



## **CHT 2Q2021 Results**

### **July 30, 2021 at 3:00 P.M. (Taipei Time)**

Thank you. This is Angela Tsai, Director of Investor Relations for Chunghwa Telecom. Welcome to our second 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

Thank you Angela, and hello, everyone. Welcome to our second quarter 2021 earnings call.

In the second quarter of 2021, 5G and stay-at-home opportunities under COVID-19 level 3 alert continued to enhance our overall business performance. In our mobile business, we are pleased to report that our accumulated number of 5G sign-ups exceeded 1 million by the end of the quarter, which is ahead of schedule, and expect to meet our guidance of 2 million sign-ups by the end of this year. We expect to maintain this growth trend as we roll out a variety of mid- to low-end 5G handsets, continue to develop 5G innovative applications, and introduce our new 5G enterprise network and vertical fields. As expected, our postpaid ARPU turned positive on a year-over-year basis in the second quarter, mainly due to the continued growth of postpaid mobile subscribers and 5G contribution, as customers who renewed contracts to adopt 5G services contributed an average of 21% uplift through their monthly fees. Moreover, to provide quality 5G services, we have accelerated our 5G deployment and have more than 8 thousand base stations at this time, and we expect to approach 12 thousand base stations by the end of this year. According to the first-ever Taiwan 5G Speedtest Award™ report in July, we received distinctions of “Fastest 5G” and “Best Mobile Coverage” in Q1 and Q2 2021. We will endeavor to maintain our leading status in Taiwan's mobile market.

Next, COVID-19 also drove up demand for fixed broadband service in the second quarter. Our HiNet subscriber net-adds turned positive on a year-over-year basis in the second quarter as a result of increased demand for work from home and online learning capabilities. Broadband ARPU continued its uplift, as subscriber migration to our broadband of 300 Mbps or higher continued to increase by approximately 52% year-over-year. The number of Home Wi-Fi devices increased by 660% year-over-year to support the popularity of our home-centric applications.

The number of MOD subscribers also increased quarter-over-quarter, as we continue to introduce cutting-edge technologies to enhance viewing experience. In July, we broadcasted the Tokyo

Olympic Games with 4K quality on our MOD platform, and we exclusively delivered the first-ever VR simulation on Hami Video. Our VR+5G bundled services enable users to further engage in viewing contests using VR headsets, and we have demonstrated the performance of our 5G technology for multi-angle broadcasting during the events. We expect our video services to continue to grow in the digital convergence.

### 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 second quarter, we continued to maintain our leading position in the mobile market with a 38.8% of the revenue market share and a 36% of the subscriber market share, excluding IoT SIMs.

During the quarter, our mobile customer net-adds and post-paid net-adds are both highest among the big three majors, and our churn rate remained the lowest among peers. The increase of our mobile service revenue turned positive year-over-year with contributions from increasing post-paid revenue and value-added application revenue. We expect the relatively rational competition to continue, which we believe can further enhance our overall mobile performance.

### Fixed Broadband Services

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

We were pleased that 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 52% year-over-year, while VPN circuit revenue contributions from enterprise customers grew as well. In addition, we were encouraged to see that our HiNet subscriber net-adds have begun to turn positive after years of decrease.

In response to customers’ demand for innovative applications requiring high-speed connection, we expect to roll out 2Gpbs service in the third quarter. Coupled with the ongoing demand for digital transformation we observed under the new normal, we are confident that we will maintain the overall upward trend in our broadband business.

### MOD/IPTV Service

Slide 7 illustrates our MOD business performance.

In the second quarter of 2021, subscriber numbers for both MOD/IPTV platform and Hami Video increased quarter-over-quarter as a result of growing demand for video service under COVID-19 alert, and we successfully continued to maintain our leading status as the largest video platform in Taiwan. In addition, during the first week of broadcasting at the Tokyo Olympic Games, the viewership and the expected advertisement revenue in Taiwan has hit a record, exceeding that of 2018 FIFA World Cup, which is encouraging.

MOD ARPU achieved 2% increase year-over-year as well, mainly due to the successful upsell in both VOD and channel services. Our SVODs ALL PASS package sign-up number almost doubled

quarter-over-quarter, and 89% of our tiered-priced channel subscribers chose the highest price packages.

Moving forward, we will continue to enhance video content and bundle our video services, including MOD and Hami Video, with fixed broadband and 5G service to drive up home-centric business performance and create a revenue stream.

### ICT Business

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

Overall ICT project revenue in the second quarter increased by 10% year-over-year mainly because of the recognition of revenue from public sector and smart solar farm projects.

In terms of emerging ICT services, IDC revenue and cloud revenues continued to grow by 11% and 27% year-over-year, respectively. Cyber security revenue decreased by 7% year-over-year due to some project revenue delays; however, we expect to catch up during the second half of this year.

Going forward, we will continue to enhance our overall ICT technology capabilities to cater to more emerging digital opportunities and be more selective to further increase project profit margin.

Now, I would like to turn the call over to our CFO, Vincent Chen, who will review our financial results. Mr. Chen, please go ahead.

### Financial Overview

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

### Income Statement Highlights

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

For the second quarter of 2021, on a year-over-year basis, total revenues increased by 3.8%, and operating costs and expenses increased by 3.2%. Income from operations increased by 5.9%, and our net income increased by 4.1%. In addition, our EBITDA margin increased to 41.9% from 40.5% in the same period of 2020.

### Business Segment Revenues

Slide 11 provides a breakdown of revenue by business segment.

In the second quarter of 2021, total revenue increased by 3.8% year over year, mainly due to the increase in handset sales revenue, mobile service revenue and fixed broadband revenue, which offset the decrease in the voice revenue as a result of VoIP substitution.

### Costs and Expenses

Moving on to slide 12, our operating costs and expenses in the second quarter increased by NT\$1.18 billion, or 3.2%, year-over-year, mainly due to the increase of depreciation and amortization expenses, cost of goods sold, and marketing expenses.

### Cash Flow

Slide 13 shows that cash flows from operating activities for the second quarter of 2021 increased by NT\$4.75 billion, or 36.1%, compared to the prior year period. This was mainly attributable to an increase in the collection of accounts receivable and an increase of accounts payable.

As of June 30, 2021, the balance of cash and cash equivalents was NT\$32.14 billion, an increase of NT\$12.99 billion, or 67.8%, relative to June 30, 2020. The increase was primarily due to the issuance of corporate bonds and an increase of cash flows from operating activities.

### Operating Results vs. Forecast

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

As you can see, for Q2 2021, our revenue almost met our second quarter guidance, and the performance measures including income from operations, net income, EPS, EBITDA, and EBITDA margin, all exceeded our expectations.

### Effective and Efficient Capital Expenditure

Please turn to slide 15.

For 2021, we budget 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.

In the second quarter of 2021, our 5G capital spending was on the track and in line with our schedule of 5G base station deployment. Therefore, we maintain our forecast that 2021 is our 5G investment peak.

Now, I would like to turn the call over to President Kuo to introduce our awards and recognitions.

### Awards and Recognition

Thank you, Vincent.

Lastly, slide 16 illustrates our awards and recognitions from the second quarter, highlighting our distinction in 5G speed, mobile coverage, corporate governance, sustainability, and social responsibility.

Going forward, we will continue to leverage our infrastructure advantage to provide integrated services with our quality network to meet customer demand.

Now, we are open the floor for questions.

**- Q&A Session -**