



# 2019 Annual Results

---

For the year ended December 31, 2019

*February 12, 2020 – Hong Kong*

**HKT** Here <sub>TO</sub> Serve



# Forward Looking Statements

---

This presentation may contain "forward-looking statements" that are not historical in nature. These forward-looking statements, which include, without limitation, statements regarding HKT's future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of HKT about the business, the industry and the markets in which HKT operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond HKT's control and are difficult to predict. Actual results could differ materially from those expressed, implied or forecasted in these forward-looking statements for a variety of factors.

# Business Review

---

Susanna Hui  
Group Managing Director



# Highlights

HKT delivered another solid operating and financial performance in 2019  
amidst a very challenging environment


Consumer broadband and mobile businesses remain resilient;  
Enterprise business continued to benefit from the growing digital economy

Usher in the 5G era with unparalleled network and  
differentiated applications and solutions

Evolving digital ecosystem on The Club to  
champion a myriad of exciting services including financial services

# Sustained Growth and Shareholder Return

## Final Distribution of 40.37 HK cents per Share Stapled Unit

HK Cents	2019	Dividend Yield : 5.94% *
Interim Distribution	30.01	
Final Distribution	40.37	
<b>Total Distribution</b>	<b>70.38</b>	<div>  3% yoy                 </div>

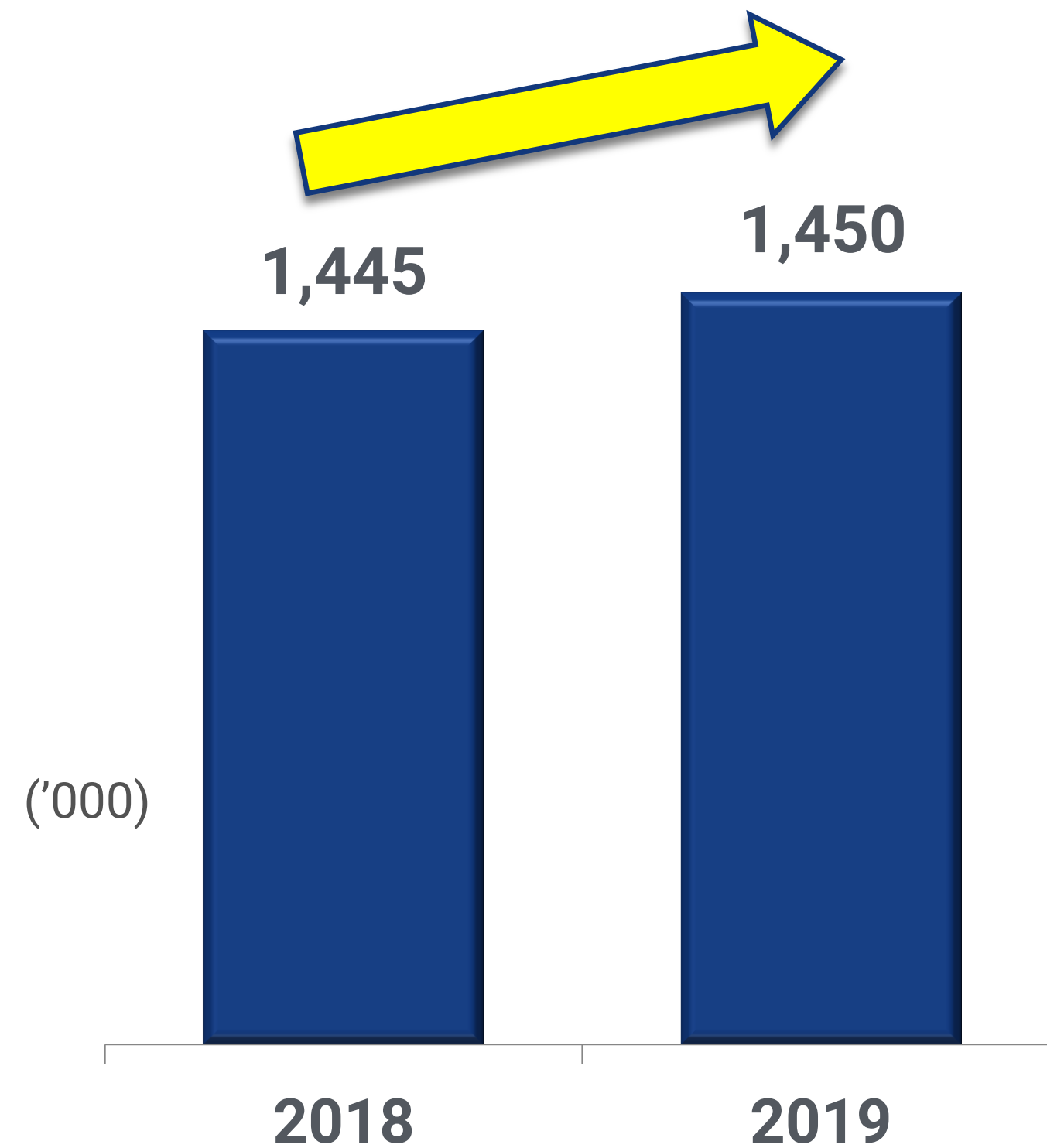
(US\$ million)	2018	2019	% change
<b>Revenue</b> (excl. Mobile Product Sales)	3,773	3,808	+ 1%
<b>EBITDA</b>	1,610	1,643	+ 2%
<b>Adjusted Funds Flow</b>	<b>663</b>	<b>683</b>	<b>+ 3%</b>



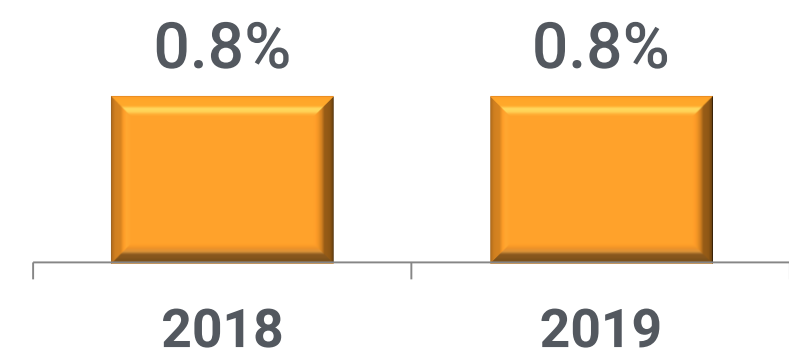
# Consumer Broadband Resilient

## Continued Expansion in Customer Base

Supported by our FTTH Network and Home Wi-Fi and Smart Living Solutions via Multi-Brand Strategy



### Sustained Low Churn Rate

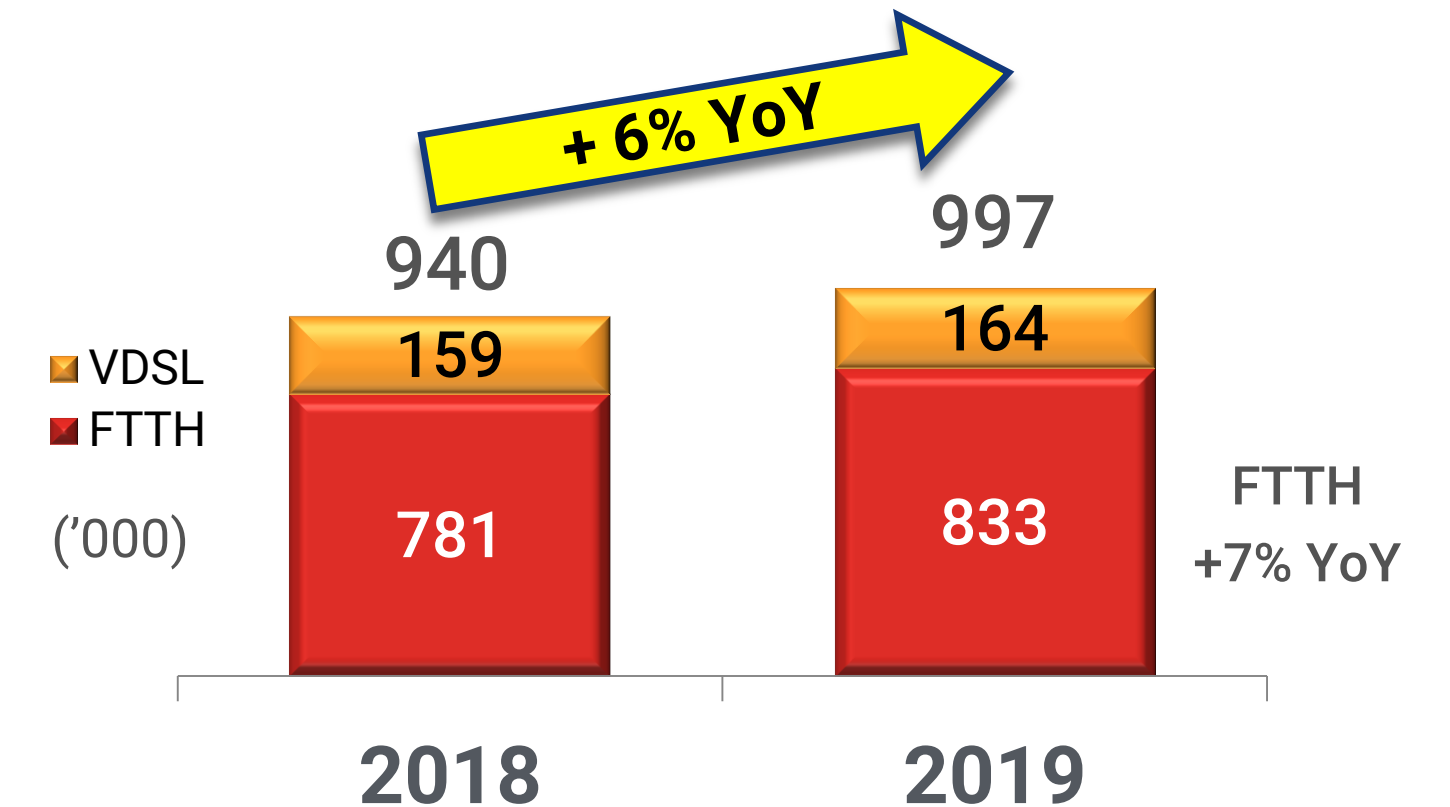


**HKT Premier**

網上行  **netvigator®**

**LIKE100**

## Growing High-speed Broadband Adoption

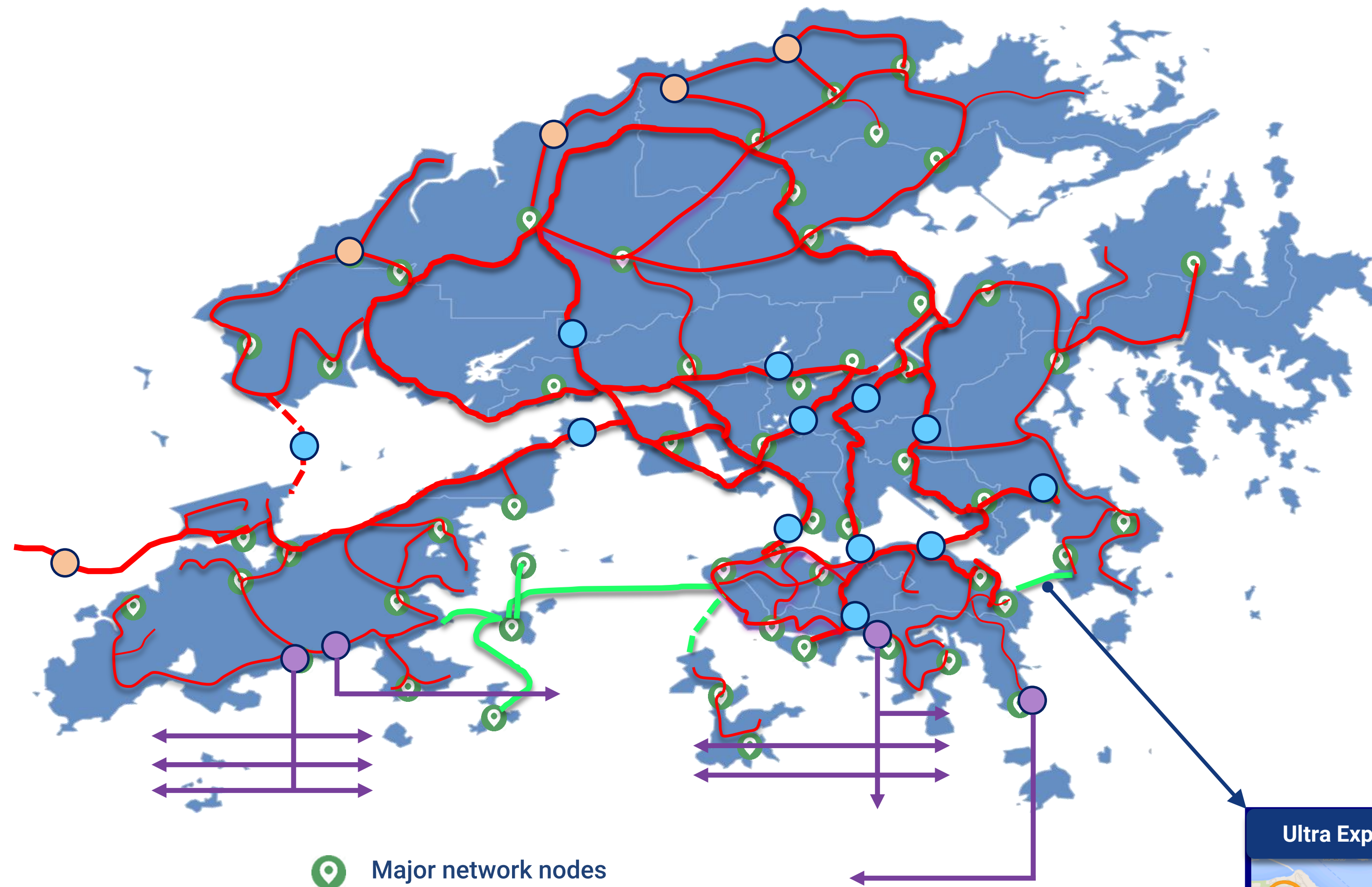


## Cross-selling Smart Home Solutions



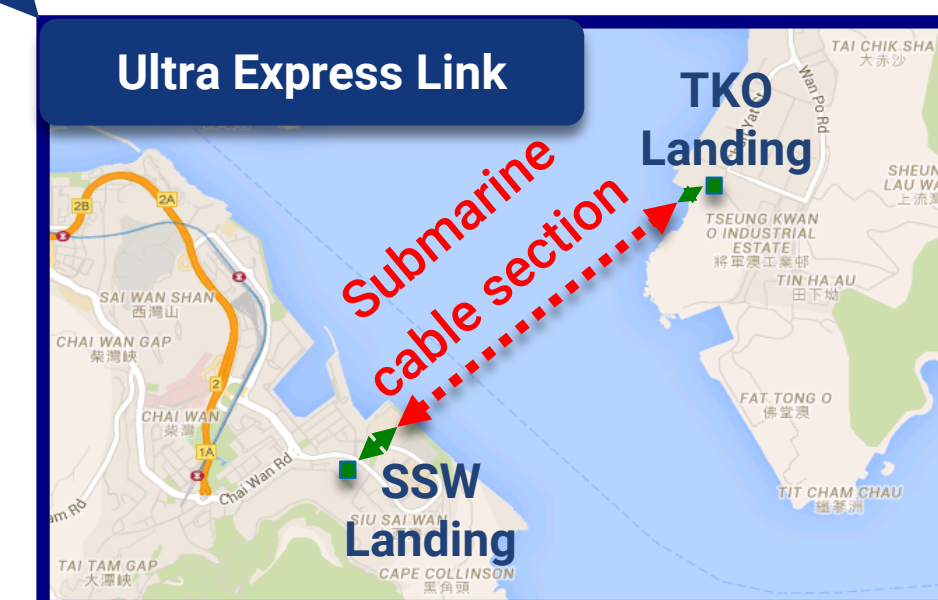


# Unparalleled Network as the Backbone for the Digital Economy



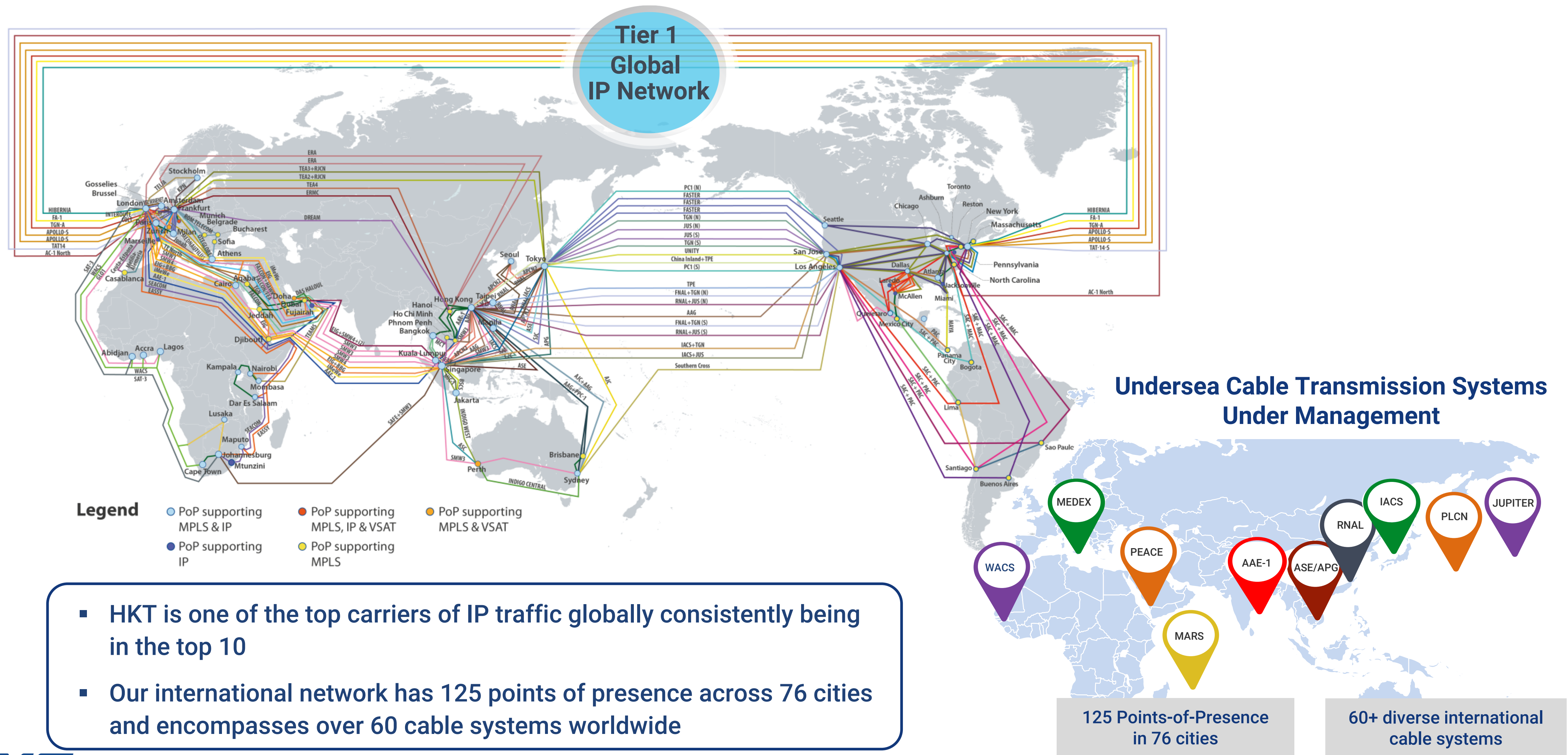
- Major network nodes
- Major fiber cable routes
- Submarine cables for outlying islands and UEL
- Submarine cables for international connectivity
- International submarine cable landing stations
- Cross-border points
- Tunnel/Bridges with fiber networks

- Extensive fiber coverage providing resilience and high availability
- 4 international submarine cable landing stations providing superior overseas coverage and capacity
- Fully resilient global internet network with a diverse international submarine cable infrastructure
- 5 cross-border points connecting fiber network to Mainland China
- Ultra Express Link connecting data center hubs between Tseung Kwan O and Chai Wan provides enhanced diversity and latency





# High Resilience of International Network Infrastructure





# Empowering Digital Transformation

## Public Services



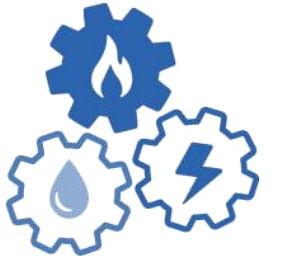
### New Generation Parking Meter System

- An integrated and mobile-connected parking meter solution for smart on-street parking experience and effective city management

### Village Broadband Projects

- Extension of the fiber network to remote areas to facilitate high-speed broadband services

## Utilities



### Digital Platform for Power Companies

- **Energy platform reliability**
  - Multiple levels of resilience and diversity for mission-critical applications
  - Native IP-enabled platform with rapid fault-identification and shortened restoration time
- **Operational efficiency**
  - Enhancement for better manageability among sub-stations
  - Centralized portal for platform visibility and management

## FinTech

### Fintech Solutions for Digital Banks and Financial Institutions

- **Digital customer experience**
  - Extend touch points with customers via omni-channel engagement
  - Instant response with intelligent chatbot to increase customer satisfaction
- **Cybersecurity protection**
  - 24x7 cyber threat monitoring and threat hunting
  - Incident responses of security events



## Aviation

### Smart Airport Initiative

- Critical network infrastructure projects to support smart airport initiative
  - 1) Private LTE Project
  - 2) Cable Management System Project





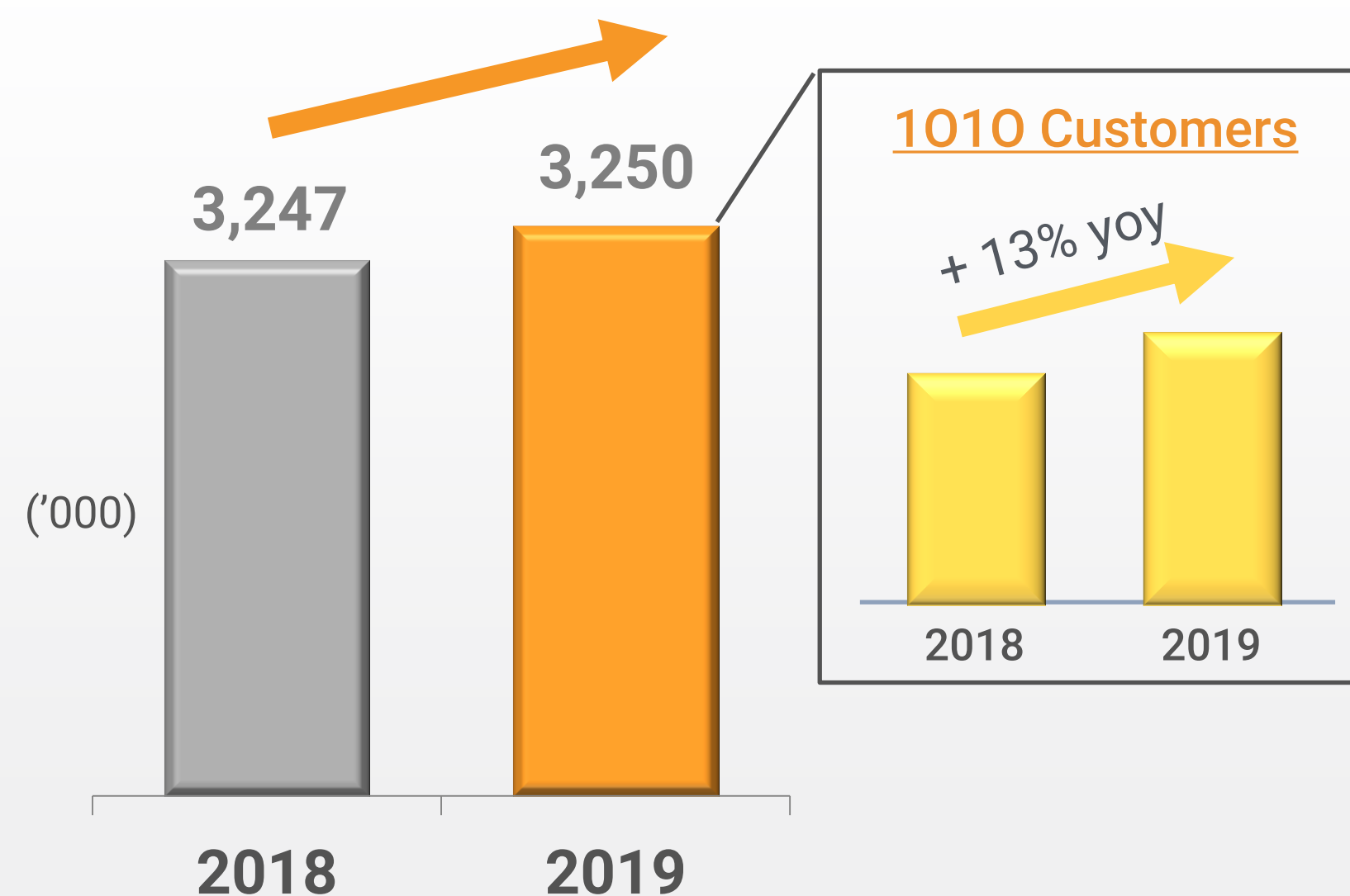
# Driving Mobile Growth through High ARPU Segment

Expanded Customer Base in Post-paid and Premium Segment

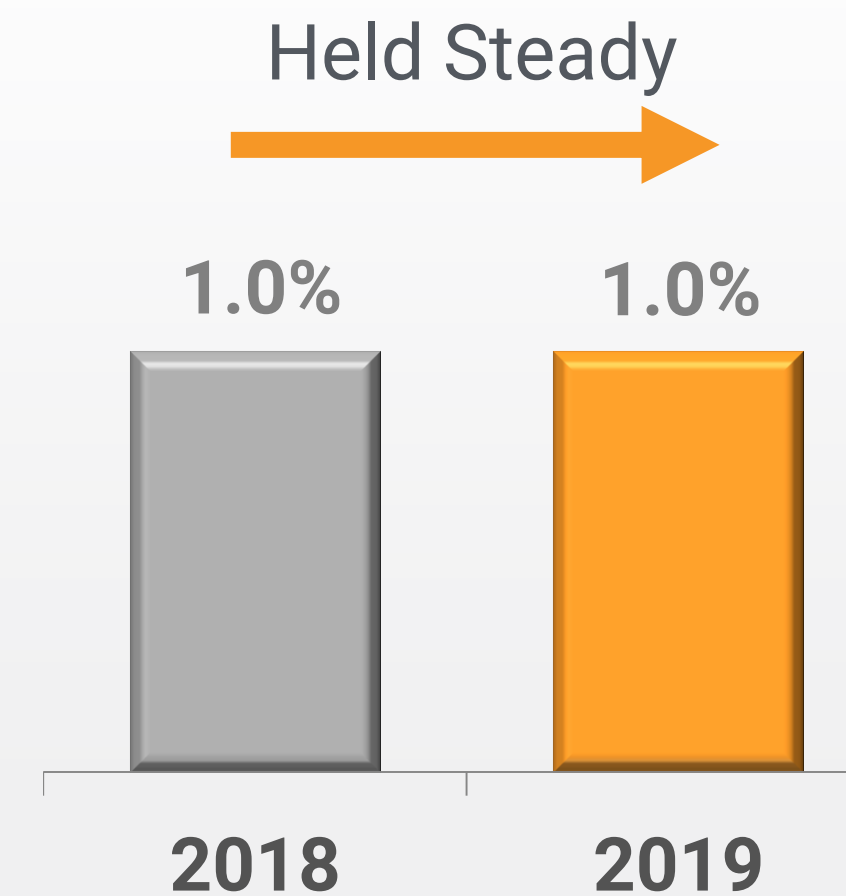
Low Churn Reflects Success of Retention Efforts



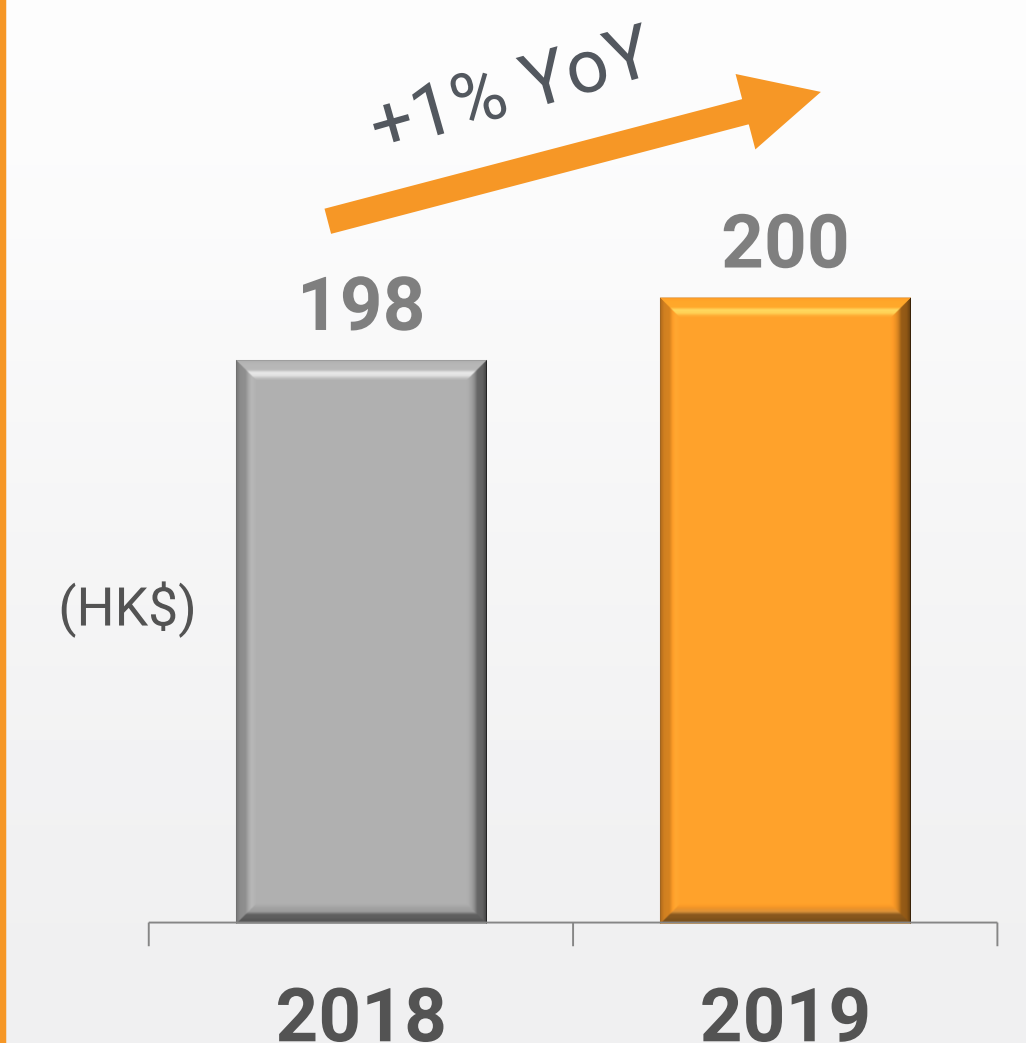
Post-paid Customer Base



Post-paid Churn Rate

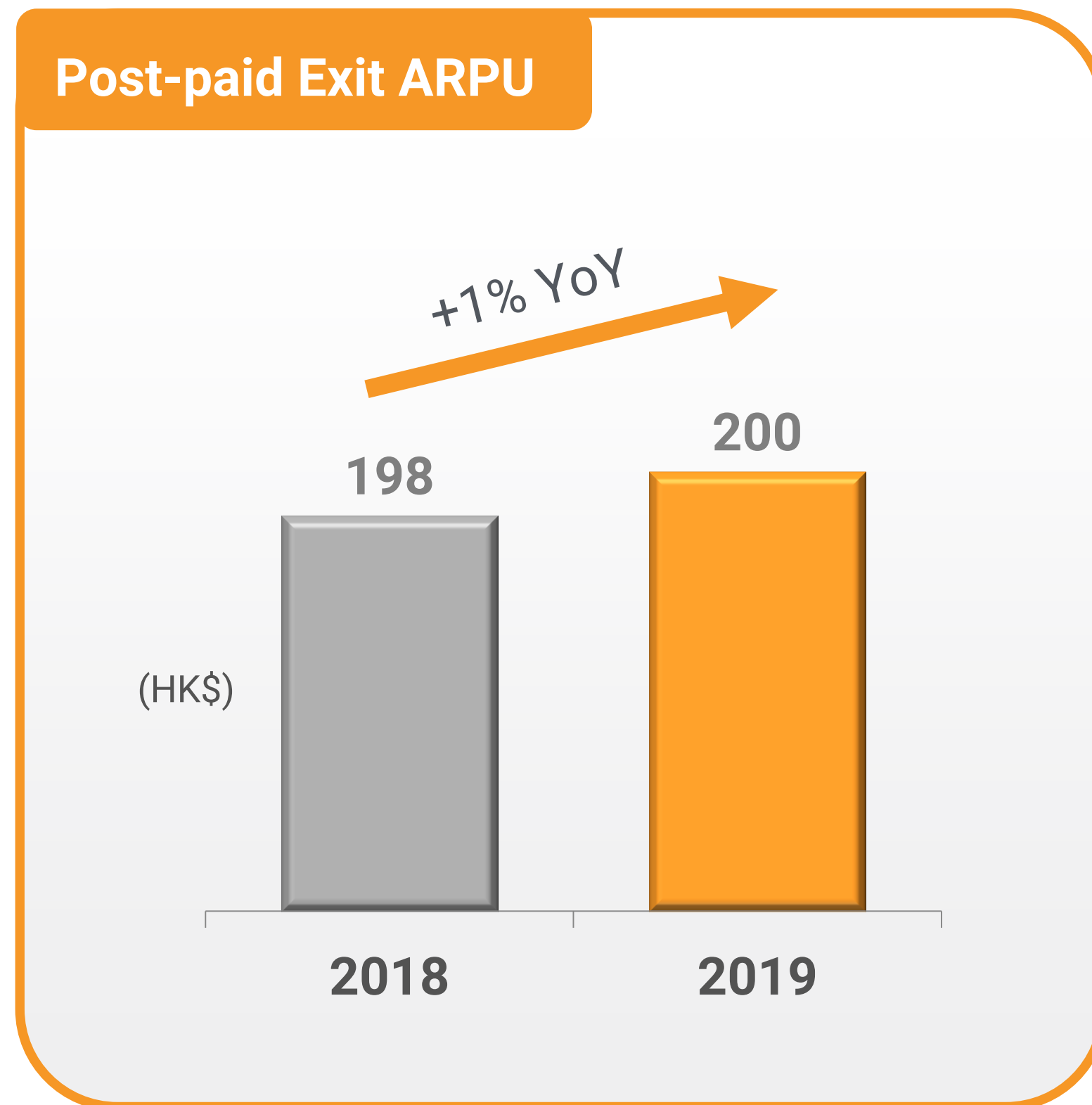


Post-paid Exit ARPU

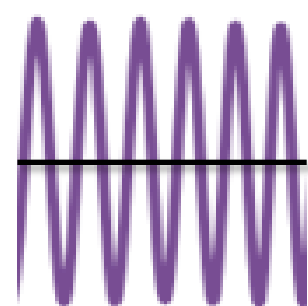




# Wide Range of Mobile Value Added Services



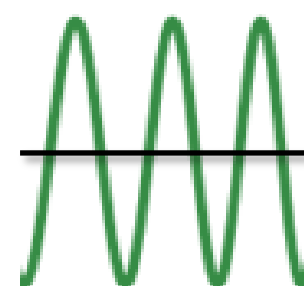




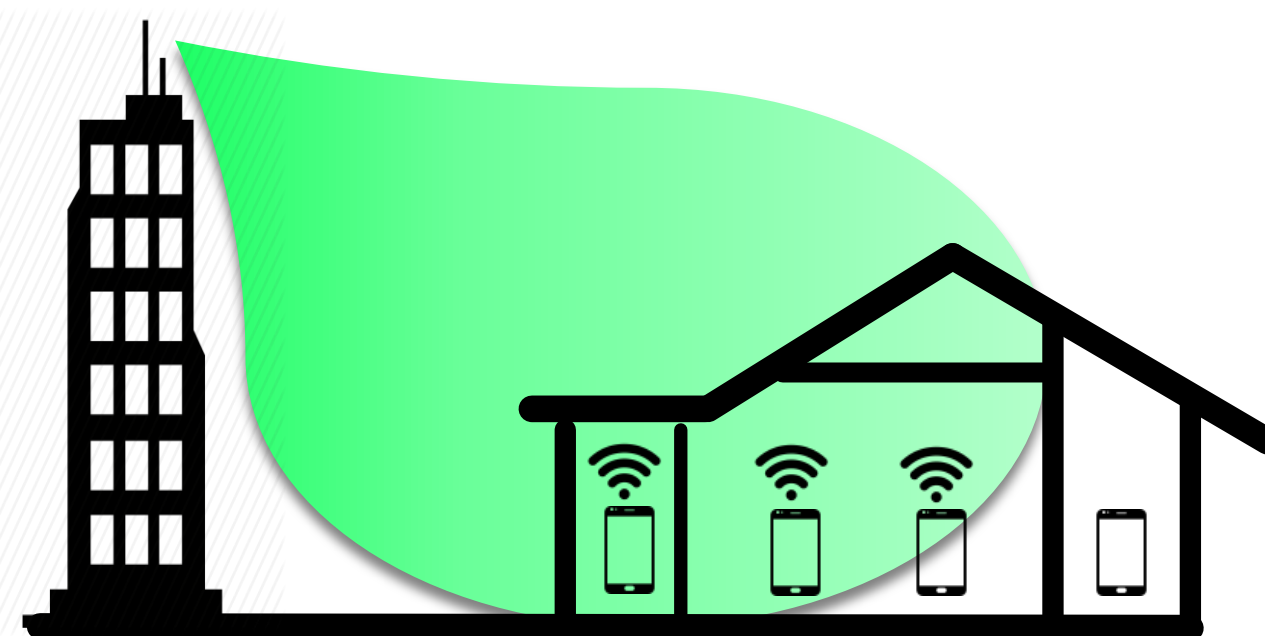
**High Band**  
(28GHz)



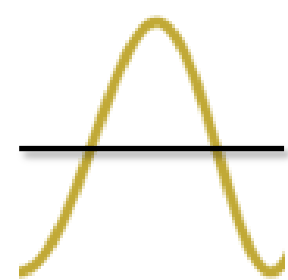
- Total 400 MHz of spectrum
- Supports Ultra High Speed up to 4Gbps<sup>#</sup> (1Gbps<sup>\*</sup>)
- For traffic hotspots and private campus solutions



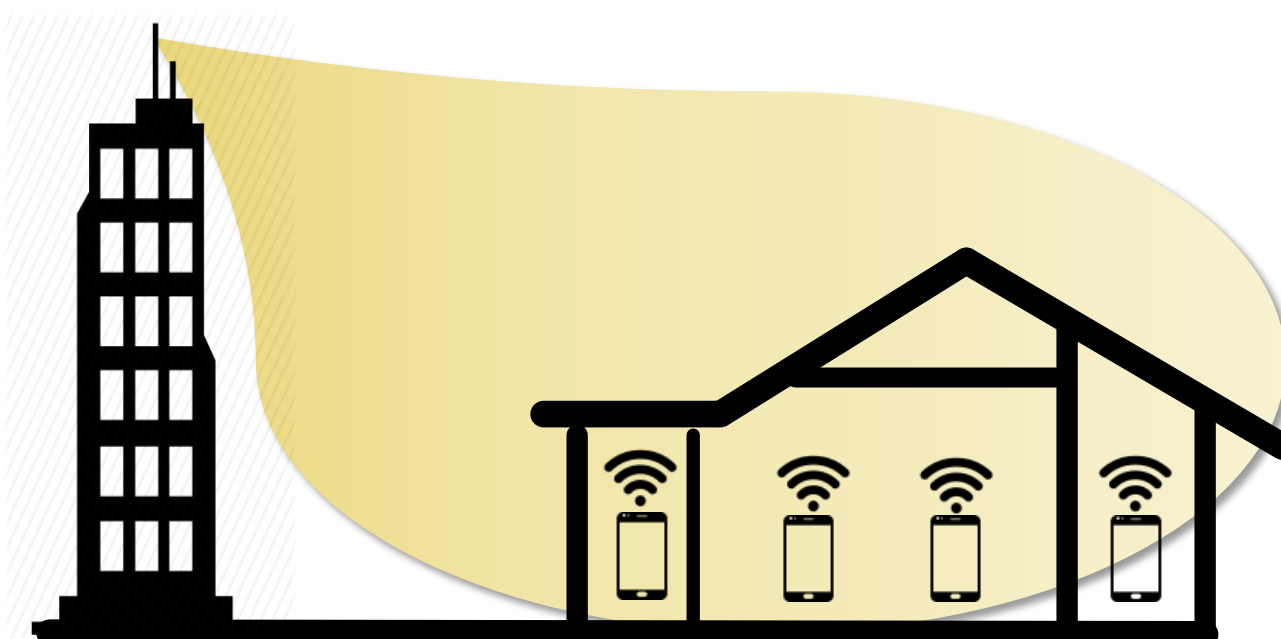
**Mid Band**  
(3.3/3.5/4.9GHz)



- Total 120 MHz of spectrum
- Supports High Speed up to 2Gbps<sup>#</sup> (200 Mbps<sup>\*</sup>)
- Providing good outdoor coverage (including restriction zones) and reasonable indoor penetration



**Low Band**  
(900 MHz /  
1.8/2.1/2.6 GHz)



- Total 179 MHz of spectrum
- Provide good coverage with indoor penetration
- Supports speed up to 1.3Gbps<sup>#</sup> (~ 20 Mbps<sup>\*</sup>)

<sup>#</sup> theoretical peak downlink speed  
<sup>\*</sup> average speed in live network



# Exciting 5G Product Line-Up



**Smart City**



**Retail**



**Fintech**



**Education**

## Consumer Applications

### Virtual Reality (VR)

- 4K/8K content with 360° immersive experience

### Augmented Reality (AR)

- AR experience with virtual content everywhere, i.e. Geo AR

### Gaming

- 5G mobile gaming interactive with Cloud VR

### Financial Services

- Virtual financial assistant
- Data-as-a-service
- Cybersecurity protection



**5G is Now, and the Future**

## Enterprise Applications

### Entertainment

- VR broadcasting and multi-view content

### Healthcare

- Remote tele-medicine and consultation between hospital and clinic

### Transport

- Autonomous driving and C-V2X

### Industrial Automation

- Smart grid
- Remote machinery control
- Robotics automation



**Utilities**



**Construction**



**Healthcare**



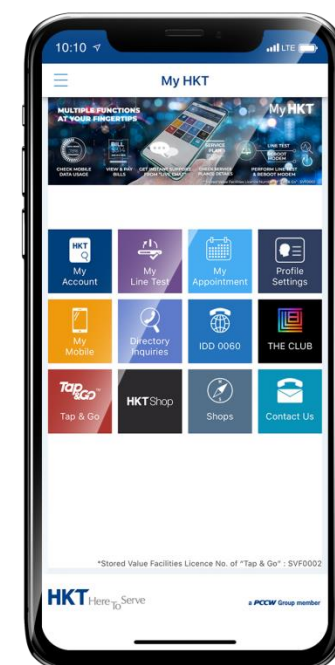
**Aviation**



# Digitalization to Improve Operating Efficiencies

## Digital Channels

- Customer engagement through digital sales channels has increased by 9% in 2019
- Drive digital channels to improve efficiency and mitigate impact of current social situation in Hong Kong
- Simplifying customer engagement via mobile apps



## Retail Shop Consolidation

- Driving productivity gains and cost savings via retail shop consolidation
- Co-run shops with both broadband and mobile presence

Co-run shop  
at PopCorn



Co-run shop  
at V Walk



Co-run shop in Central

## Data Analytics

- Optimizing and improving sales and service channels to fulfill customer expectations and achieve operational excellence
- Sophisticated analytical models advancing retention strategy to enhance customer stickiness
- Data driven marketing to optimize cross-selling result by targeting the right customer



# Expanding and Deepening The Club Ecosystem

Deepening the Relationship with our Customers

Enhancing Customer Retention and Increasing Engagement through New Service Offerings

THE CLUB®



Over 2.95 million  
Members

+ 8% YoY



Coalition and  
Redemption  
Partners

800+

Redemption Items

4,300+

THE CLUB

A Loyalty and Reward Platform



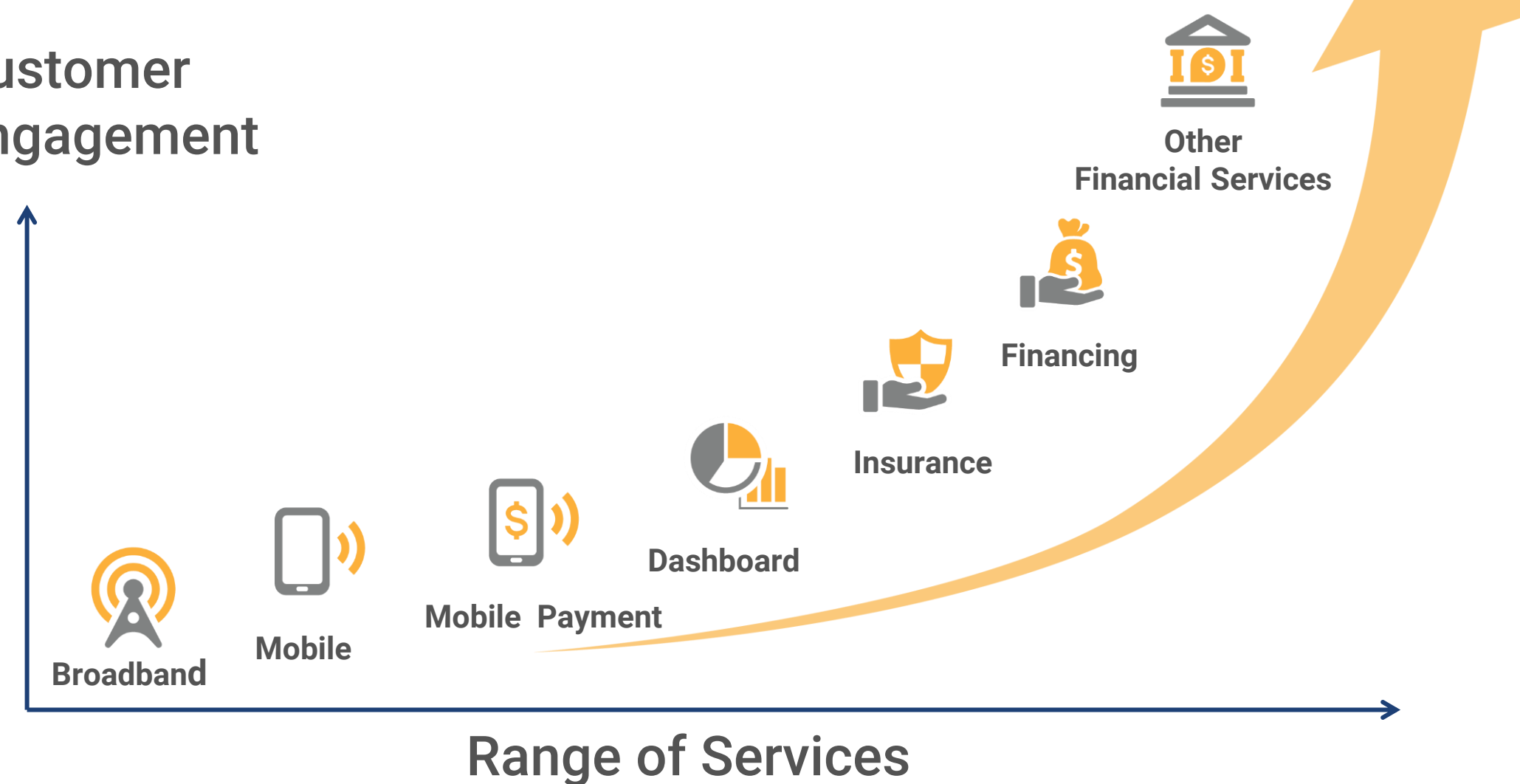
## Consumer

- 2.5 Million Account in Service as of Dec 2019



**Tap & Go**™

Customer Engagement

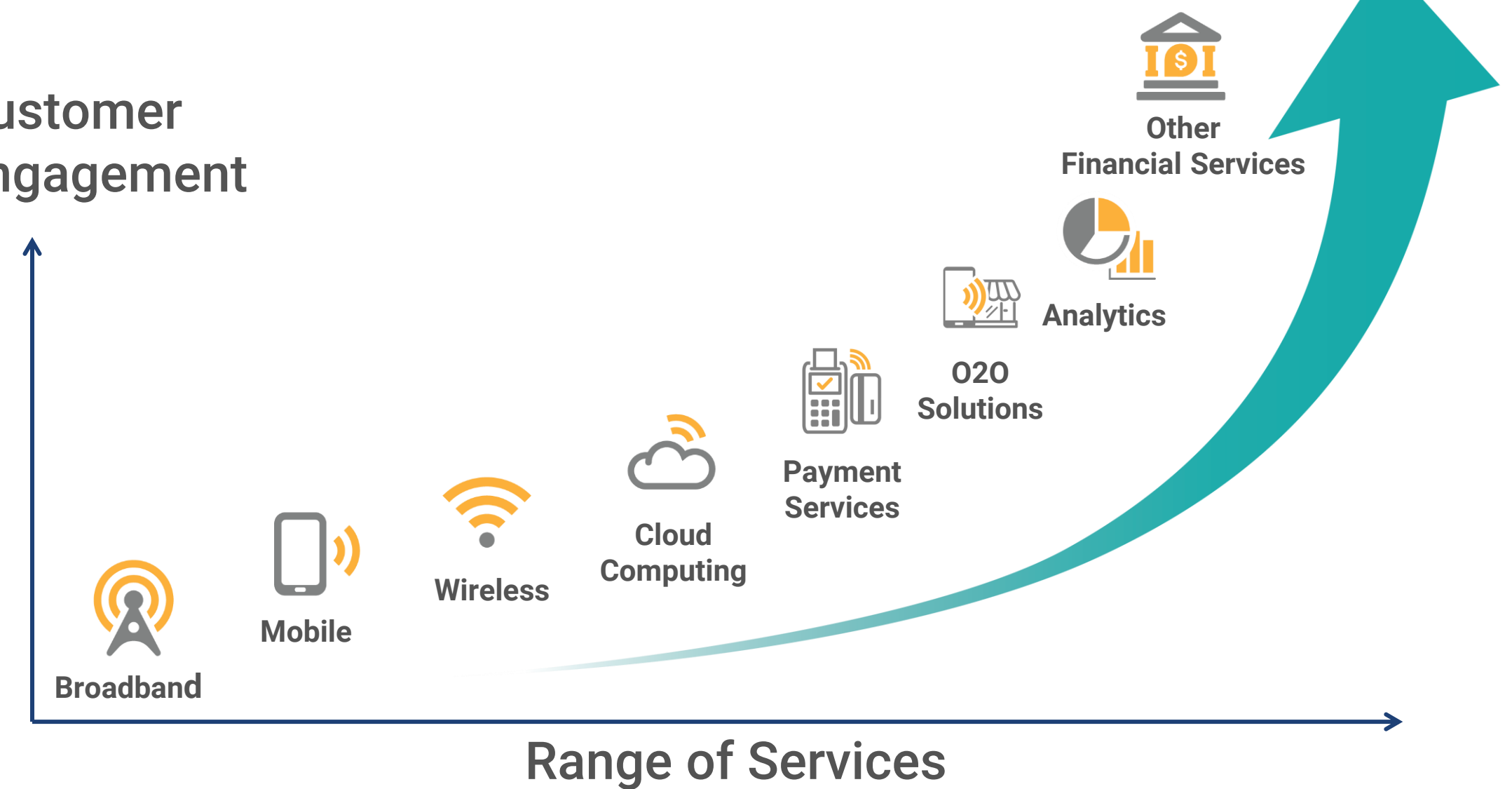


## Merchant

- Over 1,000 mobile POS terminals subscribed as of Dec 2019 (since launch in Jun 2019)



Customer Engagement



**Virtual Bank Joint Venture To Broaden the Service Offerings to HKT Customers**



# Financial Review

---

**Evan Wong**  
Chief Financial Officer

# HKT Sustains Market Leadership

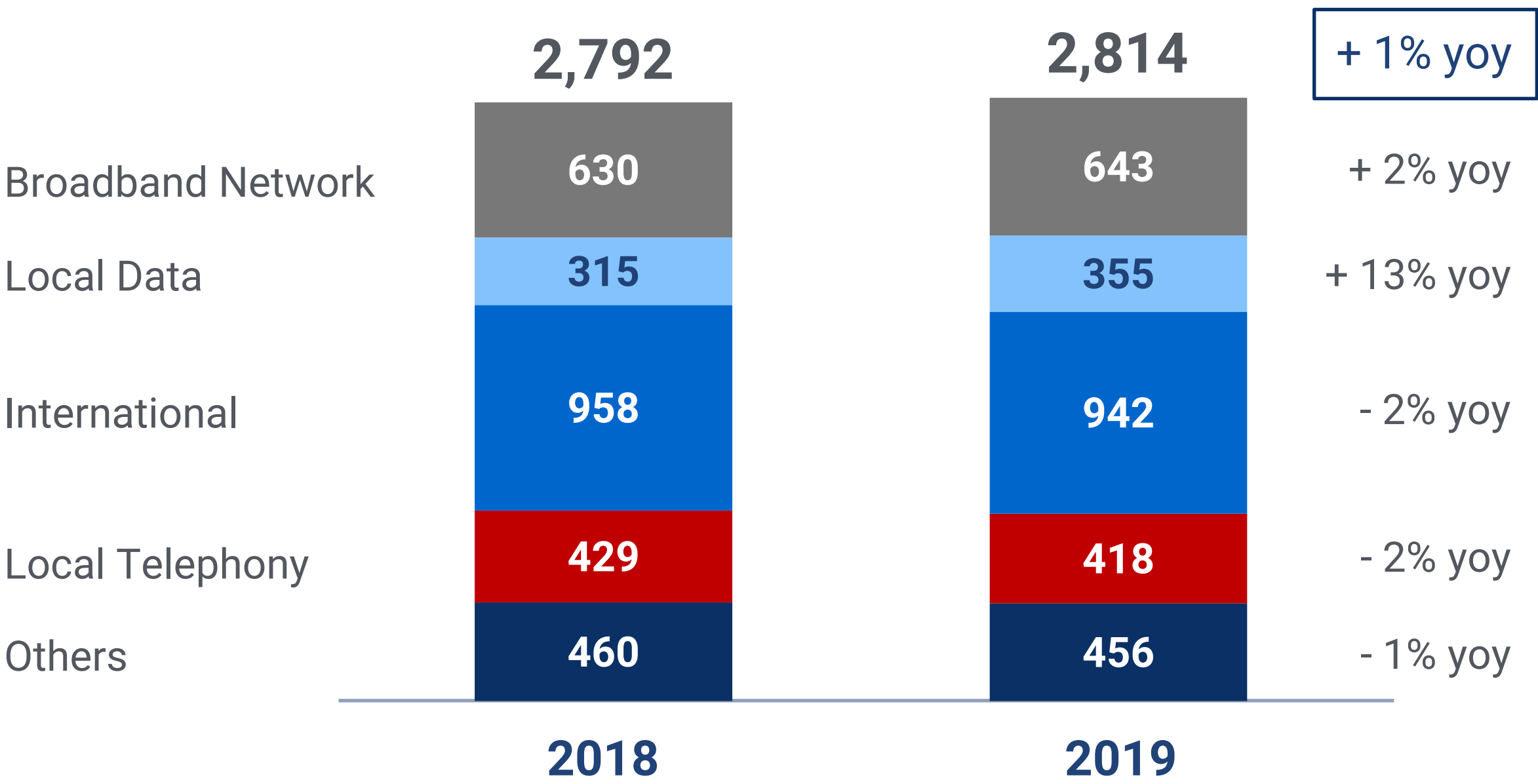
## Consistent Growth Driven by Solid Underlying Performance

(US\$ million)	2018	2019	% change
<b>Adjusted Funds Flow</b>	<b>663</b>	<b>683</b>	<b>+ 3%</b>
<b>Revenue</b> (excl. Mobile Product Sales)	<b>3,773</b>	<b>3,808</b>	<b>+ 1%</b>
<b>Revenue</b>	<b>4,511</b>	<b>4,244</b>	<b>- 6%</b>
<b>EBITDA</b>	<b>1,610</b>	<b>1,643</b>	<b>+ 2%</b>
<i>EBITDA Margin (excl. Mobile Product Sales)</i>	<i>43%</i>	<i>43%</i>	
<i>Overall EBITDA Margin</i>	<i>36%</i>	<i>39%</i>	
<b>Profit</b> Attributable to Holders of Share Stapled Units	<b>619</b>	<b>669</b>	<b>+ 8%</b>



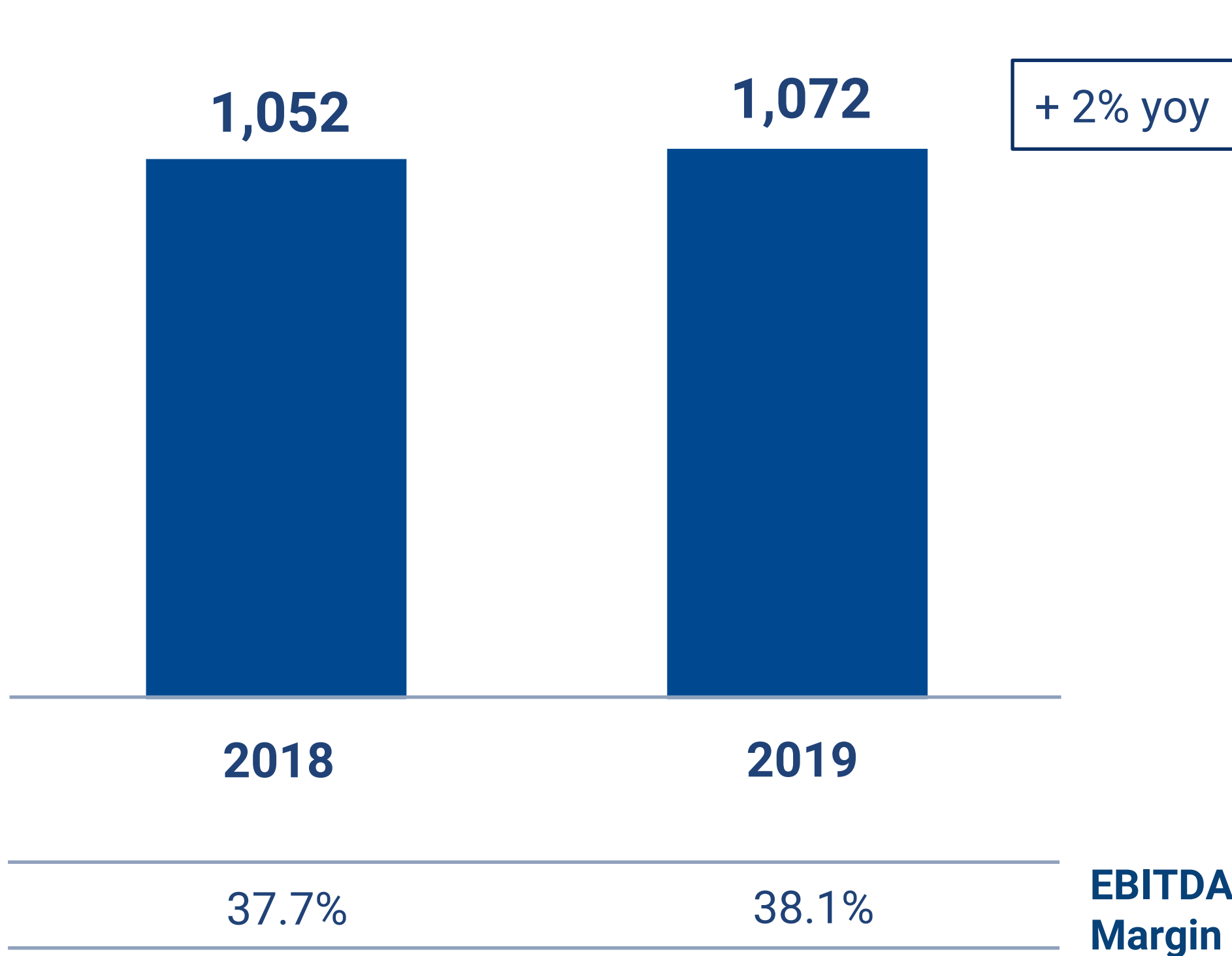
# TSS Continues Steady Growth Trajectory

**TSS Revenue** (US\$ million)



- **Broadband** – Sustained growth driven by continued demand for our FTTH services and deepening traction of our Home Wi-Fi and Smart Living solutions
- **Local Data** – Strong growth momentum benefiting from growing digital transformation initiatives from large enterprises and public sector; continued demand for managed network facilities and cloud services as well as high-speed private IP networks
- **International** – Continued demand for data connectivity services, but offset by industry-wide contraction of wholesale voice and IDD revenue
- **Others** – Lower CPE sales amid more cautious customer spending, particularly in the second half of 2019

**TSS EBITDA** (US\$ million)

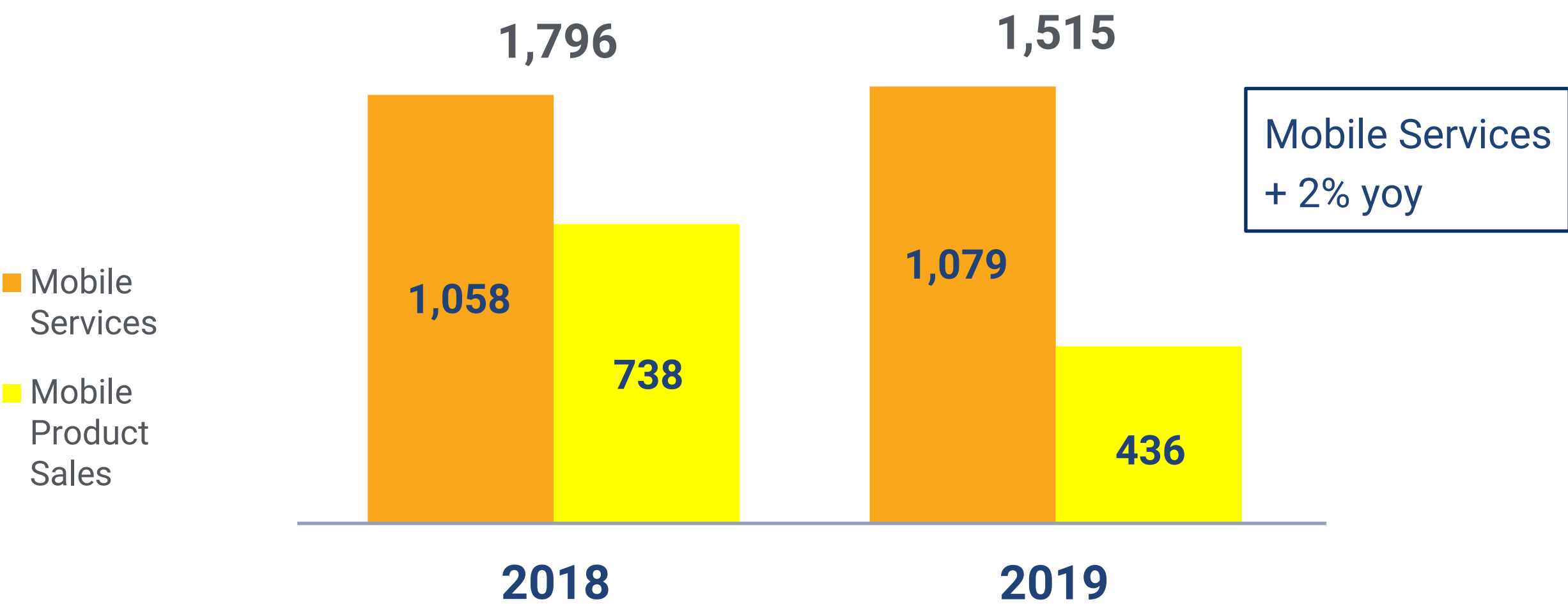


- Steady EBITDA growth underpinned by encouraging growth in the enterprise and public sectors
- EBITDA margin further improved to 38.1%



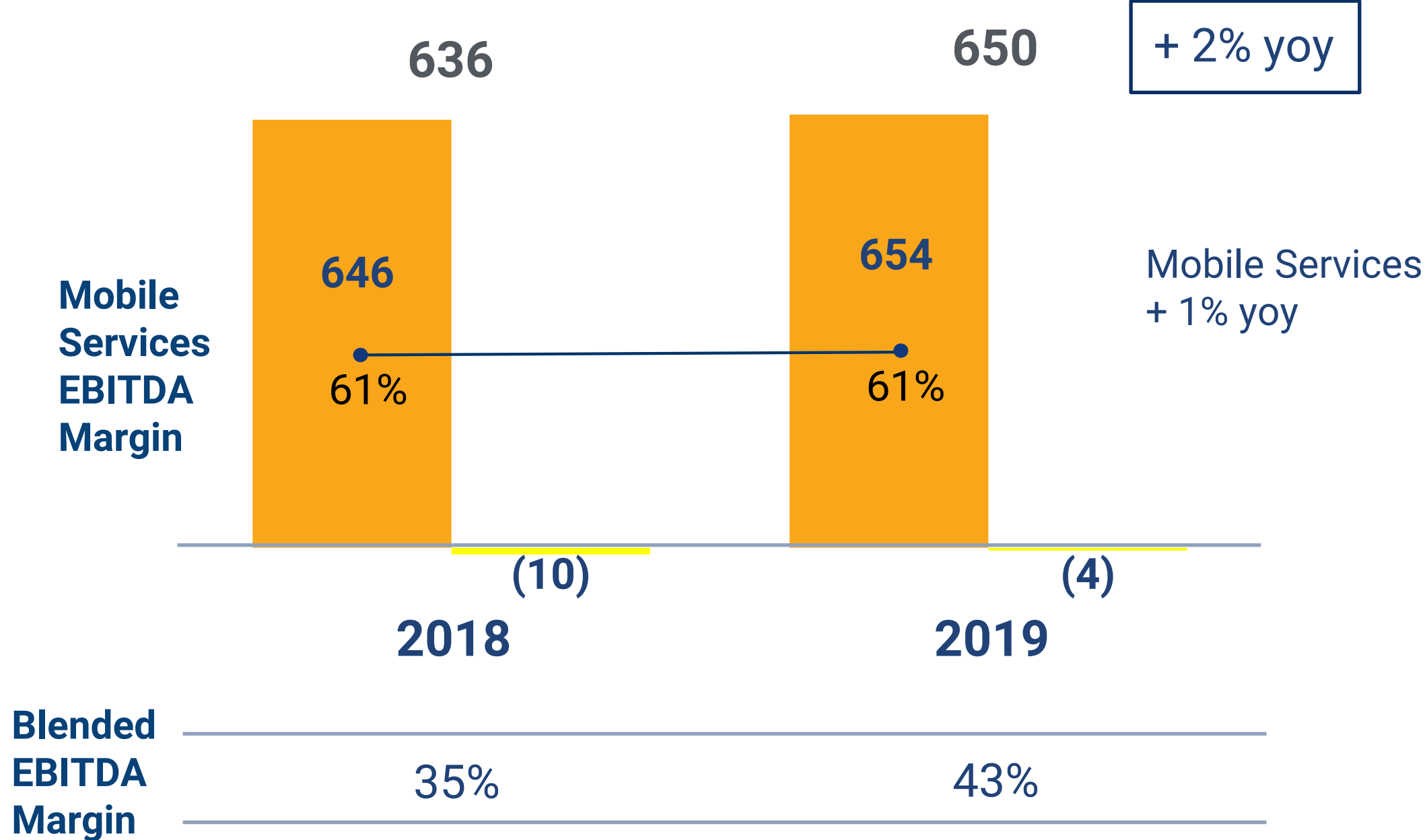
# Mobile Consolidates Market Leadership

**Mobile Revenue** (US\$ million)



- Mobile Services revenue benefited from a 13% growth in premium 1010 customer base and higher revenue from mobile enterprise solutions
- Post-paid customers up slightly to 3.25M, with post-paid exit ARPU increasing 1% to HK\$200 from HK\$198
- Mobile product sales impacted by the longer handset replacement cycle and poor consumer sentiment

**Mobile EBITDA** (US\$ million)

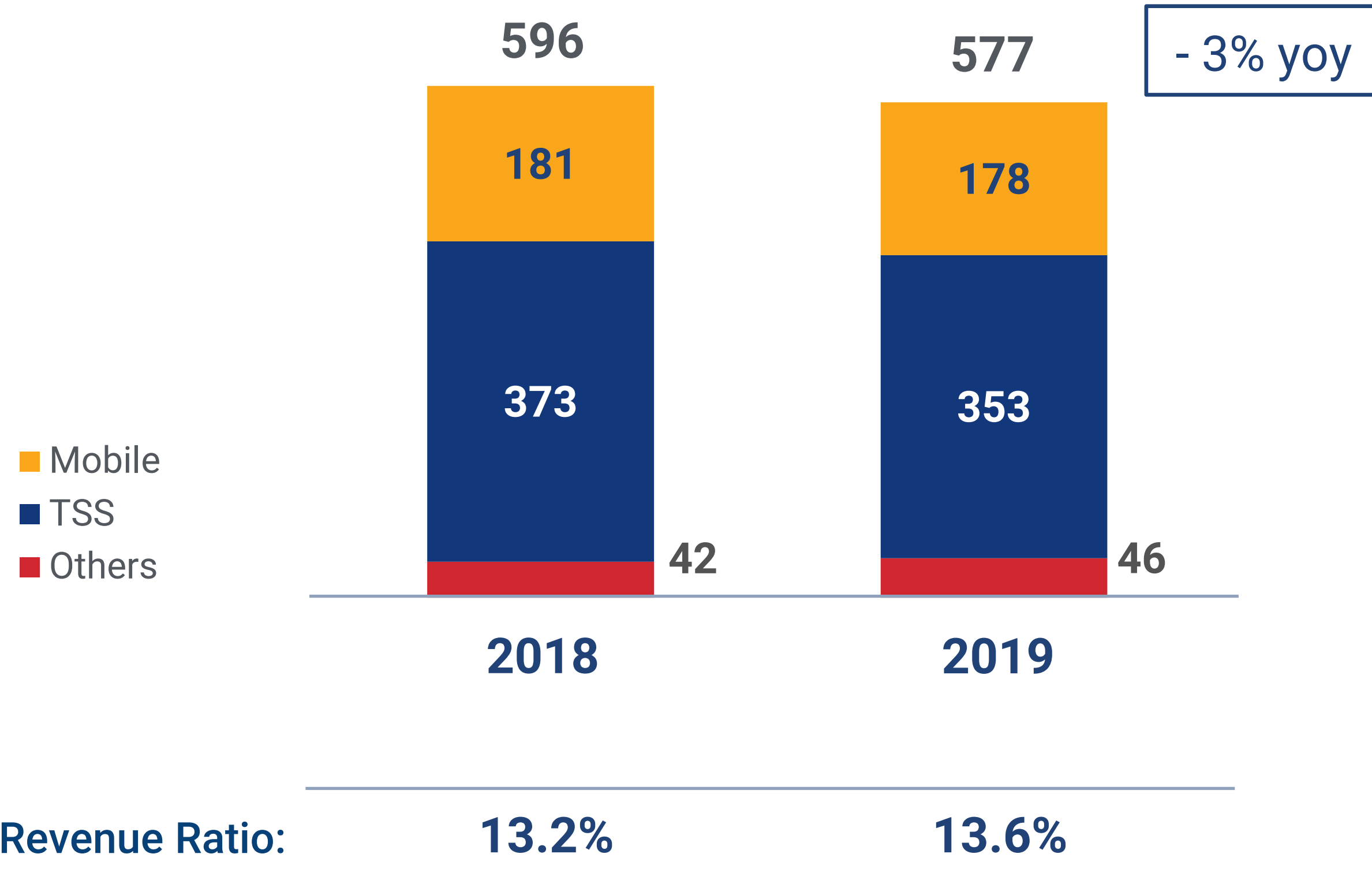


- Total Mobile EBITDA up 2%, with margin improved to 43% reflecting reduced contribution from lower margin Mobile product sales
- Mobile Services EBITDA margin remained steady at 61%



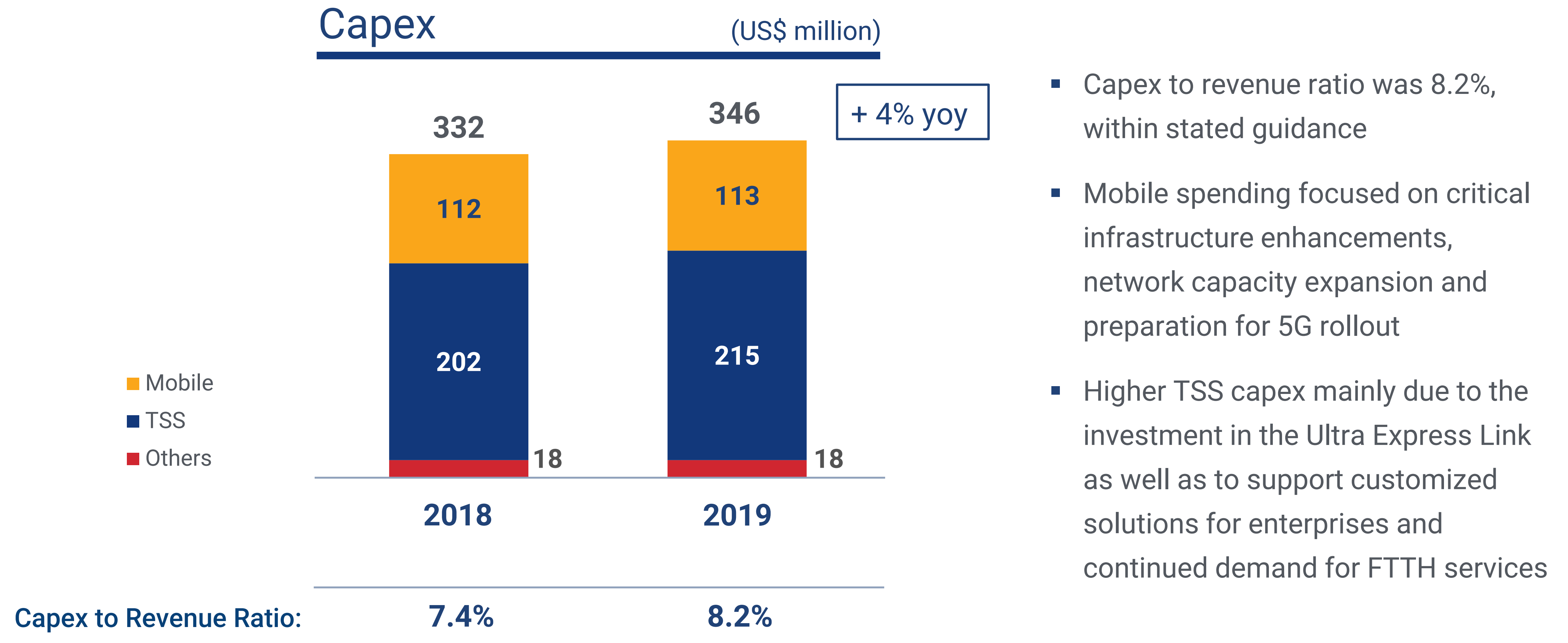
# Continued Focus to Drive Operating Efficiencies

## Operating Expenses (US\$ million)



- Opex savings of 3% in 2019, benefiting from our continued focus on maximizing efficiencies across all lines of core business:
  - Enhanced staff efficiency through business automation/digitalization processes
  - Increased distribution channel efficiency through online sales channels
  - Reduced operational costs from rationalization of retail shops
- Slight increase in Others opex to drive new growth verticals such as Club Travel and HKT Financial Services

# Disciplined Capital Investments while Investing for the Future





# Adjusted Funds Flow (US\$ million)

	2018	2019	YoY Better/ (Worse)
<b>EBITDA</b>	<b>1,610</b>	<b>1,643</b>	<b>+ 2%</b>
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(325)	(339)	
Customer acquisition costs and licence fees	(160)	(153)	
Fulfillment costs	(48)	(63)	
Right-of-use assets	(214)	(211)	
<b>Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital</b>	<b>863</b>	<b>877</b>	<b>+ 2%</b>
Adjusted for:			
Net finance costs paid	(109)	(114)	
Tax payment	(89)	(24)	
Changes in working capital	(2)	(56)	
<b>Adjusted Funds Flow for the year</b>	<b>663</b>	<b>683</b>	<b>+ 3%</b>
Adjusted Funds Flow per Share Stapled Unit (HK cents)	68.29	70.38	
Interim Distribution (HK cents)	29.12	30.01	
<b>Final Distribution (HK cents)</b>	<b>39.17</b>	<b>40.37</b>	
<b>Total Distribution for the year (HK cents)</b>	<b>68.29</b>	<b>70.38</b>	<b>+ 3%</b>

# Income Statement (US\$ million)

	2018	2019	YoY Better/ (Worse)
<b>Revenue</b>	<b>4,511</b>	<b>4,244</b>	<b>(6)%</b>
<b>Revenue (excluding Mobile product sales)</b>	<b>3,773</b>	<b>3,808</b>	<b>+ 1%</b>
<b>Cost of sales</b>	<b>(2,305)</b>	<b>(2,024)</b>	<b>+ 12%</b>
<b>Opex</b>	<b>(596)</b>	<b>(577)</b>	<b>+ 3%</b>
<b>EBITDA</b>	<b>1,610</b>	<b>1,643</b>	<b>+ 2%</b>
Depreciation & amortization expenses	(685)	(657)	
Net finance costs	(173)	(176)	
Share of results of associates & JVs	(2)	(6)	
<b>Profit before income tax</b>	<b>750</b>	<b>804</b>	<b>+ 7%</b>
Income tax	(129)	(133)	
<i>Effective tax rate</i>	17.3%	16.5%	
<b>Profit for the year</b>	<b>621</b>	<b>671</b>	
Attributable to:			
<b>Holders of Share Stapled Units</b>	<b>619</b>	<b>669</b>	<b>+ 8%</b>
<b>Non-controlling interests</b>	<b>2</b>	<b>2</b>	



# Solid Financial Position

## Investment Grade Credit Ratings

**BBB/Baa2**  
Investment  
Grade Rating

(US\$ million)	As of Dec 2018	As of Dec 2019
<b>Gross Debt <sup>(1)</sup></b>	<b>5,178</b>	<b>5,220</b>
Gross Debt to EBITDA <sup>(2)</sup>	3.22x	3.18x
<b>Cash Balance <sup>(3)</sup></b>	<b>392</b>	<b>372</b>
<b>Undrawn Facilities</b>	<b>849 <sup>(4)</sup></b>	<b>1,178</b>
<b>Total</b>	<b>1,241</b>	<b>1,550</b>

(1) Gross debt refers to the principal amount of short-term and long-term borrowings

(2) Based on gross debt as at period end divided by EBITDA for the year

(3) Including short-term deposits

(4) Undrawn and committed facilities as at Feb 22, 2019

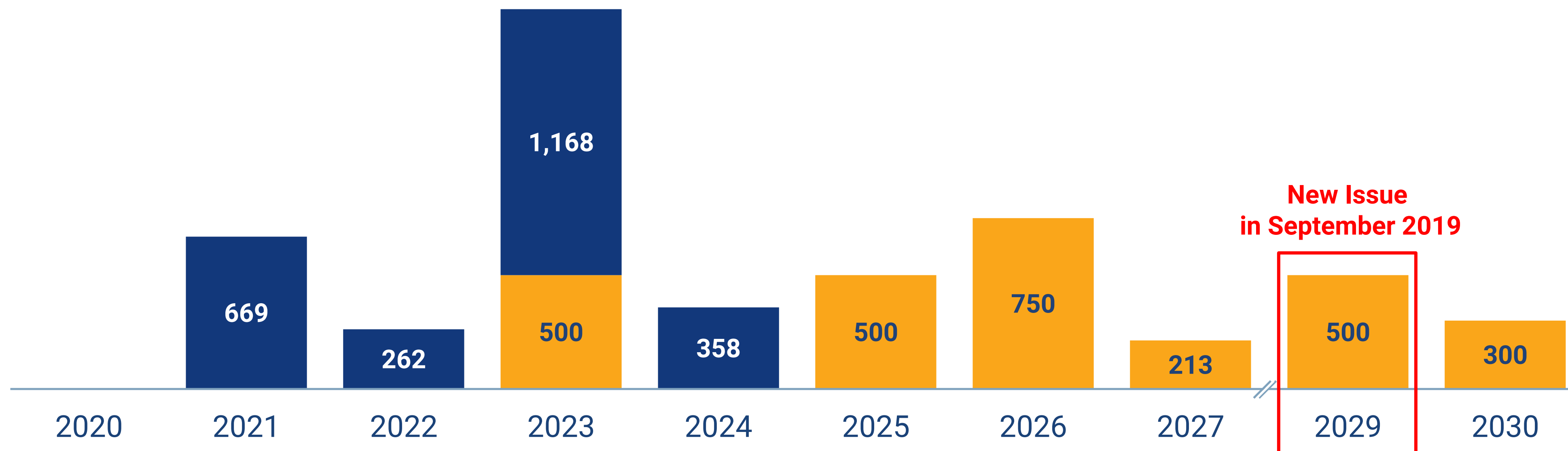
# Debt Maturity Profile

As of December 31, 2019

(US\$ million)

■ Bank Loans

■ Bonds



- Raised US\$500 million 10-year bonds at a coupon rate of 3.25% at a favorable market window
- Current mix of floating and fixed rate debt is approx. 30:70
- Effective interest rate was approx. 3.2% in 2019
- Average maturity was approx. 5 years



# Highlights

HKT delivered another solid operating and financial performance in 2019  
amidst a very challenging environment

Consumer broadband and mobile businesses remain resilient;  
Enterprise business continued to benefit from the growing digital economy

Usher in the 5G era with unparalleled network and  
differentiated applications and solutions

Evolving digital ecosystem on The Club to  
champion a myriad of exciting services including financial services