidance of TWD 1.2 billion to TWD 1.6 billion in 2025. Could you elaborate more on the growth drivers and breakdown of different segments?

A : Wen-Hsin Hsu

Building on the foundation of our success in 2024, we believe this positions us for a strong future. So, I just try to remind you in 2024, we maintain our leadership in Taiwan's mobile market. We achieved 40% of revenue and growth in 5G postpaid subscriptions, and we also have a 38.8% 5G subscriber market share in Taiwan. And in fixed broadband, if you remember, our cross-tier upgrade promotion also provided highly effective, doubling 1G subscriber net adds, with over 70% of adopters choosing 300 Mbps and above.

So, with this strong performance, we believe that we can set the stage for long-term opportunities for 2025. We would like to continue this momentum in the mobile sector.

And other than that, I just share a lot about the ICT opportunity. We still believe that the high growth will be coming a lot from the ICT business segment

Q : How about the capex breakdown?

A : Cho-Fen Tsai

I think for the capex budget for 2025, as our CFO said, the mobile capex continues to decline. And for non-mobile part, we have some increase. That's because that's the increase mainly from the fixed line. Because the fixed line is the backbone to support the mobile and the fixed line services, and then the IDC and the undersea cable, because we see great demand from the market that – to require more capacity from the international bandwidth. And then, we see, as we disclosed from – our presentation, you can see that we secured a lot of contracts with the

hyper-scaler to co-locate in our IDC. So that – as we see the growth opportunities, so we continue to invest in this type of area. Thank you.