

## FY23 Interim Results Announcement

Presented by  
William Yeung, Co-Owner & Executive Vice-chairman  
NiQ Lai, Co-Owner & Group Chief Executive Officer

26 April 2023

# GROW BEYOND



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**NiQ Lai**

**Co-Owner and  
Group Chief Executive Officer**

# Clear 2<sup>nd</sup> Largest Carrier: Unleashing Growth

- **Enterprise** - ICT Powerhouse with Seamless Telecom and System Integrator Capabilities
- **Residential** - World's 1<sup>st</sup> Money-back Dual Guarantee Speed PLUS Latency+

**The Clear #2 Carrier with Annualised Revenue Scale of HK\$13.4bn\***

\* Annualised revenue of \$13.4bn is projected by doubling 1HFY23 revenue of \$6.7bn.

+ HKBN is the first telecommunications provider in the world to offer compensation in Hong Kong dollars for the "Fibre Broadband Dual Guarantee", and the only telecommunications provider in Hong Kong to offer guaranteed speeds for designated 100M to 2000M fibre broadband services. (As of 24th April 2023). "Fibre Broadband Dual Guarantee" includes "Speed Guarantee" and "Low Latency Guarantee", only applicable to designated home broadband service plans. Please contact our sales representative for details. Terms and conditions apply.

# Solid Trends



**Revenue**

**\$6,707m**

Adjusted YoY +2%\*



**EBITDA**

**\$1,196m**

YoY -6%



**AFF**

**\$368m**

YoY -49%

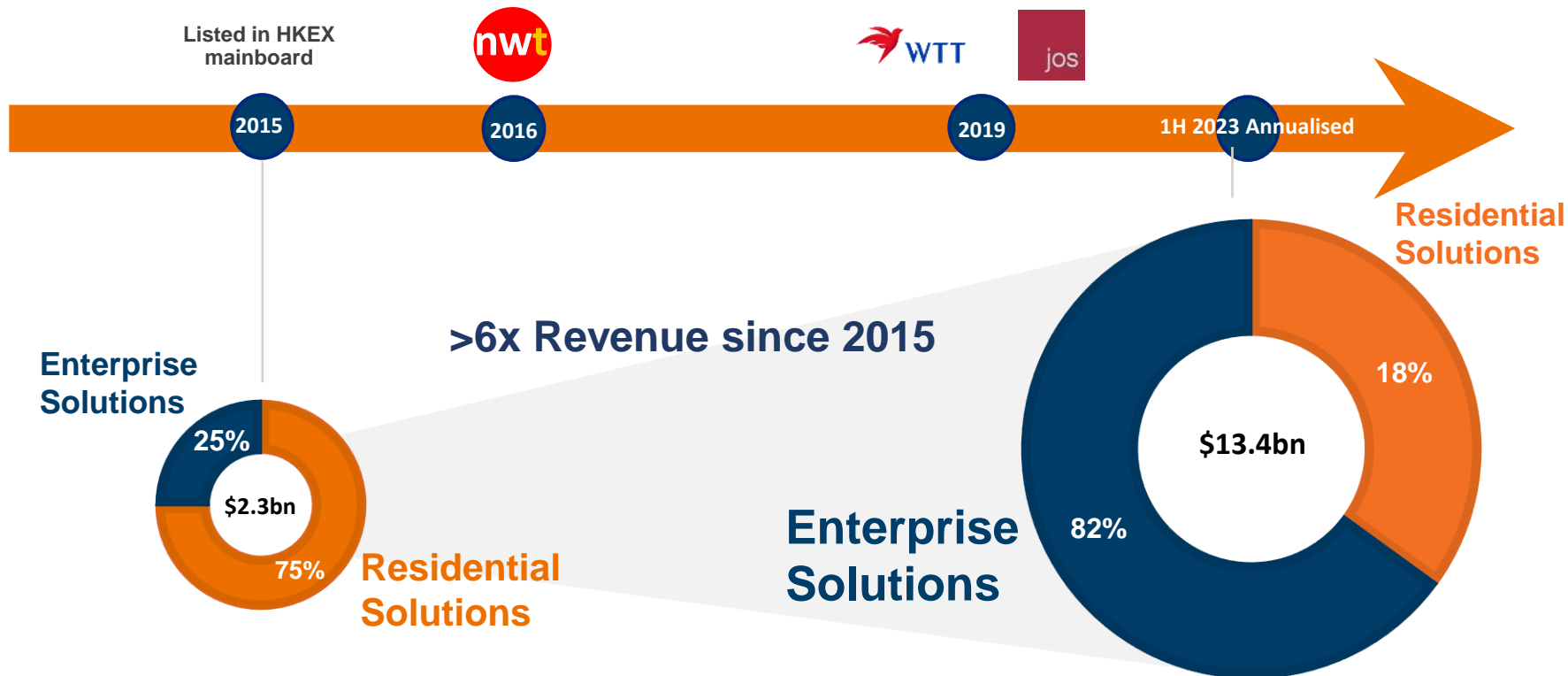


**DPS: 20 HK Cents**

Financials in HK\$m, unless otherwise stated

\* Adjusted growth is excluding the four months impact in 1HFY22 of the Disposal Group (On 3 January 2022, we completed the disposal of 60% of the issued share capital of HKBN JOS (SINGAPORE) PTE. LTD. and HKBN JOS (MALAYSIA) SDN. BHD. (collectively, the "Disposal Group") to StarHub Ltd.).

# Amazing Transformation from Residential to Enterprise



# Connectivity Beyond

- **Commercialised TRUE TRI-CARRIER NETWORK** advantage for Enterprise
- **World's 1<sup>st</sup> MONEY-BACK Dual Guarantee = Speed + Latency<sup>#</sup>** for Residential

# HKBN is the first telecommunications provider in the world to offer compensation in Hong Kong dollars for the "Fibre Broadband Dual Guarantee", and the only telecommunications provider in Hong Kong to offer guaranteed speeds for designated 100M to 2000M fibre broadband services. (As of 24th April 2023)."Fibre Broadband Dual Guarantee" includes "Speed Guarantee" and "Low Latency Guarantee", only applicable to designated home broadband service plans. Please contact our sales representative for details. Terms and conditions apply.

香港寬頻  
HONG KONG  
BROADBAND NETWORK

超越·網絡  
**Connectivity Beyond**  
**WORLD'S FIRST**  
**全球首創**

· Enterprise ·  
Tri-Carrier Network  
三重光纖網絡

· Residential ·  
Money-Back  
Dual Guarantee  
光纖寬頻雙重保證

Dual-Link Network  
雙重網絡備援

Multi-Angle Cyber Defence  
多方位網絡防禦

Speed Guarantee  
速度保證

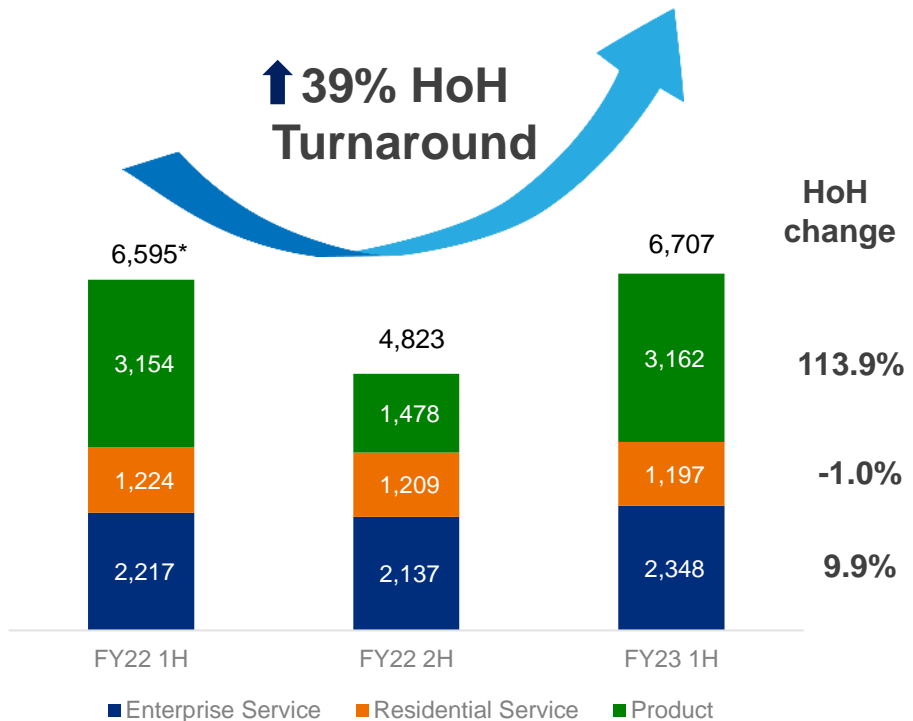
Low Latency Guarantee  
低時延保證

HKBN

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# Clear J-Curve Turnaround



## Product

- Strong post COVID-19 activity rebound

## Residential Service

- Residential service stable

## Enterprise Service

- Enterprise strong HoH rebound

Financials in HK\$mn, unless otherwise stated

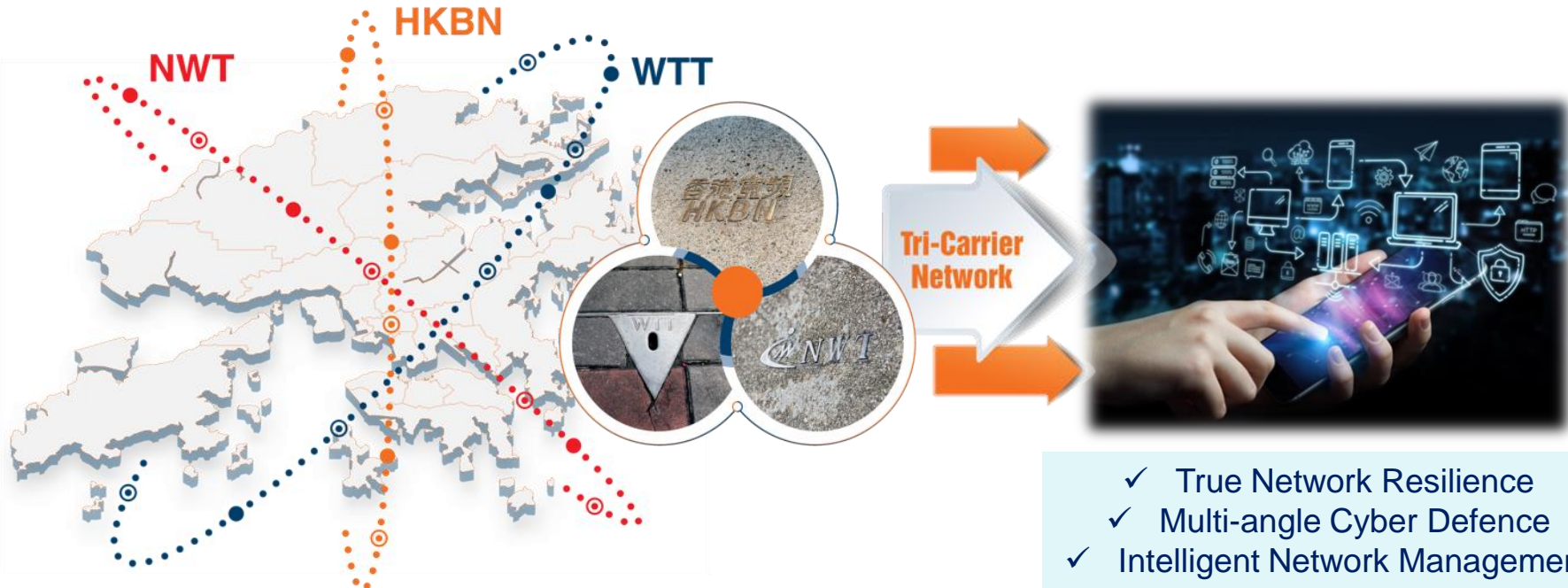
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# ENTERPRISE SOLUTIONS

# Commercialising Unique Tri-Carrier Network Power

The One-and-Only Truly Redundant Network Solution in Hong Kong



- ✓ True Network Resilience
- ✓ Multi-angle Cyber Defence
- ✓ Intelligent Network Management

# Unleash the Potential of HK\$30bn Investment

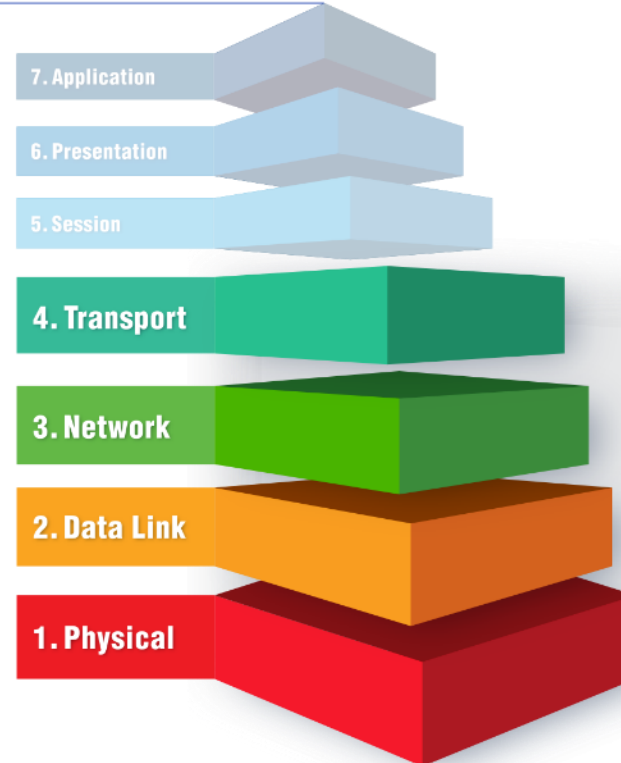


# Typical Players Traditional Segments Focus

## General Attributes

Relative Complexity	Talent Scalability	Barrier of Entry	Profitability
High: Applications require high level of customisation	Low: High complexity means highly Talent-intensive	Very Low: SI-only industry tends to be highly fragmented market	Low: ~25% Gross Profit due to prolonged project delivery
Low: Networks tend to be modular	High: Talents are scalable as network is modular	Massive barriers of entry: City-wide fibre network costs tens of HKD billions and decades to build	High: ~75% Gross Profit protected due to heavy investment cost

## System Integrator (SI) Down



**7 Layers**  
of the OSI Model

**HKBN**  
“Sweet Spot”  
ICT Powerhouse

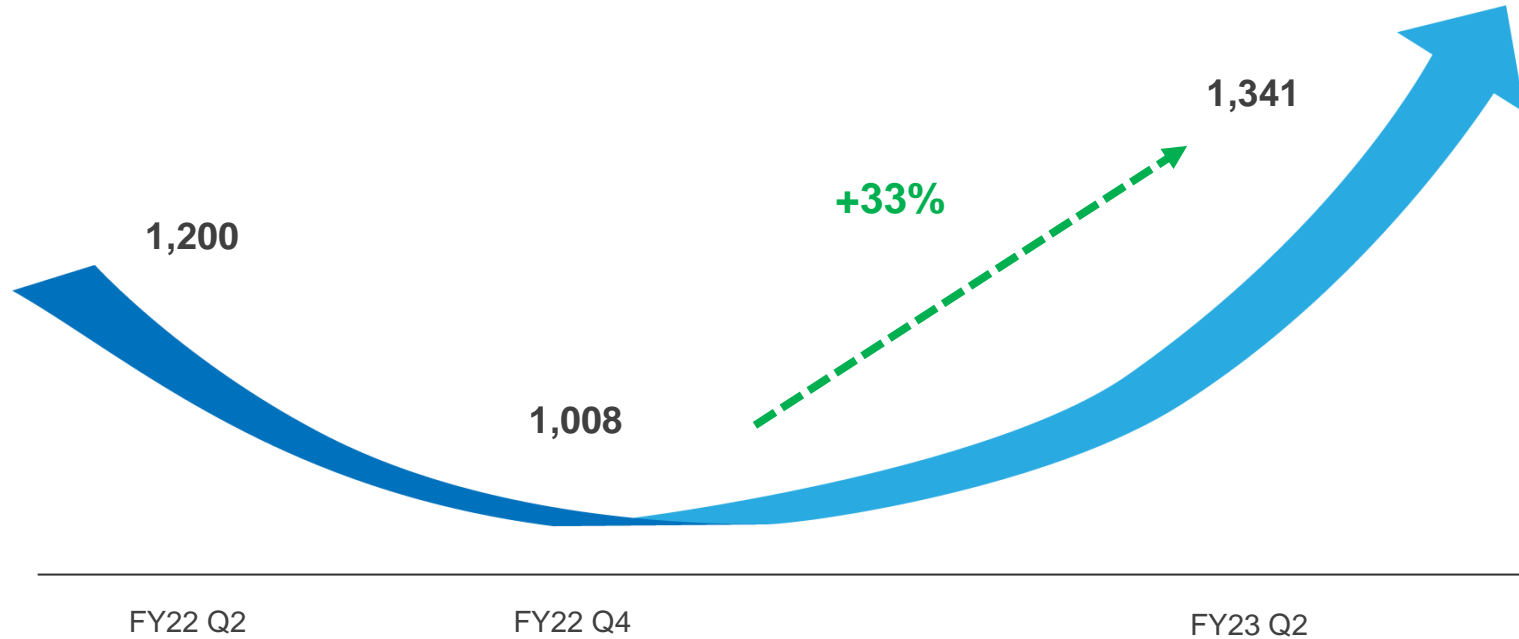
**Telco Up**

# Typical HKBN Large ICT Enterprise Customer

Financial Services Institution with 20 branches in HK, 1000 laptops

Service	Charge basis	HK\$ mn per Year
Network Revamp - Upgrade of servers and storage, on premise to cloud migration, data center consolidation,	Project based hardware and implementation mark-up PLUS ongoing support	HK\$10-20 mn
Security: SASE, Anti-DOS, Firewall, Security Operations Centre	Project based hardware and implementation mark-up PLUS ongoing support	HK\$10-20 mn
Product Sales - 1,000 laptops	Hardware at HK\$10,000/unit x 1000	HK\$10 mn
Software - MS M365, End Point Security, etc for 1000 laptops	Hardware at HK\$3,000/unit x 1000	HK\$3 mn
Desktop Support - Dedicth on-site IT support, 24/7 hotline for 1000 laptops		HK\$2 mn
<b>System Integration Sub-total</b>		<b>HK\$33-55 mn</b>
Branch Offices - 20 locations	Layer 2 high-security private network for internal use & separate public network for WiFi for customer use: HK\$5,000 x 20 locations x 12 months	HK\$1 mn
Secure connection between back-up 3 locations	HK\$200K/month x 12 x 3	HK\$7 mn
Direct Internet Access	HK\$100K/month x 12	HK\$1 mn
<b>Telecom Sub-total</b>		<b>HK\$9 mn</b>
<b>ICT Powerhouse Total</b>		<b>HK\$45-65 mn</b>

# Growing Orders for Enterprise Business



Financials in HK\$mn, unless otherwise stated

# Three-Pronged Integrated Approach to Enterprise Business Growth



## CORE TELECOM

Next Generation  
FTNS Services

- ✓ Dual Link
- ✓ Redundant Connectivity

AegisConnect



## ENTERPRISE

SI Services to  
Grow Wallet  
Share

- ✓ Managed Services for SME / Mid Market

Strategic Accounts



## MAINLAND CHINA / GBA

End to End ICT  
Solutions

- ✓ ICT Solutions to Enable Hong Kong Enterprises to Accelerate Growth in GBA

Retail

# Our Greater Bay Area (GBA) Growth Plan

- Expand HKBN footprint and our conductivity via local partners and SI business from HK and across the wider Greater Bay Area (GBA)
- Support HK-based retail chains to grow from HK and across the wider GBA through one-stop retail solutions
- Support Mainland China Enterprises to grow overseas; help them step-up their business to expand globally



**Spear across 11 cities in Mainland China including GBA by Leveraging our Telco Products, SI and Box-moving Services**

\*Today, our revenue in Mainland China/ GBA exceeds HK\$1 billion annually



The New Leadership Team – **Best of Breed** of HKBN Experience and New SI Specialists



**William Ho**  
CEO  
Enterprise Solutions



**Mikron Ng**  
Chief Commercial Officer  
Business Market and  
China Business (JOS CN + MO)



**Ben Yeung**  
Chief Commercial Officer  
Carrier Service Business



**Rosanna Cheng**  
Digital Solutions (Box Moving)



**Anne Yeung**  
Large Enterprise, Public Sector  
and Strategic Accounts



**Almira Chan**  
Chief Operating Officer (ES)

SI Kitchen



**Samuel Hui**  
Chief Strategy Officer (ES)  
Strategy & Transformation

Marketing



**Dicky Leung**  
Enterprise Public Sector SI Business

**King Lo**  
Enterprise Strategic Accounts



**Wallace Wong**  
Major Accounts (FSI)

**Brian Lee**  
Major Accounts



**Eric Lau**  
SI Biz - Major Accounts (FSI)

**Karina Tsoi**  
Sales



**Kenneth Leung**  
Technical Services

**Jackie Mui**  
Business Planning



**Martin Ip**  
Chief Technology Officer (ES)  
Sales Engineering

**Jackal Chau**  
Service Delivery



**Ken Lam**  
Marketing (ES)







 Newly Joined in Past 10 Months

 Existing HKBN Talent with Expanded Role

# New ES Management Additions in Past 10 Months

HKBN Role	Previous Experience Highlights
Chief Commercial Officer - Large Enterprise	<b>Anne Yeung</b> - HGC/Macroview, Head of SI business
Assistant Vice President - Sales Engineering	<b>Alvin Chun</b> - Imperva, HGC/Macroview
Managing Director - Enterprise Public Sector SI Business	<b>Dicky Leung</b> - Director, NTT/Dimension Data, GTI, Fuji
Senior Manager - Sales Operations	<b>Jackie Mui</b> - NTT/Dimension Data
Vice President - Service Delivery	<b>Jackal Chau</b> - HGC/Macroview, IBM
Managing Director - Enterprise Strategic Accounts	<b>King Lo</b> - NTT/Dimension Data, Cisco
Chief Technology Officer (ES) and Vice President of Sales Engineering	<b>Martin Ip</b> - HGC/Macroview
Vice President - Technical Services	<b>Kenneth Leung</b> – IBM
Director - Marketing (ES)	<b>Ken Lam</b> - Outseer, Microsoft, SAP
Assistant Vice President - Sales Engineering	<b>Kenny Mo</b> - Maximus Consulting, HGC/Macroview
Chief Executive Officer - Enterprise Solutions	<b>William Ho</b> - Cohesity, Arris, Cisco, Nortel

# FY23 1H Table-turning Financial and Business Performance



**Core Telecom  
Revenue**

**\$1,831m**

▲ 6%



**SI Services  
Revenue**

**\$456m**

▲ 7%



**Mainland China  
/ GBA Revenue**

**\$544m**

▲ 2%



Running 6-mth  
Pipeline

▲ **\$6,000m+**



No. of \$20M+  
Projects

▲ **10+**



Sr. Executives  
Joined in 1H

▲ **15**



Mainland China  
Team

**1,000+ Talents**

10+ offices



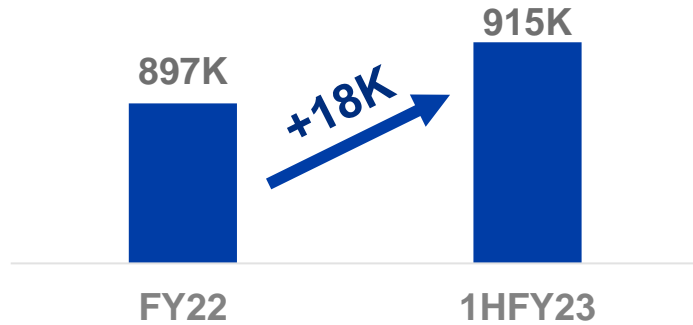
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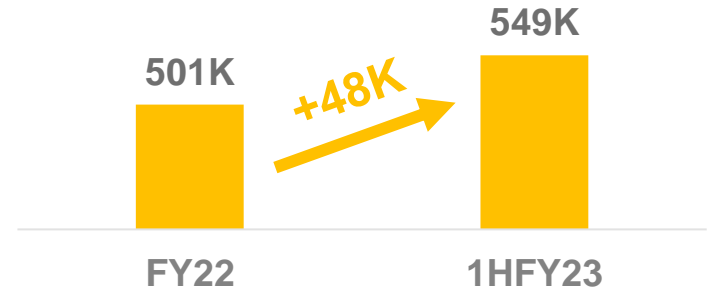
# RESIDENTIAL SOLUTIONS

# Residential Key Business Highlights

## Rapid Growth in Broadband Subscriptions



## Continuous Upgrade to Higher Bandwidth (>= 1000M)



## Stable Growth in Entertainment Subscriptions



NETFLIX



JOOX

# Connectivity Beyond

## World's First: Dual Guarantee

✓ Speed + Latency

## Upgraded 2Gbps

Always ready for gaming, multiple OTT entertainment with high-quality Wi-Fi 6 and home cybersecurity defence

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BROADBAND NETWORK

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Money-Back  
Dual Guarantee  
光纖寬頻 雙重保證

速度保證

低時延保證

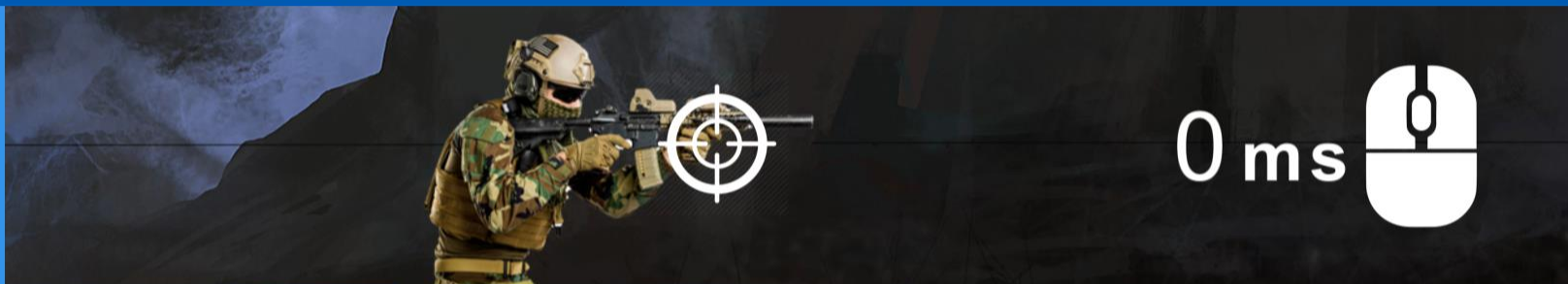
升級版 2000M 光纖寬頻  
2倍速度 效率更高

服務質素屢獲殊榮

# High Latency - High Chance to Miss the Target

## 高延遲-容易錯失目標

High  
Latency  
高延遲



Low  
Latency  
低延遲






# ENVIRONMENTAL, SOCIAL & GOVERNANCE

# ESG Performance:

## No. 1 in HK + Top 9% among Global Telco

1



**MSCI**  
ESG RATINGS

CCC B BB BBB A AA **AAA**

**Highest AAA Grade**

Vs HKT: AA

2



**SUSTAINALYTICS**

**Top Performer**  
in local industry



Hang Seng Corporate  
Sustainability Index  
Series Member 2022-2023



**No. 1**  
in the industry  
(3rd Consecutive Year)

Vs PCCW: AA- (HKT is not rated)

# ESG-linked Executive pain/GAIN (Proposed)

## ESG KPI

FY24  
ELECTRICITY  
REDUCTION<sup>1</sup>

-14%

(FY22 as baseline)



=4,470 HK households<sup>3</sup>  
annual consumption<sup>2</sup>



Salaries of William Yeung, NiQ Lai, Danny Li (Co-Owner & Group CTO), Bonnie Chan (Co-Owner & Head of ESG) and Stephen Lau (Deputy CTO) linked to ESG KPI<sup>5</sup>



Financial  
Impact

HK\$21M OPEX Saving

1. 14% electricity reduction across HK, PRC and Macau operations equals 14.75 million kWh.

2. The above KPI target is our ambition and pathway to meet Science Based Targets (SBT) requirements on Scope 1&2 reduction.

3. The average electricity consumption per household in Hong Kong is 275 kWh/month (source: [EMSD](#)).

4. Including bulk tariff rates in the calculation.

5. To be approved by Remuneration Committee and the Board.

# Looking Forward



Hong Kong's Best Network

# Q&A

## FY23 Interim Results Announcement

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NiQ Lai, Co-Owner & Group Chief Executive Officer

26 April 2023

# GROW BEYOND



# FY23 Interim Results Announcement

## The End

# GROW BEYOND



# Appendix



# Operational Highlights

Enterprise Solutions	1H2022	2H2022	1H2023	YoY Changes	HoH Changes
Commercial building coverage	7,932	8,006	8,033	1%	0%
Subscriptions ('000)					
- Broadband	120	119	119	-1%	0%
- Voice	421	413	401	-5%	-3%
Enterprise customers ('000)	106	105	103	-3%	-2%

Residential Solutions	1H2022	2H2022	1H2023	YoY Changes	HoH Changes
Residential homes passed ('000)	2,489	2,513	2,543	2%	1%
Subscriptions ('000)					
- Broadband	889	897	915	3%	2%
- Voice	458	432	411	-10%	-5%
Residential customers ('000)	983	976	980	0%	0%
Residential ARPU	\$187	\$181	\$179	-4%	-1%
Mobile Business Subscriptions ('000)	242	241	241	0%	0%

# Consolidated Income Statement

(HK\$ million, unless otherwise stated)	1H2022	2H2022	1H2023	YoY Changes	HoH Changes
Enterprise Solutions	2,291	2,137	2,348	2%	10%
Enterprise Solutions related Product	1,295	1,056	1,040	-20%	-2%
Residential Solutions	1,224	1,209	1,197	-2%	-1%
Other product	1,993	421	2,122	6%	404%
<b>Turnover</b>	<b>6,803</b>	<b>4,823</b>	<b>6,707</b>	<b>-1%</b>	<b>39%</b>
Other net income	37	26	10	-73%	-61%
Network costs and cost of services	-1,413	-1,289	-1,568	11%	22%
Costs of inventories	-3,087	-1,367	-3,005	-3%	120%
Advertising and marketing expenses	-172	-200	-187	9%	-6%
Amortisation of customer acquisition and retention costs	-149	-145	-139	-7%	-4%
Talent costs included in other operation expenses	-510	-402	-456	-11%	13%
Other operating expenses	-1,019	-986	-1,027	1%	4%
Finance cost	-106	-133	-324	206%	144%
<b>Profit before taxation</b>	<b>384</b>	<b>328</b>	<b>11</b>	<b>-97%</b>	<b>-97%</b>
Income tax	-80	-79	12	-115%	-115%
<b>Profit for the period</b>	<b>304</b>	<b>249</b>	<b>23</b>	<b>-92%</b>	<b>-91%</b>
Amortisation of intangible assets	209	202	196	-6%	-3%
Deferred tax arising from amortisation of intangible assets	-34	-33	-32	-6%	-2%
Deferred tax recognised on unused tax losses	-	-	-85	n/a	n/a
Impairment of investment in joint venture	-	7	-	n/a	n/a
<b>Adjusted Net Profit</b>	<b>480</b>	<b>425</b>	<b>102</b>	<b>-79%</b>	<b>-76%</b>

# Consolidated Balance Sheet (Summary)

(HK\$ million, unless otherwise stated)	At 28 February 2022	At 31 August 2022	At 28 February 2023
Non-current assets	17,687	17,384	16,987
Current assets	3,321	3,043	2,951
Current liabilities	3,517	3,131	3,236
<b>Total assets less current liabilities</b>	<b>17,490</b>	<b>17,296</b>	<b>16,701</b>
Non-current liabilities	12,198	12,372	12,034
<b>Net assets</b>	<b>5,293</b>	<b>4,924</b>	<b>4,650</b>
<b>Capital and Reserves</b>	<b>5,293</b>	<b>4,924</b>	<b>4,560</b>

<b>Additional Info:</b>			
Goodwill and intangible assets	12,381	12,219	12,002
Property, plant and equipment	3,780	3,731	3,555
Cash and cash equivalents	1,154	1,129	980
Bank loans	11,271	11,211	11,090

# Reconciliation of EBITDA and Adjusted Free Cash Flow

(HK\$ million, unless otherwise stated)	1H2022	2H2022	1H2023	YoY Changes	HoH Changes
<b>Profit for the year</b>	<b>304</b>	<b>249</b>	<b>23</b>	<b>-92%</b>	<b>-91%</b>
Finance costs	106	133	324	205%	144%
Interest income	-2	-1	-5	206%	256%
Income tax charge/ (credit)	80	78	-12	-115%	-115%
Depreciation <sup>#</sup>	471	476	466	-1%	-2%
Amortisation of intangible assets <sup>#</sup>	211	202	196	-7%	-3%
Amortisation of customer acquisition and retention costs	149	145	139	-7%	-4%
Share of loss of HOME+	-	-	64	100%	n/a
Gain on disposal of subsidiaries	-42	-	-	-100%	n/a
Impairment of investment in joint venture	-	7	-	n/a	-100%
<b>Adjusted EBITDA<sup>#</sup></b>	<b>1,278</b>	<b>1,289</b>	<b>1,196</b>	<b>-6%</b>	<b>-7%</b>
Capital expenditure	-292	-248	-304	4%	23%
Net interest paid	-98	-200	-240	145%	20%
Other non-cash items	-4	-2	-	n/a	n/a
Income tax paid	-150	-15	-234	56%	1462%
Customer acquisition and retention costs	-126	-116	-121	-4%	4%
Lease payment	-113	-97	-89	-22%	-8%
Changes in working capital	221	-237	160	-28%	-168%
<b>Adjusted Free Cash Flow</b>	<b>716</b>	<b>374</b>	<b>368</b>	<b>-49%</b>	<b>-2%</b>
<b>Dividend *</b>	<b>592</b>	<b>296</b>	<b>296</b>	<b>-50%</b>	<b>0%</b>
DPS (HK cents)	40	20	20	-50%	0%

• 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.

• <sup>#</sup> Depreciation and amortisation 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 amortisation of the Disposal Group in order to reflect the true business performance of the Disposal Group up to the date of disposal.

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# Manageable Debt Profile

Net Leverage Ratio<sup>^</sup>

**4.8x**  
(FY22: 4.6x)

Avg. Finance Cost

**3.9%**  
(FY22: 2.7%)

Undrawn Revolving  
Facilities

**\$1.7bn**  
(FY22: \$1.7bn)

Average remaining life is **2.8 years** as of Feb 23.

<sup>^</sup> 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. \$250 million has been repaid on 30 November 2022. The Group's net debt to EBITDA ratio as computed in accordance with these facilities would be approximately 4.8x.