

# HKBN Ltd.

## Investor Presentation

*Acquisition of JOS business for  
HKBN transformation from a telecom  
carrier to a full ICT solutions provider*

**20 November 2019**

Almira Chan, Co-Owner<sup>1</sup> and Chief Strategy Officer

Billy Yeung, Co-Owner and CEO – Enterprise Solutions



Note: JOS acquisition is subject to shareholders' approval; <sup>1</sup> Committed to 1-year salary investment in Co-Ownership 3+



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# Speakers Bios



**Billy Yeung**

*Co-Owner\* & Chief Executive Officer –  
Enterprise Solutions*

- Founded Y5Zone in 2004 and steered the company to become one of the largest wholesale Wi-Fi suppliers in Hong Kong before being merged to HKBN in 2013
- Prior to Y5Zone, Billy developed the Netnavigator Internet service at C&W HKT and pioneered the Netplus regional Internet backbone for telecommunication carriers in Asia Pacific in 1995
- Has led 7 M&As so far in his career, with JOS being the 8<sup>th</sup> transaction
- \*More than 50% of family net worth is held as HKBN “1310” stock and has committed additional 2-year salary investment in Co-Ownership 3+



**Almira Chan**

*Co-Owner\* & Chief Strategy Officer*

- Former CFO of WTT, Co-Head of WTT/HKBN Merger Integration Team (MIT) and Lead coordinator on JOS/HKBN integration
- Leads the development and implementation of HKBN’s overall corporate strategy including business development and joint ventures, strategic investments, acquisitions and divestitures
- \*Committed to 1-year salary investment in Co-Ownership 3+

# Key Updates on NWT, ICG, WTT Integrations

- Took 9 months to complete NWT integration vs. 5 months only for WTT
- HKBN took initiatives to cultivate Talent-oriented Co-Ownership culture that aligns risks and rewards with shareholders', by extending the invitation to a broader ~22% of total 6,000 Talent base at HKBN / WTT and JOS
- Significant interest by WTT and JOS executives to join Co-Ownership 3+
- ICG has been fully integrated into HKBN Cloud Services, and we are implementing various initiatives including offer of a brand new Porsche Boxster 718 as an incentive for Top Cloud sales

On track for total HKBN / WTT synergies of ~HK\$300mm<sup>1</sup> by FY21

Source: Company filings

Note: <sup>1</sup> Please refer to p10 of FY19 annual results announcement for details

# Transaction Highlights

- HKBN has agreed to acquire JOS<sup>1</sup> for an all-cash consideration of US\$50mm (HK\$392mm) / from Jardine Group
- Transaction was based on EV / 18A EBITDA of 6.5x<sup>2</sup>, which is an attractive valuation compared to HKBN's current trading EV / PF 18A EBITDA of 13.1x<sup>3</sup>
- This transaction leap-frogs HKBN's transformation from a telecom carrier to an Information and Communications Technology (ICT) solutions provider with significant synergy opportunities from increased scale, cost savings and revenue upside from cross-selling to the existing combined customer base

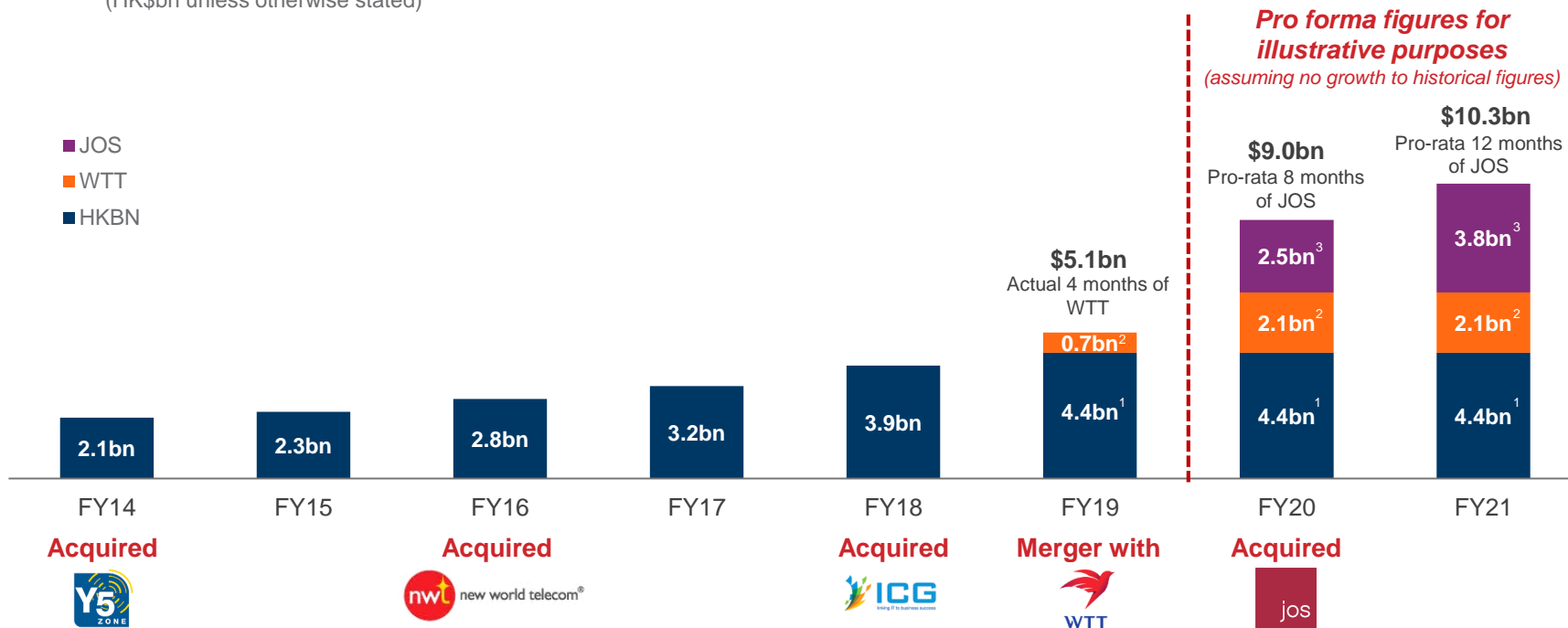
Source: Company filings and Factset as of Nov 15, 2019

Note: FX rate USD/HKD = 7.85; <sup>1</sup> Jardine OneSolution Holdings (C.I.) Limited (JOS), Adura Hong Kong Limited, Adura Cyber Security Services Pte Ltd and their subsidiaries (collectively "Target Companies" or "Target"); <sup>2</sup> Based on 18A JOS CI's EBITDA of US\$12.0mm; <sup>3</sup> Based on US\$3.6bn EV using share price of HK\$13.16, fully diluted NOSH of 1,480mm including VLN and RSUs and net debt of US\$1.1bn, US\$277mm of EBITDA including CY18A HKBN EBITDA of US\$173mm and WTT LTM Jun 2018 Normalized EBITDA of US\$104mm (latest publicly available)

# Organic Growth x M&A Growth

## Evolution of total revenues

(HK\$bn unless otherwise stated)



Note: FYE of Aug 30; Based on total revenues including Product revenue; <sup>1</sup> HKBN FY19 Annual Report; Based on FY19 HKBN's standalone revenue, excluding 4M WTT impacts; <sup>2</sup> HKBN FY19 Annual Report; Based on 4M WTT revenues of \$0.7bn ending FY19 and annualized 12M figure of \$2.1bn; <sup>3</sup> Based on CY18A revenue of \$3.8bn

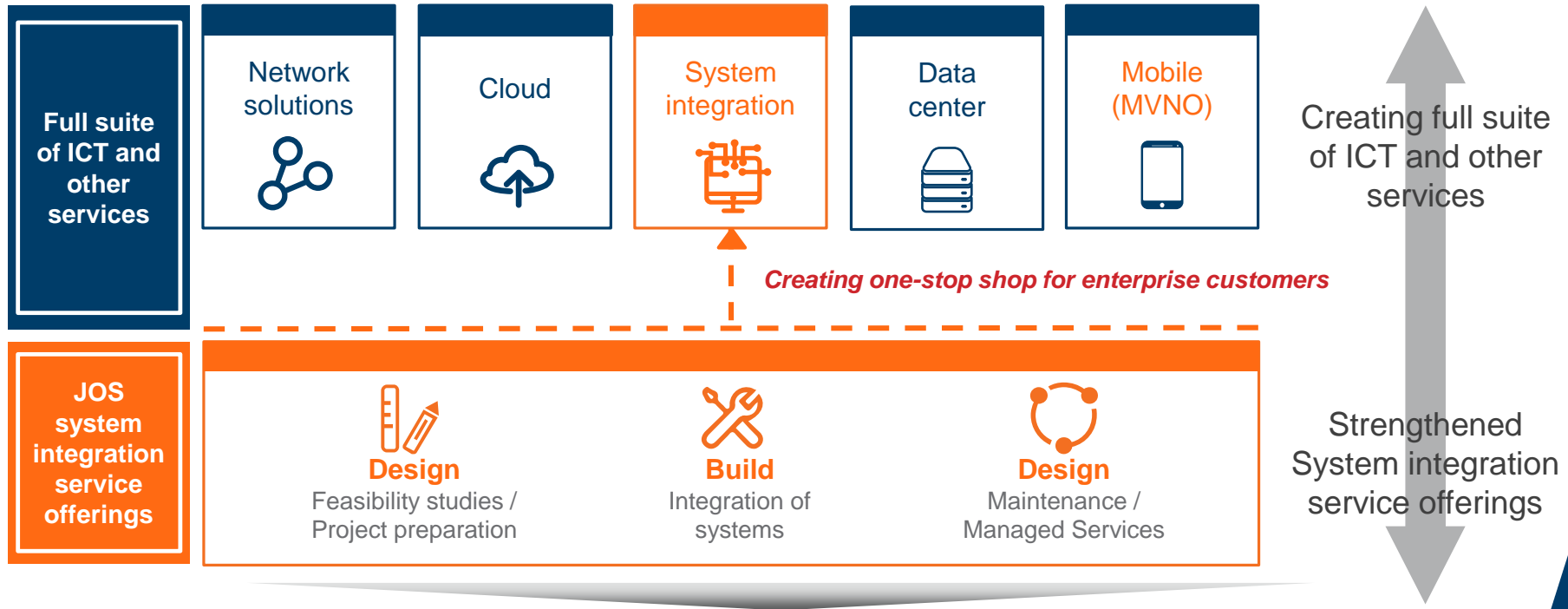
# 1-HKBN, the Completed ICT Puzzle

Vertical expansion  
for service capability



Horizontal expansion for network and customer scale

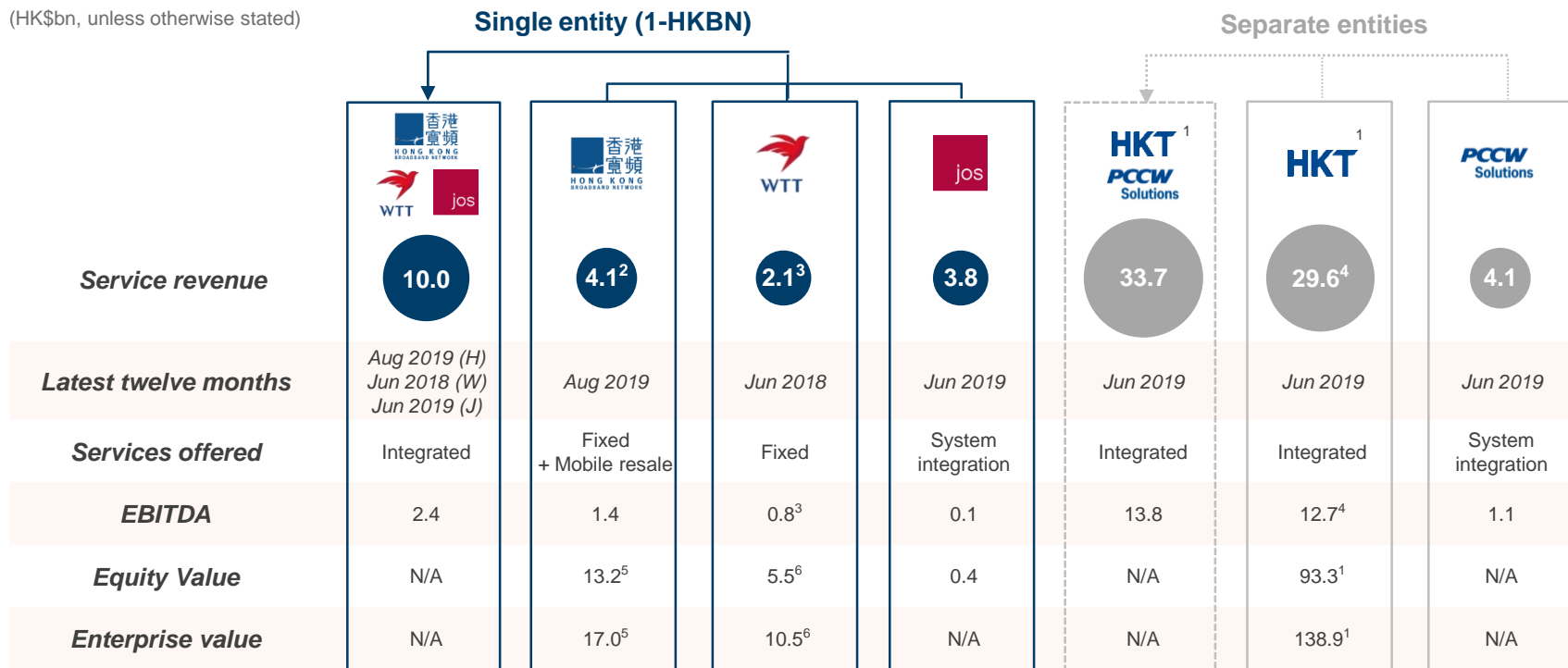
# Full Suite of ICT Solutions for Enterprise Users



**Creating the only integrated SI + connectivity player of scale**

# Fully Integrated ICT Powerhouse

(HK\$bn, unless otherwise stated)



Source: Company filings, Factset as of Nov 15, 2019

Note: Service revenue excludes Product revenues; <sup>1</sup> Firm value adjusted for spectrum license liabilities; "HKT" refers to HKT Trust and HKT Limited, stock code 6823 listed on the Hong Kong Main Board stock exchange; <sup>2</sup> Includes standalone (ex-WTT) HKBN revenue for its Enterprise and Residential segments; <sup>3</sup> Represents WTT's LTM June 2018 standalone figures (latest publicly available metrics); <sup>4</sup> Calculated by subtracting mobile product sales and mobile product EBITDA from total revenue and total EBITDA; <sup>5</sup> Based on fully diluted NOSH 1,006mm (excluding Vendor Loan Notes and HKBN/WTT stock considerations), and net debt US\$3.8bn (excluding WTT senior notes);

<sup>6</sup> Implied valuation from the proposed merger which is based on HKBN's reference price of HK\$11.60

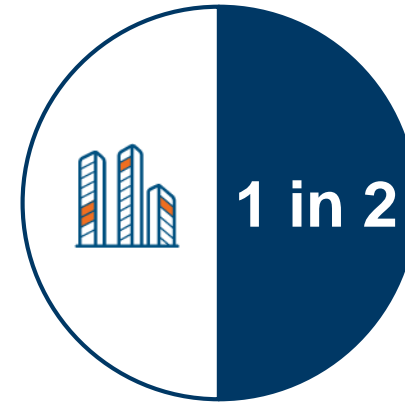
# Warm Customer Base to Upsell ICT Services

Monthly billing relationship

878,000 Residential Households



103,000 Active Enterprise Companies



# JOS CI is a Leading System Integrator

## Company overview

- Owns 60+ years of history with proven operational track records
- JOS CI is one of Asia's leading system integrators, solutions provider and technology consultancy providing tailor-made solutions to businesses and governments

## Key highlights

<p><b>10,000+</b> customers from the public and private sectors</p> <p><i>Serve blue-chip corporate and government customers across a broad base of industry verticals</i></p>	<p><b>60+</b> Years of expertise in Asia</p>	<p><b>9</b> Offices across HK, MO, CN, SG and MY</p>
<p><b>HK\$3.8bn<sup>1</sup></b> Sales with attractive upside</p>	<p><b>2,000+</b> Total full time employees</p>	

## Service offerings



### Core Infrastructure

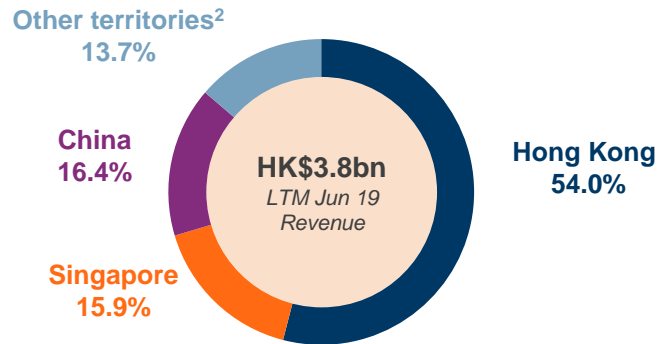
- Feasibility studies / Project preparation
- Integration of systems



### Digital Solutions

- Cloud computing
- Enterprise Applications
- Maintenance
- Big Data
- Enterprise Security

## Revenue breakdown by region



# JOS CI has a Strong Presence in Hong Kong

## Company overview

- JOS Hong Kong is the core operating segment of JOS CI, accounting for 54% of JOS CI's total revenue in LTM Jun 19

## Key highlights

<b>HK\$2.1bn</b> <i>LTM Jun 19 Sales</i>	<b>c.3,000</b> <i>Total customers<sup>1</sup></i>	<b>1,000+</b> <i>Total full time employees<sup>1</sup></i>
	<b>5</b> <i>Acquisitions of Hong Kong targets</i>	<b>800+</b> <i>Technical professionals<sup>1</sup></i>






## Select customers



Source: JOS's company information  
 Note: JOS CI's FYE as of Dec 31; <sup>1</sup> Represents metrics for Hong Kong business

# Margin Accretion in 1-HKBN

(HK\$m)

Company					
Stock code	-	354-HK	771-HK	1460-HK	-
Market cap	-	9,134	821	256	Private
Revenue <sup>1</sup>	3,820 <sup>2</sup>	11,805	2,344	549 <sup>3</sup>	4,093
EBITDA <sup>1</sup>	94 <sup>2</sup>	1,193	181	78 <sup>3</sup>	1,080
<b>% EBITDA margin</b>	<b>2.5%</b>	<b>10.1%</b>	<b>7.7%</b>	<b>14.2%</b>	<b>26.4%</b>

Source: Company filings, Factset as of Nov 15, 2019

Note: JOS metrics based on JOS CI's figures; <sup>1</sup> Represents metrics for CY18; EBITDA represents profit before taxes plus finance costs and depreciation and amortization, and less interest income; <sup>2</sup> Represents JOS CI's metrics;

<sup>3</sup> Calendarized from reported figures with FYE of end March

# JOS Productisation + HKBN Scale

## Cost synergy opportunities

- ✓ Savings in supplier cost due to larger order volumes from combined scale / enhanced bargaining power with regard to supplier dealings
- ✓ Savings in G&A cost through optimization of combined workforce (e.g. finance, talent management, sales, admin and IT)

## Revenue synergy opportunities

- ✓ Upgrade to “One-Stop-Shop” for full suite of ICT offerings to the same “CIO” buyer within our current combined base of large corporate and small and medium enterprise customers of HKBN
- ✓ Productise JOS’s custom services into “canned” bundles for mass appeal, supported by HKBN’s scale to serve the masses

## Value creation

*Superior scale  
Greater profitability*

***Unlock substantial untapped value in the form of highly visible synergies through the combination***

# JOS Integration Roadmap Post Closing

- HKBN looks forward to welcoming following persons as Co-Owners and pain/GAIN participants, all of whom have committed to investing more than 12 months salary as “skin in the game”:
  - Mark Lunt (Group MD), Eric Or (MD, JOS Greater China) and Stanley Chiu (JOS Group FC)
- HKBN’s Co-Ownership Plan 3+ has also been opened to ~270 JOS Talents
- Top 50 integrated executives will converge at INSEAD Singapore in Jan 2020 for a 3-day workshop

# On Our Continued Path to “Make Our Hong Kong a Better Place to Live”

*HKBN's ethos*



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# **Merger Integration Team v3 Overview**

**v1 for NWT, v2 for WTT, v3 for JOS**

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# Merger Integration Team v3 Participants

Items	HKBN	JOS
<b>MIT HQ</b>	<b>Clio/ Almira/ Doris/ Kenji/ Windy/ Connie</b>	<b>Mark/ Eric/ Stanley/ Janet</b>
<b>1. Sales Process</b> VIPs, Retail/JM, Health Care & Public	Mikron/ Adrian/ Karina/ Henry	Eric/ Janet/ Ariel/ Alfred/ Ivan
<b>2. Solutions</b> Managed Services Enterprise and E-Security Big Data, IoT Cloud Service Enterprise Applications Enterprise Network Solutions Stationary and Supplies Biz	Doris/ Bruce Danny/ Terry Henry/ Clio/ Samuel Andy/ Eric Karina/ KP Karina Doris/ Kenji	Soen Rory/ Ray/ Anwar Rory/ Janet/ Patrick Patrick/ Rory Gary Katherine Simon
<b>3. Pre-Sales and PM process</b> Digital Solutions, Solution Architect, Mega Deals, PMO Security Cloud Enterprise Applications Technical Support Services	Doris/ Angus Danny Andy/ Eric KP Doris/ Angus	Rory/ Patrick/ Gary/ David Ray/ Anwar Rory/ Soen Gary/ Johnny/ Andy Gary/ Ken
<b>4. Finance and Biz Planning</b> Incl. B-case approval & commission	Doris/ Kenji	Stanley/ Janet
<b>5. IT (internal)/ Operations Workflow</b>	KP/ Doris	Rory/ Florence
<b>6. Strategic Partnerships</b>	Ben/ Doris	Ivan/ June
<b>7. Marketing/Corp Communication</b>	Henry/ Gladys	Cannie
<b>8. Customer Service and Service Provisioning</b>	Doris/ Elaine	Rory/ Gary
<b>9. Talents and Admin</b>	CY/ Windy	Janet
<b>10. Legal &amp; Regulatory</b>	Agnès	Rachel
<b>11. JOS Other Offices</b>	Almira/ Connie	Malaysia/SG - Mark/ Steven/ Andrew Macau- Eric/ Janet China – Eric/ Nelson

# Day 1 – Day 100 Plan – Top 5



Align both Company Talent Benefits

01



Define Roles and Responsibilities

02



Align Branding and Related Marketing Material

03



T100 HKBN/JOS Customers Visit

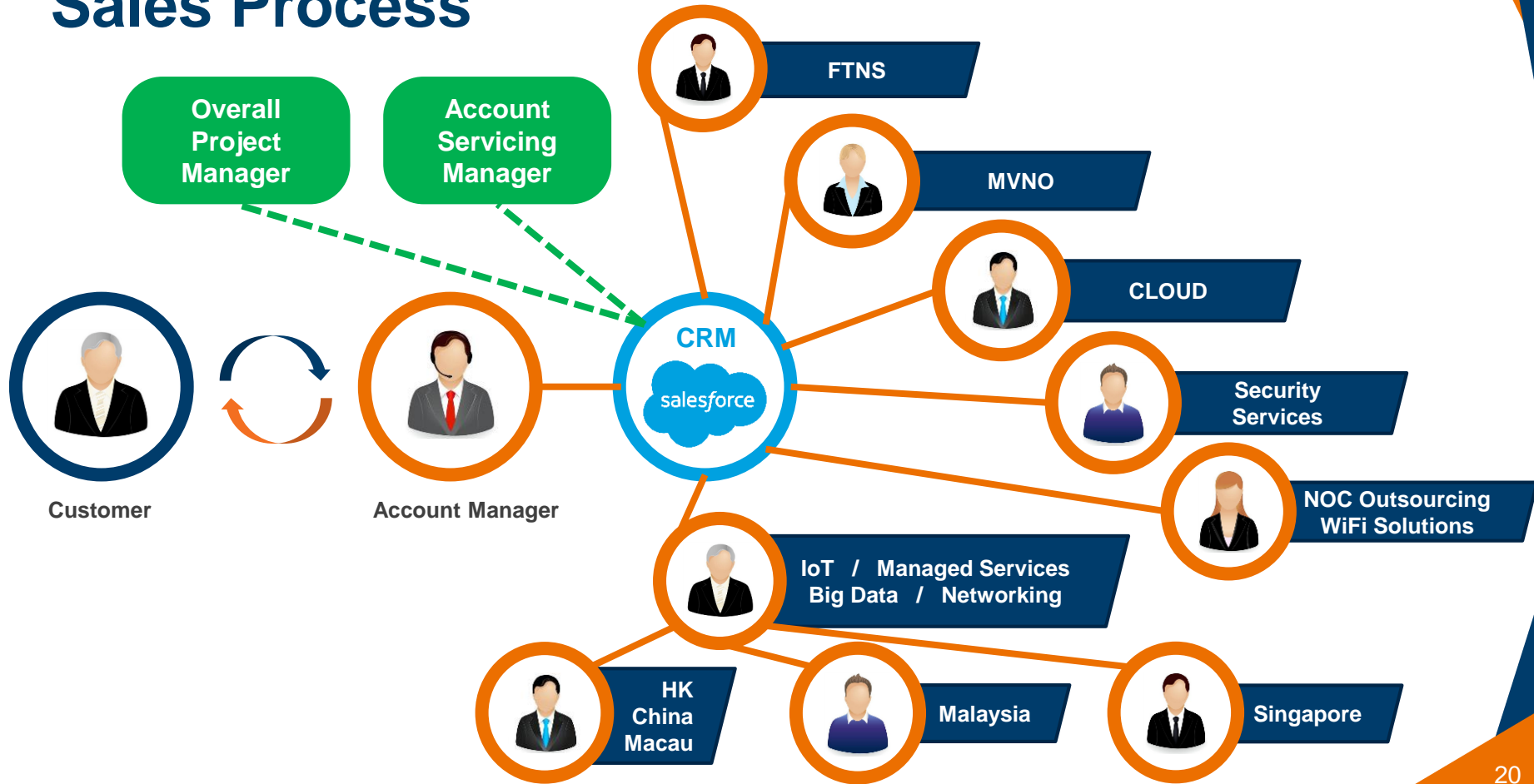
04



Low Hanging Fruits (Rev. and Costs)

05

# Sales Process



# Track Record of “Best of Breed” Integration

*Table: Profile of HKBN’s top 64 executives (top 1.4% of the Company)  
i.e. Associate Directors and above*



Company of Origin	Total	% of Team
HKBN		
More than 5 years with HKBN	29	45%
5 years or less with HKBN	7	11%
WTT	16	25%
NWT	5	8%
Y5Zone	3	5%
ICG	4	6%
<b>Total</b>	<b>64</b>	<b>100%</b>

Note: Excluding JOS, which is expected to be completed in Dec 2019

Management positions earned based on **MINDSET** and **CAPABILITY** instead of where they are from

# The End



\* JOS acquisition is subject to shareholders' approval

