

FY22 Annual Results Presentation

for 12 months ended 31 August 2022

William Yeung

Co-Owner & Executive Vice-chairman

William Ho

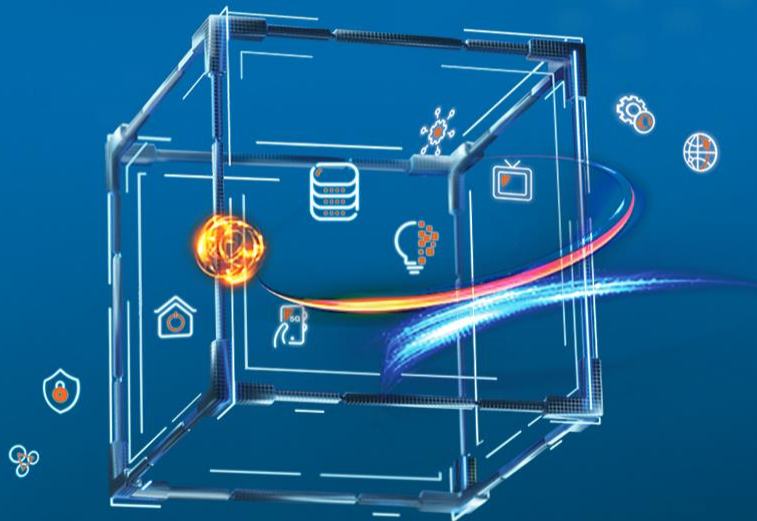
Co-Owner-to-be & Chief Executive Officer - Enterprise Solutions

Almira Chan

Co-Owner, Chief Strategy Officer and Acting Chief Financial Officer

27 October 2022

GROW BEYOND



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William Yeung

Co-Owner and Executive Vice-chairman

Grow Core Business

- **Enterprise** - Fixed Telecom Network Services with **System Integrator** edge
- **Residential** - Infinite-play with **5G**

Stable Organic Growth

Revenue

\$11,626m

YoY **+1%**

(Organic growth **+6%***)

EBITDA

\$2,609m

YoY **+2%**

AFF

\$1,133m

YoY **+0%**

FY DPS: 60 HK Cents

with Payout Ratio 78%#

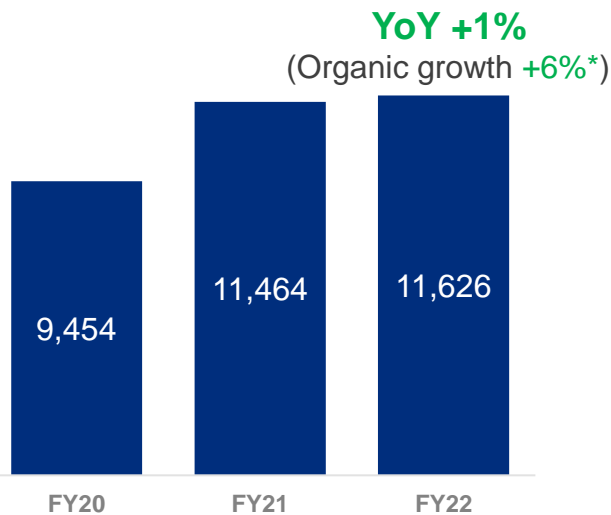
Financials in HK\$m, unless otherwise stated

The dividend policy of the Company is to pay dividends in an amount of not less than 75% of the Adjusted Free Cash Flow, take into account the Group's financial performance, investment and funding requirements, potential debt repayment, and prevailing economic and market conditions and other factors that the Company consider relevant and appropriate.

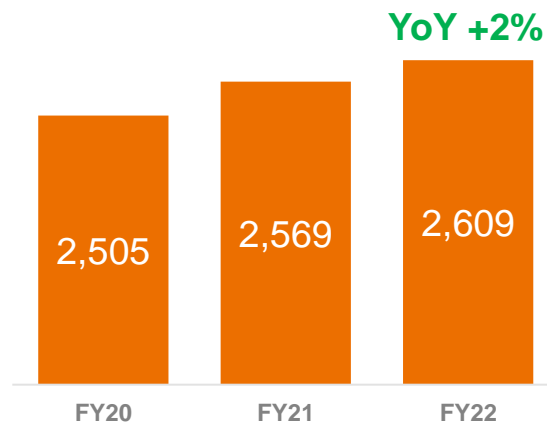
* Total revenue growth at 6% excluded the impact of the Disposal Group

Sustainable Organic Growth

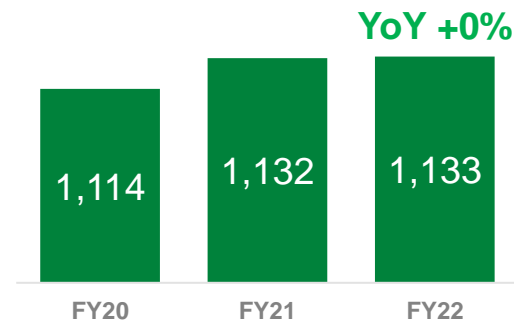
Revenue



EBITDA



AFF



Financials in HK\$m, unless otherwise stated

* Total revenue growth at 6% excluded the impact of the Disposal Group

Business Resilience amid Challenging Market

Enterprise Solutions

8.0k
Commercial Buildings
YoY +6%

105k*
Enterprise Customers
YoY -1%

\$2,864*
Enterprise ARPU
YoY +1%

Residential Solutions

2.5m
Homes Passed
YoY +2%

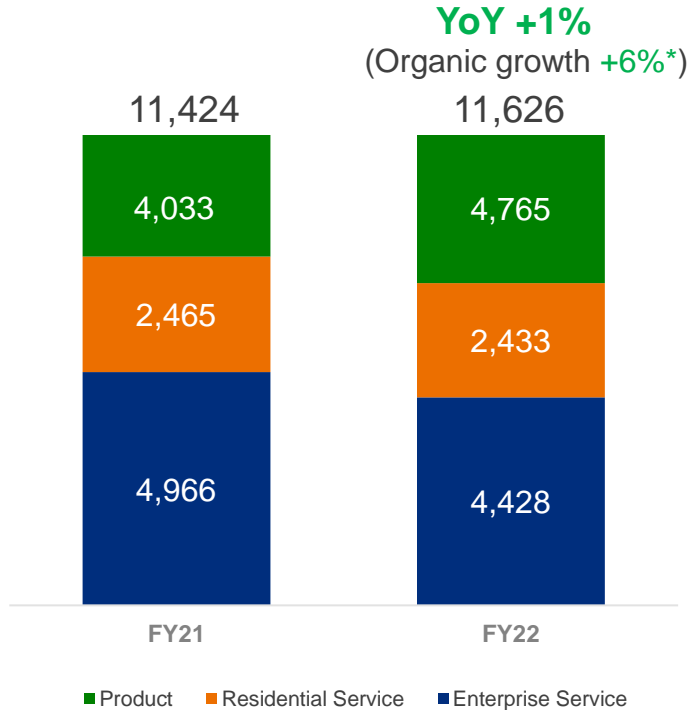
897k
Broadband Subscriptions
YoY +11k

\$184
Residential ARPU
YoY -3%

* Enterprise customers and Enterprise ARPU excluded the impact of the Disposal Group

Solid Revenue Growth

Financials in HK\$mn, unless otherwise stated



Product

- Product increase driven by significant growth in Enterprise Solutions related product revenue and end-user devices sales

Residential Service

- Residential service revenue slightly decreased amid intense market competition

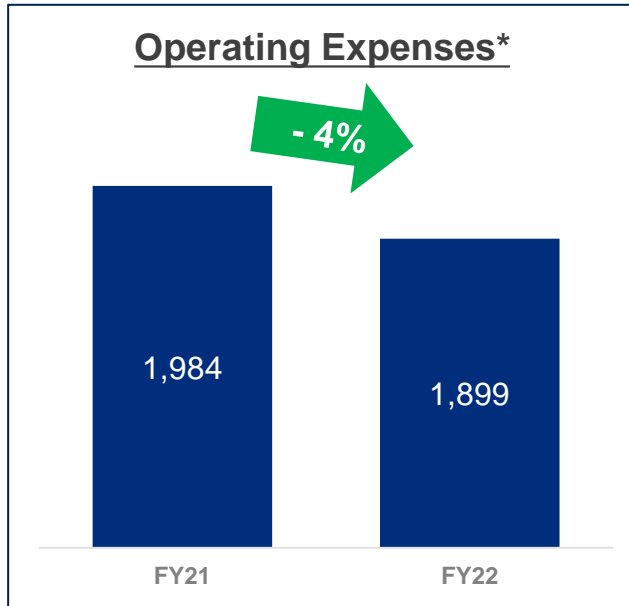
Enterprise Service

- Enterprise service revenue drop mainly due to the impact of disposal of JOS Singapore & Malaysia

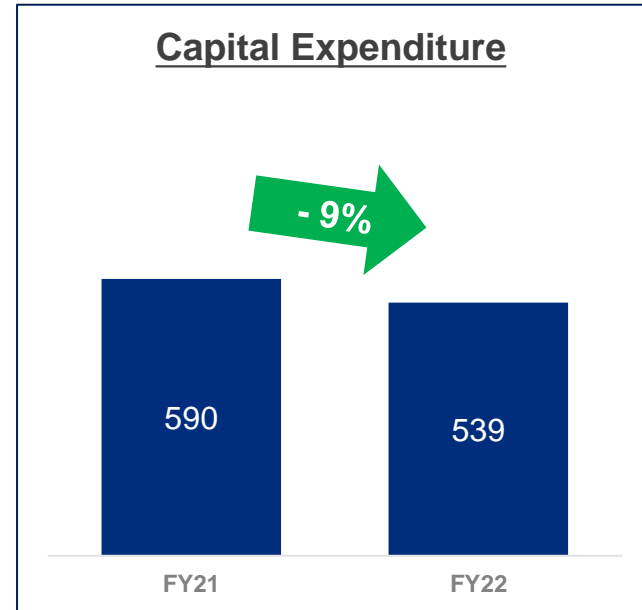
* Total revenue growth at 6% excluded the impact of the Disposal Group

Fitter and Leaner for Growth

Financials in HK\$m, unless otherwise stated



Opex to Revenue Ratio: **17.3%** **16.3%**



Capex to Revenue Ratio: **5.1%** **4.6%**

* Operating Expenses excluded Depreciation, Amortisation of intangible assets and Amortisation of customer acquisition and retention cost

Manageable Debt Profile

Net Leverage Ratio#

4.6x
(FY21: 4.6x)

Avg. Finance Cost

2.7%
(FY21: 2.6%)

Undrawn Revolving
Facilities

\$1.7bn
(FY21: \$1.4bn)

- Average remaining life decreased from 4.3 years as of Aug 21 to **3.3 years** as of Aug 22

The Group has entered into facility agreements with various international banks for a term loan of \$5,500 million and \$5,500 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 4.6x.

Our ESG Highlights



Board-level ESG Committee

Industry-First Achievements



Hang Seng Corporate
Sustainability Index
Series Member 2022-2023



No. 1
in Telco industry
Since 2020

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

2021 and 2022



**SASB
STANDARDS**

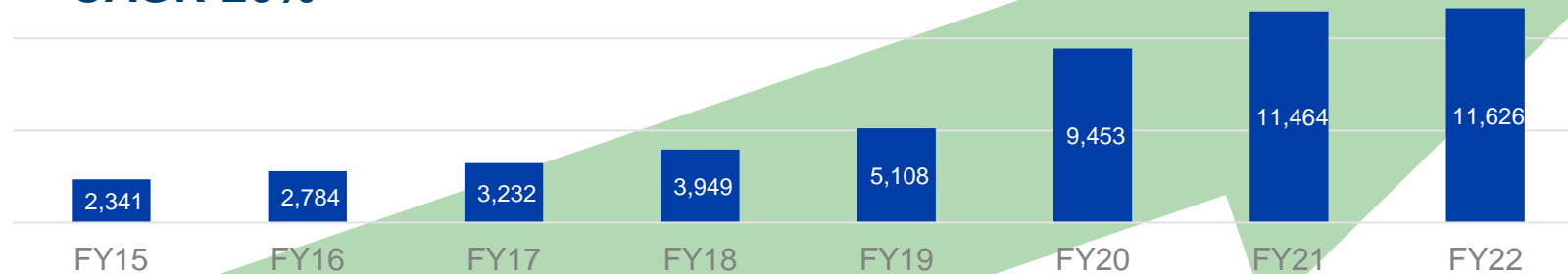
Now part of IFRS Foundation

Pioneer in HK for
SASB Telco standards

Growth since IPO

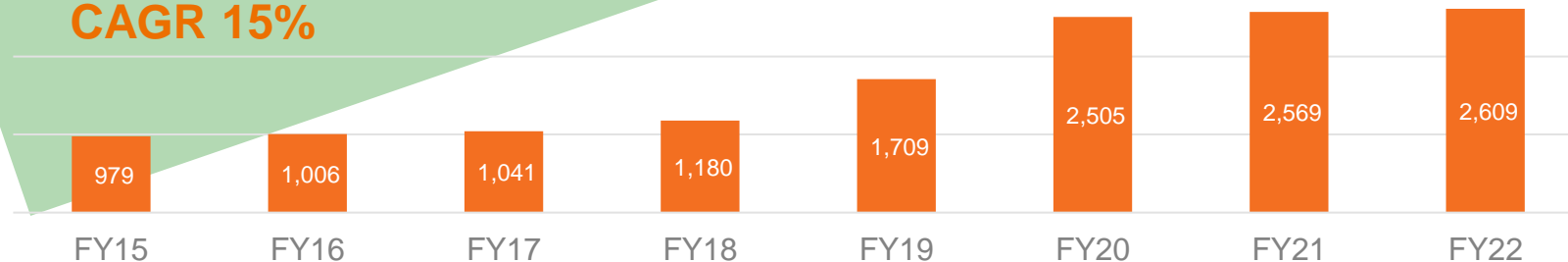
Revenue

CAGR 26%



EBITDA

CAGR 15%



Financials in HK\$mn, unless otherwise stated

The Company acquired New World Telecom in Mar-16, I-Consulting Group in May-18, WTT in Apr-19, JOS in Dec-19 and disposed the Disposal Group in Jan-22



William Ho

**Co-Owner-to-be &
Chief Executive Officer - Enterprise Solutions**

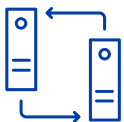


Enterprise Solutions Focus

01

**SME
Mid-Market**

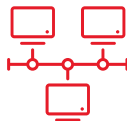
Retail
5G Solutions
Managed Services



02

**Service
Provider**

SI
IDC
Cloud
Hyperscalers



03

Enterprise

FTNS + SI
Partner Alliances
Box Moving+



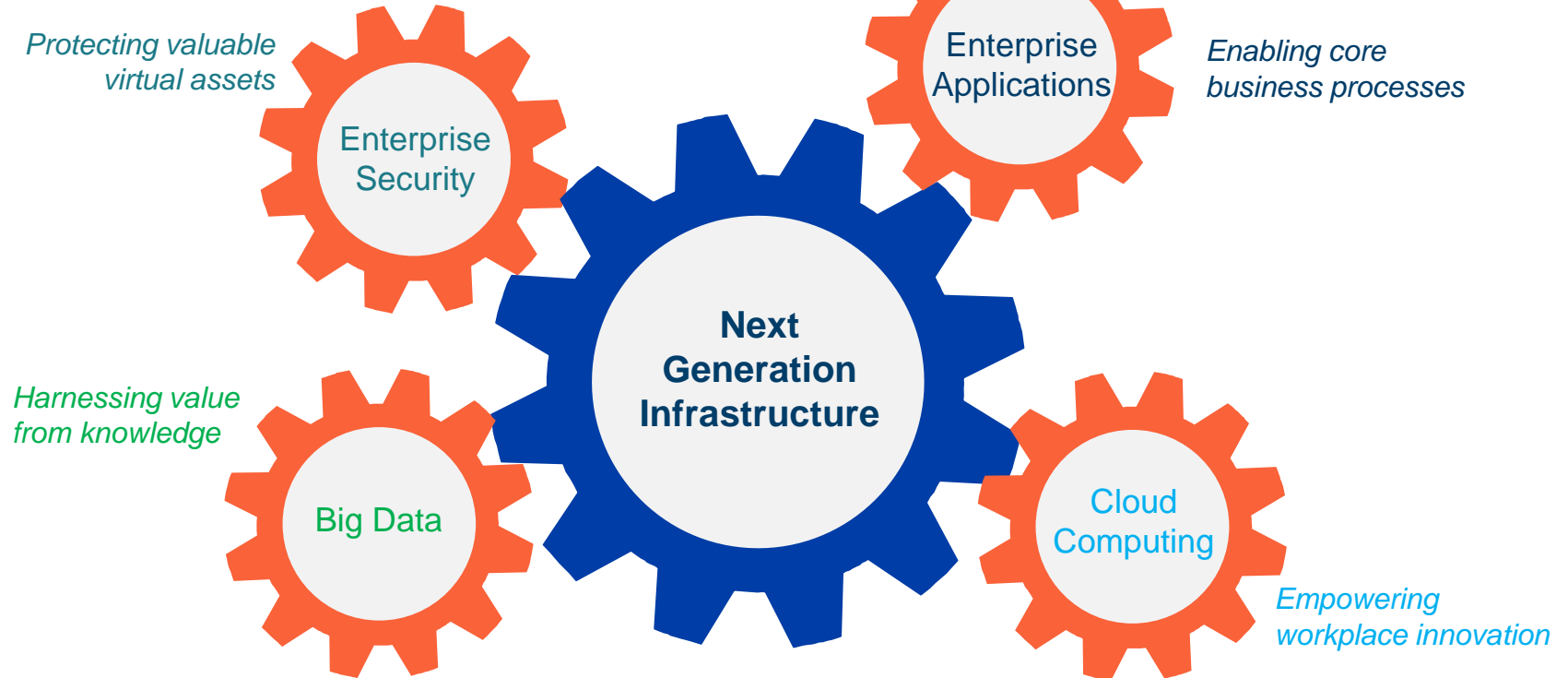
04

**Beyond
Hong Kong**

Mainland China,
especially GBA
ASEAN
International Carriers



Technology Focus



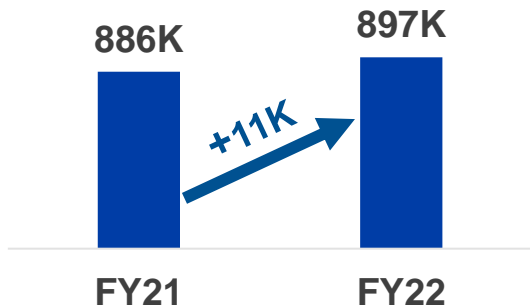


William Yeung

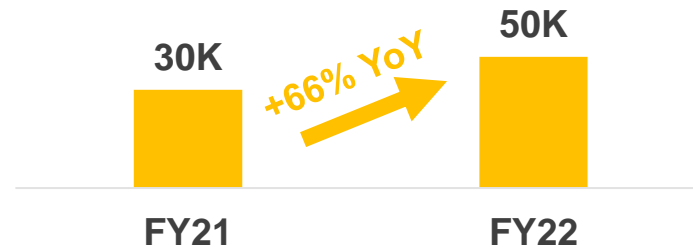
Co-Owner and Executive Vice-chairman

Residential Key Figures Highlight

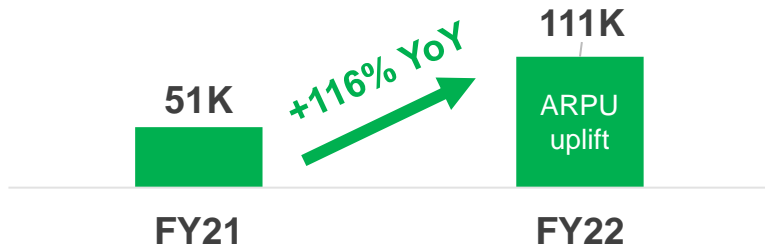
Stable Growth in Broadband Subscriptions



Continuous Upgrade to Higher Bandwidth (> 1000M)



Rapid Growth in Entertainment Subscriptions



NETFLIX



JOOX

Growing Demand for Over 1Gbps Broadband Connectivity

Growing Demand of Bandwidth Consumption



OTT Streaming

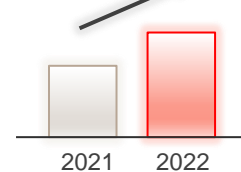
Gamer

Study from Home

Work from Home

Family with Multi-device

+25%



Looking Forward 留錢鬥後

Focus on Core Business

Strengthen Balance Sheet

Preserve Flexibility and Agility

Dividend Recommendation

FY DPS: 60 HK Cents

- **Invest in Growth**
- **Strengthen Balance Sheet**
- **Increase Flexibility**

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for 12 months ended 31 August 2022

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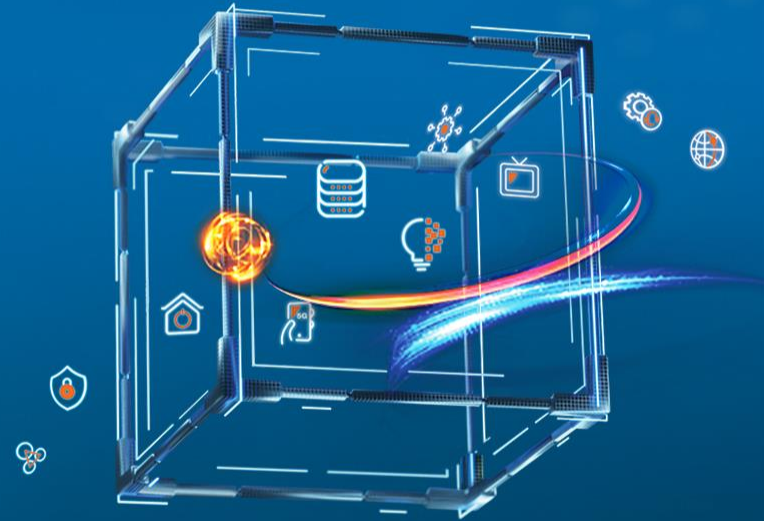
William Ho

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Almira Chan

Co-Owner, Chief Strategy Officer and Acting Chief Financial Officer

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Appendix



Operational Highlights – Enterprise Solutions

	FY21	FY22	YoY Changes
Commercial building coverage	7,584	8,006	6%
<u>Subscriptions ('000)</u>			
• Broadband	119	119	0%
• Voice	423	413	-2%
<u>Market share</u>			
• Broadband	36.9%	37.0%	+0.1pp
• Voice	24.9%	24.4%	-0.5pp
Enterprise customers ('000)	107	105	-2%
Broadband churn rate	1.5%	1.4%	-0.1pp
Enterprise ARPU	\$3,036	\$2,906	-4%

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 July-22 market data for broadband services and voice services respectively.

Operational Highlights – Residential Solutions

	FY21	FY22	YoY Changes
Residential homes passed ('000)	2,466	2,513	+2%
<u>Subscriptions ('000)</u>			
• Broadband	886	897	+1%
• Voice	474	432	-9%
<u>Market share</u>			
• Broadband	34.2%	34.0%	-0.2pp
• Voice	22.1%	21.3%	-0.8pp
Residential customers ('000)	997	976	-2%
Broadband churn rate	0.9%	1.0%	+0.1pp
Residential ARPU (without TTT*)	\$192	\$184	-4%
Residential ARPU (with TTT*)	\$190	\$184	-3%

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 June-22 market data for broadband services and voice services respectively.

* “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)	FY21	FY22	YoY Changes
Enterprise Solutions	4,966	4,428	-11%
Enterprise Solutions related Product	2,310	2,351	2%
Residential Solutions	2,465	2,433	-1%
Other product	1,723	2,414	40%
Turnover	11,464	11,626	1%
Other net income	23	62	>100%
Network costs and cost of services	-3,261	-2,702	-17%
Costs of inventories	-3,690	-4,454	21%
Advertising and marketing expenses	-370	-372	1%
Amortisation of customer acquisition and retention costs	-296	-294	-1%
Talent costs included in other operation expenses	-984	-912	-7%
Other operating expenses	-2,080	-2,003	-4%
Finance cost	-481	-239	-50%
Profit before taxation	325	712	>100%
Income tax	-118	-159	34%
Profit for the period	207	553	>100%
Amortisation of intangible assets	457	411	-10%
Deferred tax arising from amortisation of intangible assets	-74	-66	-10%
Impairment on investment in a joint venture	-	7	+100%
Loss on extinguishment of senior notes	145	0	-100%
Originating fee for banking facilities expired	20	0	-100%
Adjusted Net Profit	756	905	20%

All financial figures are rounded to nearest HK\$m

Consolidated Balance Sheet (Summary)

(HK\$ million, unless otherwise stated)	At 31 August 2021	At 28 February 2022	At 31 August 2022
Non-current assets	18,152	17,687	17,384
Current assets	3,616	3,321	3,043
Current liabilities	3,864	3,517	3,131
Total assets less current liabilities	17,904	17,490	17,296
Non-current liabilities	12,366	12,198	12,372
Net assets	5,538	5,293	4,924
Capital and Reserves	5,538	5,293	4,924

Additional Info:			
Goodwill and intangible assets	12,623	12,381	12,219
Property, plant and equipment	3,901	3,780	3,731
Cash and cash equivalents	1,421	1,154	1,129
Bank loans	11,313	11,271	11,211

All financial figures are rounded to nearest HK\$m

Reconciliation of EBITDA and Adjusted Free Cash Flow

(HK\$ million, unless otherwise stated)	FY21	FY22	YoY Changes
Profit for the year	207	553	>100%
Finance costs	481	239	-50%
Interest income	-2	-3	30%
Income tax charge	118	159	34%
Depreciation [#]	1,012	947	-6%
Amortisation of intangible assets [#]	457	413	-10%
Amortisation of customer acquisition and retention costs	296	294	-1%
Impairment on investment in a joint venture	-	7	+100%
EBITDA[#]	2,569	2,609	2%
Service EBITDA Margin	30.0%	33.5%	+3.5pp
Capital expenditure	-590	-539	-9%
Net interest paid	-295	-298	1%
Premium paid on senior notes redemption	-114	-	-100%
Other non-cash items	-9	-7	-24%
Income tax paid	-230	-165	-28%
Customer acquisition and retention costs	-265	-242	-9%
Lease payment	-274	-210	-23%
Changes in working capital	340	-15	>-100%
Adjusted Free Cash Flow	1,132	1,133	+0%
Dividend *	1,131	887	-22%
DPS (HK cents)	76.5	60.0	-22%

* 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.

[#] Depreciation and amortization of the Disposal Group was not recognised on consolidation level from 1 September 2021 to 3 January 2022 in the consolidated financial statements. The \$15 million pro forma adjustment is to account for the depreciation and amortization of the Disposal Group in order to reflect the true business performance of the Disposal Group up to the date of disposal.