

# HKT Here To Serve

## 2020 Annual Results

For the year ended December 31, 2020

*February 4, 2021 – Hong Kong*

a **PCCW** Group member



# Business Review

**Susanna Hui**  
**Group Managing Director**



# Steady Performance amid Challenging Conditions

## Adjusted Funds Flow

**FY 20**

**690** + 1% YoY

(US\$ million)

## Revenue

(excluding Mobile Product Sales)

**FY 20**

**3,818** Stable YoY

(US\$ million)

## EBITDA

**FY 20**

**1,606** - 2% YoY

(US\$ million)

| HK cents                  | FY 20        |
|---------------------------|--------------|
| Interim Distribution      | 30.10        |
| Final Distribution        | 40.97        |
| <b>Total Distribution</b> | <b>71.07</b> |

## Total Distribution per SSU

**71.07 HK cents**

+ 1% YoY

## Dividend Yield

**6.9% \***

# COVID-19 Challenges Faced and Met



Global Travel Restrictions Impacted Mobile Roaming



Economic Contraction Hitting SMEs



Social Distancing Affecting Retail, F&B and Hospitality Sectors



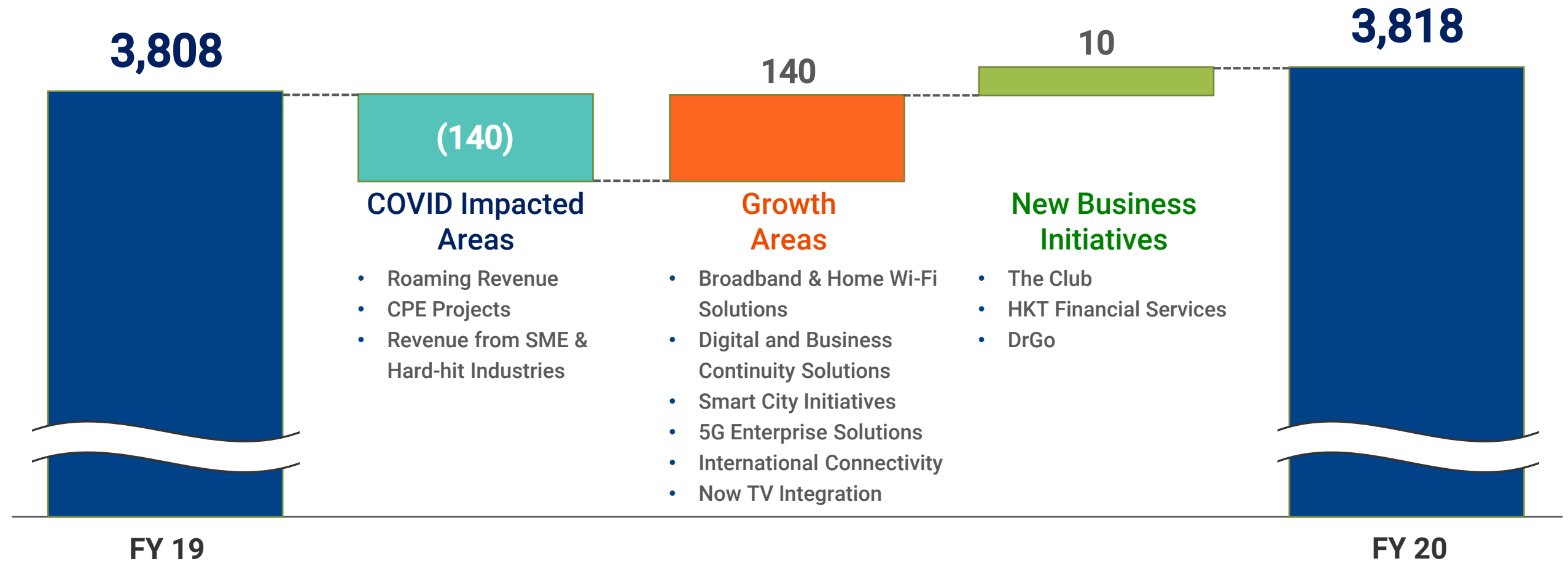
# Opportunities Now and Ahead






# Financial Impact of the Growth and COVID Impacted Areas

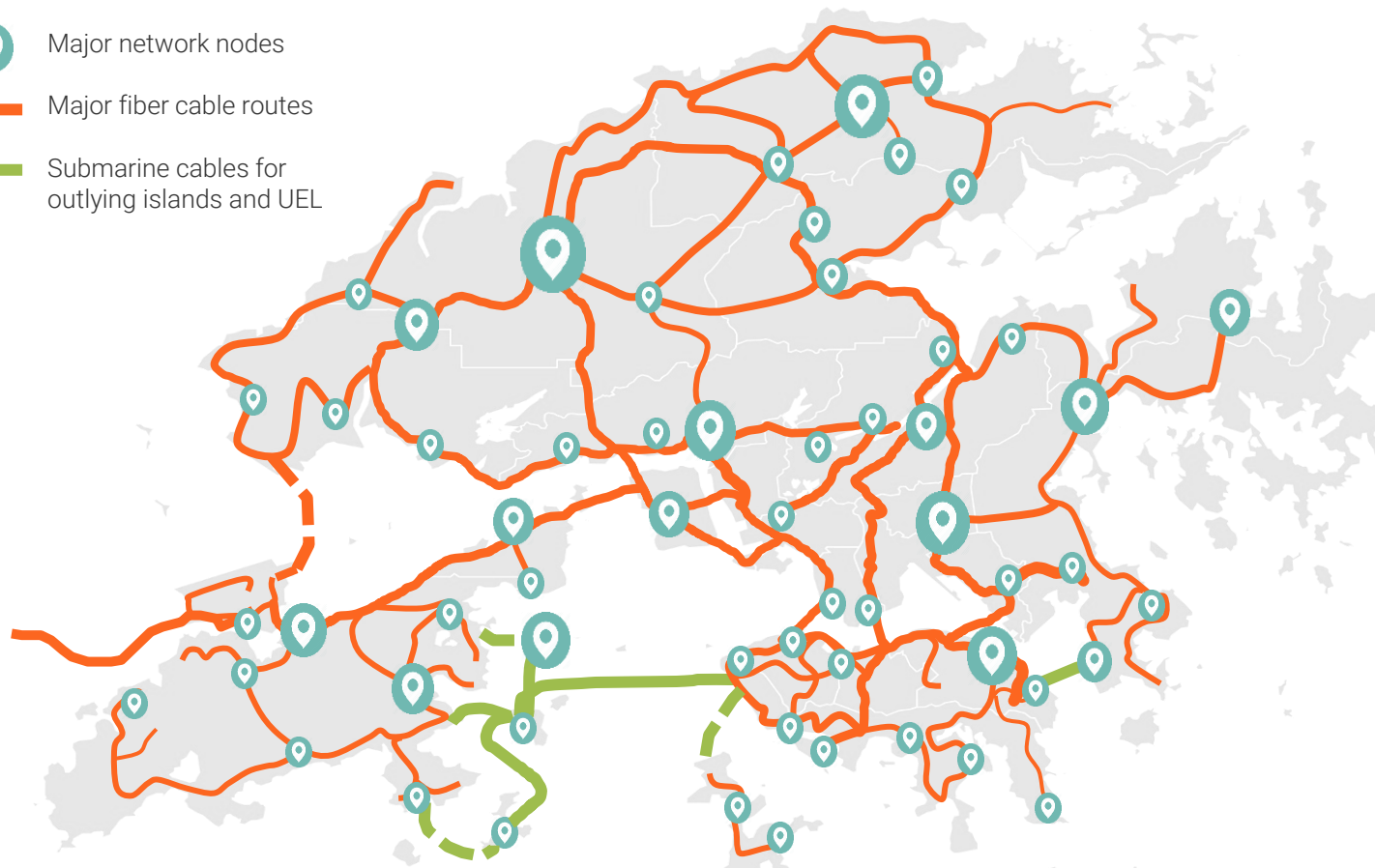
## Revenue

(US\$'M)



# Unrivaled Integrated Network Connecting People and Businesses

-  Major network nodes
-  Major fiber cable routes
-  Submarine cables for outlying islands and UEL

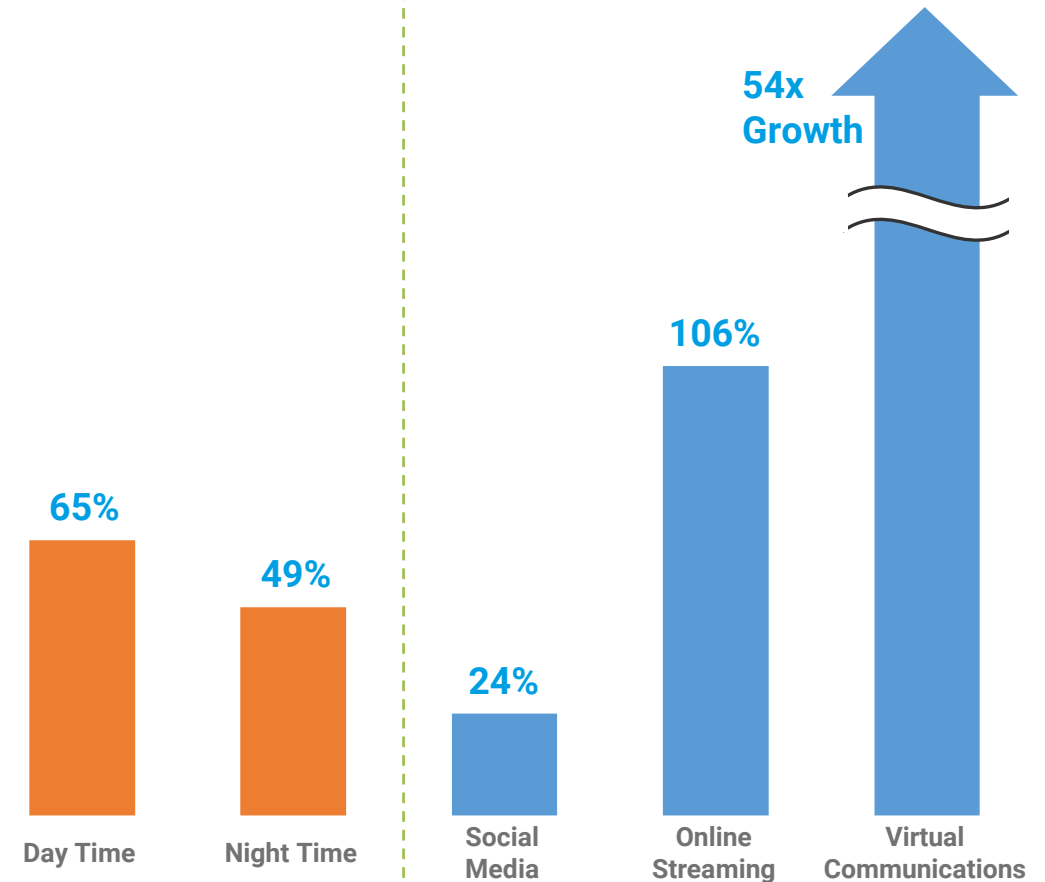


- **Most comprehensive coverage through FTTx, WTTx and over 3,000 mobile cell sites**
- **Extensive international connectivity**
- **Fixed, Broadband, Mobile and Now TV served by integrated network**

## Capacity and resilience to support the traffic surge in 2020

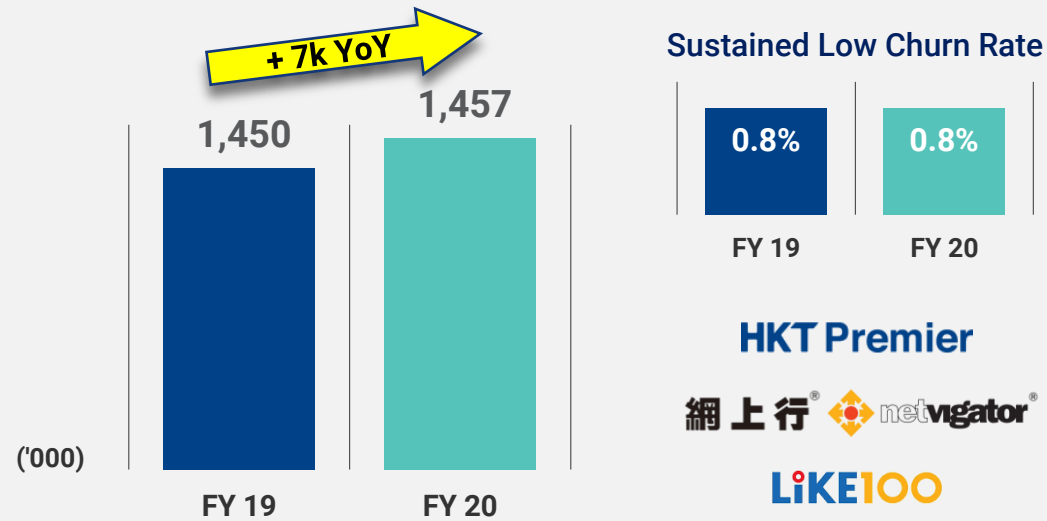
| Internet | Key Applications |
|----------|------------------|
|----------|------------------|

Growth in Bandwidth Demand (Dec 2020 vs. Jan 2020)



# Increasing Need for Connectivity at Home

## Encouraging Increase in Consumer Broadband Customers

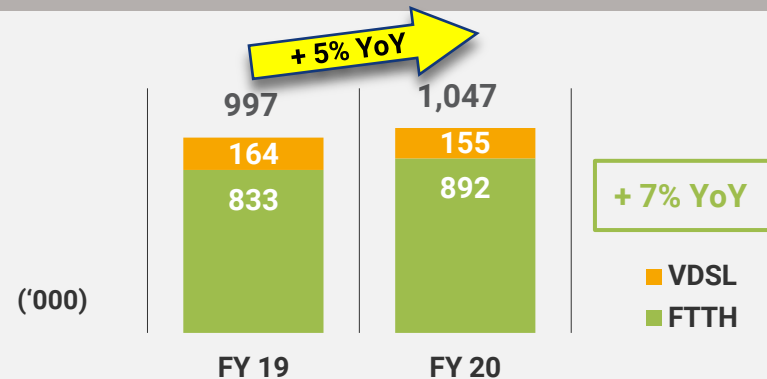


## B2B: Developers Responding to Demand for Connected Homes

- Preinstalling Smart Living solutions in new residential properties
- Secured over 140 residential projects with 64 property developers with TCV exceeding HK\$330 million since launch



## Continued Upgrades to FTTH Service



## B2C: Expanding Uptake of Home Wi-Fi Service

**21%**  
Penetration of Home Wi-Fi Solutions

**HK\$91**  
ARPU Uplift



# Trusted Partner for Enterprise Digital Transformation

Continued Successes in Digital Transformation Projects across Industry Verticals

## Smart Retail

CHOW TAI FOOK JEWELLERY GROUP

周大福珠寶集團

- Supporting rapid business expansion of Chow Tai Fook by providing a cost-effective, one-stop, managed SD-WAN solution with SLA monitoring to 4,000+ stores in mainland China
- Intelligent service app to enable timely service deployment and effective service life cycle management

## FinTech



- Developed mobile application, Fubon GO, for remote account opening with the use of eKYC application and the increasingly popular low-code application platform
- Exploring deployment of emerging technologies such as robotics process automation, cloud computing, chatbots and address master for digital transformation

## PropTech

*A landmark retail and office campus at the airport*

- Landmark campus comprising 3 office towers, 800 shops, and 120 dining concepts
- Delivering smart systems including footfall system, video analytics, IoT platform, digital directory and signage, together with ICT systems to empower this major integrated development

**HKT Enterprise Solutions secured new contracts with a total value of HK\$3.8 billion in 2020**



# HKT Advancing Hong Kong as a Smart City

## Smart City Infrastructure

- Establishing 5G Infrastructure in Hospitals to Enable Advanced Healthcare Applications
- Extending Fiber Networks to Remote Villages
- Providing Managed Wi-Fi Services for Government, NGOs

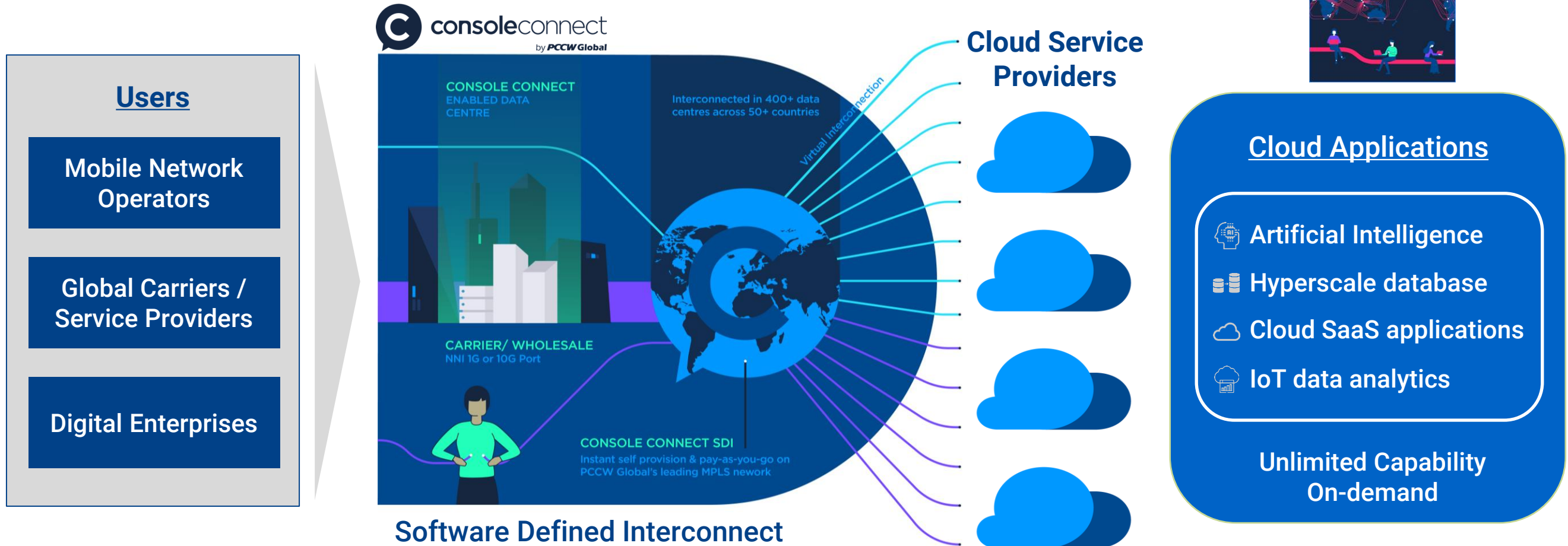
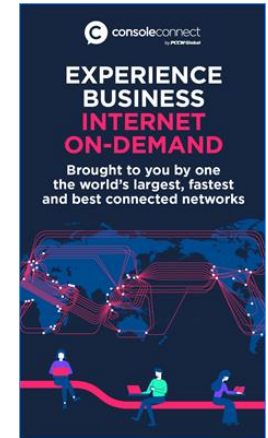
## Smart Mobility

- Delivering New Generation Smart Parking System for Transport Department
- Delivering Real-time Arrival Information System for Green Minibuses for Transport Department
- Conducting C-V2X (Cellular Vehicle-to-Everything) Field Trial on Public Roads in Shatin



# Network as a Service – From a Global Carrier to a Technology Company Providing Automated Network Connectivity

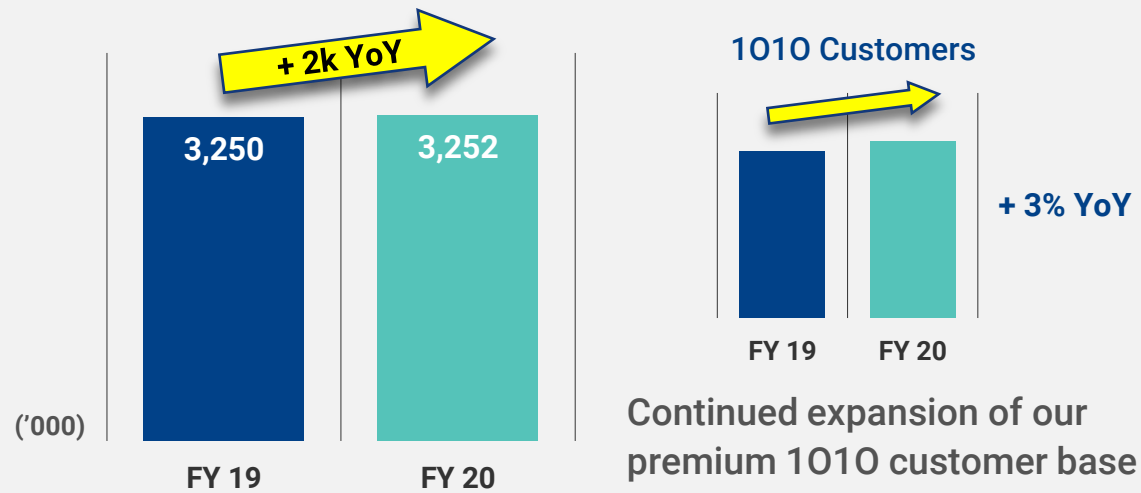
- COVID-19 and Digital Transformation driving work-from-home and geographic diversity, leading to increased global voice traffic and demands for cross-country connectivity between data centres, clouds and networks



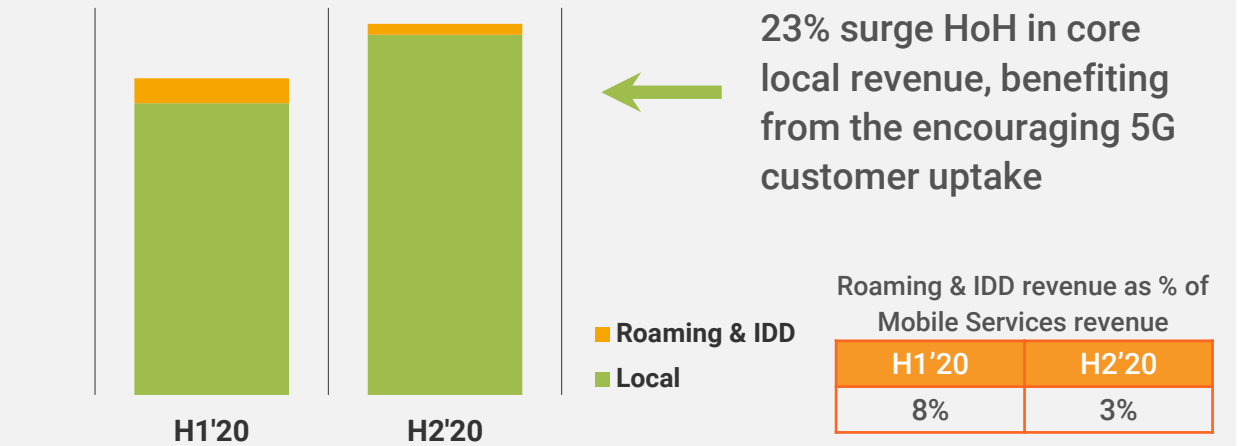
# Solidified Mobile Customer Base and Local ARPU



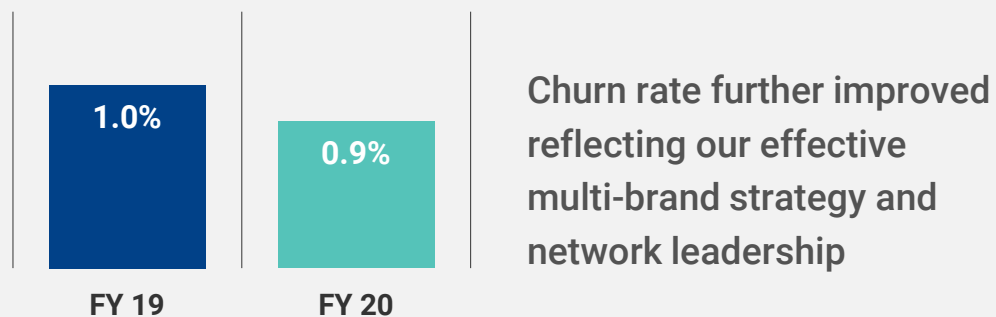
## Post-paid Customer Base



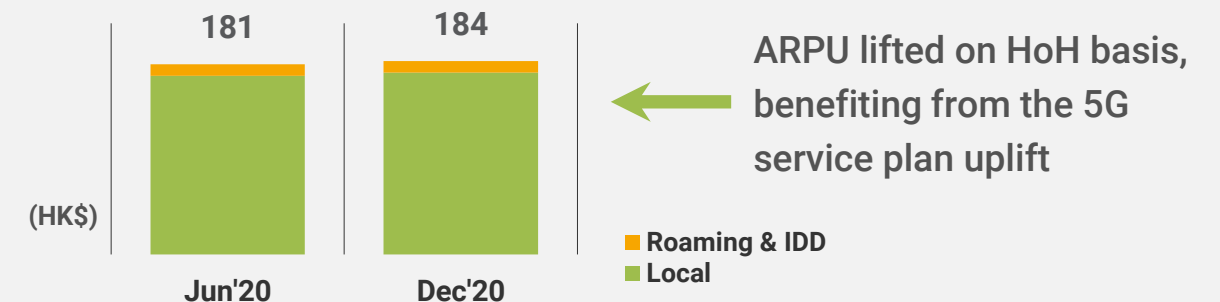
## Mobile Services Revenue



## Post-paid Churn Rate

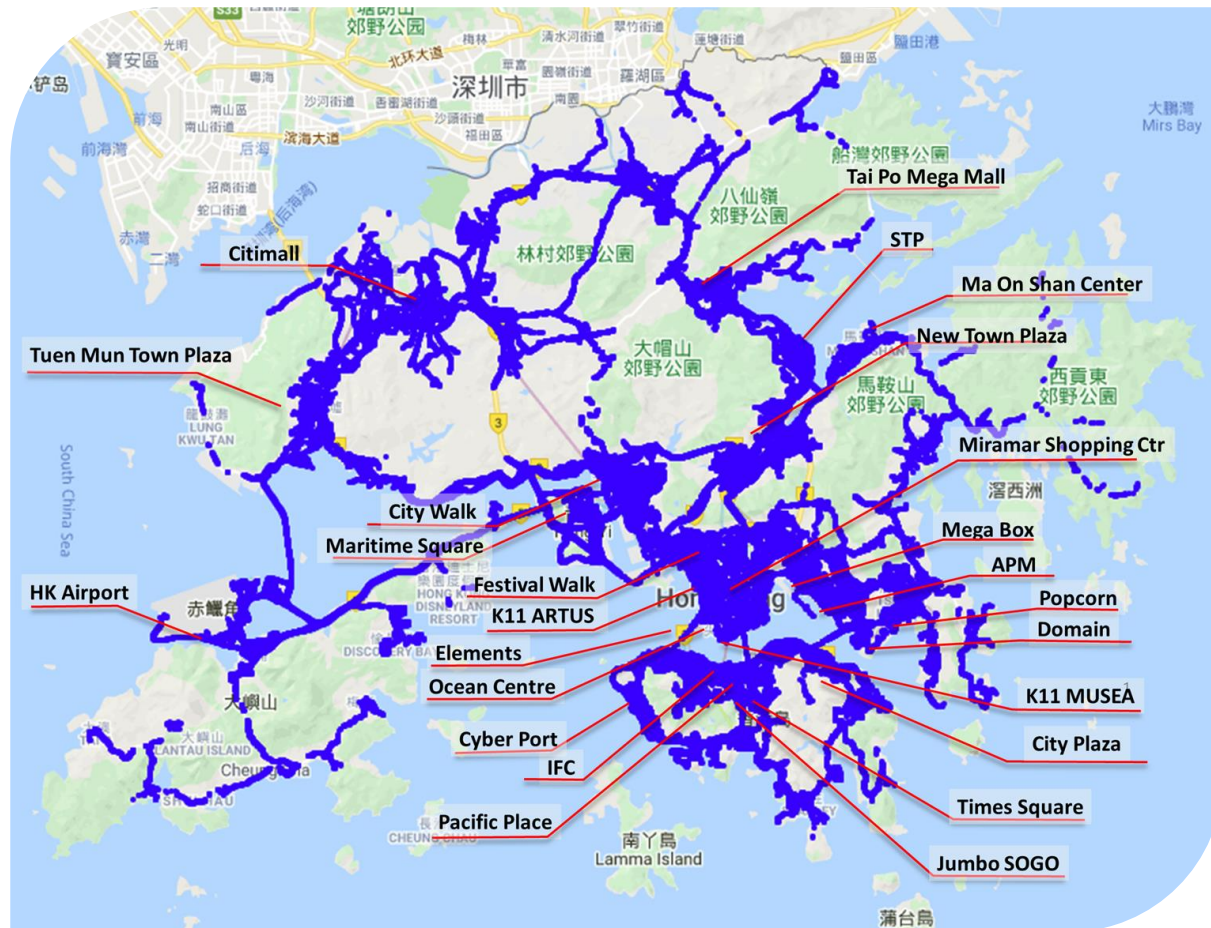


## Post-paid Exit ARPU

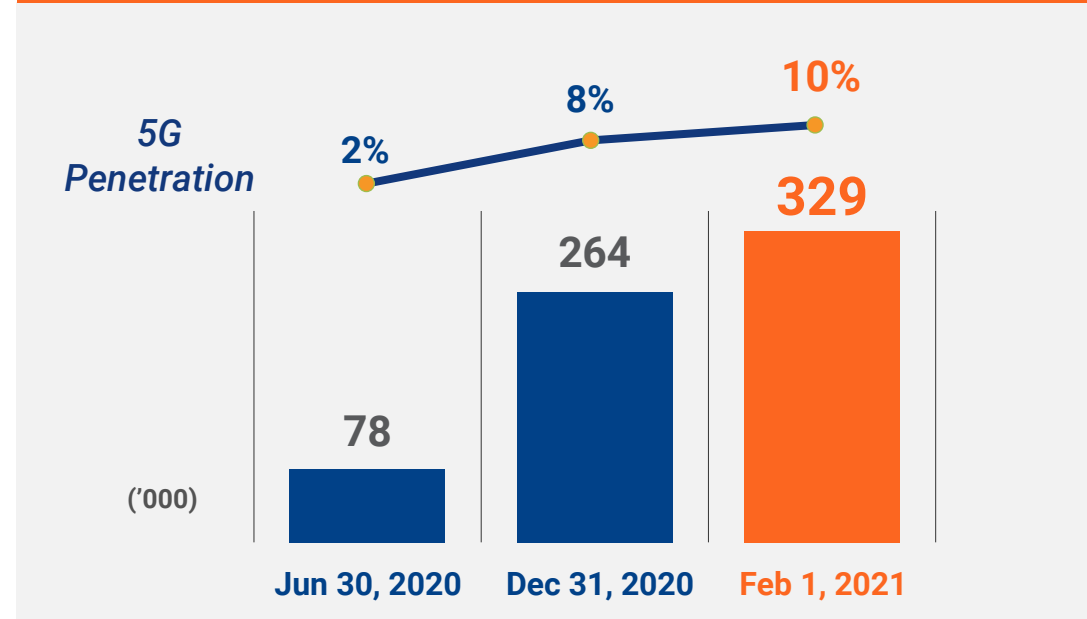


# 5G Rollout and Encouraging Adoption

- Comprehensive Outdoor and Extensive Indoor 5G Coverage
- 1<sup>st</sup> Operator to Provide Underground 5G Coverage along 6 Major MTR lines
- Only Operator Deploying Dedicated Spectrum for 5G in the MTR



## 5G Customer Uptake



**HK\$70**  
Plan Fee  
Uplift

# Driving 5G Adoption with Innovative Applications

Early Adopters – Technology Experts, Lifestyle Explorers, Heavy Gamers, TV Show Lovers and Sports Enthusiasts



## Augmented Reality (AR)



### csl. 5G Lens

A location based platform with AR gamification elements connecting consumers & merchants

- 118k Registered Users
- 790k+ Coupons Downloaded
- 120+ Merchant Partners



## Virtual Reality (VR)



### csl. 5G Multi Angle VR

A virtual platform for immersive, multi-angle and interactive user experience

#### K-Pop Music Shows



#### King Maker III Final: 360° HD Live and Multi-Angle Views



# Realizing 5G Opportunities in Enterprise and Public Sectors

Utilizing 5G Technology to Accelerate Digital Transformation



## Connected Healthcare



- Remote consultation
- Internet of Medical Things (IoMT)
- Robotics for patient care
- Smart glasses

### Contract Wins

- **5 Hospitals**
  - 5G infrastructure
  - Enabling 5G connected healthcare applications

## Smart Building



- Smart apps
- Energy savings
- IoT / robotics
- Artificial intelligence
- AR / VR

### Contract Wins

- **Henderson Land**
  - 6 shopping malls: Kolour Tsuen Wan I & II, Kolour Yuen Long, Shatin Centre, Shatin Plaza, Trend Plaza and Fanling Centre
- **Other Properties**
  - The Cloud
  - 206-212 Johnston Road

## Smart Construction



- 5G surveillance
- Robotics
- Drones
- IoT

### Contract Wins

- **Hip Hing Engineering**
  - Kai Tai Sports Park
- **China State Construction Engineering**
  - Residential site in Stanley
  - Residential site in Cheung Sha Wan

**Digital Transformation Solutions Enabled by 5G / IoT Applications**  
**Public Sector & Government | Utility Companies | Public Transportation**

**HKT's Leading 5G Infrastructure**

# Integrating Now TV to Provide the Only Seamless Quadplay Service in Hong Kong

- Revenue softened due to live sports suspension and slowdown in hospitality sector
- Rebound evident in H2 as live sports resumed:
  - Commercial team won back 14 hotels and office clients with 3,000+ screens
  - Advertising revenue increased 26% yoy, in particular a stronger growth of 33% yoy in Q4'20
  - Revenue of Now E, a streaming service which provides Asian, Hollywood and Sports content at flexible pricing such as day pass, pay-per-view for digital natives and mobile population, achieved a 33% yoy growth as a result of extended social distancing
- Stable EBITDA with improved margin, aided by content cost streamlining and enhanced operational efficiency

## Self-curated Now Branded Content



With local relevance to our Hong Kong audience

## New Home Screen



Personalized Home Screen for up to 5 users, plus recommendation engine to show trending programs for elevating the customer journey

## Viewable on Multiple Devices



One subscription supporting concurrent access for 3 devices (TV, tablets and smartphones)

## Now Sampler Pack for Broadband & Mobile Customers



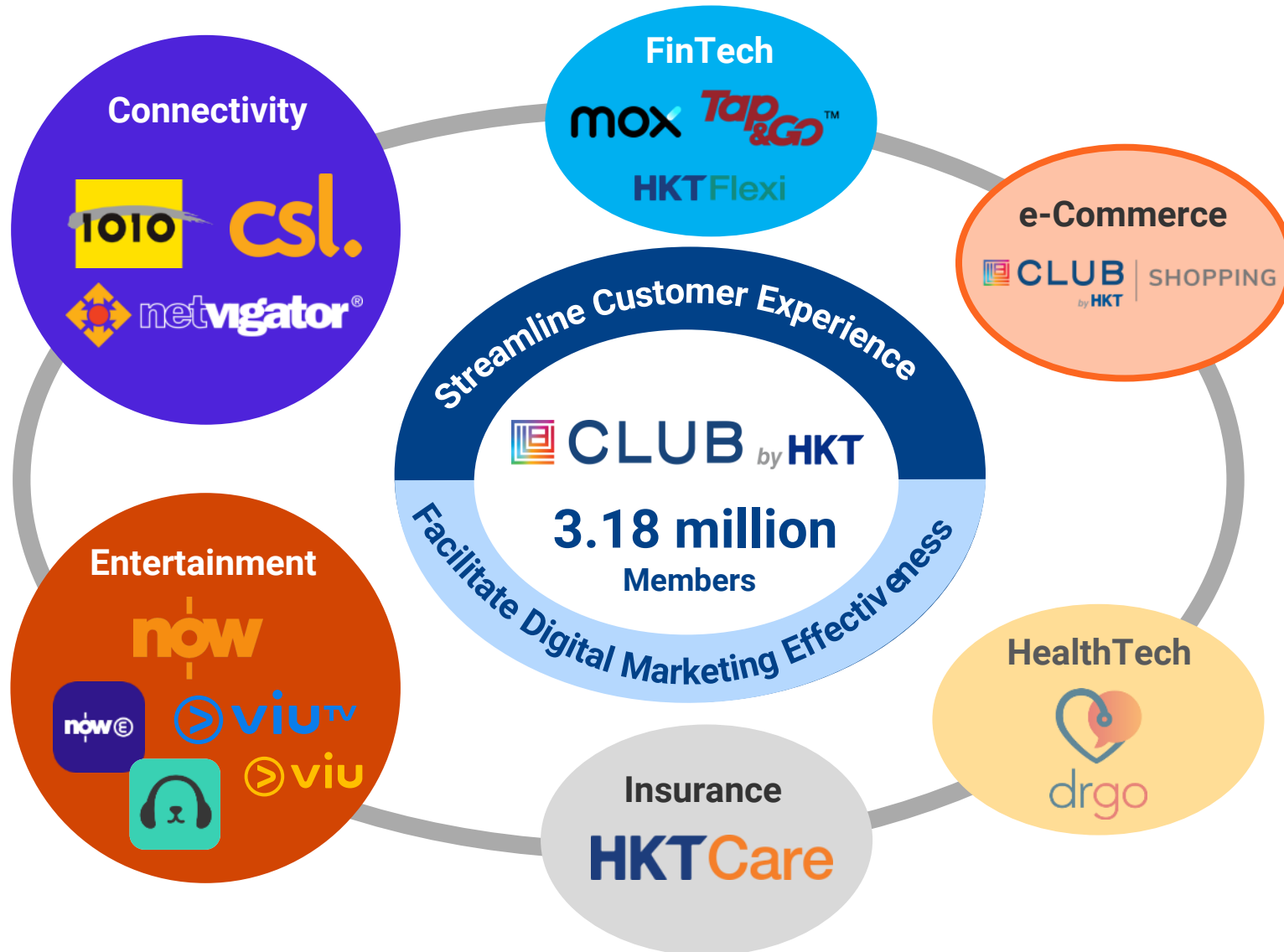
New Now Select & Now Family Packs to expand Now penetration and generate incremental revenue

## Earning Clubpoints



Reward and retain customers through The Club loyalty platform

# The Club – An Ecosystem-Centric Loyalty Platform



## Adapting to the New Normal in Retail



- HKT online channels (including Club Like, 1010, csl, NETVIGATOR and HKT Smart Living) were revamped into one single e-Commerce platform, **Club Shopping**
- This revamped e-Commerce platform has become a **digital extension of our physical retail channel**, which is important given that the pandemic has upended the retail industry
- Also a **sales distribution channel** for our merchant partners



## Merchant

Comprehensive e-Payment Solutions for Every Business Need

HKT's one-stop solution leveraging our established relationship with retailers

Single-Sign-up for Merchant Essentials



And more...

- 1,700+ (Dec 2020) Smart POS subscribed with increasing **retail chain clients**
- Transactions in 2020 vs 2019: +280%



## Consumer

Steady Growth of e-Wallet Engagement

Transactions continued to **grow due to our focus on online spending**

- 2.7M+ accounts as of Dec 2020
- Number of accounts and transactions outperformed market with YoY increases of 20% and 27% respectively (Q3 2020 vs Q3 2019)

Tap & Go wallet attracts **young, mobile-savvy online shoppers**

- 70% of users aged 15-35
- 75% of spending online

First of its kind - The only SVF with **HKT Flexi credit service**



Virtual Bank Joint Venture Broadens the Service Offerings of HKT



# HKT Pioneers Telemedicine in HK with DrGo

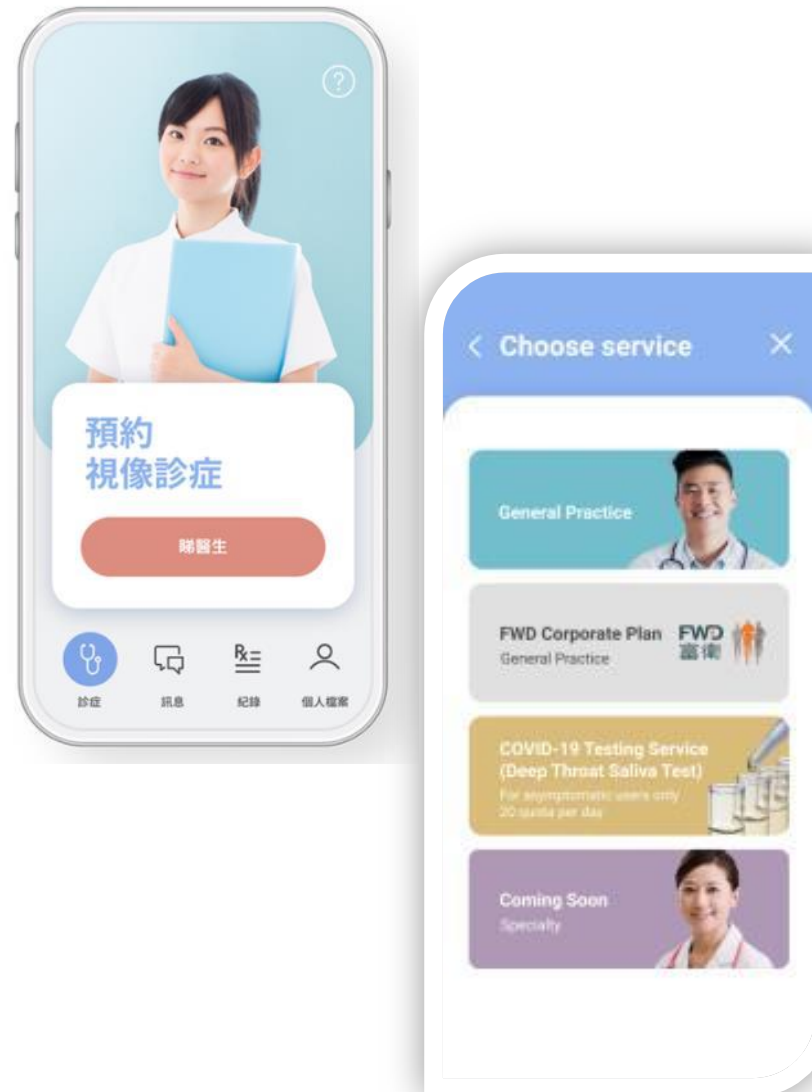
DrGo – the most comprehensive end-to-end telemedicine service in Hong Kong

## Customer Engagement to Drive Awareness & Registration

- Registered Users: 88k as of Dec 2020
- Adding partners to the ecosystem, including FWD, AIA, medical partners and other health services

## Partnership Approach to Drive Consultations

- Launched 5G csl mobile plan with DrGo service for additional HK\$28-88/month and with FWD MAX loyalty program
- Prime telemedicine partner of FWD and AIA



## Service Portfolio Extension

- DrGo online health store to be launched in Feb 2021
- Expanding service scope from general practice only to include specialty, dietary management, Chinese medicine and chronic disease management in Q1 2021

## Medical Network Onboarding

- Initial partnership with Gleneagles Hospital
- New partnership with Precious Blood Hospital
- Extended to medical service networks including Union Medical Healthcare (UMH) and Quality HealthCare Medical Services (QHMS)

# Community Support amid COVID-19

Free SIM and handset rental for elderly nursing homes

SIM support for HKJC free data for students

Tablets / laptop donation to students

Free Now E service for all Hong Kong people

SIM for Love mobile data donation campaign

Club Hope online CSR platform

DrGo - free services for low income families

JAN 2020

FEB

MAR

APR

MAY

JUN

JUL

AUG

SEP

OCT

NOV

DEC

JAN 2021

FEB

For CSL /1010 Customers

- One-month free Now E Entertainment Combo
- Extra 3GB data
- Complimentary hand sanitizer and mask holders

Collection of masks etc. for donation

Cash donations to Hospital Authority and other charity causes

DrGo launch

Broadband support for students in subdivided flats

Free smartphones and data for the elderly

- Smart BIZ LINE ON-THE-GO service for free to enterprises and SMBs
- Complimentary Microsoft Teams enablement
- Special offers to SMBs to subscribe HKT x Office 365

- Free e-learning platforms to parents and schools

Various initiatives to support the immediate and longer-term needs of students, the elderly, low income families and other segments, as well as providing assistance to businesses

# Highlights

**1 Stability and resilience** – HKT’s strong fundamentals and agility enabled us to respond quickly to challenges and opportunities and operate without interruptions



**2 Growth potential** – huge potential for 5G consumer adoption and 5G enterprise applications as well as urgent need for enterprises to transform digitally to stay competitive



**3 Value creation** – continue to expand our digital ecosystem comprising constantly growing bases of customers, merchants and partners, emphasizing e-Commerce, FinTech and telemedicine



# Financial Review

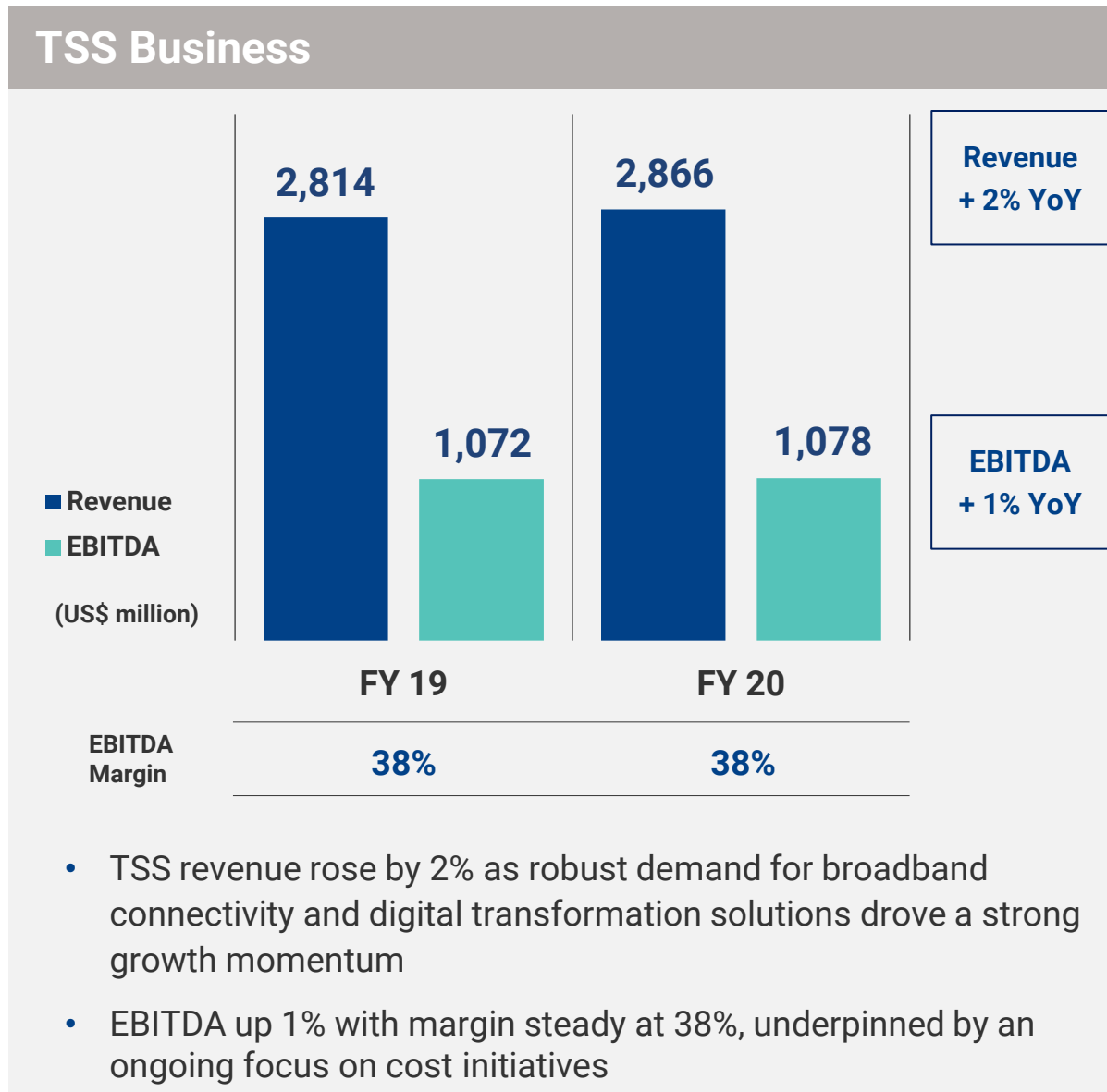
**Evan Wong**  
**Chief Financial Officer**



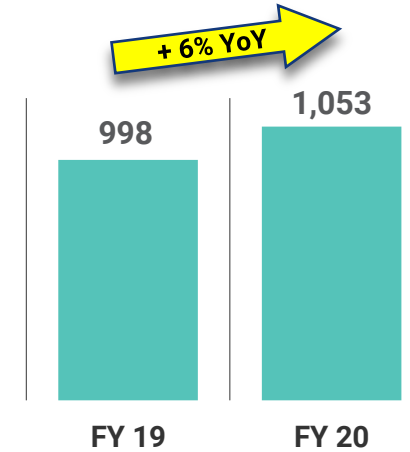
# HKT Delivered Resilient Financial Performance Underpinned by Broadband and Enterprise Businesses

| (US\$ million)  | FY 19        | FY 20        | % Change    |
|---|--------------|--------------|-------------|
| <b>Adjusted Funds Flow</b>                            | <b>683</b>   | <b>690</b>   | <b>+ 1%</b> |
| <b>Revenue</b> (excluding Mobile Product Sales)       | <b>3,808</b> | <b>3,818</b> | <b>—</b>    |
| <b>Revenue</b>  | <b>4,244</b> | <b>4,152</b> | <b>(2)%</b> |
| <b>EBITDA</b>   | <b>1,643</b> | <b>1,606</b> | <b>(2)%</b> |
| <i>EBITDA Margin (excluding Mobile Product Sales)</i> | 43%          | 42%          |             |
| <i>Overall EBITDA Margin</i>                          | 39%          | 39%          |             |
| <b>Profit</b>   |              |              |             |
| Attributable to Holders of Share Stapled Units        | <b>669</b>   | <b>680</b>   | <b>+ 2%</b> |

# TSS Benefited from Business Resilience and Diversity

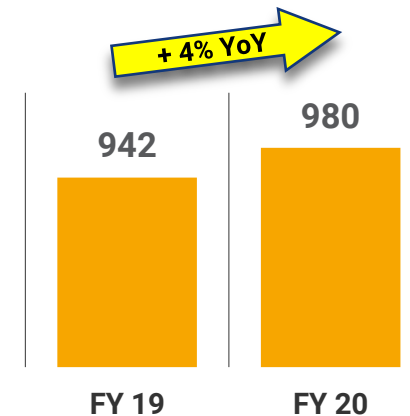


## Broadband Network & Local Data Revenue



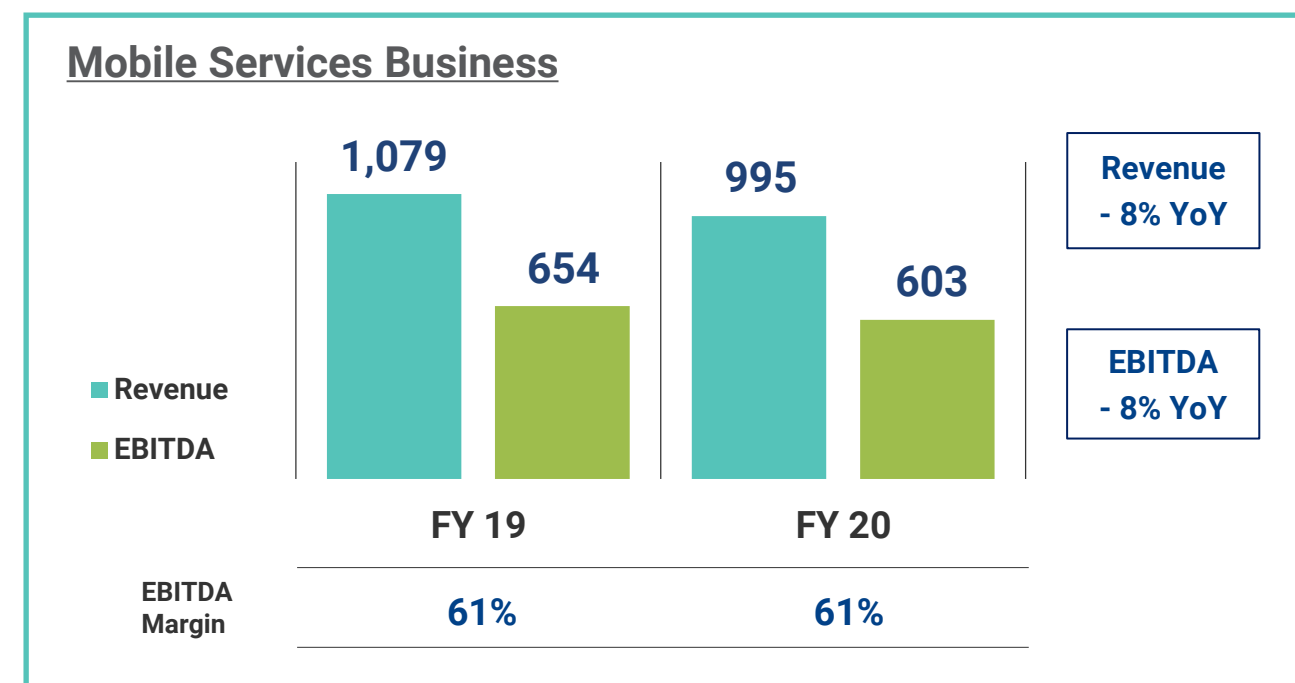
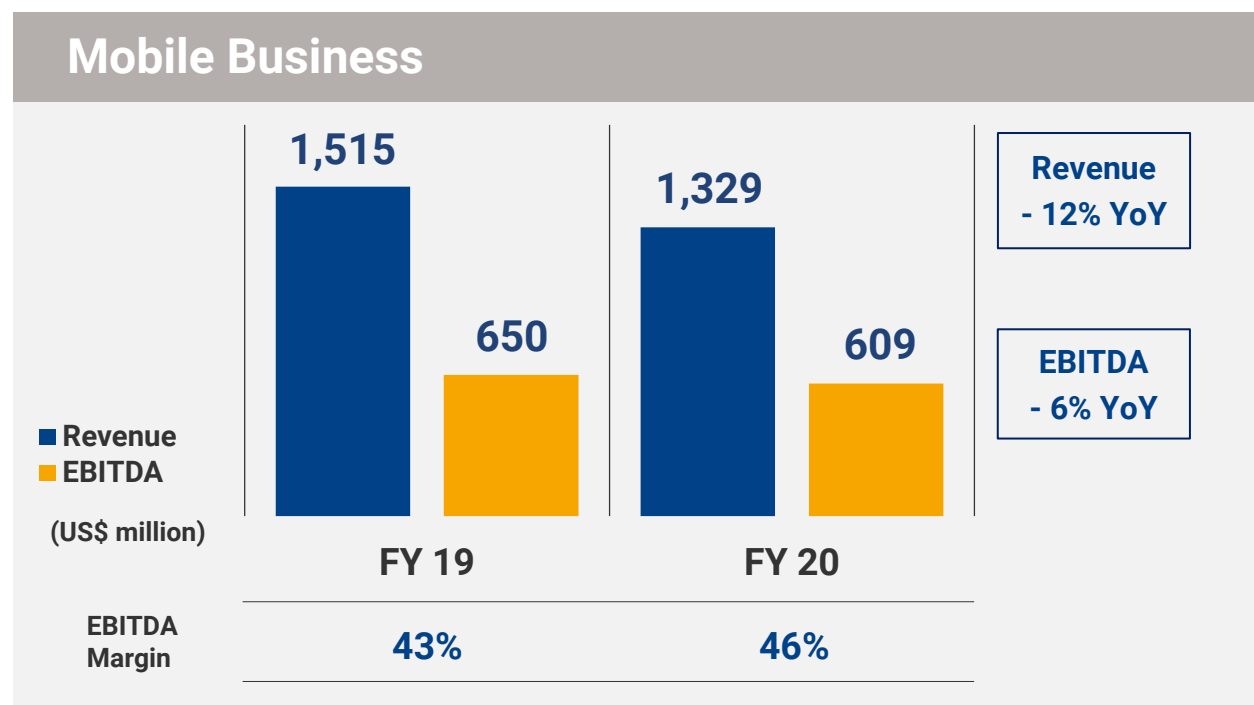
- Boom in demand for high-quality and reliable broadband and home Wi-Fi solutions
- Remote office led to higher bandwidth requirement for business continuity
- Digital transformation and smart city initiatives

## International Telecommunications Revenue

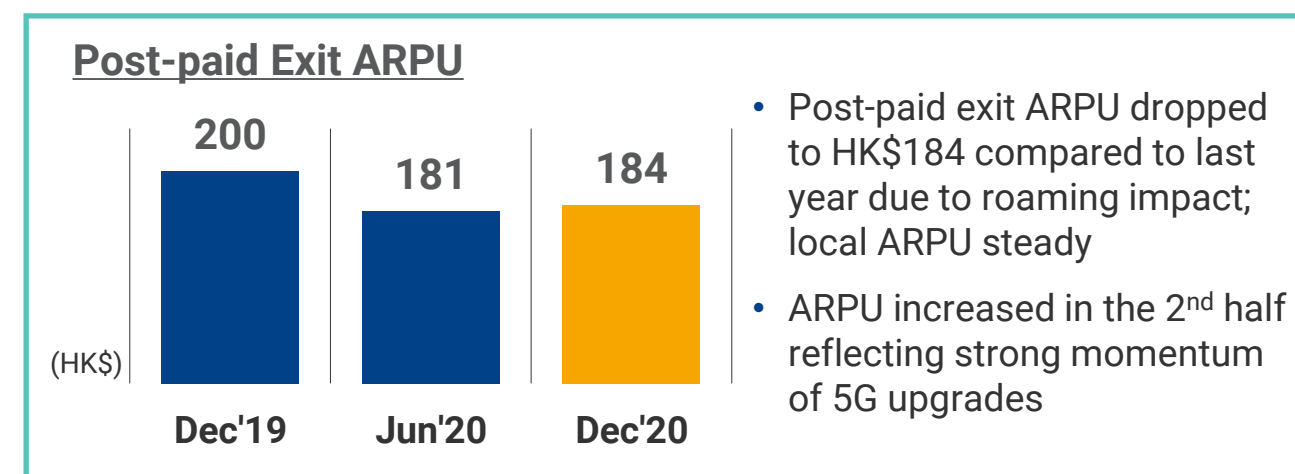


- Higher revenue from international voice wholesale business
- Greater demand for data connectivity services induced by global lockdowns

# Mobile Showing Early Benefits of 5G



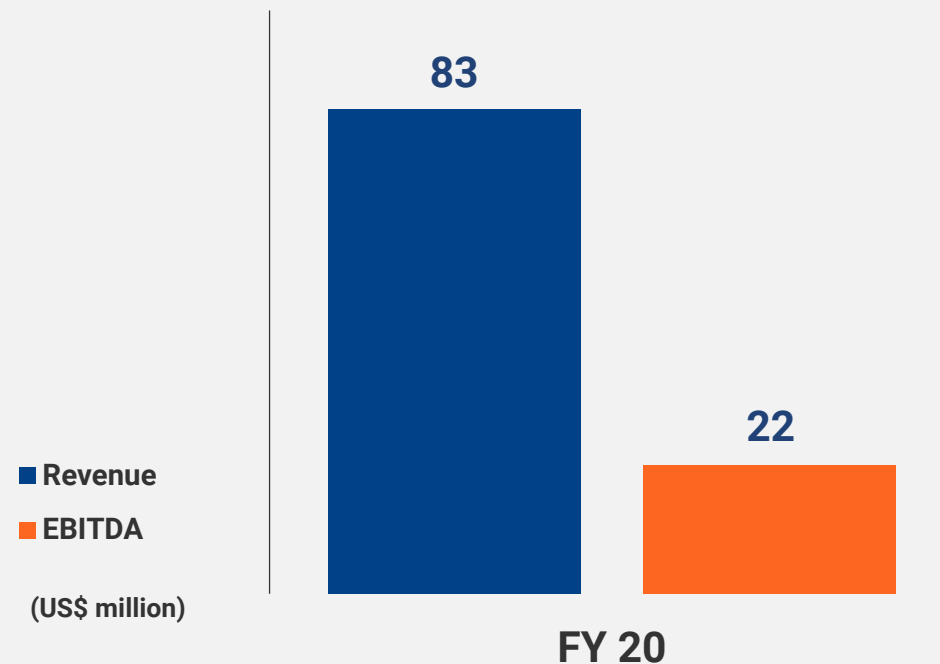
- Mobile Services revenue fell by 8% impacted by the slump in roaming revenue due to the global travel restrictions
- Local Mobile services revenue steady reflecting the benefits of customers upgrading to 5G plans which compensated for continued price competition in the low-end segment
- Lower Mobile product sales impacted by gloomy consumer sentiment and limited choice of 5G handsets





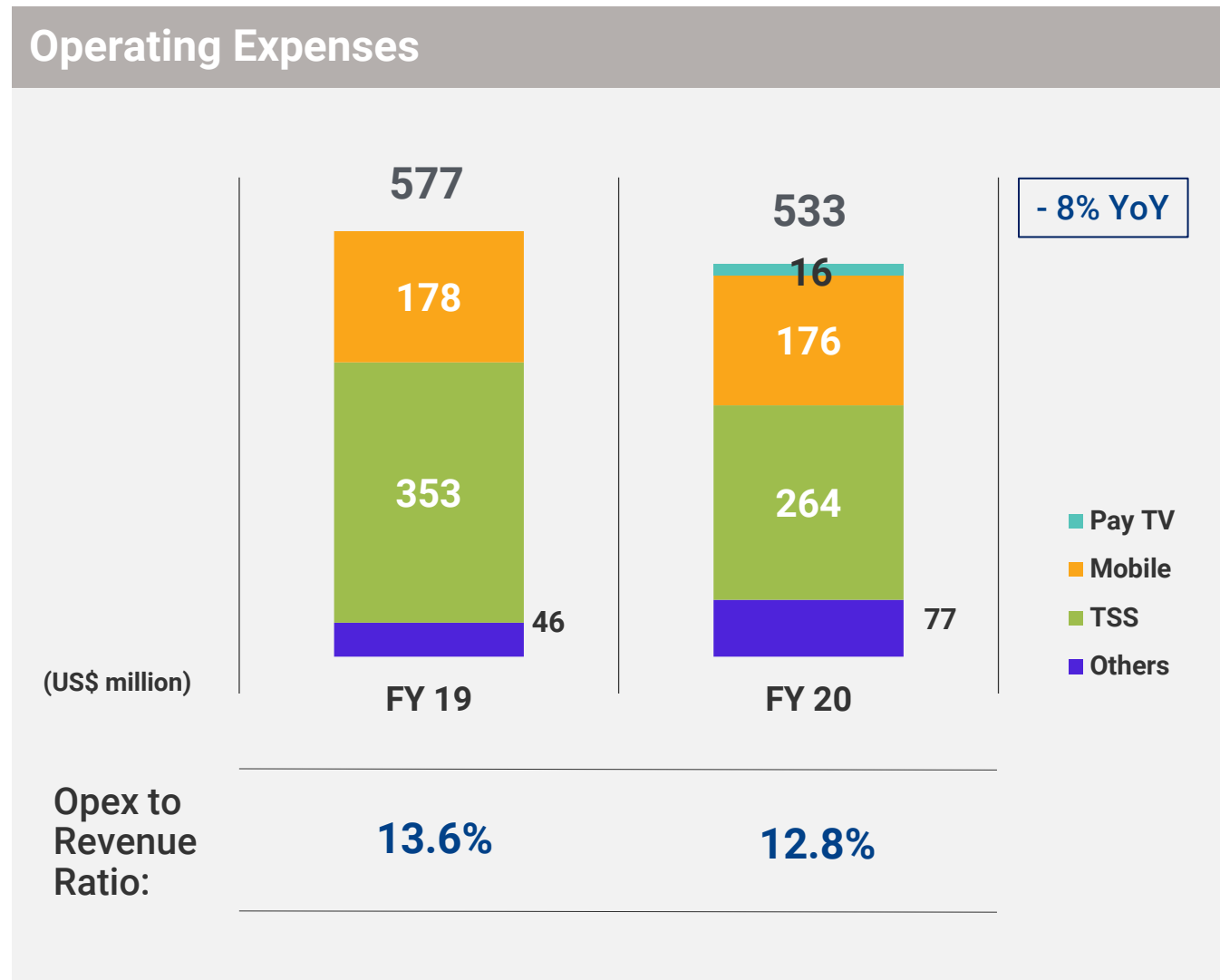
# Pay TV Integrating into HKT

## Now TV Business



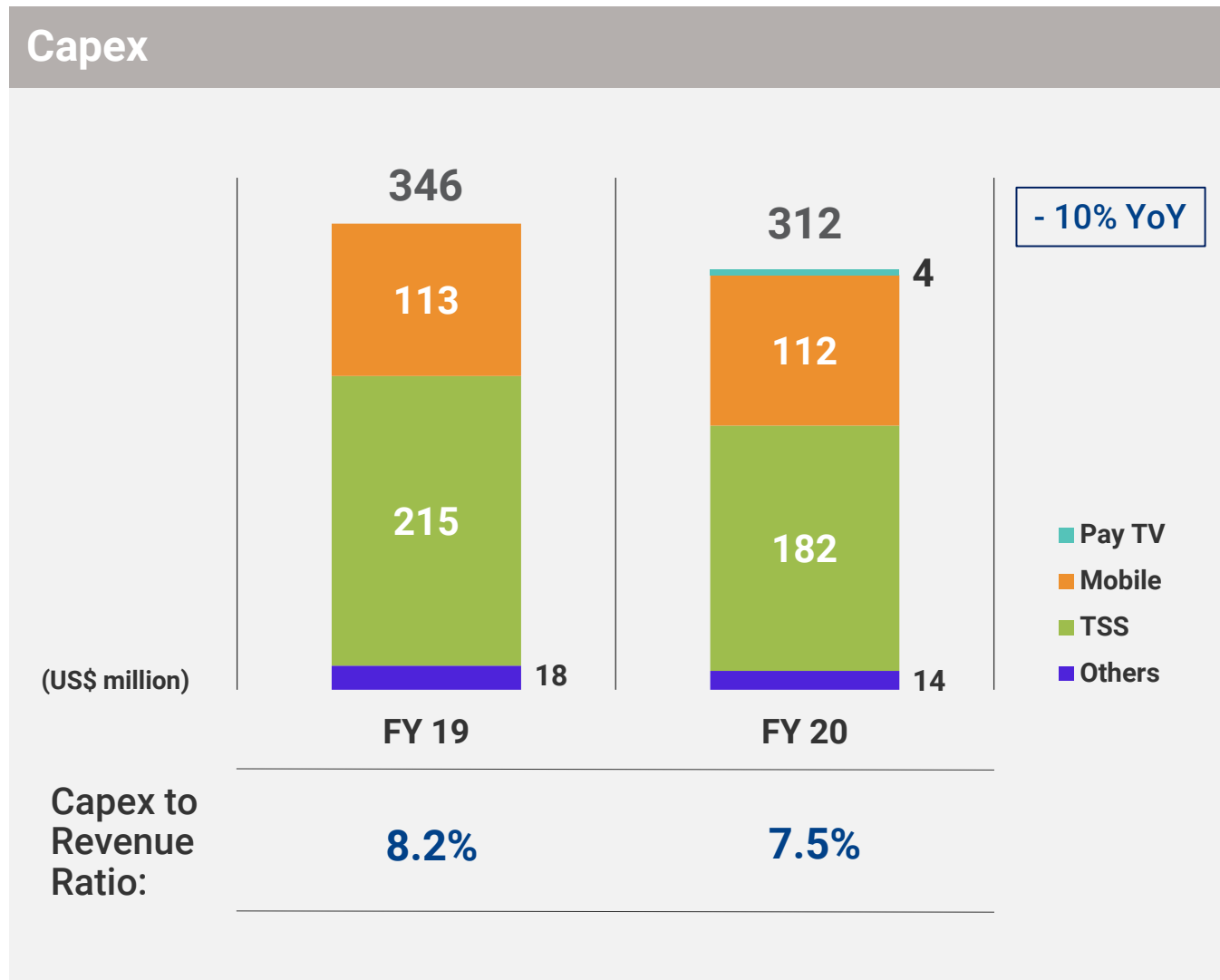
- FY 20 consolidated 3 months of Now TV results since October 2020
- Now TV generated revenue of US\$83 million and EBITDA of US\$22 million in the 4<sup>th</sup> quarter of 2020
- Installed base of 1.348 million as at December 2020
- Expected to achieve further operation and marketing synergies with full year contribution in 2021 onwards

# Stringent Cost Control to Counter Challenging Market Conditions



- Opex savings of 8% in FY 20, with opex to revenue ratio further improving to 12.8%
- Continued focus on improving efficiencies for both TSS and Mobile businesses
- Key initiatives include digitizing business processes to improve operational efficiencies and optimizing online-to-offline sales channels to enhance distribution efficiency as well as reduced spending on publicity and promotions

# Disciplined Capital Investments for Future Growth



- Disciplined capital investments with capex to revenue ratio of 7.5%, within stated guidance
- Mobile capex spend contained despite full 5G network rollout
- Lower TSS capex benefiting from the extensive coverage of local fiber backbone and international cable investments made in past years

# Adjusted Funds Flow

| (US\$ million)  | FY 19        | FY 20        | YoY<br>Better/ (Worse) |
|---|--------------|--------------|------------------------|
| <b>EBITDA</b>   | <b>1,643</b> | <b>1,606</b> | <b>(2)%</b>            |
| Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees: |              |              |                        |
| Capital expenditures  | (339)        | (305)        |                        |
| Customer acquisition costs and licence fees   | (153)        | (171)        |                        |
| Fulfillment costs   | (63)         | (66)         |                        |
| Right-of-use assets   | (211)        | (204)        |                        |
| <b>Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital</b>   | <b>877</b>   | <b>860</b>   | <b>(2)%</b>            |
| Adjusted for:   |              |              |                        |
| Net finance costs paid  | (114)        | (96)         |                        |
| Tax payment   | (24)         | (66)         |                        |
| Changes in working capital  | (56)         | (8)          |                        |
| <b>Adjusted Funds Flow for the year</b>   | <b>683</b>   | <b>690</b>   | <b>1%</b>              |
| <b>Adjusted Funds Flow per Share Stapled Unit (HK cents)</b>  | <b>70.38</b> | <b>71.07</b> |                        |
| Interim Distribution (HK cents)   | 30.01        | 30.10        |                        |
| Final Distribution (HK cents)   | 40.37        | <b>40.97</b> |                        |
| <b>Total Distribution for the year per Share Stapled Unit (HK cents)</b>                            | <b>70.38</b> | <b>71.07</b> | <b>1%</b>              |

# Income Statement

| (US\$ million)                           | FY 19          | FY 20          | YoY<br>Better/(Worse) |
|--|----------------|----------------|-----------------------|
| <b>Revenue</b>                           | <b>4,244</b>   | <b>4,152</b>   | <b>(2)%</b>           |
| Revenue (excluding Mobile Product Sales) | 3,808          | 3,818          | —                     |
| <b>Cost of sales</b>                     | <b>(2,024)</b> | <b>(2,013)</b> | <b>1%</b>             |
| <b>Opex</b>                              | <b>(577)</b>   | <b>(533)</b>   | <b>8%</b>             |
| <b>EBITDA</b>                            | <b>1,643</b>   | <b>1,606</b>   | <b>(2)%</b>           |
| Depreciation & amortization expenses     | (657)          | (685)          |                       |
| Net other gains                          | —              | 46             |                       |
| Net finance costs                        | (176)          | (166)          |                       |
| Share of results of associates & JVs     | (6)            | (10)           |                       |
| <b>Profit before income tax</b>          | <b>804</b>     | <b>791</b>     |                       |
| Income tax                               | (133)          | (109)          |                       |
| <i>Effective tax rate</i>                | 16.5%          | 13.8%          |                       |
| <b>Profit for the year</b>               | <b>671</b>     | <b>682</b>     |                       |
| Attributable to:                         |                |                |                       |
| <b>  Holders of Share Stapled Units</b>  | <b>669</b>     | <b>680</b>     | <b>2%</b>             |
| <b>  Non-controlling interests</b>       | <b>2</b>       | <b>2</b>       |                       |

# Solid Financial Position

## Investment Grade Credit Ratings

| (US\$ million)                             | As of Dec 2019 | As of Dec 2020 |
|--|----------------|----------------|
| <b>Gross Debt</b> <sup>(1)</sup>           | <b>5,220</b>   | <b>5,448</b>   |
| <b>Gross Debt to EBITDA</b> <sup>(2)</sup> | <b>3.18x</b>   | <b>3.39x</b>   |
| <b>Cash Balance</b> <sup>(3)</sup>         | <b>372</b>     | <b>337</b>     |
| <b>Undrawn Facilities</b>                  | <b>1,178</b>   | <b>1,163</b>   |
| <b>Total</b>                               | <b>1,550</b>   | <b>1,500</b>   |

**BBB/Baa2  
Investment  
Grade Rating**

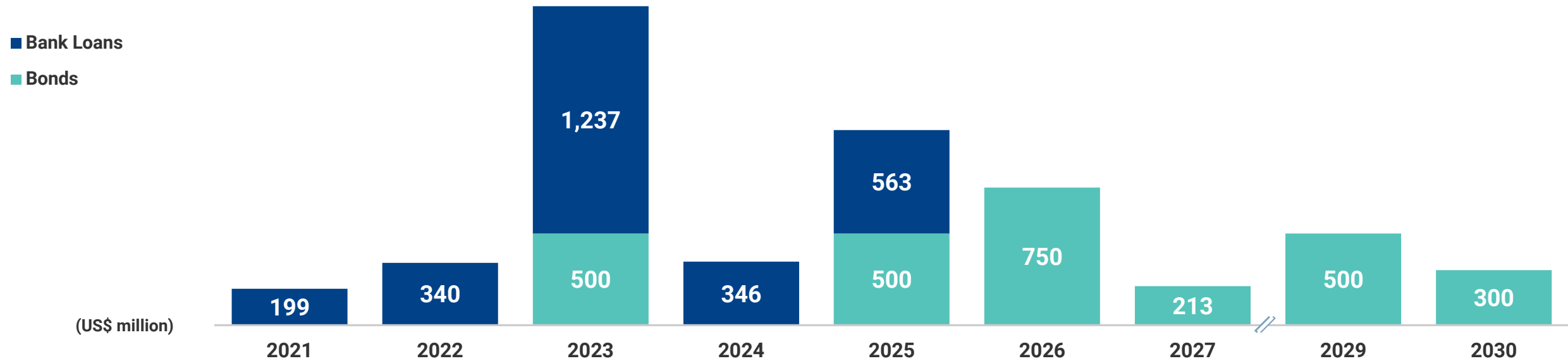
(1) Gross debt refers to the principal amount of short-term and long-term borrowings

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

(3) Including short-term deposits

# Debt Maturity Profile

As of December 31, 2020



- Current mix of floating and fixed rate debt is approx. 40:60
- Effective interest rate was approx. 2.9% in FY 2020
- Average maturity was approx. 4 years
- Arrangement has already been put in place to refinance the debt that matures in early 2021

# Highlights

**1 Stability and resilience** – HKT’s strong fundamentals and agility enabled us to respond quickly to challenges and opportunities and operate without interruptions



**2 Growth potential** – huge potential for 5G consumer adoption and 5G enterprise applications as well as urgent need for enterprises to transform digitally to stay competitive



**3 Value creation** – continue to expand our digital ecosystem comprising constantly growing bases of customers, merchants and partners, emphasizing e-Commerce, FinTech and telemedicine

