



中華電信  
Chunghwa Telecom

## **CHT 3Q2023 Results November 2, 2023 at 3:00 P.M. (Taipei Time)**

Thank you. I am Angela Tsai, Assistant Vice President of Investor Relations for Chunghwa Telecom. Welcome to our third quarter 2023 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 Chairman's message, our business overview, and 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.

### Chairman's Message

Thank you, Angela, and hello, everyone. Welcome to our third quarter results conference call. Chunghwa Telecom has been committed to staying ahead in every aspect during the ongoing market consolidation. Before our business overview going through by Ivan, I would like to highlight our dominant spectrum asset, one of our solid advantages to sustain our leading position and growing momentum in post-merger landscape.

Currently, we are the No.1 when it comes to the ownership of the mainstream sub 6GHz spectrum. All of the 290MHz sub 6GHz spectrum is in use to provide fastest mobile speed for our customers, outstanding us in the industry. In addition, as we have the most mobile base stations nationwide, we are also the operator acknowledged with the largest mobile capacity and the widest coverage in Taiwan. On top of that, our leading capabilities have exclusively complete the 2 carrier aggregation of 3.5Ghz and 2.1Ghz to provide fastest 5G services, with theoretical peak downlink speed over 2Gbps, far beyond the industry standard.

In terms of high band of 28GHz, we are now with 600MHz at hand, which is next to the unsold

slot that can be used for satellite services. As we're immediately ready for low earth orbit satellite services, we will monitor the update of spectrum releases and is confident to make another consecutive spectrum at 28GHz, contributing to the Always Broadband Connected environment we commit to customers. To sum up, we are confident to maintain our leadership going forward given our better spectrum asset and outstanding network quality.

Another unique strength of ours and the significant highlight during the quarter was the expansion of our international footprint to Europe. We are proud to announce our strategic collaboration with EXATEL Telecom from Poland. This partnership allows us to jointly explore emerging business opportunities, develop network infrastructure, and assist our clients in expanding their presence. This step marks a significant milestone, not just aligning with our strategy to replicate Taiwan's success abroad, but also solidifying our overall success and leadership in Taiwan's telecom industry.

Now, I would like to hand the call over to Ivan for the business overview in the third quarter.

#### Business Overview – Mobile Service

Thank you, Chairman Kuo, and hello everyone. Now, please flip to page 5 for the update of our outperforming mobile business.

Let's start with the landscape of mobile market. In the third quarter, we successfully achieved a remarkable milestone by acquiring 40.1% of the revenue share in Taiwan's mobile market, widening our lead against our peers. At the same time, our subscriber share also outperformed in the industry by increasing to 37.1%. The incremental excess revenue share above our subscriber share reached 3%. We are confident in accelerating our lead in the post-consolidation landscape due to our better revenue generation capability and healthier customer structure.

For our mobile business, in the third quarter, our mobile service revenue recorded a about 7% YoY increase, maintaining its growth for 30 consecutive months. The increase is owing to the upsells of the 5G migration, international roaming recovery and the increase of post-paid subscriber numbers. In addition, post-paid ARPU reported a 5.1% YoY increase, continuing its consecutive growth for the 10th quarter. For customers who migrate from our 4G to 5G, we observed an average 44% uplift in their mobile monthly fees, maintaining an inspiring upward trajectory.

## Business Overview – Fixed Broadband Service

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

In the third quarter, we're glad to see positive performance in the fixed broadband sector. Its revenue and ARPU increased by 2% and 1%, respectively, on a year-over-year basis, mainly attributed to the increase of higher speed service adoption. In the third quarter, sign-ups for our services of 300Mbps or higher, which is currently the mainstream among all speed mixes, maintained its high growth rate of 41% year-over-year.

In addition to the stable growth of high speed service adoption, we aimed to step up the speed upgrade of lower service subscribers. To optimize our service profile, we rolled out attractive incentives during the quarter and successfully encouraged customers with speeds below 100Mbps to transition to higher speed above 100Mbps. As a result, we achieved an 11% year-over-year increase in sign-ups for services at 100Mbps or higher.

Now, let's move on to the performance of our customer-centric business groups.

## Consumer Business Group (CBG) – 3Q23 Financial Summary

Slide 8 presents the performance of our CBG group.

In the third quarter, total CBG revenue increased steadily by 2.8% year-over-year. Mobile service revenue grew by 6.8% on year propelled by stable 5G migration and the increase of postpaid subscriber numbers. In particular, international roaming revenue continued to recover and brought in contribution. Fixed-line service revenue decreased 0.7% due to voice decline, while fixed broadband revenue grew by 2.7% year-over-year thanks to effective promotion. In addition, by the end of the third quarter, the popular iPhone 15 series demonstrated 27% increase in sales volume compared with that of iPhone 14 series, and CBG's sales revenue in the third quarter increased by 3% year-over-year.

Despite CBG's revenue increased about 3% year over year, its income before tax kept flat because of the higher base of recognition of government subsidies in the same period last year, as well as the increase of manpower and electricity expenses and the purchase of renewable energy.

### Consumer Business Group (CBG) – 3Q23 Highlights

Slide 9 further illustrates our consumer business group highlights.

In the third quarter, our multiple-play package continued to be well-received. The subscriber numbers of mobile, fixed-broadband and Wi-Fi services altogether demonstrated 16.4% quarter-over-quarter growth. Home Wi-Fi subscription numbers increased by 34% year over year along with the fixed broadband promotion packages roll out during the quarter.

In addition, our video subscription boosted and delivered a 5.8% year-over-year increase mainly due to the broadcasting of the exciting Asian Games on both MOD and Hami Video, which also brought in revenue injection. We will continue to invest in producing quality content and teamed up with the local content industry and major international production companies with a goal to strengthen our content asset, expand our video platform and propel Taiwan's content industry onto the global stage. Moreover, we also invested in KK Company Technologies for innovative business models and services to further expand the digital ecosystem.

### Enterprise Business Group (EBG) – 3Q23 Financial Summary

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

In the third quarter, EBG reported a 11.8% year-over-year decrease of its income before tax mainly due to fixed voice decline of enterprise clients and higher base resulted from the recognition of government subsidies at the same period of last year. Those factors also resulted in a 4.4% year-over-year decrease of the total revenue of EBG. In spite of ICT revenue and other revenue decrease in the third quarter because of a higher base of a recognition of large smart energy projects, mobile service revenue continuously increased attributable to 5G upselling and the recovery of international roaming revenue. Fixed-line revenue slightly decreased year-over-year mainly due to voice decline as mentioned above while data communication revenue and broadband access revenue continued to grow as expected.

Despite the above decreases this quarter, we maintain a cautiously optimistic outlook on our enterprise business performance throughout 2023.

### Enterprise Business Group (EBG) – 3Q23 Highlights

Slide 11 illustrates our enterprise business highlights.

In the third quarter, our IDC and cybersecurity business still demonstrated robust growth, while the total emerging enterprise business revenues of our major applications decreased by 6.8% year-over-year due to higher basis related to smart energy and smart health projects revenue recognition last year. In terms of details, IDC business, in particular, achieved 13.7% growth owing to growing project numbers and the long-tailed recurring revenue injection. Revenues from cyber security also achieved 7.4% growth due to increasing demands from our enterprise clients. Furthermore, despite our cloud service revenue decreased on a year-over-year basis due to one-time smart health project recognition last year, we are glad to see our recurring revenue from international public cloud services continued to grow strongly by about 20% with increasing demands from clients.

As we continue to invest in developing 5G private networks, we acquired national cultural projects to exhibits AR/VR technology in immerse performance and expand opportunities in offshore wind power field construction and application. In addition, we continued to expand our IDCs with high quality to cater to increasing demands, which further drives up the recurring revenue contribution and reflects our leading ICT capabilities.

#### International Business Group (IBG) – 3Q23 Financial Summary

Slide 12 illustrates our international business performance.

In the third quarter, income before tax of IBG decreased by 3.6% year-over-year owing to non-operating expenses, such as the foreign currency valuation loss, and the increase of electricity expenses. Excluding the impact, IBG continued to experience positive YoY growth in profit.

Total revenue of IBG increased by about 30% on year, mainly driven by the growing emerging business, including IDC and cloud services from global clients and recovered roaming revenue.

For international business highlights, we are delighted to share our footprint expansion in Europe and Thailand. In July, we signed an MOU with EXATEL telecom from Poland. The cooperation will be focused on emerging business, including 5G private network and smart city solutions. In September, we also signed an MOU with Overbrook Hospital in Thailand for the collaboration of telemedicine. We expect our service offerings in overseas markets, including the US, Japan, Southeast Asia and Europe, will continue to thrive.

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

## Financial Overview

Thank you, President Ivan. Good afternoon, everyone. I will now provide a financial summary of our third quarter results.

### Income Statement Highlights

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

During the third quarter, total revenues increased mildly compared to same quarter last year. The main reason is growing mobile service revenues offset decreased voice revenue and the recognition of a one-time government grants income from same period last year. Income from operations and net income decreased by 5.9% and 2.9% on year, respectively, mainly due to an increase in electricity expenses and manpower costs.

Overall, for the first nine months of the year, total revenues increased by 2.6% year over year, primarily fueled by strong growth of our mobile, ICT and broadband services, which offset declining voice revenue and the recognition of a one-time government grants income. Net income grew by 2.1% on year, mainly due to our growing ICT business. EPS rose by 2.1% on year to 3.69. The growth of EBITDA remained in positive trajectory and EBITDA margin remained at above 40%.

### Balance Sheet Highlights

Now move on to page 15 for balance sheet highlights.

As of September 30<sup>th</sup> of 2023, total assets, compared to the end of 2022, decreased by 2.1% mainly due to the decrease in current assets, PP&E, and intangible assets, which offset the increase in other financial assets. Total liabilities decreased by 2.7%, primarily attributable to the decrease in accounts payable.

Additionally, debt ratio decreased slightly and net debt over EBITDA remains zero. Taken together, these debt-related ratios demonstrate the robustness of our balance sheet.

### Consolidated Cash Flow Summary

Page 16 provides the summary of our cash flows.

Our cash flows from operating activities remained robust, which increased by 5.7% on year. Capital expenditures decreased by 6.6% compared to the same period last year. Of which, mobile-related capex was reduced by 28.4% whereas non-mobile capex increased by 12.9%. The latter was primarily attributable to greater IDC investments. On top of that, free cash flows was up by 14.9% on year.

Collectively, our strong operating cash flows along with the robust balance sheet enable us to be future-ready and create sustainable and long-term value for our shareholders.

### Operating Results vs. Forecast

On slide 17, the table presents financial results against management guidance.

During the third quarter, revenues slightly fell short of our expectation due to declining ICT business revenues while net income and EPS meet our expectations, mainly driven by strong performance of mobile and broadband services.

For the first nine months of 2023, all revenue and profit measures beat our forecasts as a result of outperforming core and emerging businesses.

That concludes the overview of our Q3 financial results. Let me turn the call over to Chairman Harrison.

### Awards and ESG Recognitions

Thank you, Vincent. On slide 18 is our awards and ESG recognitions received in the third quarter. In October, The Asset, a widely recognized business news and research organization, announced that we won the Jade Award, the highest level of The Asset ESG Corporate Awards for the third consecutive year. We are the only company in Taiwan to stand out from the cross-industry and cross-country selections for our extraordinary ESG efforts.

Moreover, we are glad to share that our efforts in ESG are widely recognized and received by investors as we are the only telco included as one of the Top 10 constituents by FTSE4Good Taiwan ESG Index.

Meanwhile, we were honored as the Most Outstanding Company in Taiwan within the Communication Services sector by Asiamoney, reflecting our high-quality telecommunication services, excellent governance, and great ESG initiatives acknowledged by global investors. 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 -**