

Stronger as ONE

FY20 Interim Results Presentation for 6 months ended 29 February 2020

Presentation by:

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22 April 2020



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Business & Financial Review

NiQ Lai
Co-Owner & Group Chief Executive Officer

Massive Transformation Since IPO

**1H FY2016 – For reference only
(First Interim as listed company)**

Service Revenue: \$1,226mn

EBITDA: \$511mn

AFF: \$185mn

DPS: 20 HK Cents

1H FY2020 +YoY%

Service Revenue: \$3,527mn +76%

EBITDA (New*): \$1,283mn +77%
EBITDA (Old*): \$1,177mn +63%

AFF[^]: \$440mn +47%

DPS[^]: 37 HK Cents +9%

* EBITDA (New) adopts the new HKFRS16 and EBITDA (Old) adopts the superseded HKAS17

[^] The higher AFF YoY growth vs DPS due to: full period AFF contribution by WTT & JOS in 1H2020 (1H2019: Nil), and larger no. of issued shares upon WTT completion in Apr-19 (Feb-20: 1,479m, Feb-19 since IPO; 1,006m)

[^] Dividend amount exclude 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.

GROWTH All Round

Enterprise Business[^]:

104k

*Enterprise
Customers*

+79%

\$2,775

*Enterprise
ARPU*

+84%

\$2,276mn

Service Revenue

+190%

Residential Business:

882k

*Broadband
subscriptions*

+2%

\$190

*Residential
ARPU[#]*

+3%

\$1,252mn

Service Revenue

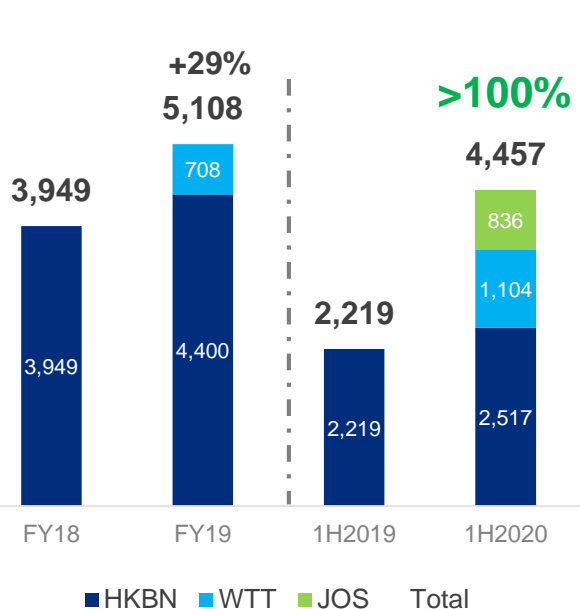
+2%

[^] WTT and JOS acquisitions completed in Apr-19 and Dec-19, respectively; 1H2020 results include 6 months of WTT and ~2.5 months of JOS performance vs nil in 1H2019
[#] Residential ARPU refers to historical full base residential ARPU for the period. Acquisition and renewal contract ARPU refers to ARPU of the new acquisition and renewal subscriptions for the specific month. Such ARPU was \$182 in February 2020.

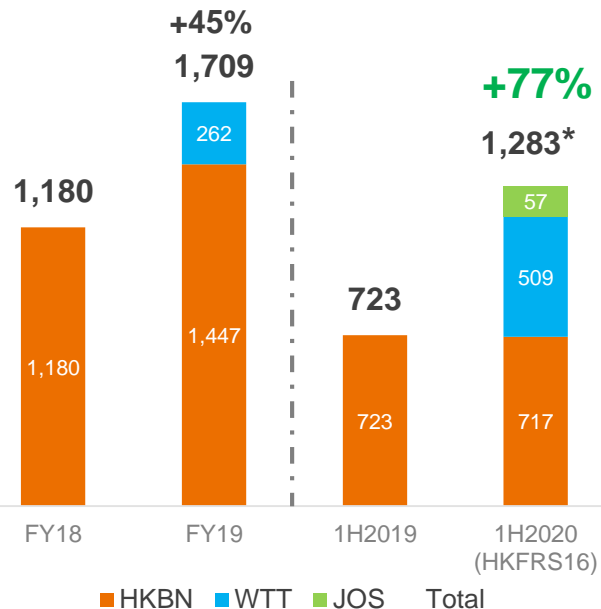
Sustaining Growth in EBITDA & AFF

Financials in HK\$m, unless otherwise stated

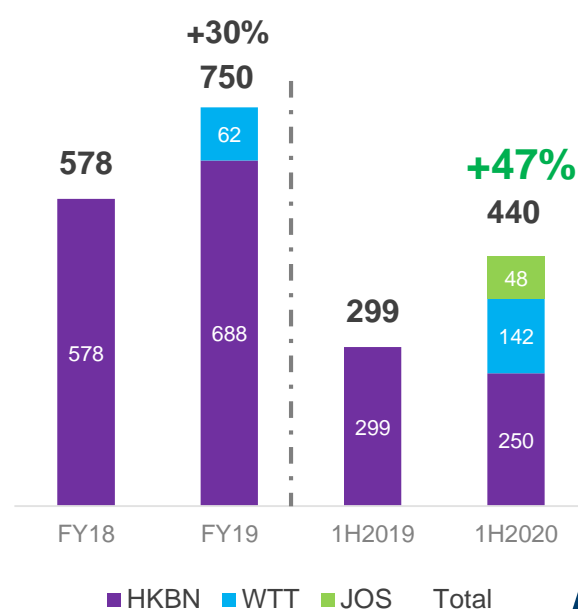
Revenue



EBITDA



Adjusted Free Cash Flow



- WTT and JOS acquisitions completed in Apr-19 and Dec-19, respectively; 1H2020 results include 6 months of WTT and ~2.5 months of JOS performance vs nil in 1H2019

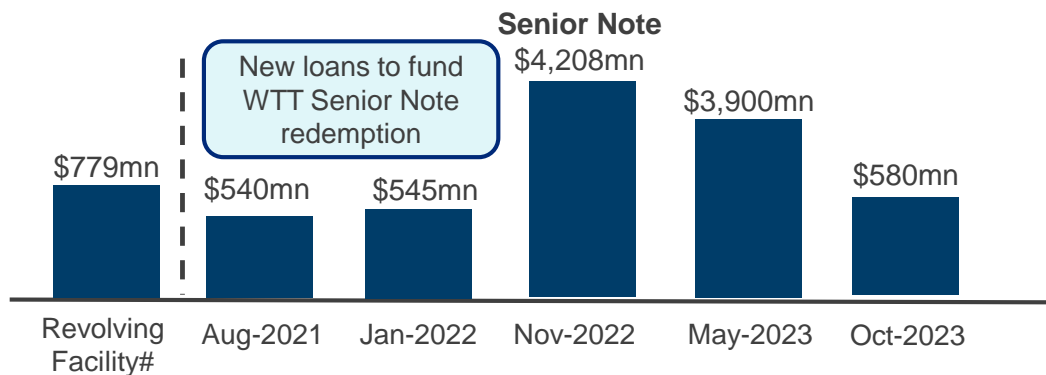
- WTT & JOS figures represent those captured in the same corresponding legal structure upon completion of the respective acquisitions and exclude the impact of reorganization since completion, if any.

- After the adoption of HKFRS16, operating leases are capitalized as right-of-use assets with the corresponding recognition of lease liabilities. Right-of-use assets is depreciated over the corresponding lease term and is excluded from EBITDA. Reported EBITDA is improved by excluding the expenses relating to those applicable leases but no overall impact on AFF.

* 1H2020 EBITDA adopts new HKFRS standard (HKFRS16). Under old accounting standard (HKAS17), the EBITDA was HK\$1,177mn. For breakdown please refer to the appendix "HKBN & WTT & JOS Key Financial Indicators"

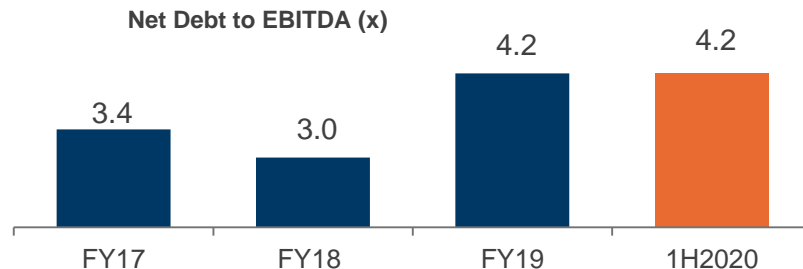
Manageable Debt Profile

Debt Maturity (HK\$m)



- Refinanced 20% of senior note at in Sep-19 & Jan-20
- The Group had undrawn revolving facility of \$1,834m as of Feb-20
- The effective interest rate of the bank loans as of 29 February 2020 is 3.68% per annum (2019: 3.25%)

Net Debt to EBITDA Ratio[@]



- Increase in Net Debt to EBITDA ratio post-WTT merger
- Continue to deleverage for higher interest savings

All financial figures are rounded to nearest HK\$ million. The interest margin will be subject to a margin grid determined by reference to the net leverage ratio.
[@] Based on the net debt post WTT/JOS completion over the Group's last twelve month ("LTM") pro forma EBITDA, which include synergies and other adjustments in accordance with the terms of the Group's relevant banking facilities.
[#] Revolving facilities were drawn primarily to fund JOS acquisition, professional fees for acquisitions and JOS working capital, which existed prior to completion.

Silo-less 1-HKBN – Co-Ownership by Positive Election



WTT



Seniority	Total Invited for Co-Ownership	Co-Ownership Take-up	Co-Ownership Take-up Rate
CXO Management Committee, Associate Director and above	73	73	100%
Managers	405	300	74%
Supervisors	1,124	562	50%
Total eligible for Co-Ownership	1,602	935	58%

- 1,602 or 27% of total 5,861 full-time Talents* were invited to become Co-Owners
- 935 or 58% take-up rate for those eligible for Co-Ownership
- Including newly acquired WTT and JOS, top 73 executives take-up rate was 100% whilst manager level take-up rate was 74%.

* HKBN Group total 5,861 full-time talents as of Feb-20

Digital Transformation

Samuel Hui
Co-Owner & Chief Transformation Officer

TaaS: A new way of Partnership

Co-Growing & Co-Transforming with our Customers as 1-HKBN

1-HKBN



We Eat what we Cook



Skin-In-YOUR-Game



Transformation as a Service (TaaS)

My HKBN: A World-Class Engagement Platform

Delight our customers with personalized engagements

eCommerce and Promotions



Account Servicing



Customer Rewards



>700k

Accumulated users (out of 1mn households)

>30k

redemptions per bi-weekly engagement campaign

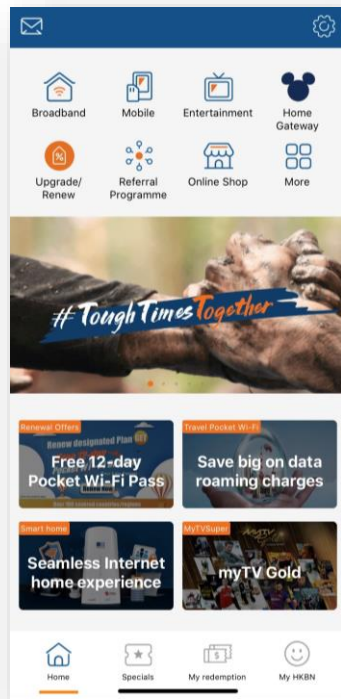
~2x

Paying visitors coming from myHKBN since Mar 2019



The Single Largest Customer Engagement Campaign in HKBN History

#ToughTimesTogether: A Showcase of Agile Decision Making & Execution



\$100mn

1 week

0

10x

TOP

Remedy for our Customers*
>900k households and companies

Campaign Preparation
from concept to launch

Downtime
during campaign period

Platform Visitors
during peak

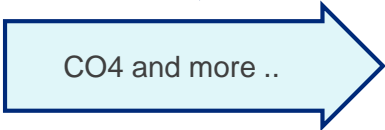
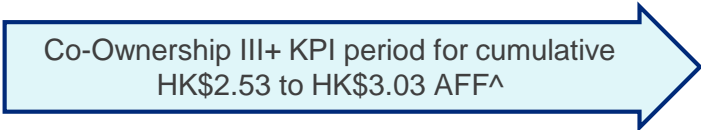
Free app download charts
No. 1 in iOS, No. 2 in Android

* Source from https://reg.hkbn.net/WwwCMS/upload/pdf/en/20200224_ToughTimesTogether_PressRelease_EN-web.pdf

Business Outlook

William Yeung
Co-Owner & Executive Vice-chairman

Transformation into Telecom & Technology Powerhouse



	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20	FY21	FY22
Enterprise	Integrate NWT	Integrate NWT	Harvest	Harvest WTT Integration	JOS Integration Harvest	Towards integrated Telecom & Technology Solutions Powerhouse	
Residential	From Single to Quad play				Towards Multi-play		
Broadband	Invest	Invest	Harvest				
OTT	n/a	Invest	Invest	Harvest			
Mobile	Invest	Invest	Invest				

^ AFF refers to FY19-21 total Cumulative Adjusted Available Cash per Share for Distribution

Big Enterprise Solutions Wins

>HK\$1 billion Total Contract Value*



HK-based mobile carrier

- Next-Gen all-fibre backhaul for 5G deployment
- Demonstrates our tri-carrier network diversity

A World-leading quick service restaurant

- Connectivity services and integrated solutions for stores
- WIN-WIN for customers under Barter & Bundle



A leading digital hub

- T&T and NOC outsourcing
- Showcase our Full Suite T&T Solutions

A financial market operator overseeing securities trading and clearing

- Network Upgrade for Trading Platform
- Opens door to further collaborations



An organization managing public services

- Maintenance & licensing services
- Future opportunities in public sector

Casinos in Macau

- Big WINS from JOS Macau
- Complete network & Wi-Fi overhaul with managed services



Transformation into a Full-Fledged Telecom & Technology Powerhouse

Revenue Upside

- Regional up-selling of T&T solutions to combined customer bases

Skin in the Game

- Co-Ownership and pain/GAIN well received with high take up rate in senior management

Cost Synergies

- In good progress to unlock cost synergies
- Sales team and back-end organisation structure fully streamlined

#ToughTimesTogether

We launched a series of measures to support local families, SMEs and communities

1st Wave 1-month service fee waiver

2nd Wave Free broadband for 10,000 disadvantaged families

3rd Wave Career kickstarter programme for 100 graduates

More to come!

Barter & Bundle Offer for Enterprise Customers

Flexible Arrangement to Help Slash Costs and Attract Patronage

- ✓ Accept merchants to offset part of their payments with their own products or services
- ✓ No merchant quota or pre-set restriction



WIN-WIN Co-creation of Value with Business Partners

In Tough Times, We Grow Stronger

HKBN's ethos



Appendix

Operational Highlights – Enterprise Solutions

	1H2019	1H2020	YoY Changes
Commercial building coverage ('000)	2.4	7.3	>100%
<u>Subscriptions ('000)</u>			
- Broadband	58	116	>100%
- Voice	144	453	>100%
<u>Market share</u>			
- Broadband	19.4%	38.1%	+18.7pp
- Voice	7.9%	25.6%	+17.7pp
Enterprise customers ('000)	58	104	+79%
Broadband churn rate	1.3%	1.2%	-0.1pp
Enterprise ARPU	\$1,508	\$2,775	+84%

Market share is calculated by dividing the number of enterprise broadband subscriptions by the latest available total number of enterprise broadband subscriptions published by the Office of the Communications Authority "OFCA". Based on the latest disclosure from OFCA for December 2019 market data, total market figures from January 2019 onwards were revised to reflect the adjustments filed by the Internet Service Provider(s).

Operational Highlights – Residential Solutions

	1H2019	1H2020	YoY Changes
Residential homes passed ('000)	2,321	2,377	+2%
<u>Subscriptions ('000)</u>			
- Broadband	864	882	+2%
- Voice	495	501	+1%
<u>Market share</u>			
- Broadband	35.8%	35.5%	-0.3pp
- Voice	21.6%	22.2%	+0.6pp
Residential customers ('000)	1,015	1,017	+0%
Broadband churn rate	1.1%	0.8%	-0.3pp
Residential ARPU	\$184	\$190	+3%
<u>Total full-time talents</u>	3,027	5,861	+94%

Market share is calculated by dividing the number of enterprise broadband subscriptions by the latest available total number of enterprise broadband subscriptions published by the Office of the Communications Authority "OFCA". Based on the latest disclosure from OFCA for December 2019 market data, total market figures from January 2019 onwards were revised to reflect the adjustments filed by the Internet Service Provider(s).

Consolidated Income Statement

(HK\$ million, unless otherwise stated)	1H2019	1H2020	YoY Changes
Enterprise Revenue	786	2,276	>100%
Residential Revenue	1,223	1,252	+2%
Product Revenue	210	930	>100%
Turnover	2,219	4,457	>100%
Other net income	11	19	+73%
Network costs and cost of services	(634)	(1,409)	>100%
Costs of inventories	(199)	(818)	>100%
Advertising and marketing expenses	(190)	(214)	+13%
Amortisation of customer acquisition and retention costs	(108)	(145)	+34%
Talent costs included in other operation expenses	(264)	(509)	+93%
Other operating expenses	(498)	(1,014)	>100%
Finance cost	(87)	(286)	>100%
Profit before taxation	249	80	-68%
Income tax	(50)	52	>100%
Profit for the period	199	132	-34%
Amortisation of intangible assets	65	301	>100%
Deferred tax arising from amortisation of intangible assets	(10)	(49)	>100%
Loss on extinguishment of senior notes	-	43	n/a
Deferred tax recognized on unused tax losses	-	(88)	n/a
Transaction costs in connection with business combination	2	7	>100%
Adjusted Net Profit	256	345	+35%

All financial figures are rounded to nearest HK\$ million

Consolidated Balance Sheet (Summary)

(HK\$ million, unless otherwise stated)	At 28 February 2019	At 31 August 2019	At 29 February 2020
Non-current assets	6,427	18,635	19,480
Current assets	1,065	1,747	3,042
Current liabilities	966	1,745	3,737
Total assets less current liabilities	6,526	18,637	18,784
Non-current liabilities	5,218	11,180	11,744
Net assets	1,308	7,457	7,040
Capital and Reserves	1,308	7,457	7,040
Additional Info:			
Goodwill and intangible assets	3,164	13,427	13,571
Property, plant and equipment	2,577	4,342	3,972
Cash and cash equivalents	421	663	692
Bank loans	4,451	4,454	6,322
Senior notes	-	5,169	4,137

All financial figures are rounded to nearest HK\$ million

Reconciliation of EBITDA and Adjusted Free Cash Flow

(HK\$ million, unless otherwise stated)	1H2019	1H2020	YoY Changes
Profit/ (loss) for the year	199	132	-34%
Finance costs	87	286	>100%
Interest income	(2)	(2)	+2%
Income tax charge/ (credit)	50	(52)	-100%
Depreciation	214	466	>100%
Amortisation of intangible assets	65	301	>100%
Amortisation of customer acquisition and retention costs #	108	145	+35%
Transaction costs in connection with business combination	2	7	>100%
EBITDA #	723	1,283	+77%
Service EBITDA Margin	36.0%	36.4%	+0.4pp
Capital expenditure	(188)	(249)	+33%
Net interest paid	(62)	(200)	>100%
Bond redemption	-	(31)	n/a
Other non-cash items	(1)	(1)	-31%
Income tax paid	(114)	(157)	+37%
Customer acquisition and retention costs	(98)	(131)	+34%
Lease payment	-	(87)	n/a
Changes in working capital	38	13	-65%
Adjusted Free Cash Flow	299	440	+47%
Dividend *	446	485	+9%
DPS (HK cents)	34	37	+9%

After the adoption of HKFRS16, operating leases are capitalized as right-of-use assets with the corresponding recognition of lease liabilities. Right-of-use assets is depreciated over the corresponding lease term and is excluded from EBITDA. Reported EBITDA is improved by excluding the lease payment but no overall impact on AFF.

All financial figures are rounded to nearest HK\$ million

* Dividend amount exclude 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.

Impact of New Accounting Standard

The impact of the initial application of HKFRS 16 is summarized as follows:

FY20 1H (HK\$mn)	Presented by old accounting standard HKAS 17	Presented by new accounting standard HKFRS 16	Impact	Remarks
Revenue	4,457	4,457	No impact	
EBITDA	1,177	1,283	+106	Under HKFRS16, operating leases are capitalized as right-of-use assets with the corresponding recognition of lease liabilities. Right-of-use assets is depreciated over the corresponding lease term and is excluded from EBITDA
AFF	440	440	No impact	The change in treatment of customer acquisition and retention cost has no cash impact

HKBN & WTT & JOS Key Financial Indicators

(HK\$ million, unless otherwise stated)	1H2019 (Reported)*	1H2020 (HKBN)	1H2020 (WTT)*	1H2020 (JOS)*	1H2020 (Reported)*	YoY Changes (HKBN)	YoY Changes (Reported)
Enterprise Revenue	786	982	1,052	242	2,276	+25%	>100%
Residential Revenue	1,223	1,241	10	-	1,252	+1%	+2%
Product Revenue	210	294	42	594	930	+40%	>100%
Turnover	2,219	2,517	1,104	836	4,457	+13%	>100%
EBITDA (HKFRS16) #	-	717	509	57	1,283	-1%^	+77%
EBITDA (HKAS17) #	723	674	472	31	1,177	-7%	+63%
Adjusted Free Cash Flow	299	250	142	48	440	-16%	+47%

After the adoption of HKFRS16, operating leases are capitalized as right-of-use assets with the corresponding recognition of lease liabilities. Right-of-use assets is depreciated over the corresponding lease term and is excluded from EBITDA. Reported EBITDA is improved by excluding the lease payment but no overall impact on AFF.

* WTT acquisition completed in Apr-19 and JOS acquisition completed in Dec-19; 1H2020 consolidates 6 months of WTT results and 2.5 months of JOS results vs nil in 1H2019. HKBN, Ex-WTT, Ex-JOS excludes WTT and JOS performance in 1H2020 for illustration; Performance for WTT & JOS represent the financials captured in the same corresponding legal structure upon completion and exclude any impact of reorganization during integration

^ Represent YoY changes of 1H2020 (HKBN) EBITDA (HKFRS16) of HK\$717m vs 1H2019 reported EBITDA of HK\$723m

All financial figures are rounded to nearest HK\$ million

The End

