



HKBN Ltd.

FY21 Interim Results Announcement

21 April 2021

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Changing the Game

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NiQ Lai

Co-Owner & Group Chief Executive Officer

We Overcome COVID-19 through CHANGE

Challenges

- ARPU pressure with reduced switching activity in times of economic uncertainty
- Stagnant growth in SME sector due to downscaling business
- Limited sales activity as social distancing measures continue
- Risk of bad debt increases due to struggling economy

Our Actions

Positioning as **best value proposition** for enterprises and residential customers

Transformation into integrated solution providers to provide solutions specialised in times of pandemic

Operational enhancement plan through restructure and optimization

Cost control on discretionary expenses and capital expenditure

Resilient Performance Amid COVID-19

Inclusive of ESS Pass-through to Talents

Service Revenue

\$3,840m

YoY +9%

EBITDA[#]

\$1,312m

YoY +2%

Core AFF^{*}

\$505m

YoY +7%

DPS : 39 HK Cents

YoY +5%

- JOS acquisitions completed in Dec-19; 1H2021 results included 6 months of JOS performance vs 2.5 months of JOS in 1H2020

[#] EBITDA included ESS pass-through of \$85m to Talents

^{*} Core AFF represents the AFF excluded premium paid on senior note redemption (\$114m in 1H2021 and \$31m in 1H2020)

Growth in Enterprise and Stable in Residential

Enterprise Solutions

105k

Enterprise Customers

+1%

\$3,028

Enterprise ARPU

+9%

\$2,616m

Service Revenue

+15%

Residential Solutions

886k

Broadband Subscriptions

0%

\$191

Residential ARPU[#]

+1%

\$1,239m

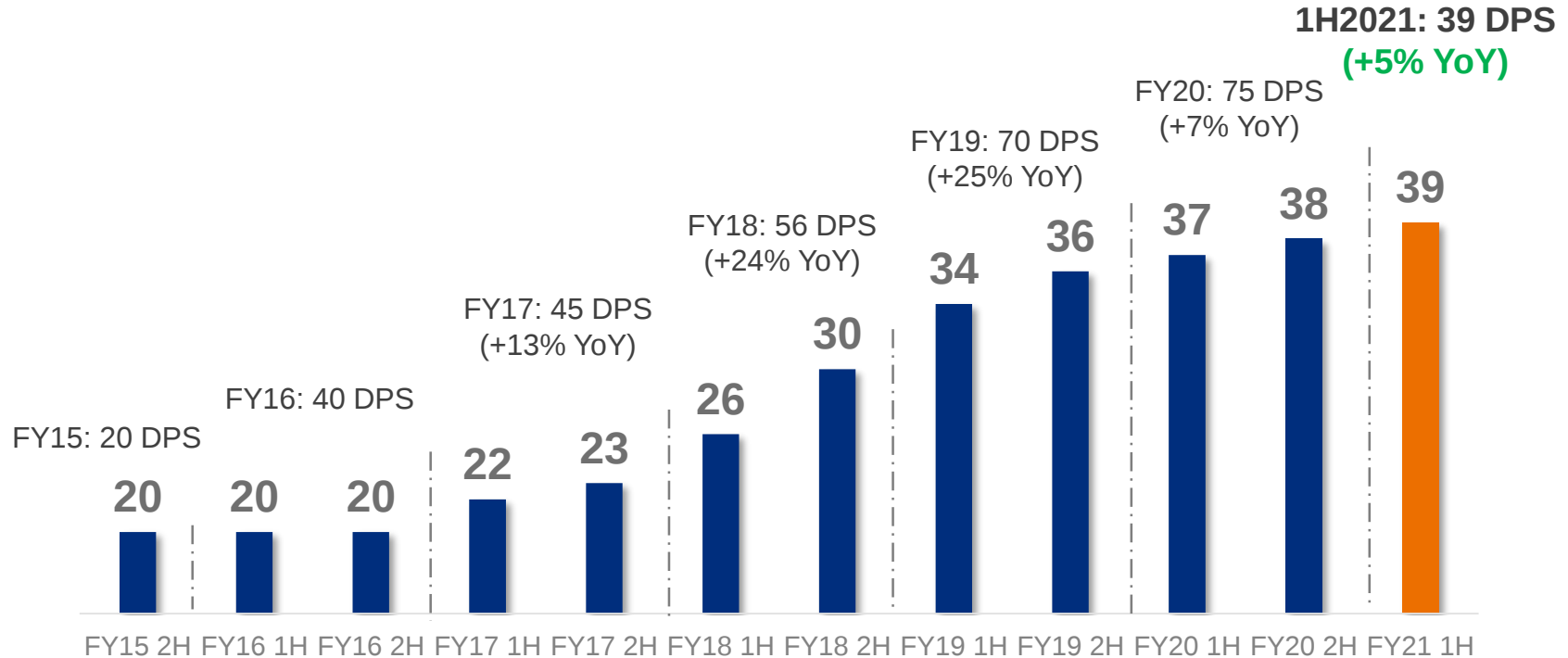
Service Revenue[#]

-1%

[#] Residential ARPU refers to historical full base residential ARPU for the period. Residential ARPU and Residential service revenue excluded 1-month fee waiver impact (\$14m in 1H2021). Acquisition and renewal contract ARPU refers to ARPU of the new acquisition and renewal subscriptions for the specific month. Such ARPU was \$201 in Feb-21.

Consecutive Dividend Growth

For >930 Co-Owners, This is our Families' AFF

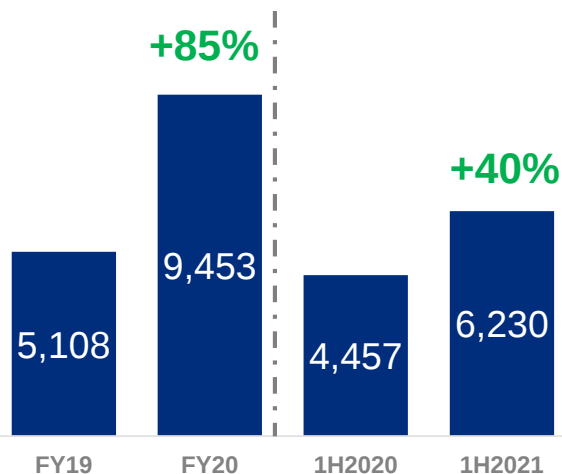


The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the Adjusted Free Cash Flow with an intention to pay 100% of the Adjusted Free Cash Flow in respect of the relevant full year period, after adjusting for potential debt repayment, if required. For the shares of 1,005,666,666 existed immediately before the WTT Merger, the Company has recommended to pay 100% of the Adjusted Free Cash Flow for the full year dividend. The dividend on the 305,932,690 newly issued consideration shares and the amount payable to the vendor loan note shall be funded by cash and cash equivalent held by WTT as of completion date and the Adjusted Free Cash Flow contributed by WTT for FY19

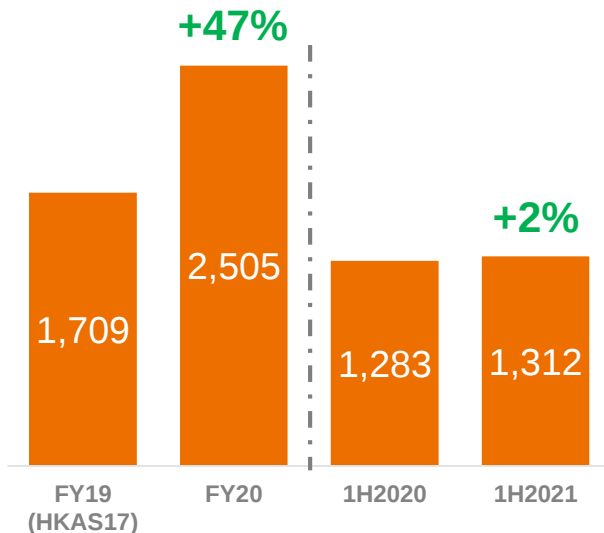
Sustaining Growth in EBITDA & Core AFF

Financials in HK\$mn, unless otherwise stated

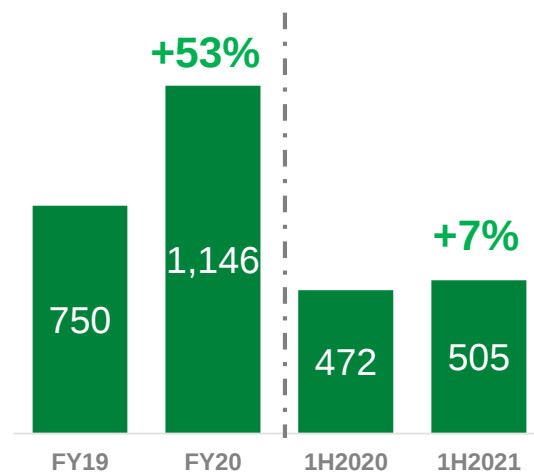
Revenue



EBITDA



Core AFF*



- JOS acquisitions completed in Dec-19; 1H2021 results included 6 months of JOS performance vs 2.5 months of JOS in 1H2020

* Core AFF represents the AFF excluded premium paid on senior note redemption (\$114m in 1H2021, \$31m in 1H2020 and \$31m in FY20)

Manageable Debt Profile

Net Leverage Ratio[#]

4.4x

Average Finance Cost

3.1%

- Successfully refinanced **~\$10.5 billion** of debt with improved terms and headroom
- Average finance cost shall reduce to **HIBOR+1.5%**, further interest savings to materialise in FY22
- Average remaining life of 3.3 years. Increase to **4.6 years** after refinancing in Apr-21.

[#] The Group has entered into facility agreements with various international banks for a term loan of \$5,500 million and \$5,000 million on 13 November 2020 and 31 March 2021, respectively. The Group's net debt to EBITDA ratio as computed in accordance with these facilities would be approximately 4.4x.

The Power of 1-HKBN's Relationship Management



Growth Initiatives

WTT/JOS Integration	5G MVNO	Entertainment	New Services	HOME+
 	Partnership with 3HK	Overseas OTT JOOX ... and more	WiFi-6 gateway Network security IT managed services Services upsell	

Planning for Co-Ownership IV in FY22-24

William Yeung

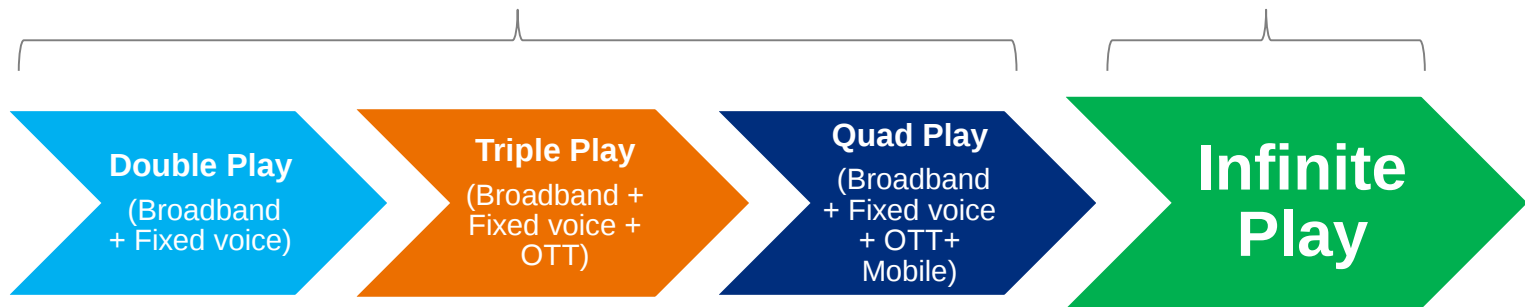
Co-Owner & Executive Vice-chairman

Why HOME+ ?



From ARPU-focused
Quad-play per Household...

... to Infinite-play
per Customer



Transformation from Telecom to All-in-One Ecosystem

Go BIG & Go FAST

JV with the Right Partners

Line-up of HOME+ JV



Telecom & technology
solutions provider



Food and FMCG
distributor

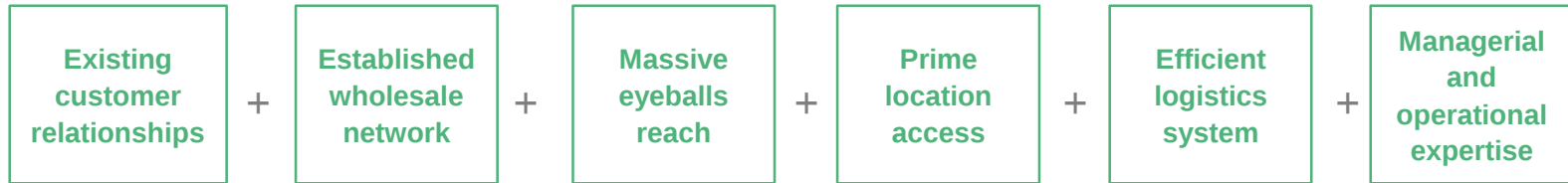


Logistics service
provider



Other
investors

Our shareholders' value propositions...



Scalable Asset-light Model

Incremental Economics

Promising Start

Hit the Ground Running Since Launched in Nov-20

Solid figures after 4 months :

- >10,000 SKUs
- >500 Merchants/brands
- from ~100 average daily sales in Nov-20 to ~700 in Feb-21
- Highest daily sales >2,000

The End



Changing
the Game

Appendix

Operational Highlights – Enterprise Solutions

	1H2020	1H2021	YoY Changes
Commercial building coverage	7,295	7,418	+2%
<u>Subscriptions ('000)</u>			
- Broadband	116	118	+2%
- Voice	453	434	-4%
<u>Market share</u>			
- Broadband	37.6%	36.7%	-0.9pp
- Voice	25.6%	25.2%	-0.4pp
Enterprise customers ('000)	104	105	+1%
Broadband churn rate	1.2%	1.5%	+0.3pp
Enterprise ARPU	\$2,775	\$3,028	+9%

Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority ("OFCA") at the same point in time. Based on the latest disclosure from OFCA for Dec-20 market data for broadband services and voice services respectively.

Operational Highlights – Residential Solutions

	1H2020	1H2021	YoY Changes
Residential homes passed ('000)	2,377	2,438	+3%
<u>Subscriptions ('000)</u>			
- Broadband	882	886	+0%
- Voice	501	485	-3%
<u>Market share</u>			
- Broadband	35.5%	34.4%	-1.1pp
- Voice	22.2%	22.2%	-0pp
Residential customers ('000)	1,017	1,011	-1%
Broadband churn rate	0.8%	0.9%	+0.1pp
Residential ARPU (without TTT*)	\$190	\$191	+1%
Residential ARPU (with TTT*)	\$190	\$189	-1%

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* "TTT" represents the campaign namely ToughTimesTogether in which the Group offered 1-month service fee waiver to its customers

Consolidated Income Statement

(HK\$ million, unless otherwise stated)	1H2020	1H2021	YoY Changes
Enterprise Solutions	2,276	2,616	+15%
Enterprise Solutions related Product	636	1,249	+96%
Residential Solutions	1,252	1,224	-2%
Other product	294	1,141	>100%
Turnover	4,457	6,230	+40%
Other net income	19	5	-73%
Network costs and cost of services	(1,409)	(1,772)	26%
Costs of inventories	(818)	(2,154)	>100%
Advertising and marketing expenses	(214)	(173)	-19%
Amortisation of customer acquisition and retention costs	(145)	(148)	2%
Talent costs included in other operation expenses	(509)	(517)	2%
Other operating expenses	(1,015)	(1,055)	4%
Finance cost	(286)	(325)	14%
Profit before taxation	80	91	13%
Income tax (charge)/credit	52	(42)	>100%
Profit for the period	132	49	-63%
Amortisation of intangible assets	301	241	-20%
Deferred tax arising from amortisation of intangible assets	(49)	(39)	-20%
Loss on extinguishment of senior notes	43	145	>100%
Deferred tax recognized on unused tax losses	(88)	(12)	-87%
Transaction costs in connection with business combination	7	-	-100%
Adjusted Net Profit	345	385	12%

All financial figures are rounded to nearest HK\$ million

Consolidated Balance Sheet (Summary)

(HK\$ million, unless otherwise stated)	At 29 February 2020	At 31 August 2020	At 28 February 2021
Non-current assets	19,480	19,211	18,624
Current assets	3,042	2,913	3,346
Current liabilities	3,737	4,632	4,439
Total assets less current liabilities	18,784	17,492	17,531
Non-current liabilities	11,744	11,032	11,574
Net assets	7,040	6,460	5,957
Capital and Reserves	7,040	6,460	5,957
Additional Info:			
Goodwill and intangible assets	13,571	13,217	12,924
Property, plant and equipment	3,972	4,112	3,961
Cash and cash equivalents	692	676	1,232
Bank loans	6,322	6,329	11,301
Senior notes	4,137	4,102	-

All financial figures are rounded to nearest HK\$ million

Reconciliation of EBITDA and Adjusted Free Cash Flow

(HK\$ million, unless otherwise stated)	1H2020	1H2021	YoY Changes
Profit for the year	132	49	-63%
Finance costs	286	325	14%
Interest income	(2)	(1)	-17%
Income tax charge/ (credit)	(52)	42	>100%
Depreciation	466	508	9%
Amortisation of intangible assets	301	241	-20%
Amortisation of customer acquisition and retention costs	145	148	2%
Transaction costs in connection with business combination	7	-	-100%
EBITDA	1,283	1,312	2%
Service EBITDA Margin	33.2%	28.1%	-5.1pp
Capital expenditure	(249)	(326)	31%
Net interest paid	(200)	(219)	10%
Bond redemption	(31)	(114)	>100%
Other non-cash items	(1)	(4)	>100%
Income tax paid	(157)	(223)	43%
Customer acquisition and retention costs	(131)	(133)	1%
Lease payment	(87)	(153)	76%
Changes in working capital	13	251	>100%
Adjusted Free Cash Flow	440	391	-11%
Exclude: Bond redemption premium	31	114	>100%
Core Adjusted Free Cash Flow	472	505	7%
Dividend *	547	577	5%
DPS (HK cents)	37	39	5%

* Dividend amount included the distribution to vendor loan note holders, who are entitled to the same DPS on the equivalent number of shares based on the terms of the vendor loan notes.
All financial figures are rounded to nearest HK\$ million