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Chunghwa Telecom

February 2, 2023

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# **4Q 2022 Operating Results**

**BofA Securities APAC TMT Conference 2023**

**March 14, 2023**

**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.

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## SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

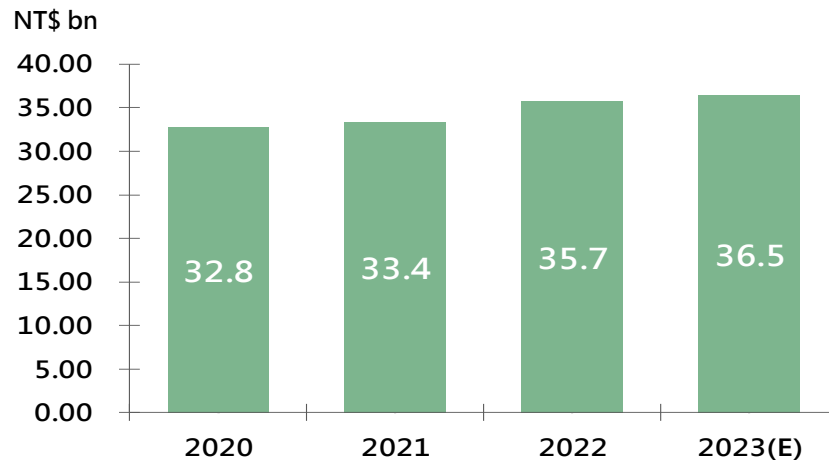
A body of generally accepted accounting principles is commonly referred to as “GAAP”. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not 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



2023 Board of directors resolved to distribute NT\$36.5 billion to shareholders

- NT\$4.702 per share
- payout ratio 100%

Note:

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



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# Business Overview

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# Business Overview

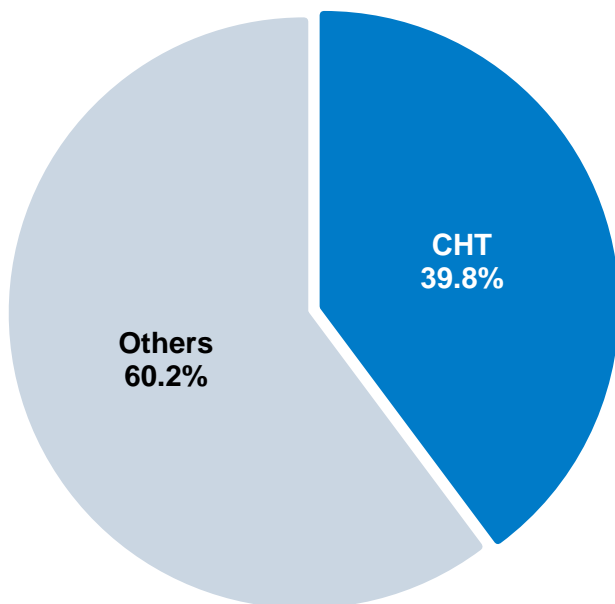
## Mobile Service



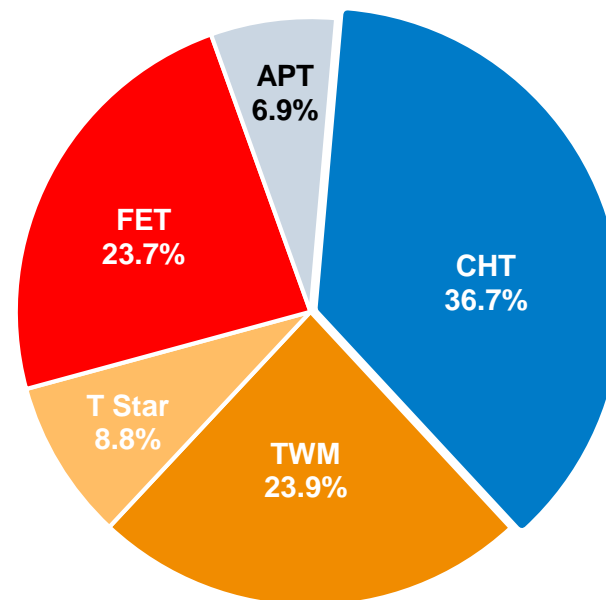
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### #1 Mobile Revenue Market Share <sup>(a)(b)</sup>



### #1 Mobile Subs Market Share <sup>(b)</sup>



Source: Company data ,NCC statistics

Rev : Jan. 2023

Sub : as of Jan. 2023

Note :

a) Revenues are based on T-IFRSs

b) Excluding IoT SIMs

# Business Overview

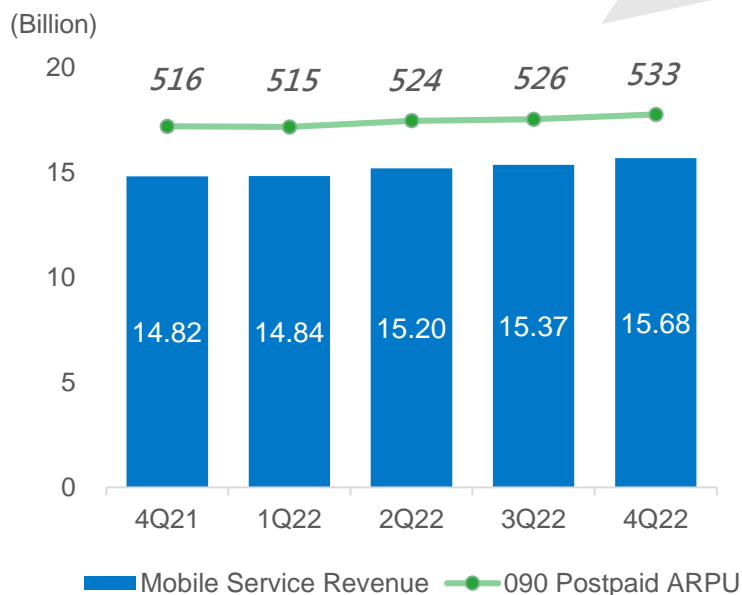
## Mobile Service

### 090 Postpaid ARPU YoY Growth for 7 Consecutive Quarters



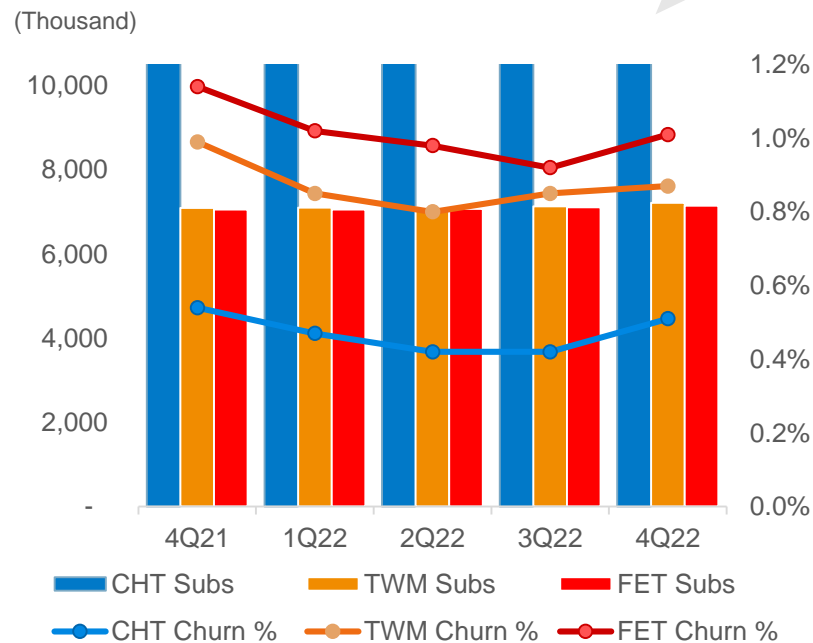
Monthly fee uplift  
▲ 41%

Mobile service revenue<sup>(a)</sup>  
YoY ▲ 5.8%  
090 Postpaid ARPU  
YoY ▲ 3.3%



### Highest 090 Subs & Lowest Churn Rate<sup>(b)</sup>

090 Subs  
YoY ▲ 3.5%



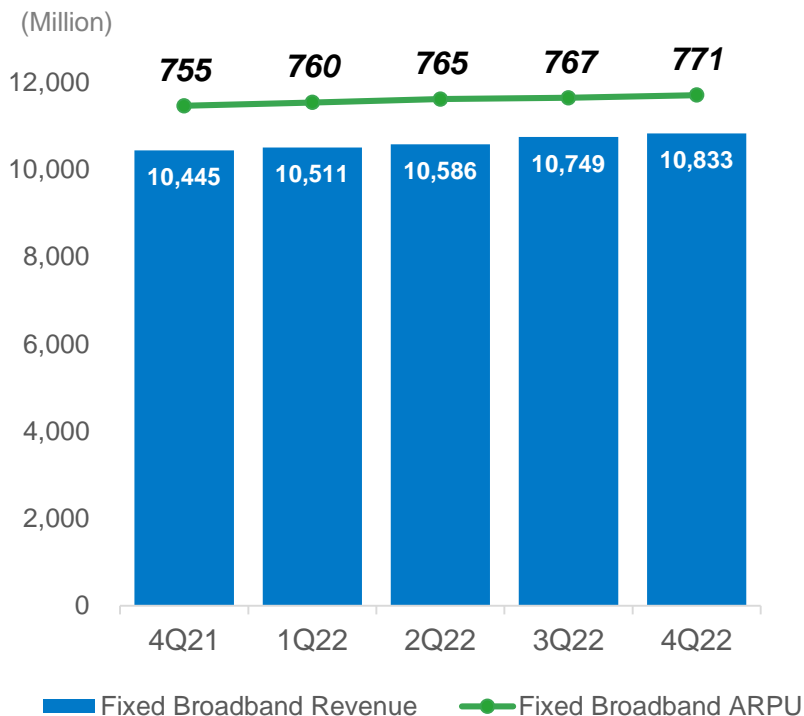
Source : Company data as of Dec 2022, Others from NCC statistics, as of Dec. 2022  
 a) Consolidated Mobile Service Revenue (Including IoT)  
 b) Churn rate for postpaid subscribers, Company data, average of Oct. to Dec.

# Business Overview

## Fixed Broadband Service

### ARPU YoY Growth for 13 Consecutive Quarters

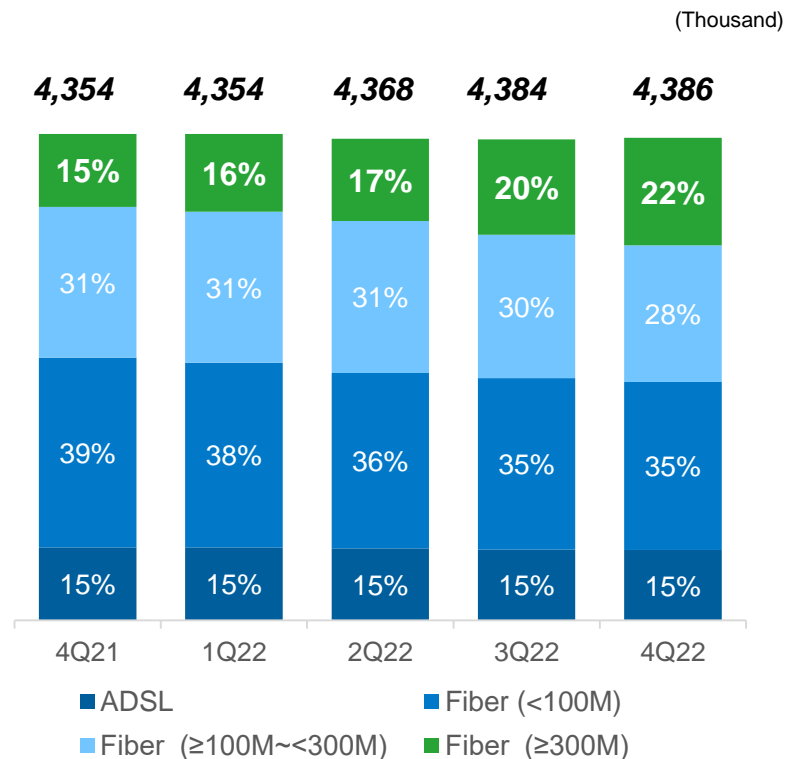
Fixed Broadband Revenue<sup>(a)</sup> YoY ▲ 3.7%  
Fixed Broadband ARPU YoY ▲ 2.1%



Note : (a) Revenue is calculated based on T-IFRSs

### Higher-Speed Adoption Growth

300M+ Subs YoY ▲ 51.9%





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# Segment Reporting

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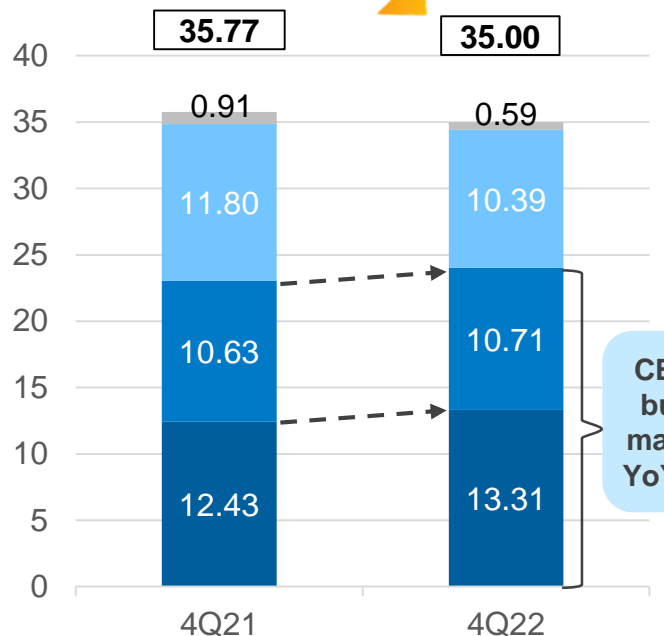
# Consumer Business Group (CBG)

## 4Q22 Financial Summary

### Revenue

**-2.1 % YoY**

(Billion)



■ Mobile Services    ■ Fixed-line Services  
■ Sales                ■ Others

Mobile service revenue of CBG +7.1% YoY due to continued growth of postpaid subs and 5G migration

Higher speed service adoption contribute to fixed-line service revenue of CBG

Sales revenue of CBG decreased 12.0% due to unstable iPhone supply resulted from COVID-19

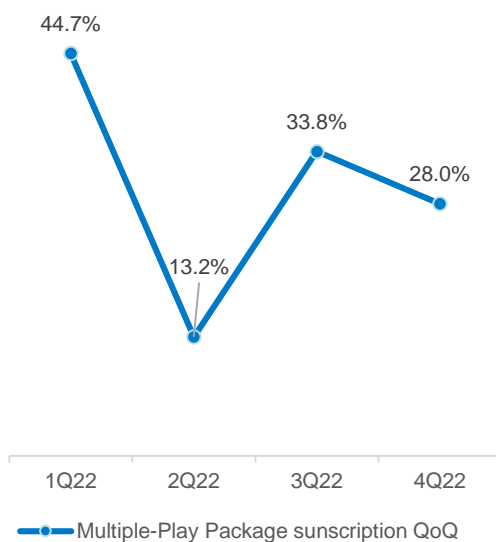
# Consumer Business Group (CBG)

## 4Q22 Highlights



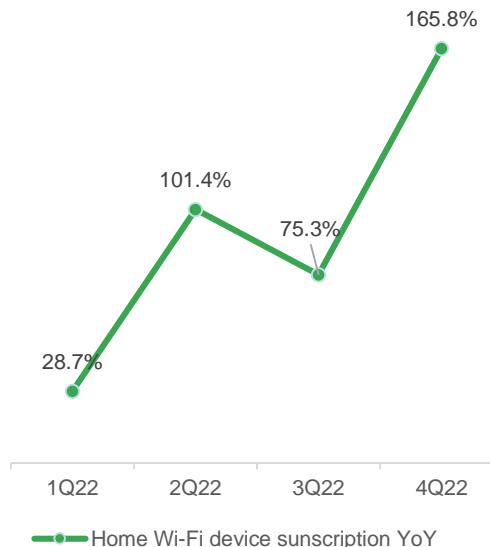
### Multiple-Play Package Performance

Fixed-Broadband + Mobile + Wi-Fi Service package subscription +28% QoQ



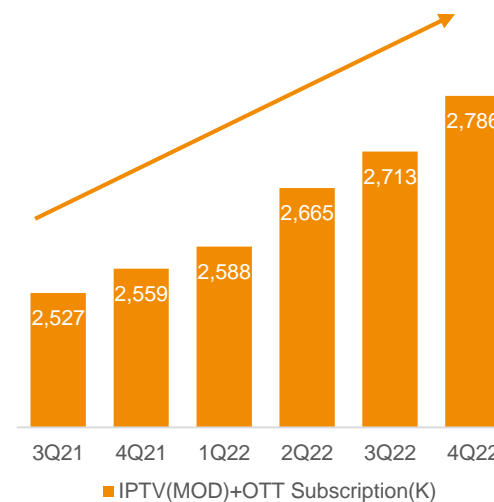
### Home Wi-Fi Device Subscriptions

Home Wi-Fi device subscriptions +165.8% YoY



### IPTV/MOD + OTT Business Performance

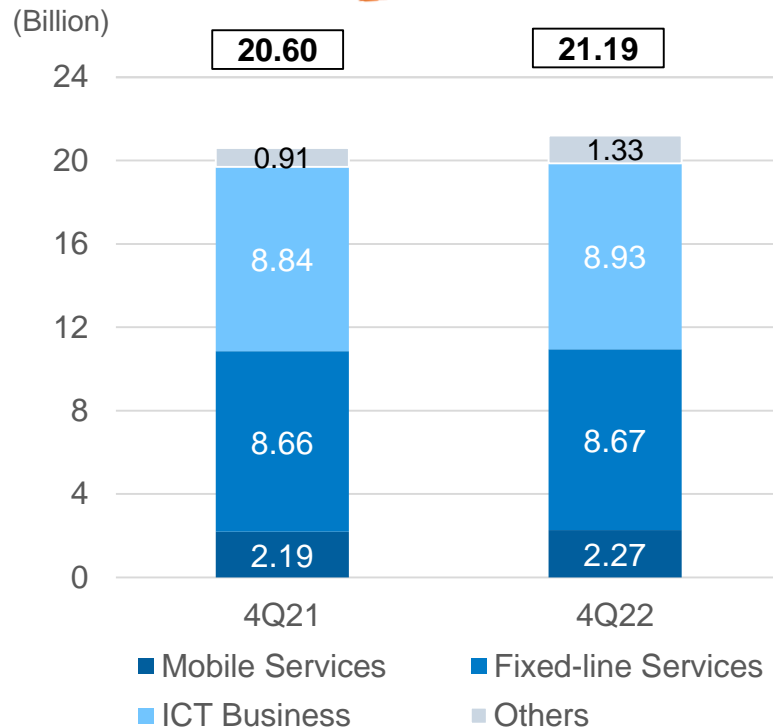
Largest video platform in Taiwan with subscribers exceeding 2.79mn



# Enterprise Business Group (EBG) 4Q22 Financial Summary

## Revenue

**+2.9% YoY**



EBG revenue +2.9% YoY mainly driven by strong ICT business growth and the increase of consolidated sales revenue



EBG mobile service revenue growth is driven by subs growth, 5G migration and text message revenue growth



Digital transformation demand continues to drive up speed upgrade to enhance data communication revenue and broadband access revenue

### Emerging Enterprise Application Performance



5G private network

YoY **>100%**



IDC

YoY **↑ 45.4%**



Big Data

YoY **↑ 37.3%**



Cyber Security

YoY **↑ 17.4%**



Continued to evolve 5G private network business model with leasing arrangement to yield recurring revenue and enhance market share, which gained popularity in the PCB industry in Q4



Offered Tier 3 high quality Green IDCs for international customers; IDC and cloud revenue contributed from international cloud service providers and OTT players grew 60% year-over-year in Q4

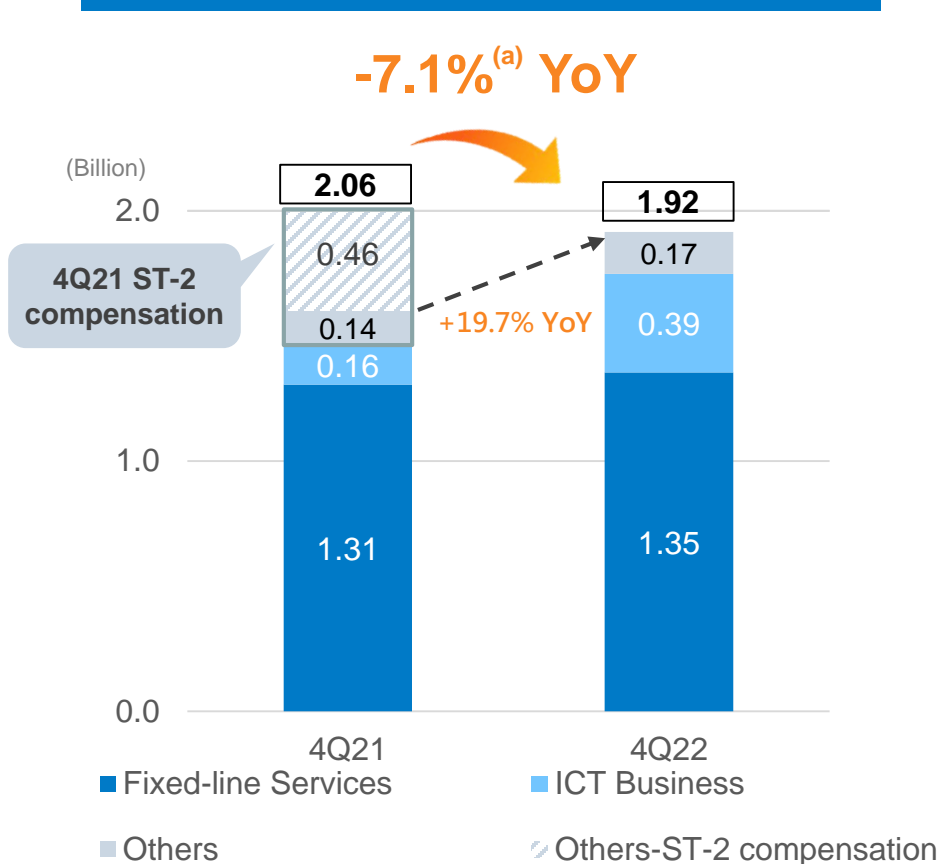


Gained breakthroughs in the insurance industry by providing big data platform for regulatory oversight and innovate across-company reimbursement process via cyber security and block-chain technology.

# International Business Group (IBG)

## 4Q22 Financial Summary

### Revenue



IBG revenue -7.1% YoY mainly due to higher base of government subsidy recognition; excluding the impact, IBG revenue +19.7% YoY

Provide quad-play service of fixed-line, submarine cable, IDC and HiNet Peering for OTT players

Our technical support center in Malaysia started operations to support opportunities in the Indo-Pacific market

Note : (a) The calculation of growth rate is based on actual amount



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# Financial Overview

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# Income Statement Highlights



(NT\$bn)	Q4 2022	Q4 2021	Growth %	2022	2021	Growth %
<b>Revenues</b>	59.50	59.89	-0.7	216.74	210.48	3.0
<b>Operating Costs and Expenses</b>	48.63	48.42	0.4	169.99	165.18	2.9
<b>Income from Operations</b>	10.97	11.10	-1.2	46.84	44.93	4.2
<b>Net Income<sup>2</sup></b>	8.45	8.64	-2.2	36.52	35.75	2.1
<b>EPS</b>	1.09	1.11	-2.2	4.71	4.61	2.1
<b>EBITDA<sup>3</sup></b>	20.85	20.86	-0.01	86.27	83.33	3.5
<b>EBITDA Margin (%)</b>	35.05%	34.82%		39.80%	39.59%	

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2022 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\$m.

# Balance Sheet Highlights



(NT\$bn)	2022.12.31	2021.12.31	Growth %
<b>Total Assets</b>	523.59	513.07	2.1
Cash and Cash Equivalents	50.21	39.78	26.2
Property, plant and equipment	291.53	289.1	0.8
<b>Total Liabilities</b>	129.71	121.81	6.5
Current Liabilities	65.98	64.29	2.6
Bonds Payable	30.48	26.98	13.0
<b>Total Equity</b>	393.87	391.26	0.7
<b>Debt Ratio (%)</b> <sup>3</sup>	24.77	23.74	4.4
<b>Net Debt / EBITDA (x)</b> <sup>4</sup>	0	0	-

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2022 are unaudited.
2. The calculation of growth rates is based on NT\$m.
3. Debt includes short-term and long-term liabilities. The debt ratio is defined as the ratio of total debt to total assets.
4. Net Debt includes short-term loans + short-term bills payable + current portion of long-term loans+ long-term loans + bonds payable – cash and cash equivalents.

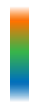


# Cash Flow Summary

(NT\$bn)	2022	2021	Growth %
<b>Cash Flows from Operating Activities</b>	75.94	74.86	1.4%
<b>Capital Expenditures<sup>2</sup></b>	31.53	35.33	-10.7%
<i>Mobile<sup>2</sup></i>	13.81	16.81	-17.8%
<i>Non-Mobile<sup>2</sup></i>	17.72	18.52	-4.3%
<b>Free Cash Flow<sup>3</sup></b>	44.41	39.53	12.4%

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2022 are unaudited.
2. Numbers or percentages are on cash basis.
3. Free cash flow is calculated by subtracting CapEx from Net Cash Flows from Operating Activities.



# Operating Results vs. Forecasts

(NT\$bn)	Q4 2022 (A)	Q4 2022 (E)	Achieving %	2022 (A)	2022 (E)	Achieving %
<b>Revenues</b>	59.50	58.54~58.86	101.1~101.6	216.74	212.80~214.00	101.3~101.9
<b>Operating Costs and Expenses</b>	48.63	47.45~47.54	102.3~102.5	169.99	168.42~168.81	100.7~100.9
<b>Income from Operations</b>	10.97	11.08~11.74	93.4~99.0	46.84	44.55~46.08	101.6~105.1
<b>Net Income<sup>2</sup></b>	8.45	8.35~9.45	89.4~101.2	36.52	34.11~36.04	101.3~107.1
<b>EPS</b>	1.09	1.08~1.22	89.4~101.2	4.71	4.40~4.65	101.3~107.1
<b>EBITDA<sup>3</sup></b>	20.85	20.80~20.99	99.3~100.2	86.27	83.51~85.04	101.4~103.3
<b>EBITDA Margin (%)</b>	35.05	41.19~41.34		39.80	39.24~39.74	

Note:

1. Financials are prepared in accordance with T-IFRSs. Figures for 2022 are unaudited.
2. Net income attributable to owners of the parent.
3. EBITDA = operating income + Depreciation & Amortization.

# Financial Forecasts for 2023

(NT\$bn)	Consolidated		
	2023 (E)	2022 (A)	Growth %
<b>Revenues</b>	221.27~222.79	216.74	2.1~2.8
<b>Operating Costs and Expenses</b>	176.60~177.29	169.99	3.9~4.3
<b>Income from Operations</b>	44.67~45.99	46.84	-4.6~-1.8
<b>Net Income<sup>2</sup></b>	34.55~36.10	36.52	-5.4~-1.2
<b>EPS</b>	4.45~4.65	4.71	-5.4~-1.2
<b>EBITDA</b>	85.05~86.36	86.27	-1.4~0.1
<b>EBITDA Margin (%)</b>	38.44~38.76	39.80	
<b>Capital Expenditures<sup>4</sup></b>	35.32	31.53	12.0
<i>Mobile<sup>4</sup></i>	11.97	13.81	-13.3
<i>Non-Mobile<sup>4</sup></i>	23.35	17.72	31.8

Note :

1. Financials are prepared in accordance with T-IFRSs. Figures for 2022 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.
4. Numbers and percentages are on cash basis.

# Awards and ESG Recognitions

## ESG Practice and Corporate Sustainability Recognition

- ✓ **DJSI World Index** constituent – the **third world-leading** telecom operator
- ✓ **DJSI Emerging Markets Index** constituent - for the **eleventh** consecutive year
- ✓ **The Asset (HK) ESG Corporate Award 2022 Jade Award** winner – the **only Taiwanese corporate** awarded
- ✓ **Forbes World's Top Female Friendly Companies 2022** listed – best ranking Taiwanese firm and one of the only two Taiwanese firms with the **4th** ranking among the listed **international telcos**

- ✓ Led key suppliers to commit to a **Green ICT Supply Chain** by reducing **50%** emissions by **2030** and achieve **net-zero** emission by **2050** in our **ESG Supplier Conference**
- ✓ Joined to realize **Knowledge is Power Program (KIPP)** for areas where lacks of teaching resources in Taiwan, and reached out to Hsinchu city and Yunlin county in Q4

## International Awards for Branding and ICT Capabilities

- ✓ Advanced to **Brand Finance (UK) Global 500** – **one of the three Taiwan companies** on the list
- ✓ **Asia Communication Awards 2022 - Smart Places Project of the Year** for **5G Intelligent ports**, the only Taiwan telco awarded among all categories
- ✓ Recognized the **Fastest Mobile / Fastest 5G network** in Taiwan by **Opensignal** in H2 2022
- ✓ Recognized by **SPEEDTEST®** as triple crown for **Fastest 5G network**, **Best Mobile Coverage**, and **Best Mobile / 5G network** in 2021-2022

# Q & A

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