

FY24 Interim Results Announcement

Accelerating ICT Leadership

William Yeung

Co-Owner, Executive Vice-chairman & Group CEO

Derek Yue

Co-Owner & CFO

26 April 2024

*ICT = Information and Communications Technology

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Overview

William Yeung

Co-Owner, Executive Vice-chairman & Group CEO



Resilient Performance



Revenue
\$5,809m
HoH +17%
YoY -13%



EBITDA
\$1,151m
HoH +5%
YoY -4%

YoY +9%
(if excluding product gross profit)



AFF
\$124m
HoH -69%
YoY -66%



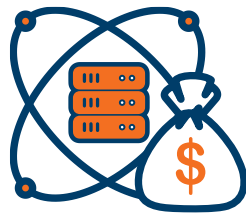
DPS: 15 HK Cents

Financials in HK\$mnn, unless otherwise stated

Enterprise Solutions



Core Business Strengthened



Enterprise Solutions
Revenue*

\$1,883m
YoY +3%



Order Booking

YoY +20%



Revenue
Backlog

\$4.7b

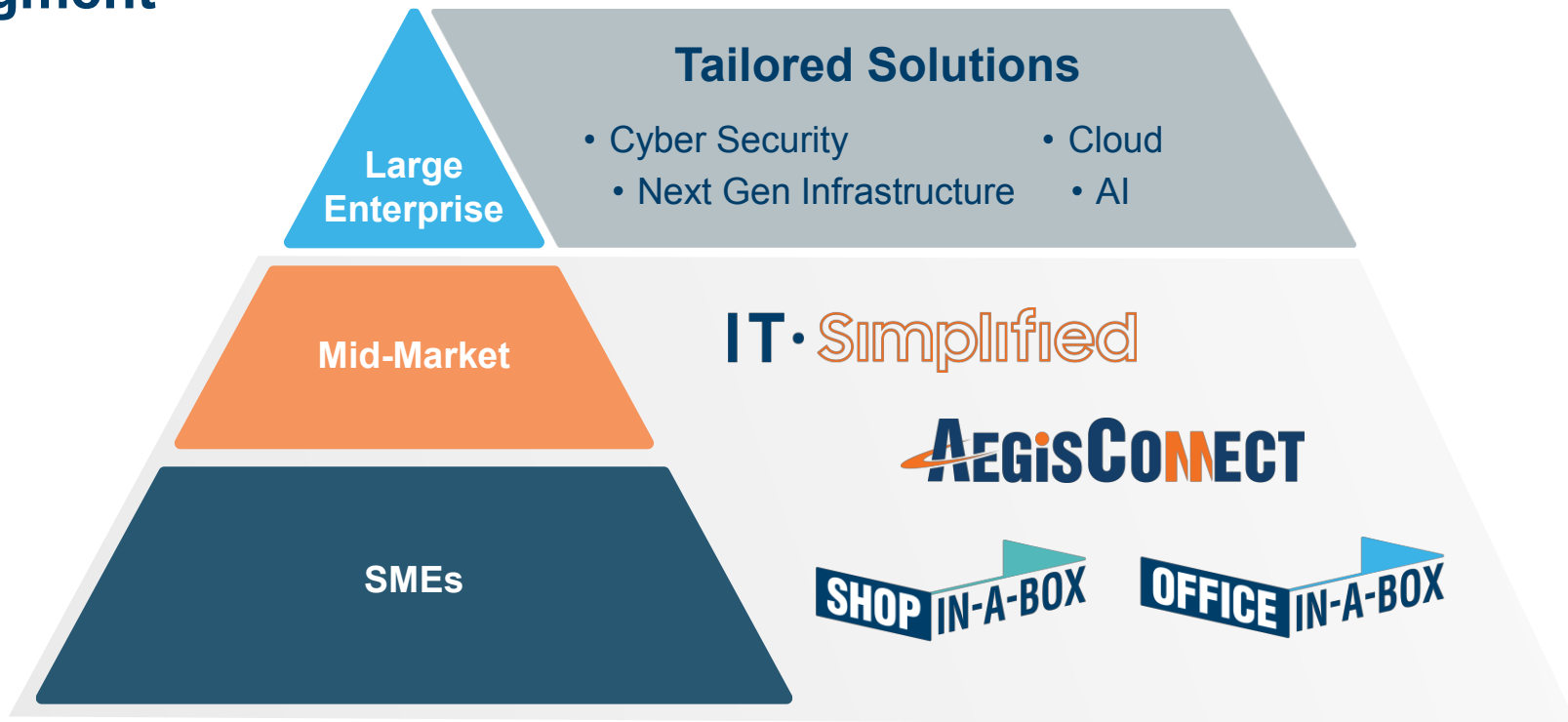


Enterprise Customers

97k

* Excluding international telecommunications services revenue
Financials in HK\$mn, unless otherwise stated

Revenue-generating ICT Solutions for Each Market Segment



Excellent Momentum in the First 7 Months of Operations

Industry Bundle Solution

2x ARPA

of a Single Play Broadband

IT·Simplified **AEGISCONNECT**

SHOP IN-A-BOX











OFFICE IN-A-BOX

45%
Uptake amongst
acquisition & retention

>20,000
Customers



Revenue-generating Innovative Solutions

	FY24 1H	FY24 2H	Ongoing Development
 <p>Multi-Cloud Solutions</p>		 <p>Multi-Cloud Connect Service</p>	 <ul style="list-style-type: none"> • Cloud Native and Marketplace solutions • Hybrid and Multi-Cloud implementation & management
 <p>ESG</p>		 <p>Managed IoT</p>	 <ul style="list-style-type: none"> • Energy-Saving appliances from top vendors, such as CISCO and NetApp • Trade-In Programs • Cybersecurity
 <p>AI Network Management</p>	 <p>AegisConnect AI</p>	 <p>AegisConnect AI</p>	 <ul style="list-style-type: none"> • AI-enabled next generation managed services platform • GenAI Applications • AI platform, including hosted GPU

Residential Solutions



Solid Performance



**Residential Solutions
Revenue**

\$1,182m
YoY -1%



**Residential
ARPU**

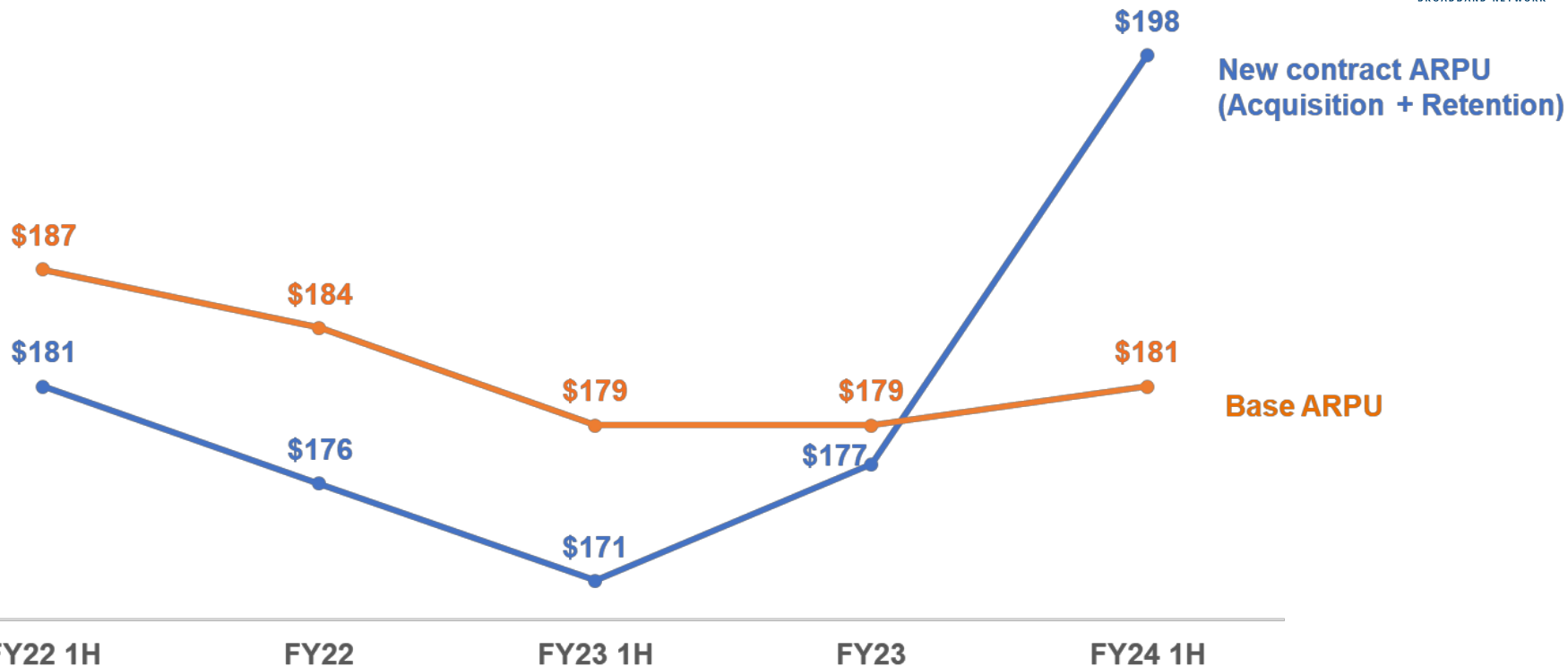
\$181
YoY +1%



**Broadband
Subscriptions**

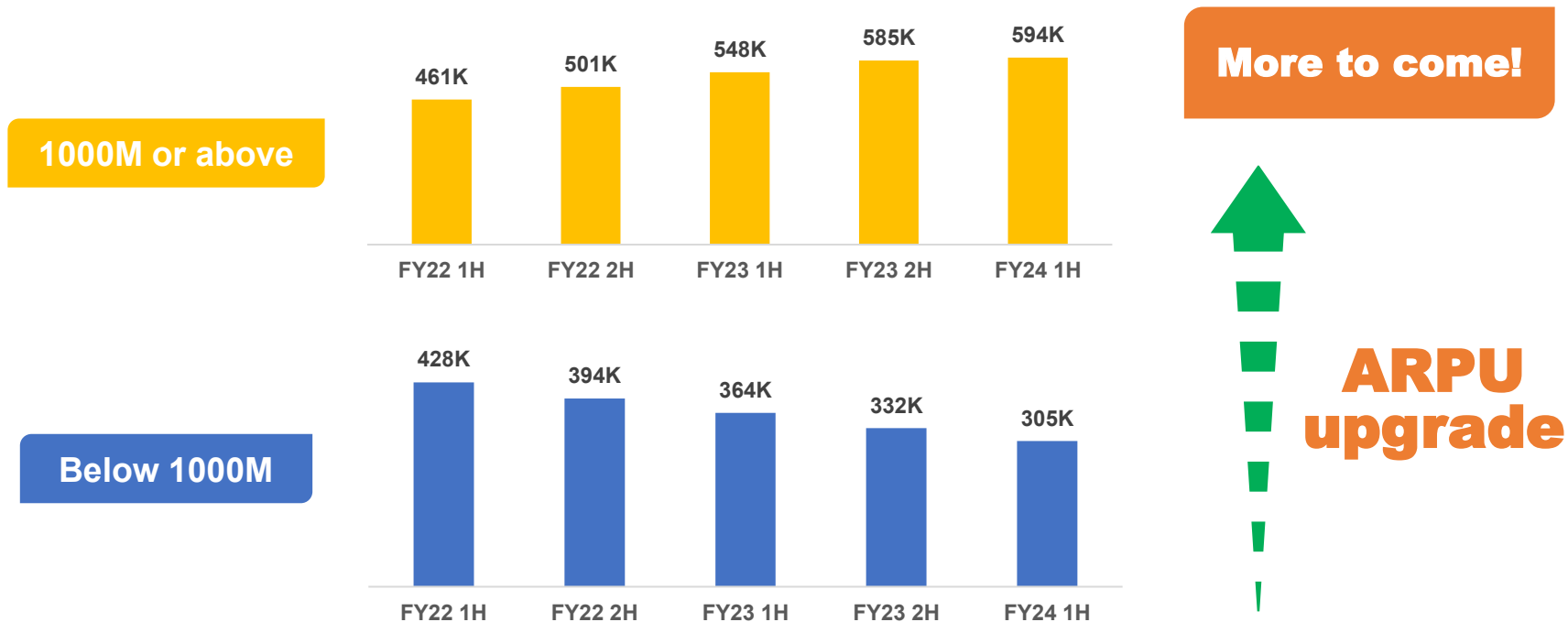
903k
YoY -1%

Increasing ARPU to Drive EBITDA Growth







Continuous Upgrade to Higher Bandwidth

Customer Penetration



Best Value for Money Local & Travel Mobile Plans

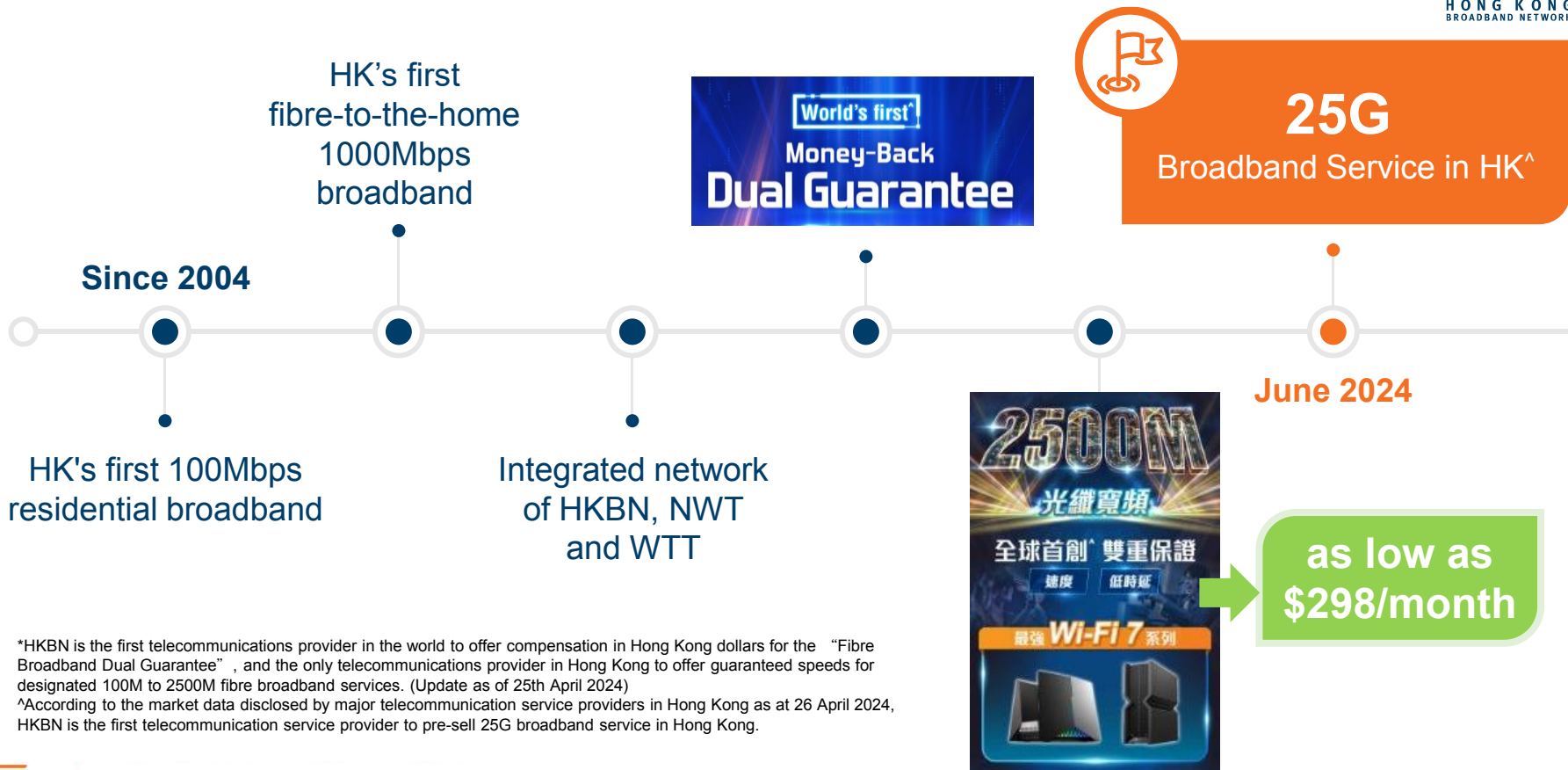
				
Local 5G Data	20GB	30GB	30GB	10GB
APAC Travel Data	10GB (Including 10+ APAC countries & China data)	10GB	10GB	10GB
Monthly fee	\$138	\$499	\$438	\$238





Network Enhancement

Market Leading Innovation



*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 2500M fibre broadband services. (Update as of 25th April 2024)

^According to the market data disclosed by major telecommunication service providers in Hong Kong as at 26 April 2024, HKBN is the first telecommunication service provider to pre-sell 25G broadband service in Hong Kong.

Significant Market Potential in Broadband Speed Upgrade

Statistics on Access Lines of Internet Service Subscriptions in Hong Kong

Estimated no. of registered broadband Internet access lines							
Residential - downstream speed			Residential Total	Business - downstream speed			Business Total
Equal to or greater than 1Mbps and less than 100Mbps	Equal to or greater than 100Mbps and less than 1Gbps	Equal to or greater than 1Gbps		Equal to or greater than 1Mbps and less than 100Mbps	Equal to or greater than 100Mbps and less than 1Gbps	Equal to or greater than 1Gbps	
>1G penetration 67.4%		1,796,580	2,666,181	>1G penetration 13.1%		39,545	302,277
		1,765,220	2,646,945			39,055	303,248
		1,756,827	2,649,488			42,493	308,701
231,877	673,016	1,751,579	2,656,472	90,913	176,686	42,078	309,677
235,919	683,873	1,744,480	2,664,272	92,782	175,320	41,703	309,805

* Source: [Table 1: Statistics on Access Lines of Internet Service Subscriptions in Hong Kong \(Notes 1 and 2\) \(ofca.gov.hk\)](#) (Office of the Communications Authority, 2024)

High-speed Offerings Market Landscape

	香港寬頻 HONG KONG BROADBAND NETWORK	HXT	HXC	iCable	CXHK
1000M & below	●	✓	✓	✓	✓
2000M	●	✓	✓	✓	✓
2500M	●	✓	✓		
10G	●	✓			
25G	●				

*Including 2x1000M multi-use broadband service

Strategic Alliance with Nokia

First in HK - 25G Broadband Service



FINANCIALS

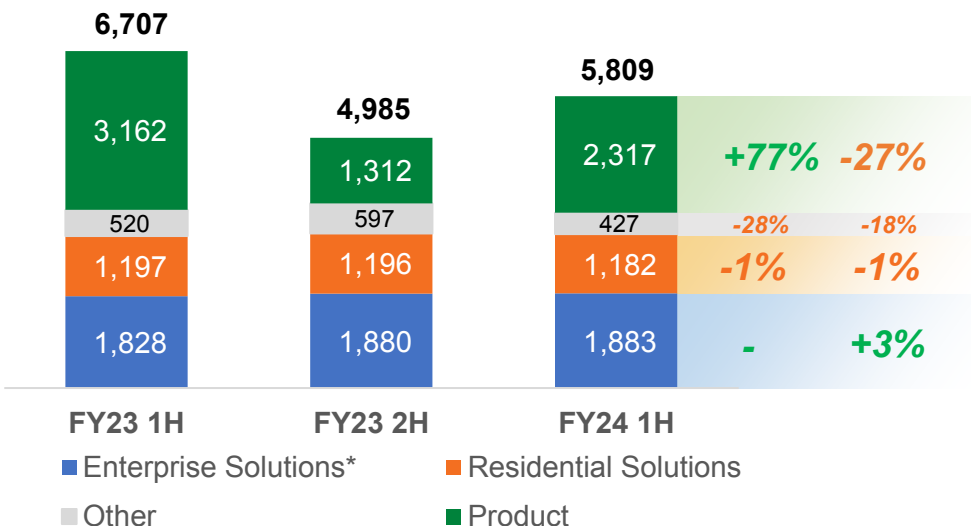
Derek Yue

Co-Owner & Chief Financial Officer



Focus Core Business Revenue Growth

Total **HoH** **YoY**
+17% **-13%**



Enterprise Solutions*

- Core business strengthened. Maintained strong growth in ICT Services & SI services

Residential Solutions

- Residential service revenue slightly decreased and price increase on track

Other

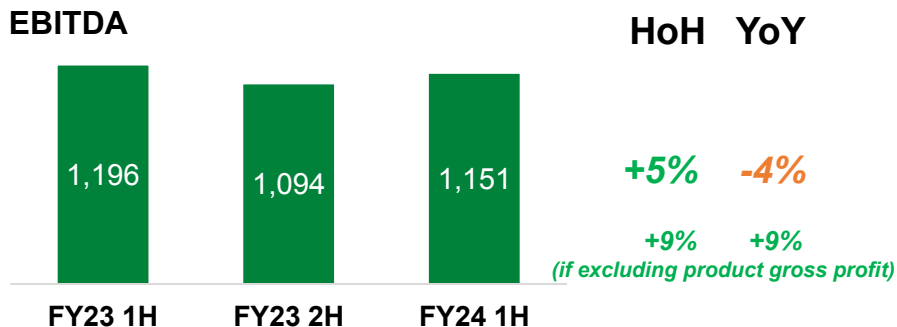
- International telecommunications services decreased due to lower revenue from wholesale voice services

Product

- Global demand in handsets weaker than expected

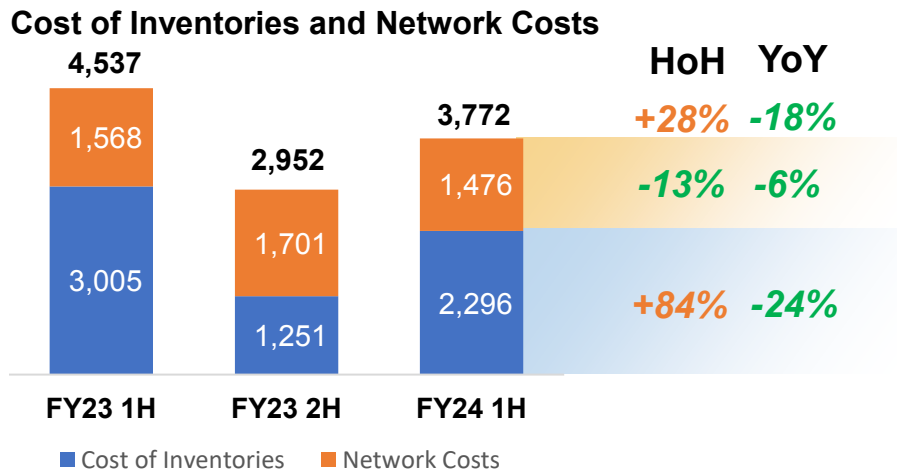
* Excluding international telecommunications services revenue
 Financials in HK\$m, unless otherwise stated

Executed Cost Efficiency Enhancing EBITDA



EBITDA

- Stable performance, YoY decreases mainly impacted by the softer performance of handset and other products. Enhanced operational efficiencies delivered consistent saving in other operating expenses



Cost of Inventories

- Declined in line with the softer performance of handset and other product sales

Network Costs

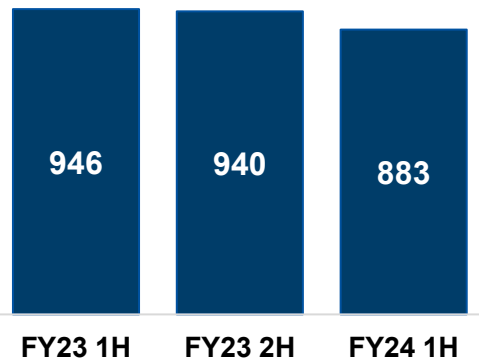
- Focused on cost optimisation initiatives

Fitter, Leaner, Generating Cash for Growth

Financials in HK\$m, unless otherwise stated

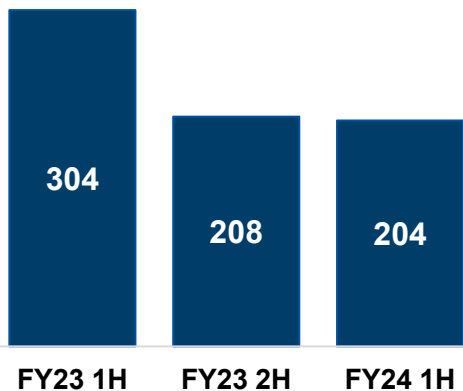
Operating Expenses*

HoH -6%
YoY -7%



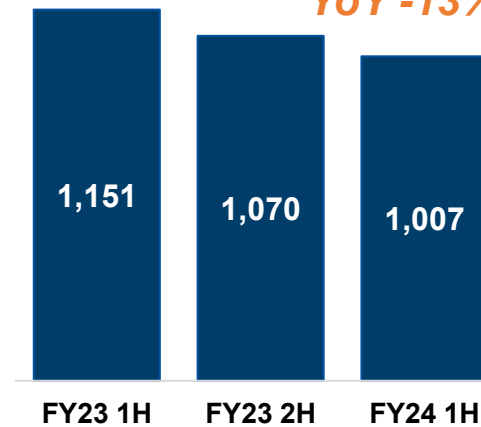
Capital Expenditure

HoH -2%
YoY -33%



Cash From Operation

HoH -6%
YoY -13%



Opex/
Revenue: **14.1%** **18.8%** **15.2%**

Capex/
Revenue: **4.5%** **4.2%** **3.9%**

CFO/
EBITDA: **96%** **98%** **87%**

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

Outlook

William Yeung

Co-Owner, Executive Vice-chairman & Group CEO



Focus Going Forward

Leading the
evolution of speed

25G

Emerging tech trends
& industry solutions



Cybersecurity



Cloud



Next gen
infrastructure



AI

MVNO &
value-added services

mobile

Ultra-competitive
local x roaming mobile offer



Online
medical service



Insurance

Q&A

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Appendix

Operational Highlights

Enterprise Solutions	1H2023	2H2023	1H2024	YoY Changes	HoH Changes
Commercial building coverage	8,033	8,090	8,120	1%	0%
Subscriptions ('000)					
- Broadband	119	117	110	-8%	-6%
- Voice	401	388	373	-7%	-4%
Enterprise customers ('000)	103	101	97	-6%	-4%
Residential Solutions	1H2023	2H2023	1H2024	YoY Changes	HoH Changes
Residential homes passed ('000)	2,543	2,560	2,579	1%	1%
Subscriptions ('000)					
- Broadband	915	920	903	-1%	-2%
- Voice	411	386	367	-11%	-5%
Residential customers ('000)	980	972	956	-2%	-2%
Residential ARPU (HK\$)	179	177	181	1%	2%
Mobile Business Subscriptions ('000)	241	239	234	-3%	-2%

Consolidated Income Statement

(HK\$ million, unless otherwise stated)	1H2023	2H2023	1H2024	"YoY Changes"	"HoH Changes"
Enterprise Solutions	2,348	2,477	2,310	-2%	-7%
Enterprise Solutions related product	1,040	894	952	-8%	6%
Residential Solutions	1,197	1,196	1,182	-1%	-1%
Handset and other product	2,122	418	1,365	-36%	227%
Revenue	6,707	4,985	5,809	-13%	17%
Other net income/(loss)	10	9	(1)	-105%	-106%
Network costs and cost of services	(1,568)	(1,701)	(1,476)	-6%	-13%
Costs of inventories	(3,005)	(1,251)	(2,296)	-24%	84%
Advertising and marketing expenses	(33)	(29)	(35)	6%	21%
Amortisation of customer acquisition and retention costs	(139)	(136)	(135)	-3%	-1%
Talent costs included in other operation expenses	(610)	(608)	(554)	-9%	-9%
Other operating expenses	(1,027)	(933)	(904)	-12%	-3%
Impairment on goodwill	-	(1,200)	-	n/a	-100%
Finance costs	(324)	(378)	(401)	24%	6%
Profit before taxation	11	(1,242)	8	-27%	-101%
Income tax credit/(charge)	12	(48)	(6)	-150%	-88%
Profit before taxation	23	(1,290)	2	-91%	-100%
Amortisation of intangible assets	196	189	186	-5%	-2%
Deferred tax arising from amortisation of intangible assets	(32)	(31)	(31)	-3%	0%
Deferred tax recognised on unused tax losses	(85)	-	(71)	-16%	n/a
Originating fee for banking facilities amendment	-	25	-	n/a	-100%
Impairment on goodwill	-	1,200	-	n/a	-100%
Adjusted Net Profit	102	93	86	-16%	-8%

Consolidated Balance Sheet (Summary)

(HK\$ million, unless otherwise stated)	At 28 February 2023	At 31 August 2023	At 29 February 2024
Non-current assets	16,987	15,315	14,908
Current assets	2,950	2,832	2,595
Current liabilities	3,236	3,112	2,868
Total assets less current liabilities	16,701	15,035	14,635
Non-current liabilities	12,051	11,984	11,873
Net assets	4,650	3,051	2,762
Capital and Reserves	4,650	3,051	2,762
Additional Information			
Goodwill and intangible assets	12,002	10,592	10,385
Property, plant and equipment	3,555	3,419	3,268
Cash and cash equivalents	980	1,017	804
Bank and other borrowings	11,090	10,957	10,924

Reconciliation of EBITDA and Adjusted Free Cash Flow

(HK\$ million, unless otherwise stated)	1H2023	2H2023	1H2024	YoY Changes	HoH Changes
Profit/(loss)for the period	23	(1,290)	2	-91%	-100%
Amortisation of customer acquisition and retention costs	139	136	135	-3%	-1%
Amortisation of intangible assets	196	189	185	-6%	-2%
Depreciation	467	434	424	-9%	-2%
(Gain)/ loss on disposal of subsidiaries	-	(6)	4	n/a	-167%
Finance costs	324	378	401	24%	6%
Impairment on goodwill	-	1,200	-	n/a	-100%
Income tax credit/(charge)	(12)	48	6	-150%	-88%
Interest income	(5)	(4)	(6)	20%	50%
Share of loss of discontinued operation	64	9	-	-100%	-100%
EBITDA	1,196	1,094	1,151	-4%	5%
Capital expenditure	(304)	(208)	(204)	-33%	-2%
Changes in working capital	160	9	17	-111%	-289%
Customer acquisition and retention costs	(121)	(105)	(140)	16%	33%
Income tax paid	(234)	(5)	(213)	-9%	4160%
Lease payment	(89)	(85)	(91)	2%	7%
Net interest paid	(240)	(305)	(362)	51%	19%
Adjusted Free Cash Flow	368	395	124	-66%	-69%
Dividend *	296	296	222	-25%	-25%
DPS (HK cents)	20	20	15	-25%	-25%

* 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.