



HKT

2022 Annual Results

For the year ended 31 December 2022

23 February 2023 – Hong Kong

a **PCCW** Group member

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



Resilient Performance Amidst Challenging Environment

Total Revenue

4,375 **Steady**

3,910 **+ 2% YoY**
(excluding Mobile Product Sales)

(US\$ million)

Total EBITDA

1,675 **+ 3% YoY**

(US\$ million)

Adjusted Funds Flow

724 **+ 2.4% YoY**

(US\$ million)

HK cents	FY 22
Interim Distribution	31.36
Final Distribution	43.15
Total Distribution	74.51

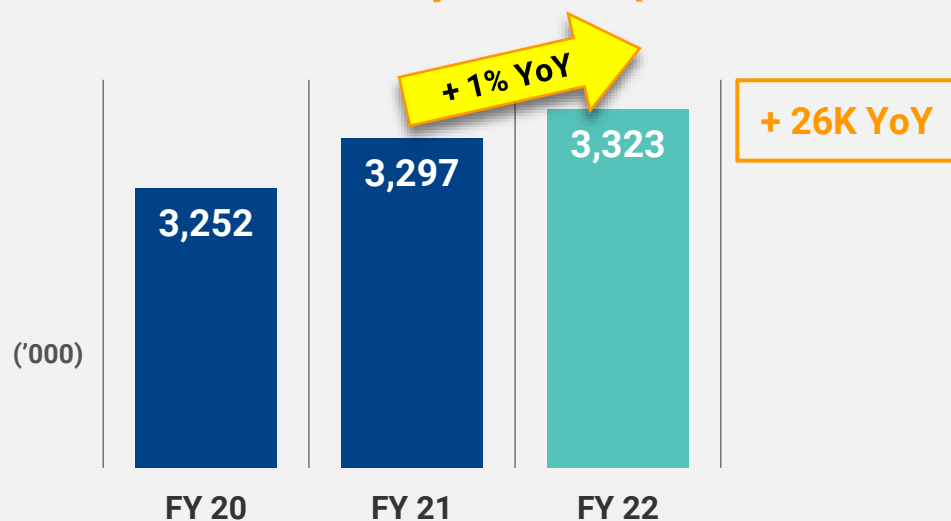
Total Distribution per SSU

74.51 HK cents
+ 2.4% YoY

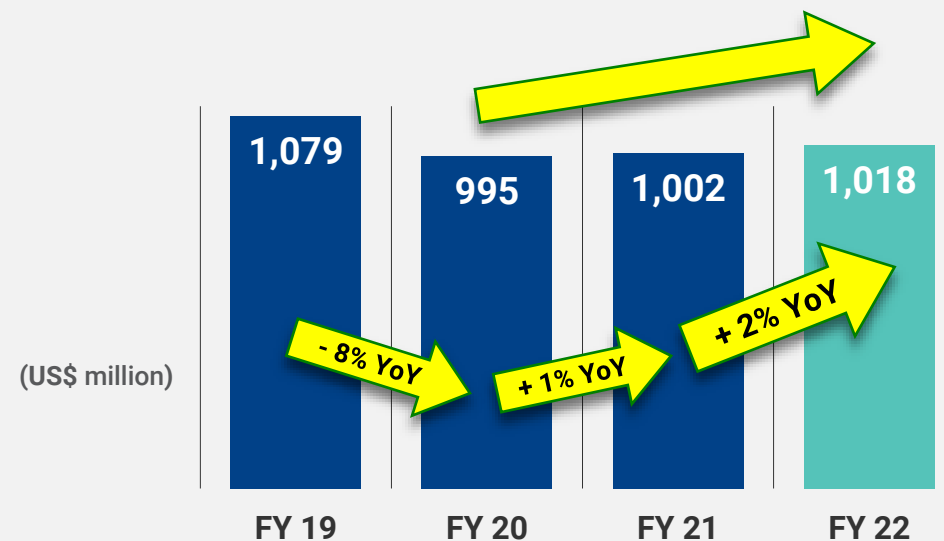
Dividend Yield
7.21%*

Loyal Mobile Customer Base from Quality Service

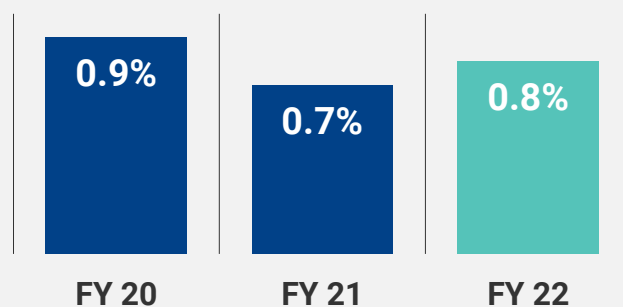
Expanded Post-paid Customer Base Amidst Soft Economy and Competition



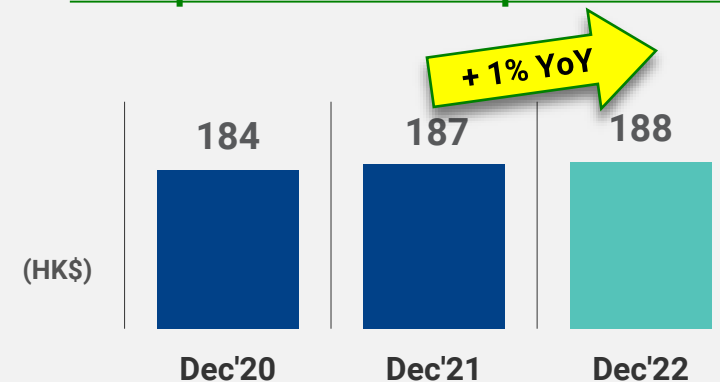
Travel Resumption Catalyst for Future Revenue Growth



Post-paid Churn Rate



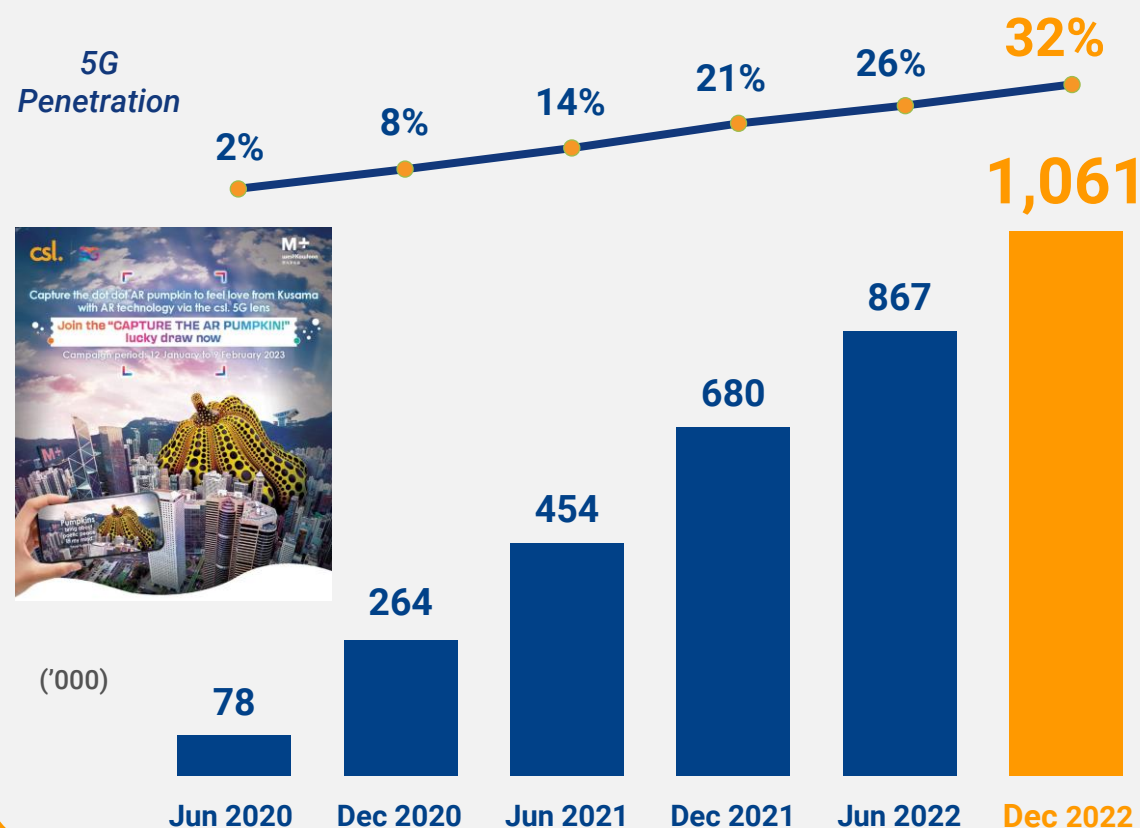
Post-paid Exit ARPU Uplift from 5G



Twin Growth Engines for Mobile

Deepening 5G Adoption

5G customers increased to 1.06 million, surpassing our year-end target and representing 32% of our post-paid base



Return of Roaming

- As borders reopened, roaming usage rebounded in Q4 by 41% from Q3
- New 5G roaming packages for HK travellers as all borders fully reopened
- Customised to cater for distinct types of user groups, from pay-as-you-go, pre-purchase day pass packages to monthly plans
- Expect roaming revenue to rebound significantly in 2023



China-HK-Macau Plan



Pre-purchase Day Pass



ABC VAS

Futurera – Ready to Capture Emerging Opportunities in the Metaverse

- Partnered with The Sandbox to establish Futurera, our unique space in the metaverse
- Offers variety of interactive games, including those inspired by popular ViuTV show “Be ON Game”
- Established The Metaverse Academy to provide training through gamification and prepare users for future Web3.0 applications
- Continue to explore e-commerce, live entertainment, remote learning and other opportunities for both consumers and enterprises within the metaverse



Leading 5G Network in Hong Kong

- Completed territory-wide 5G coverage in 2022
- Further enhanced indoor 5G performance and customer experience
- Continue to improve 5G network with additional 5G spectrum and technology upgrades
- Improve efficiency in network operations to reduce energy consumption



700MHz Rollout to Enhance Deep Indoor and Rural Coverage



- Deep coverage of indoor locations, extended coverage in rural areas
- 4x4 MIMO to boost data speed with multiple data stream transmission

Continuous Enhancements for Indoor Traffic Hotspots



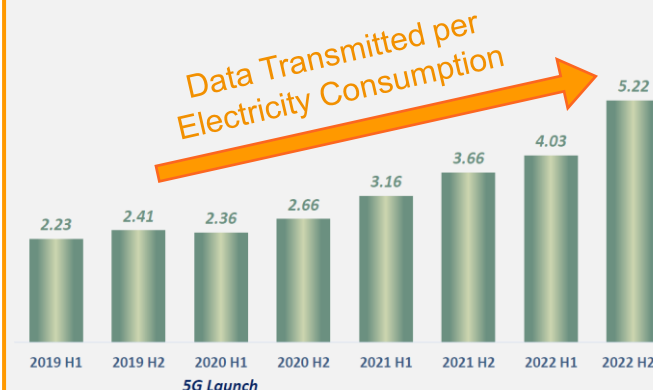
- Adding indoor systems and lamp site solutions to improve coverage and enhance capacity at major shopping malls, hospitals and key F&B chains

Dual C-Band M-MIMO Base-stations for Busy Areas



- Single equipment for two bands: Doubling speed, doubling capacity
- 1st operator using this solution to suit unique site conditions in Hong Kong

Improvements in Network for Better Energy Efficiency



- Energy efficiency gains from network operations, including improved cell site architecture enabling network design optimization, use of solar panels and natural cooling

HKT Services Powered by 100G+ Carrier Grade Network Infrastructure

- Only operator that can provide 10Gbps symmetric PON-based broadband services territory-wide
- Supports flexible plans ranging from 2x1Gbps / 4x1Gbps / 2.5Gbps / 10Gbps symmetric services
- Extended fibre coverage to villages, new estates and outlying islands to support high speed broadband and mobile backhaul for 5G service

Terabit (1000G) IP Backbone

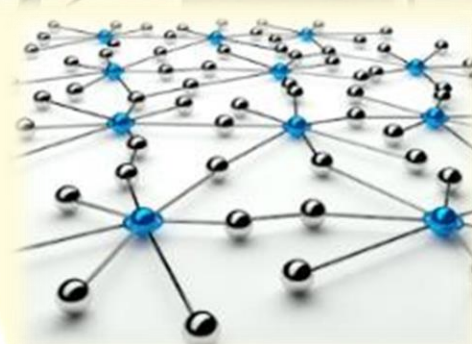


Core Network



400G+ interconnect trunks

Access Network

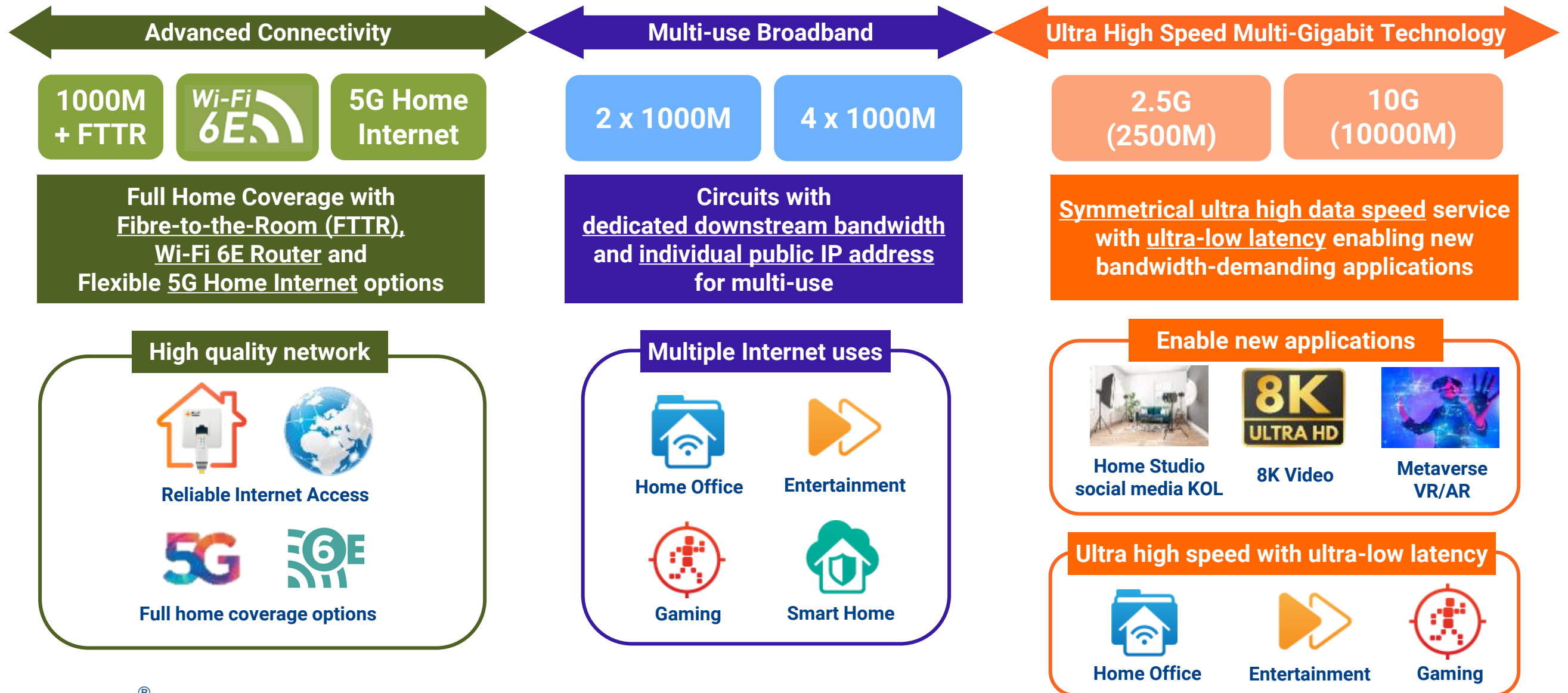


100G access nodes

Customer's Premise

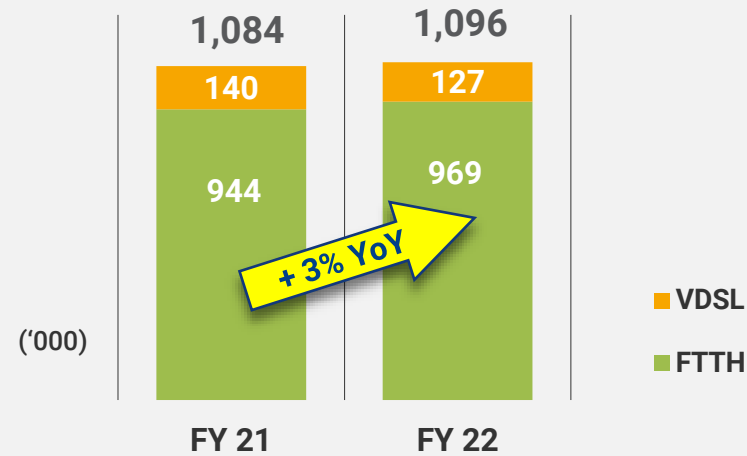


Diverse and Complementary Range of HKT Home Broadband Solutions

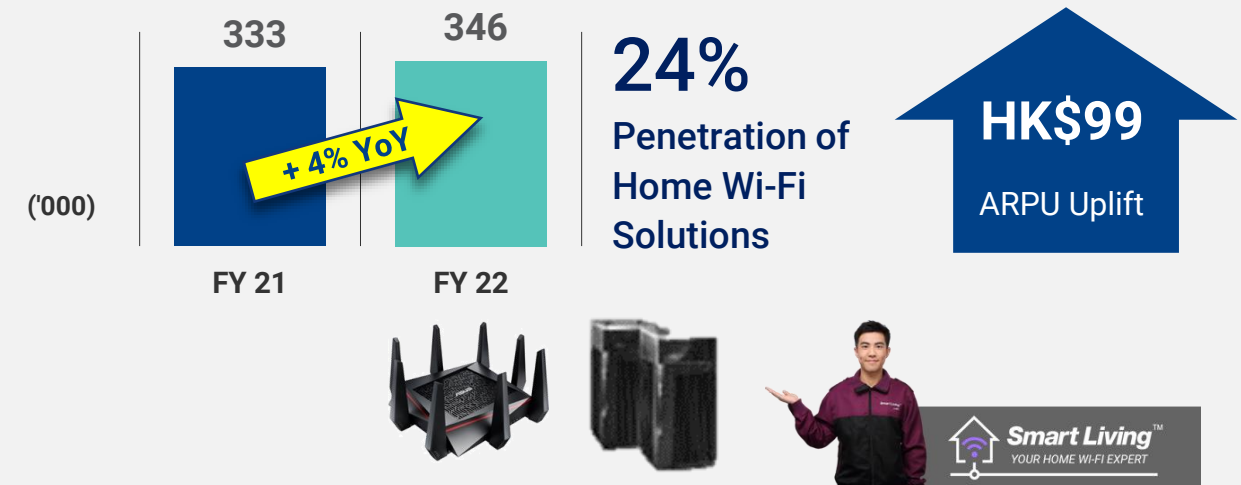


Robust Demand for High Speed, Reliable Home Broadband with Permanent Shift to Hybrid Arrangements

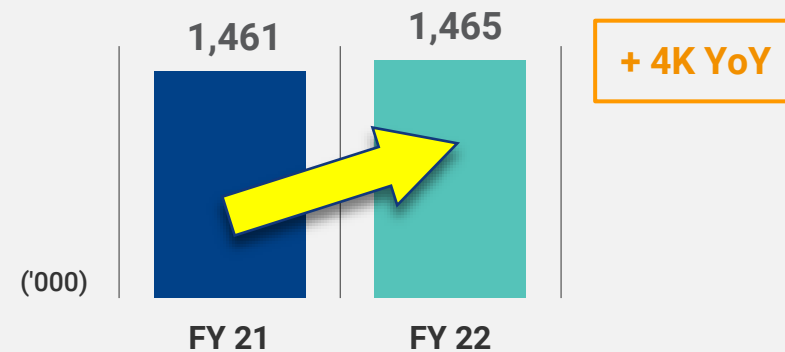
Continued Upgrades to FTTH



B2C: Expanding Uptake of Home Wi-Fi Solutions



Further Consumer Broadband Net Adds Stable Churn despite Competition and Emigration



B2B: Differentiation Through Smart Living

Smart Living™
by HKT



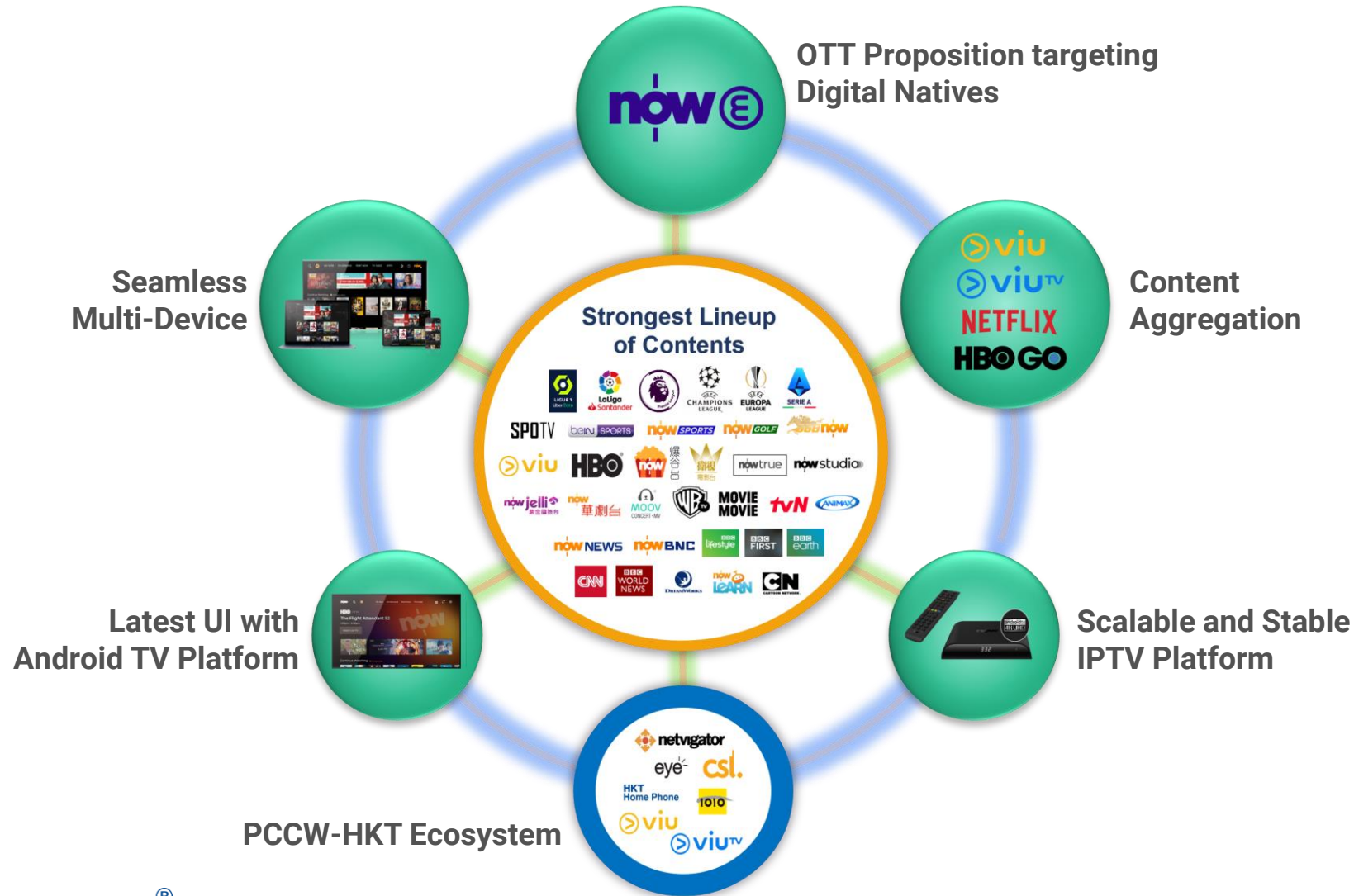
- Pre-installing Smart Living home solutions in new residential properties
- Secured 46 new residential projects in 2022, up 35% YoY
- Key projects with Urban Renewal Authority, Chinachem, Wheelock and Hang Lung Properties



Transformed from Traditional Pay TV to Super Content Platform with Successful Monetisation via PCCW-HKT Ecosystem

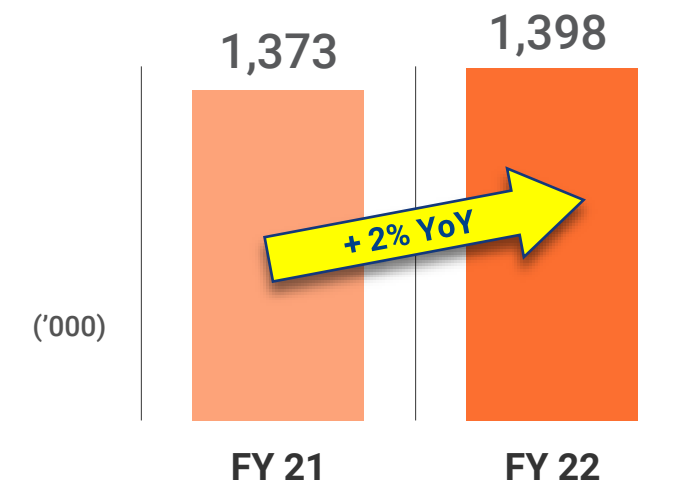


now TV World Class Content and Fully Transformed Digital Platform



Growing Customer Base

Now TV customer base achieved a 2% growth benefiting from the momentum of World Cup and growing popularity of Now E OTT service



Widest Choice of Content for Every Family Member



Hong Kong's Home of Sports

Unparalleled line-up of the most popular top class football leagues and wide variety of sports

Successful Broadcast of 2022 FIFA World Cup™

- Exciting matches drove football fever to new heights, coinciding with relaxed social-distancing measures and prime time kick offs
- Advertising and commercial revenue in H2'22 surged 52% and 22% HoH respectively following relaxation of all COVID measures
- Leader in innovation and technology with 4K broadcast, Now AR – FIFA World Cup™ App giving viewers new immersive experience with real-time statistics
- Successfully leveraged across all HKT Group's line of businesses



Now Kids Ecosystem

Continue to extend the Now Kids Ecosystem with STEM learning content and offline engagement to build stickiness

STEM Award Scheme



sooper yoo Play Zone



Now Player Jr App

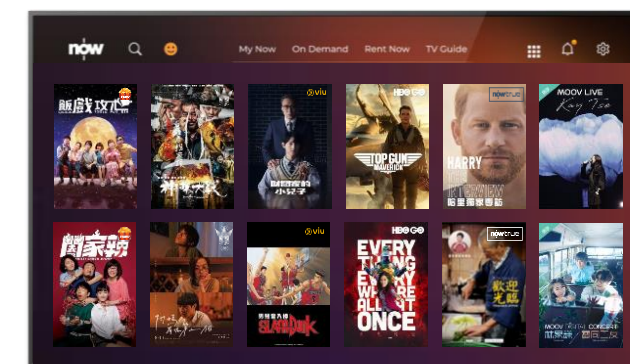


eye Learning Companion



Hub of Compelling Entertainment

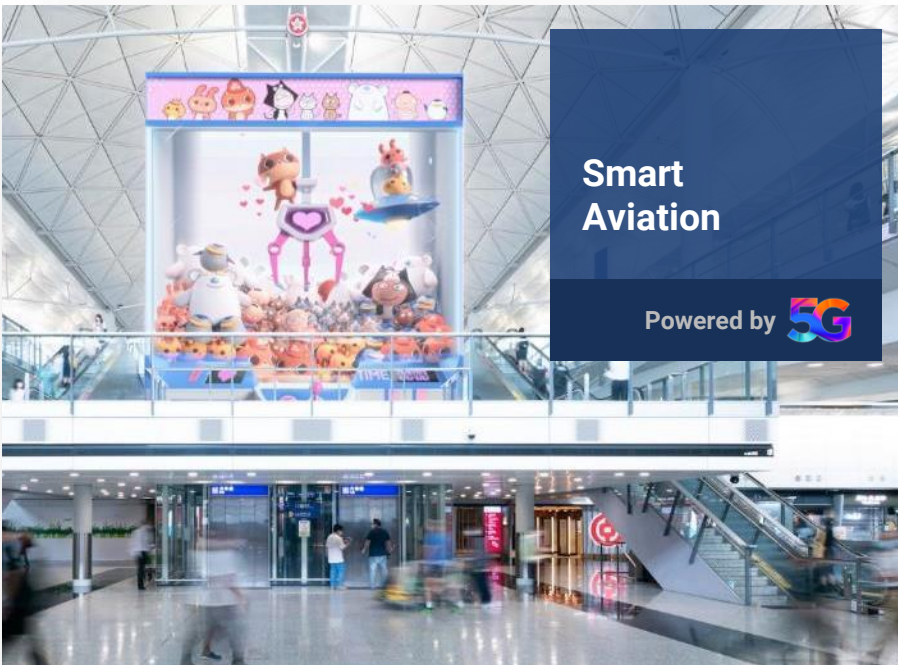
- Smart Android platform enables content aggregation embracing top tier OTT streaming platforms
- Exclusive Korean/Chinese/Japanese drama series, blockbuster movies, Japanese animation, and award-winning factual entertainment
- Strongest line-up of local blockbuster movies with 9 of the Top 10 highest-grossing Chinese language movies in 2022
- Exclusive MOOV concerts for music lovers



Over 30K hrs* of First Run and Top Class VOD Contents
(*average figures of all content genres in 2H22)

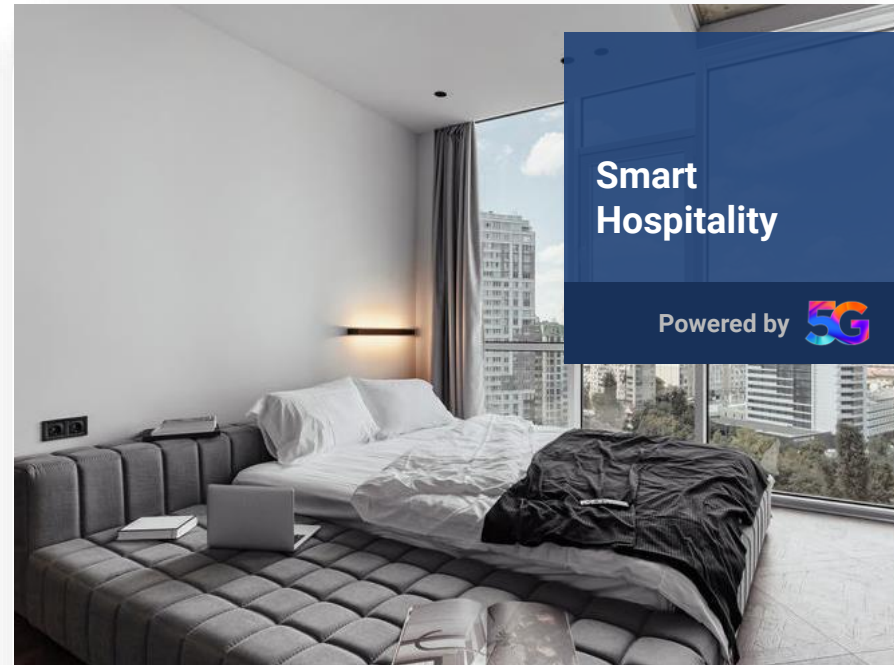
Enhancing Digital Transformation in Hong Kong with 5G

Assisting Enterprises for Much-Awaited Travel Resumption and Economic Recovery



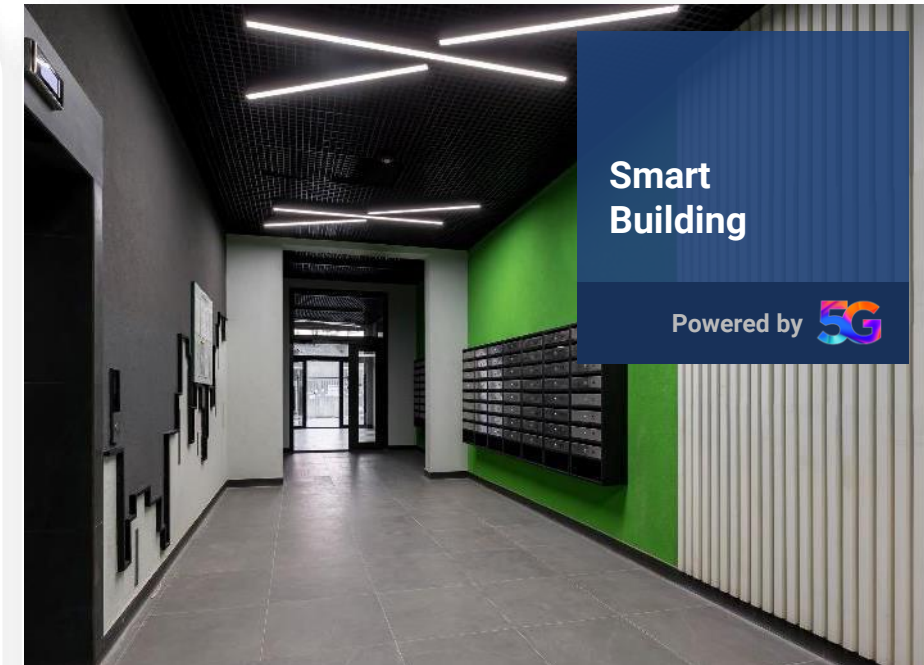
Interactive experience and enhancing passenger safety

- Connected digital AV to create immersive experience
- 5G elevator intercom for clear communications
- Video analytics to improve safety



Seamless guest services to cater to modern travelers' needs

- Ultra-fast and low latency digital experience
- Handle multiple user devices and IoT sensors
- Smart solutions such as robotics to streamline operations



Transforming tenant experience and building management

- Multi-service Smart Apps including reservation, payment for streamline tenant experience
- Automated facility management to ease staff shortage
- IoT sensors to empower preventive maintenance

Empowering Enterprises to Capture Opportunities in China

Leveraging Integrated Solutions and Enterprise Managed Services

Integrated Solutions with Emerging Technologies including AI chatbots



Cross-Border Capabilities



Enterprise Managed Services (EMS)



Empowering enterprise digital transformation to capture Hong Kong, GBA and China opportunities

Retail



Cross-border SD-WAN to efficiently support cloud application deployment across stores

Modern Workplace for seamless cross-border communications and collaboration

Cross-border Multi-Cloud for fast application delivery and management

EMS to provide tech support of key digital transformation initiatives

Insurance



Omni-channel Contact Centre for seamless experience across channels

Chatbot to provide 24/7 customer service

Speech Analytics to gain customer insights and improve service quality

EMS to provide tech support to accelerate digital transformation

Property Development

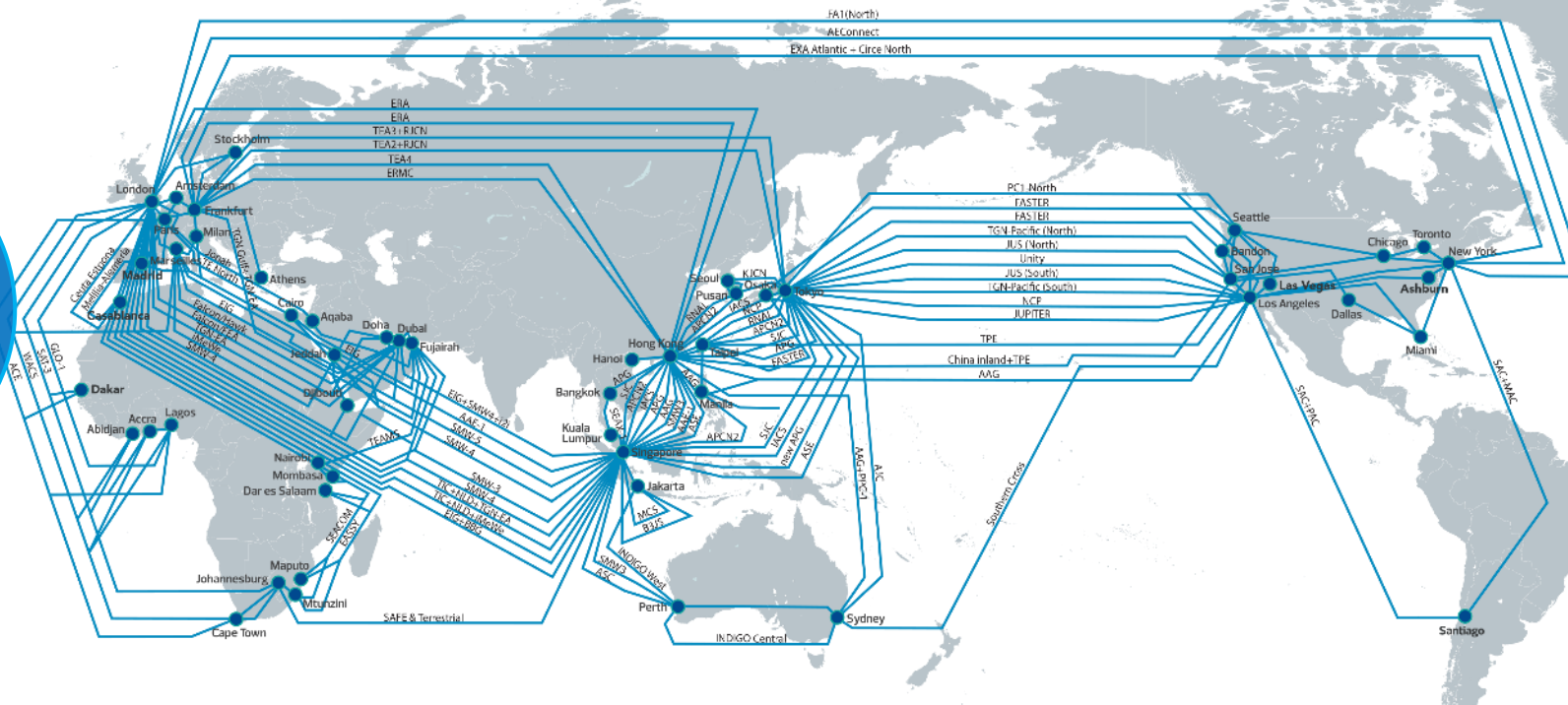


Connected Digital AV for immersive and engaging user experience

Modern Workplace for seamless cross-border communications and collaboration

Cross-border Multi-Cloud to standardise data management process

EMS to provide technical migration, deployment and support to all users in HK & China



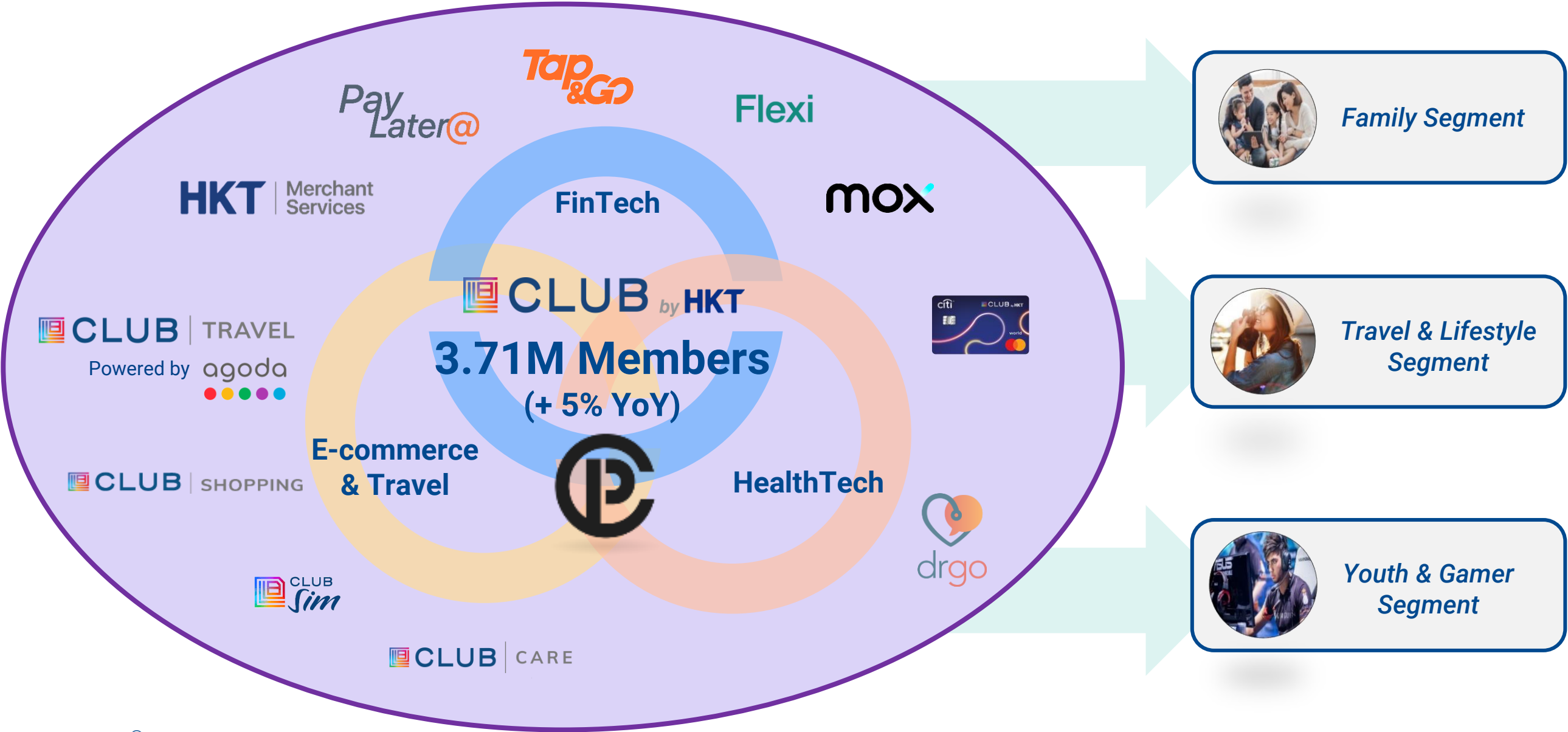
Global, Resilient, High-Capacity Optical Network

- 

66 Diverse International Cable Systems

140
PoPs

AI Enabled, Personalised Digital Services to Club Members



2 Years of Consumption Voucher Scheme Accelerated Mass Mobile Payment Adoption

Steady Growth in Transaction Volume for both B2B & B2C

Merchants

HKT | Merchant Services

Comprehensive e-payment solution targeting local SMEs



- Foster digital economy, drive adoption and lower costs for SME with special rate
- ↑ 8,000+ subscriptions to our merchant payment solutions as at Dec 2022, increase of 29% YoY
- ↑ Merchant transaction volume jumped by 68% YoY

Consumers



Growing transactions with a solid base of young & tech-savvy segment



- Leveraging extensive MasterCard , UnionPay and FPS networks, enabling swift payment both online and at retail outlets around the world
- ↑ Accounts expanded to 3.63M as at Dec 2022
- ↑ Customer spending soared by 55% YoY

Virtual Bank Joint Venture Broadens the Service Offerings of HKT



mox

Leading and Innovative MedTech Platform in Hong Kong



Telemedicine



Increasing Consultations as Telemedicine Gains Acceptance

- 352K registered users as at Dec 2022, an increase of 27% YoY
- 15-fold YoY growth in the number of completed video consultations in 2022
- 130+ doctors/healthcare professionals from 15 medical consultation service partners
- DrGo HealthStore with 1,600+ SKUs to serve health-conscious customers' needs anytime, anywhere

Service Portfolio Extension



Launch of First-in-Asia Atrial Fibrillation In-app Function

- Launched the Atrial Fibrillation ("AF") Tele-Screening Programme, a new atrial fibrillation screening feature enabling users to check their heart rhythm on the DrGo App anytime, anywhere

— About FibrCheck —



Developed by Belgian company, Qomplum NV



Enables heart rhythm measurements on the DrGo App



CE-class IIa medical device with regulatory approvals in the UK by MHRA, in the US by the Food and Drug Administration (FDA) and in Australia by the Therapeutic Goods Administration (TGA)¹



Has a sensitivity, specificity and positive predictive value of more than 90%²

International Recognition



Recognised as Leading HealthTech Platform

- IDC Future Enterprise Awards 2022: Best in Future of Connectedness Award
- Health Partnership Awards 2022: Outstanding Telemedicine App
- HKCCA Award 2022 – Gold Award in Mystery Customer Assessment Award
- CAHK's Innovative ICT Solution / Intelligent Application Award – Gold



Building a Sustainable Future

COVID Support

- **Telecom support** for various anti-epidemic facilities and initiatives, including providing 3000 health-related hotlines and connectivity for 3,000 community isolation facilities
- **DrGo free tele-consultations** for the underprivileged
- **Tap & Go** supported the Government's Consumption Voucher Scheme (CVS)
- **Support SMEs** to capture the CVS opportunity by waiving various fees, such as the transaction fees for Tap & Go and FPS, among others



Community Investment

- Joined the **Priceless Planet Coalition** to support restoring 100 million trees globally by 2025
- Despite COVID, our colleagues continued to show their care for the community via volunteering including joining the **Strive and Rise Programme (共創明Teen)** to support youth upward mobility



Creating Shared Value

- **Energy management solutions for enterprises and households** leveraging emerging technologies such as AI and IoT
- **Support green transport** via Smart Charge, one-stop EV charging service
- **Bridge the digital divide** through mobile plans with special service for the elderly, e.g. LeaveHomeSafe installation and training

Sustainable Finance

- Committed over US\$2 billion of **sustainability-linked loans**

Highlights

- 1 Resilient Core** – with a strong and diversified set of core businesses, HKT is well positioned and agile to capture opportunities as operating conditions return to normal



- 2 Strengthen Service Offerings** – continue to enhance synergy across the Group's service and product offerings by leveraging leading network infrastructure and PCCW group assets



- 3 Smart City Development** – assist enterprises and public bodies in harnessing our integrated fixed-mobile network and emerging technologies such as AI, IoT, blockchain and big data to develop Hong Kong into a smart city



- 4 Digital Ecosystem** – continue to grow our digital ecosystem integrating loyalty and a diverse range of online services to meet customers' health, financial service and other needs while better tailoring our services to customer preferences



Financial Review

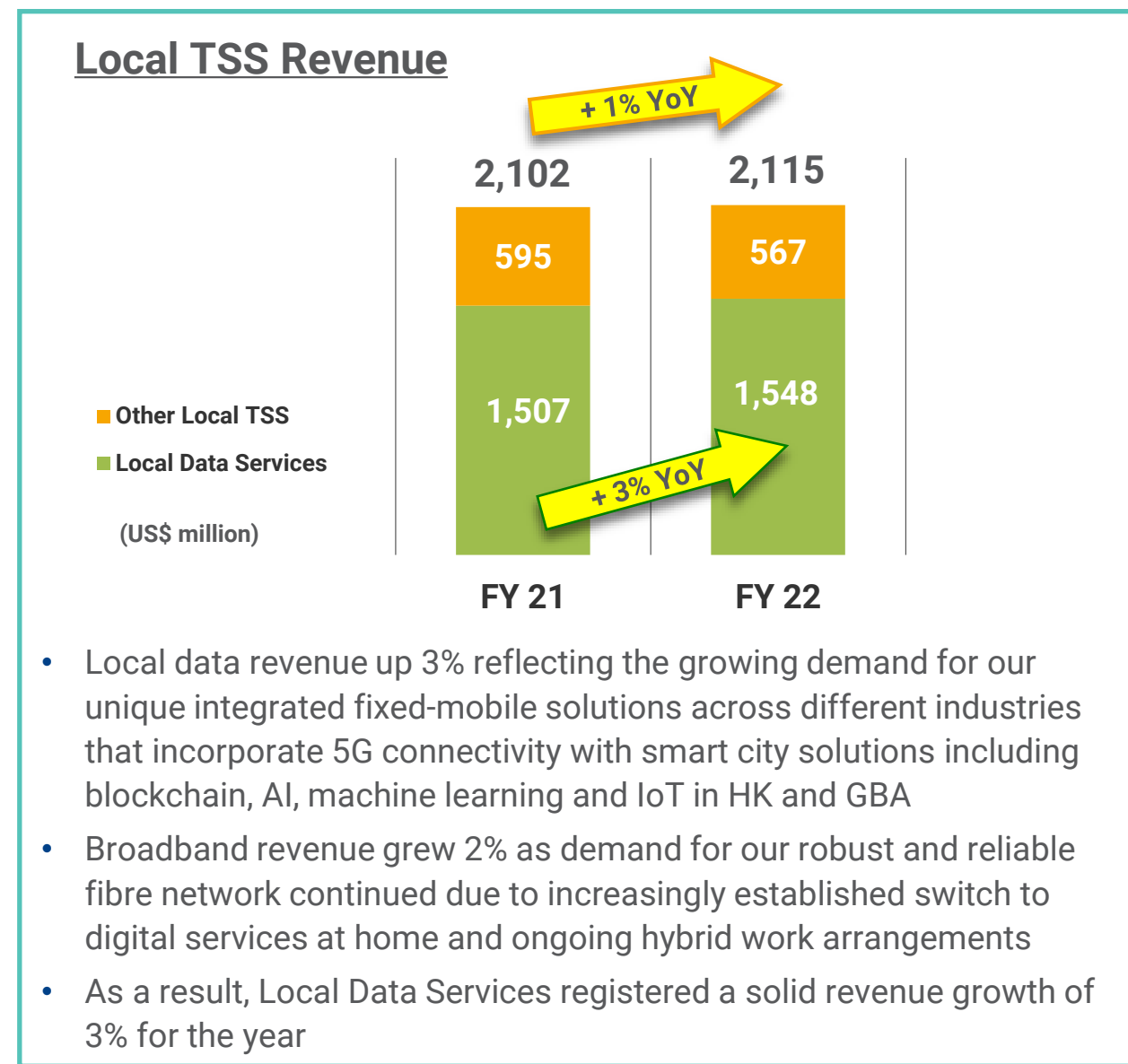
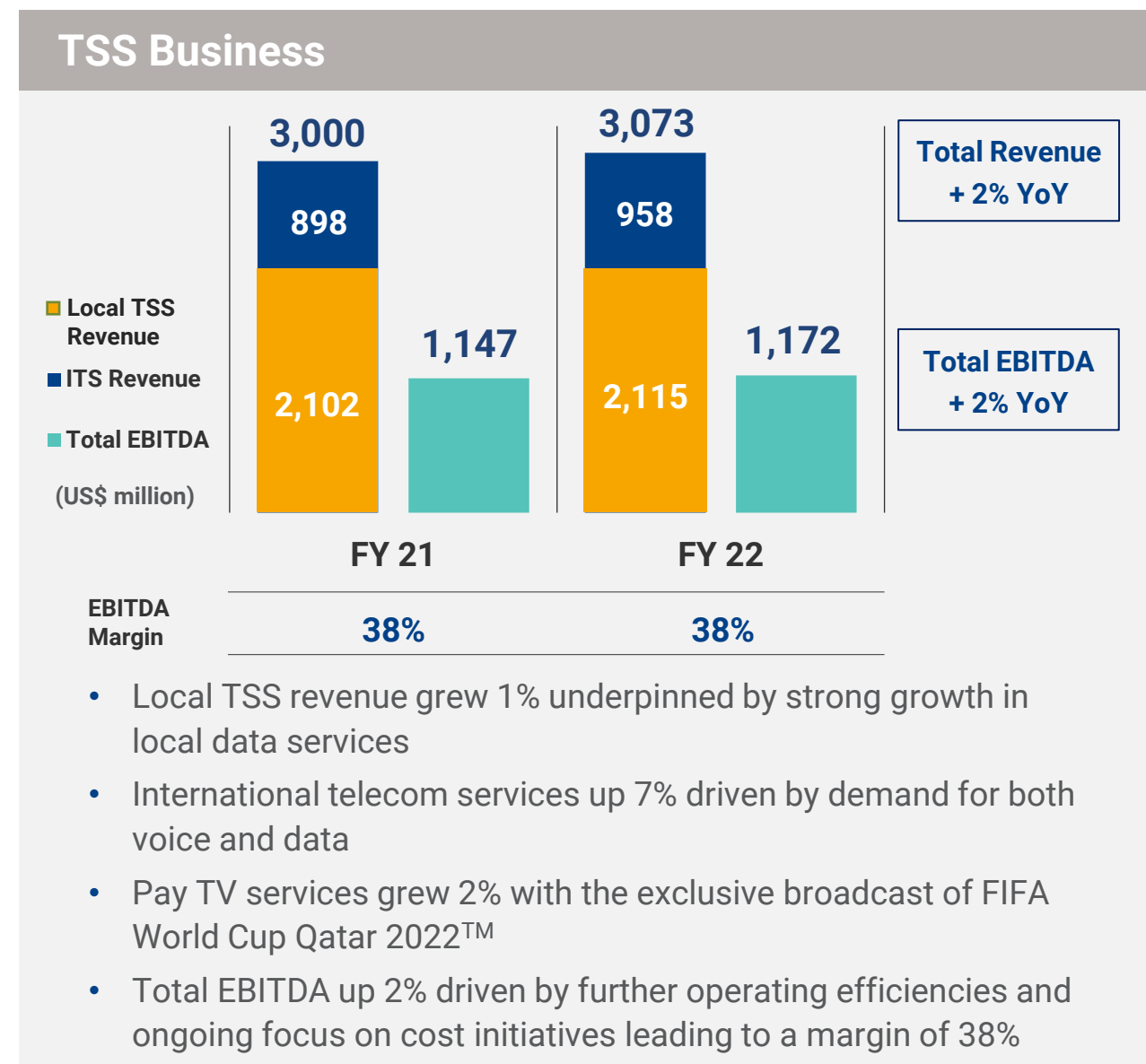
Patrick Poon
Chief Financial Officer



Resilient Financial Performance

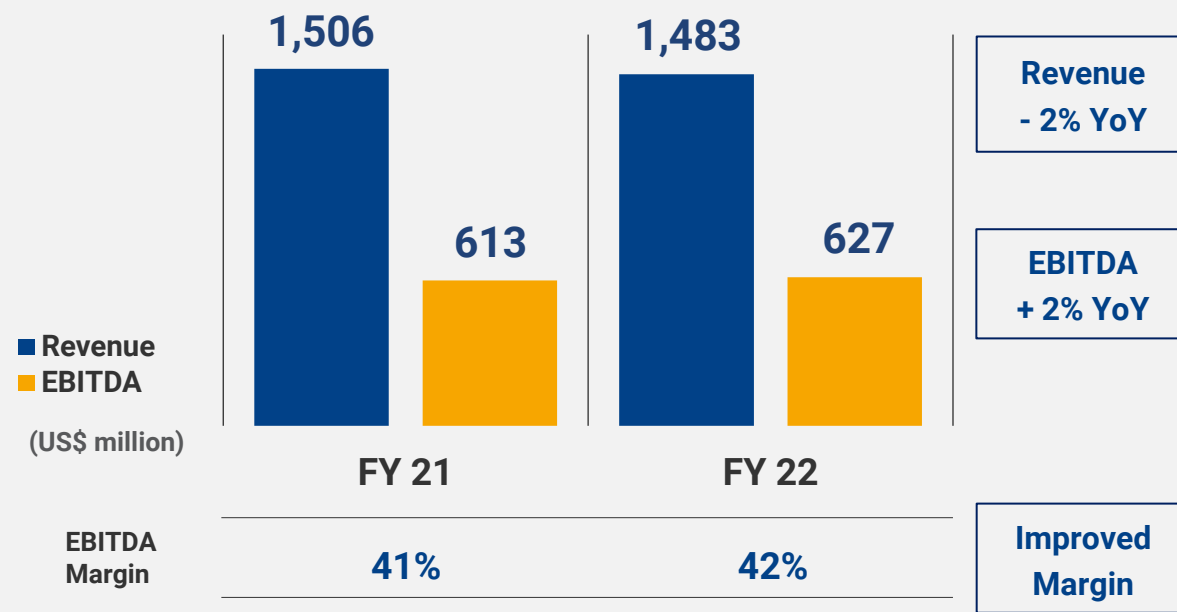
(US\$ million)	FY 21	FY 22	% Change
Adjusted Funds Flow	707	724	+ 2.4%
Revenue	4,354	4,375	—
Revenue (excluding Mobile Product Sales)	3,850	3,910	+ 2%
EBITDA	1,632	1,675	+ 3%
<i>EBITDA Margin</i> (excluding Mobile Product Sales)	42%	43%	
<i>Overall EBITDA Margin</i>	37%	38%	
Profit	616	628	+ 2%
Attributable to Holders of Share Stapled Units			

TSS Continued to Demonstrate Business Strength



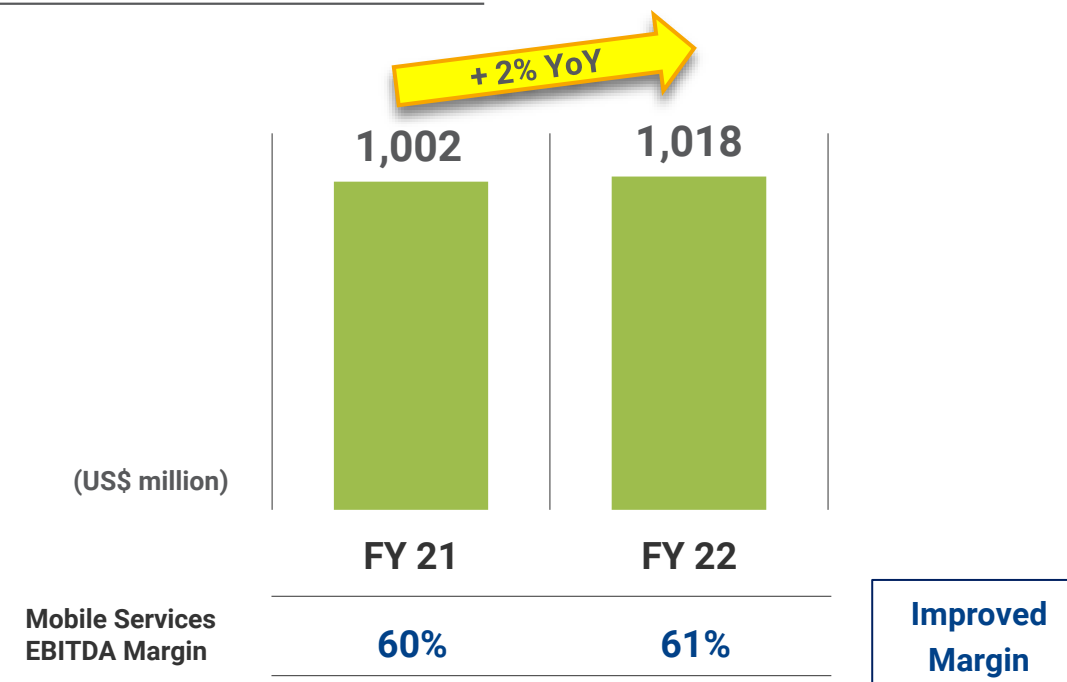
Mobile Benefiting from Market-leading 5G Service

Mobile Business



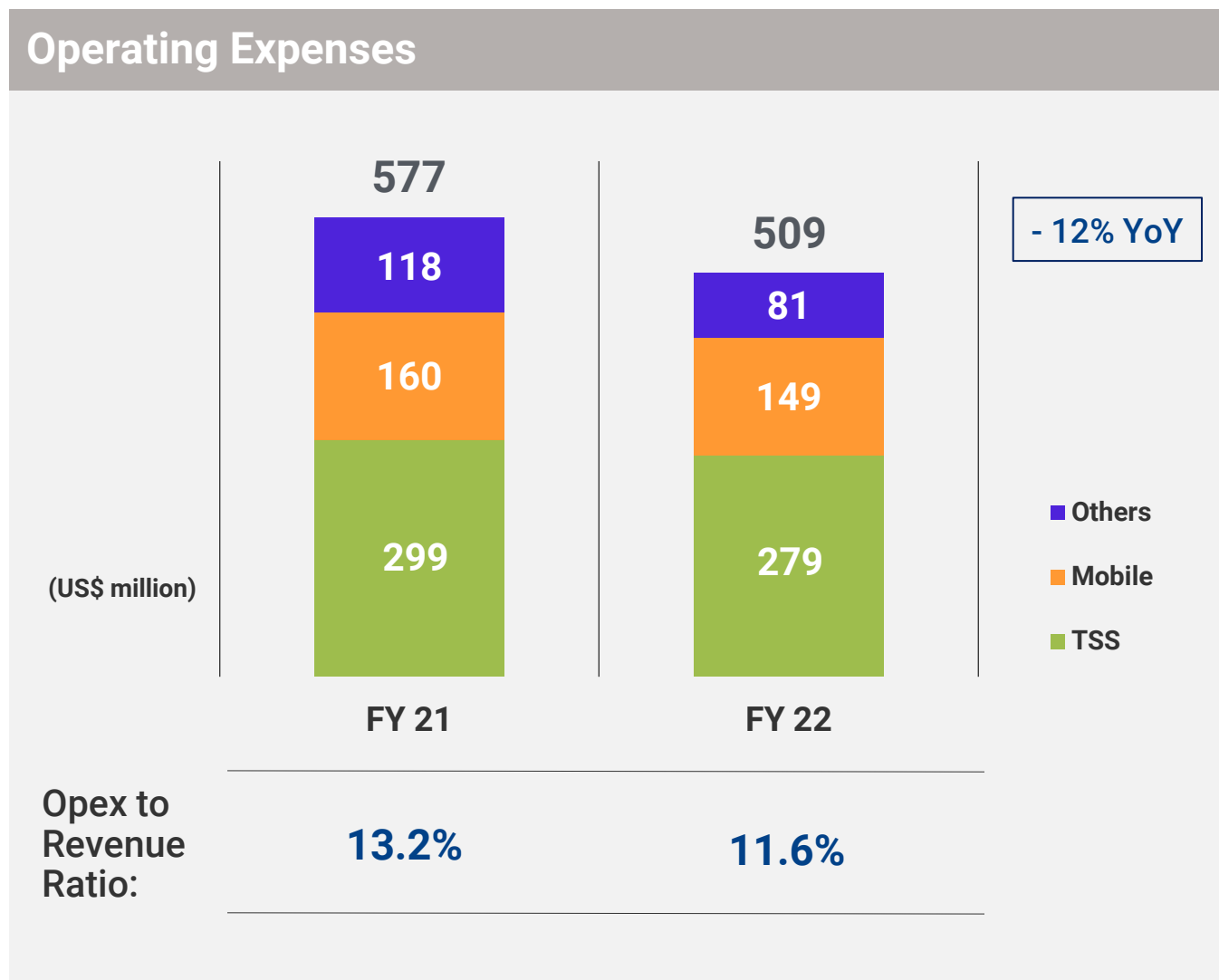
- Mobile business recorded a 2% growth in services revenue to US\$1,018 million
- Post-paid customer base further expanded to 3.323 million, a net gain of 26,000 year-on-year
- 5G customer base reached 1,061,000 as at end of Dec 2022, representing 32% of post-paid base
- Lower Mobile product sales affected by supply chain disruptions in 2022 and a supply spike in 2021

Mobile Services Revenue



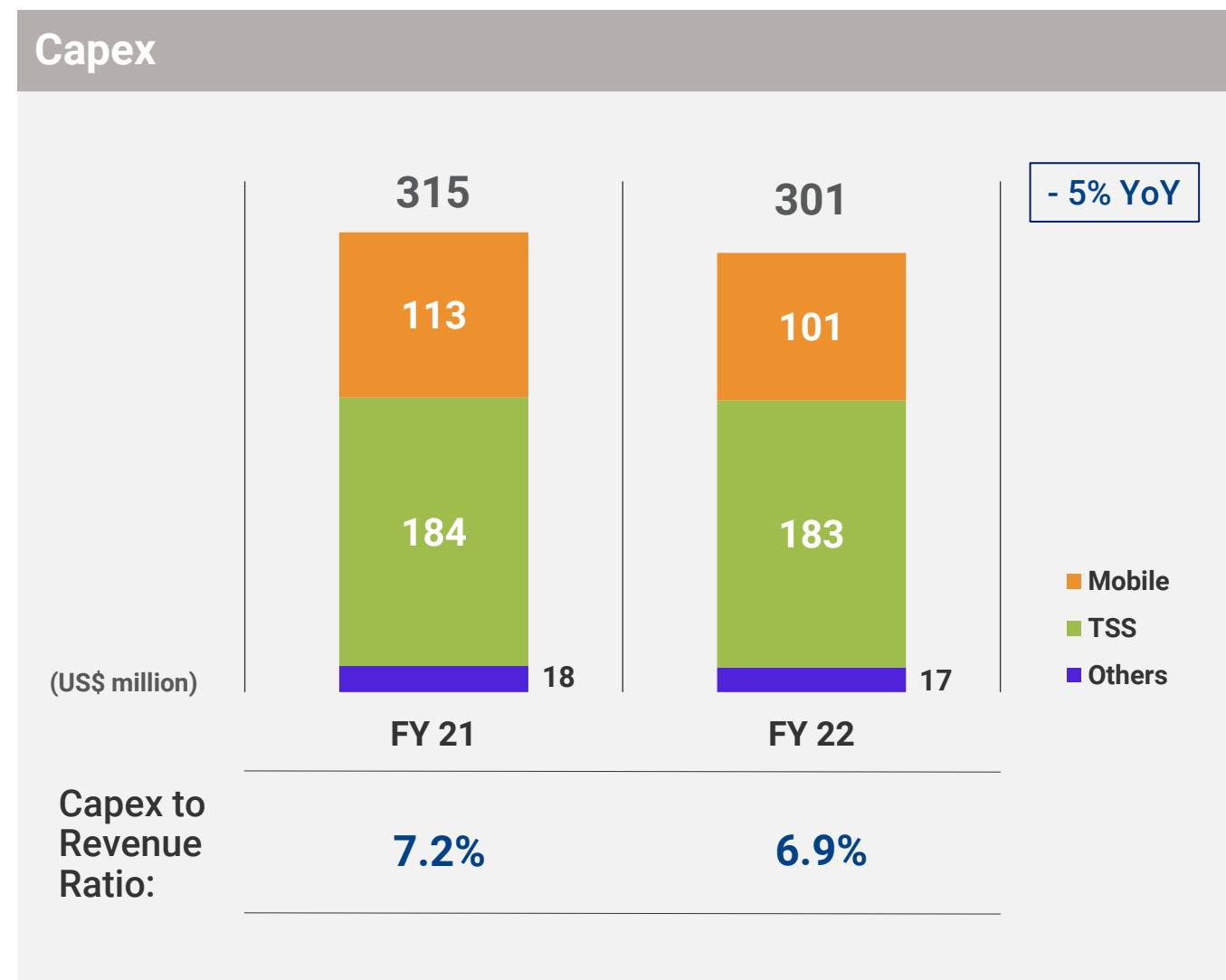
- Mobile services revenue grew 2% benefiting from higher 5G adoption alongside an expansion in our post-paid base and higher contribution from smart enterprise solutions
- Post-paid exit ARPU up by 1% to HK\$188
- Mobile services EBITDA also rose 2% to US\$617 million with margin improving to 61%

Continued Focus to Drive Operating Efficiency



- Opex savings of 12% in FY 22, with opex to revenue ratio further improving to 11.6%
- Efficiency gains from mobile network operations including improved cell site architecture enabling network design optimisation
- Continued focus on improving efficiencies across each of the business lines on the back of accelerated digitalisation as well as the enhancement of O2O sales channels and retail footprint to drive higher sales efficiency

Disciplined Capital Investments for Future Growth



- Disciplined capital investments with capex to revenue ratio improved to 6.9%, well within stated guidance
- Lower Mobile capex reflecting the completion of our territory-wide 5G coverage rollout. Ongoing capex will be focused on capacity upgrades to meet demand
- TSS capex remained steady with focus on meeting continued demand for our customised smart city solutions for enterprises

Adjusted Funds Flow

(US\$ million)	FY 21	FY 22	YoY Better/ (Worse)
EBITDA	1,632	1,675	3%
Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees:			
Capital expenditures	(305)	(289)	
Customer acquisition costs and licence fees	(218)	(201)	
Fulfilment costs	(62)	(72)	
Right-of-use ("ROU") assets	(208)	(178)	
Adjusted Funds Flow before tax paid, net finance costs paid and changes in working capital	839	935	11%
Adjusted for:			
Net finance costs paid	(77)	(113)	
Tax payment	(48)	(11)	
Changes in working capital	(7)	(87)	
Adjusted Funds Flow for the year	707	724	2.4%
Adjusted Funds Flow per Share Stapled Unit (HK cents)	72.77	74.51	
Interim Distribution (HK cents)	30.70	31.36	
Final Distribution (HK cents)	42.07	43.15	
Total Distribution for the year per Share Stapled Unit (HK cents)	72.77	74.51	2.4%

Income Statement

(US\$ million)	FY 21	FY 22	YoY Better/(Worse)
Revenue	4,354	4,375	—
Revenue (excluding Mobile Product Sales)	3,850	3,910	2%
Cost of sales	(2,145)	(2,191)	(2)%
Opex	(577)	(509)	12%
EBITDA	1,632	1,675	3%
Depreciation & amortisation expenses	(724)	(745)	
Gain on disposal of fixed assets & ROU assets	3	—	
Net other losses	(1)	(1)	
Net finance costs	(147)	(204)	(38)%
Share of results of associates & JVs	(17)	(12)	
Profit before income tax	746	713	
Income tax	(128)	(82)	36%
<i>Effective tax rate</i>	17.1%	11.5%	
Profit for the year	618	631	2%
Attributable to:			
Holders of Share Stapled Units	616	628	2%
Non-controlling interests	2	3	

Solid Financial Position

Investment Grade Credit Ratings

(US\$ million)	As of Dec 2021	As of Dec 2022	BBB/Baa2 Investment Grade Rating
Gross Debt ⁽¹⁾	5,626	5,664	
Gross Debt to EBITDA ⁽²⁾	3.45x	3.38x	
Cash Balance ⁽³⁾	370	271	
Undrawn Facilities	1,266	1,854	
Total	1,636	2,125	

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

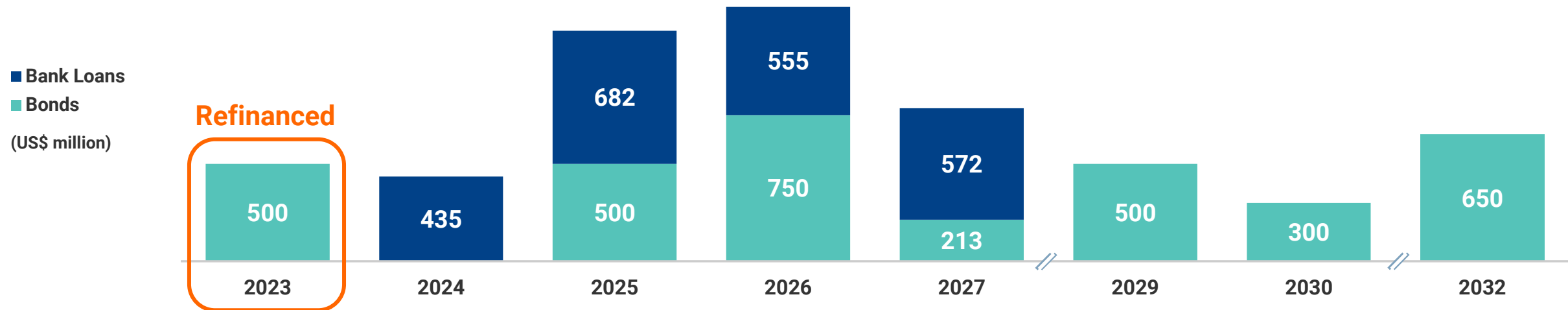
(2) Based on gross debt as at year end divided by EBITDA for the year

(3) Including short-term deposits

Debt Maturity Profile

Impact of Interest Rate Hike Cushioned by High Ratio of Fixed Rate Debt

As of 31 December 2022



- Refinanced the US\$500 million bond due 2023 with low cost, long-term funding via the issuance of US\$650 million 10-year bonds at a coupon rate of 3% during a favourable market window in January 2022
- Current mix of fixed and floating rate debt approx. $\frac{2}{3}$: $\frac{1}{3}$
- Effective interest rate less than 3% in FY 2022
- Average maturity was approx. 4 years

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