



SmarTone Telecommunications Holdings Limited

FY23 Interim Results Presentation

For the six months ended 31 December 2022

22 February 2023

SmarTone 5G

覆蓋全港

Full HK Coverage

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Agenda

- Financial review
- Business review
- Outlook

Financial review

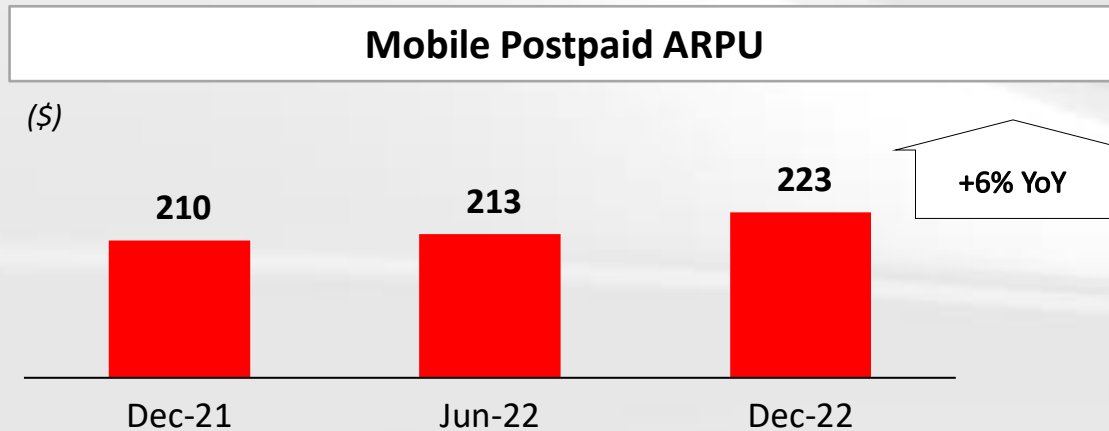
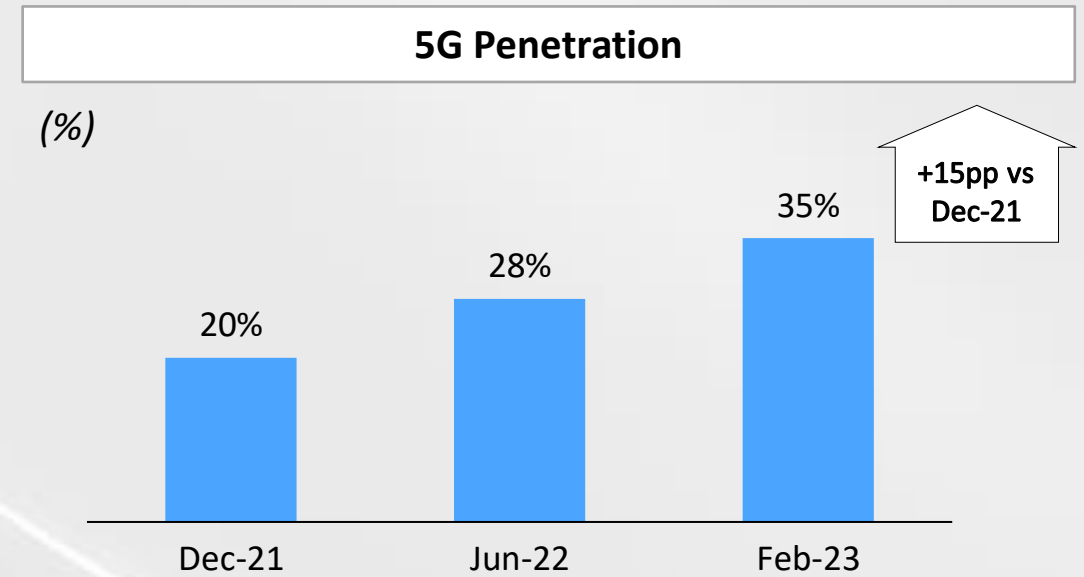
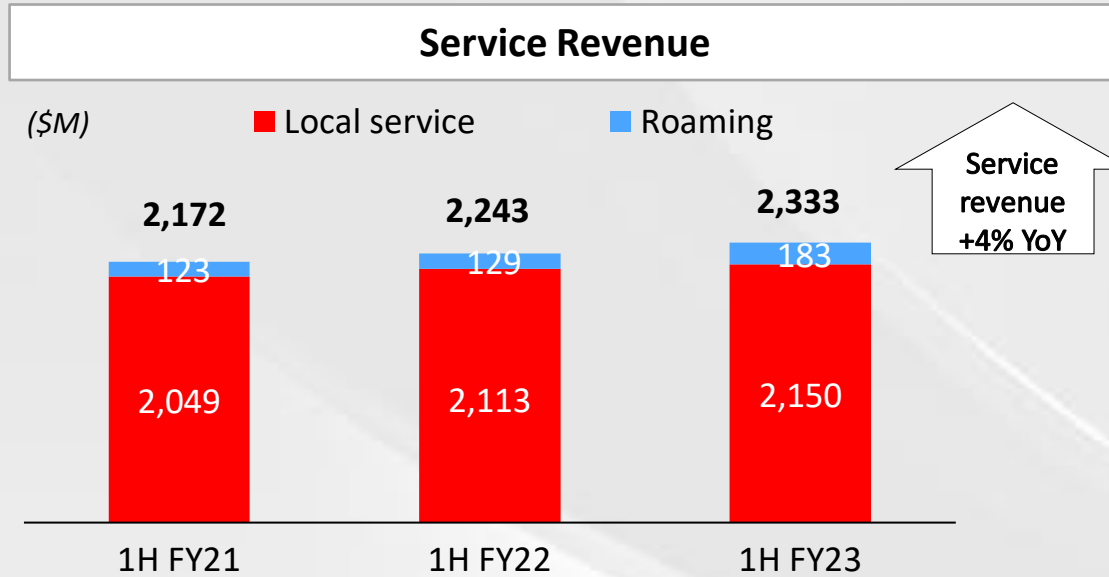
Allen Fung

Executive Director

Firmly on a trajectory of growth

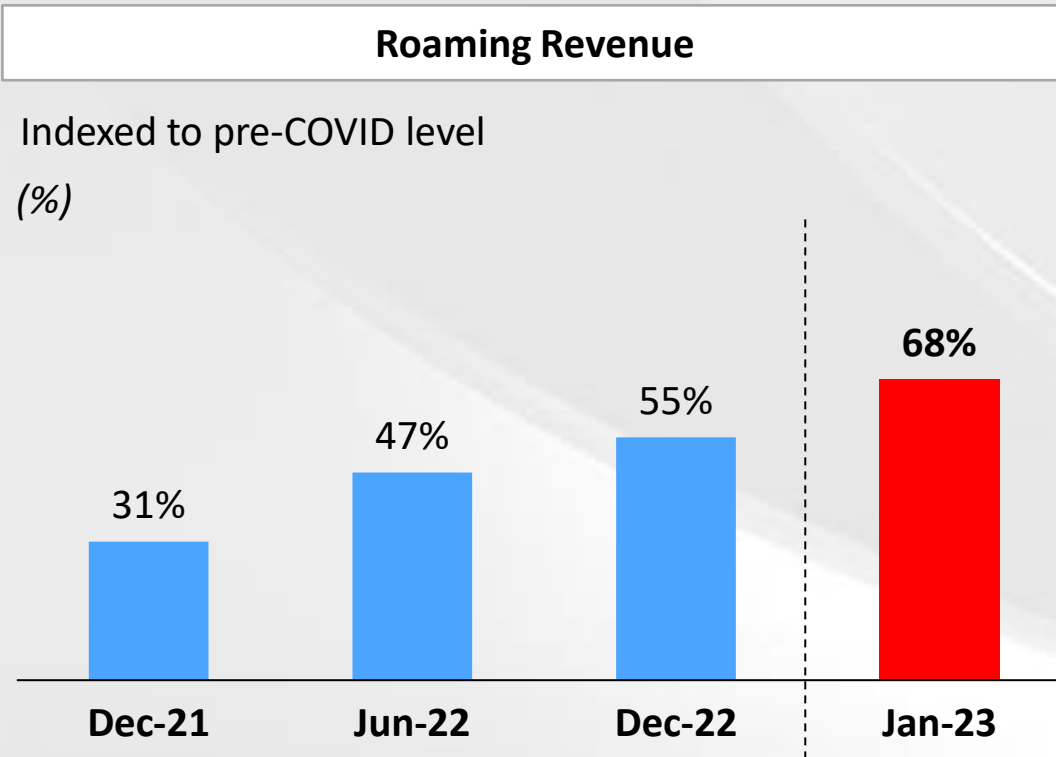
- Reported profit attributable to equity holders up 2%, increasing from \$251M to \$256M
 - Moderate growth in Service revenue and ARPU
 - Service EBITDA and EBIT increased 2% and 12%
- Past six months have not been easy due to multiple headwinds
 - Our spectrum cost is at its peak of \$272M and will gradually come down
 - Market continues to be very competitive
 - Roaming revenue is still far lower than pre-COVID period but has begun to accelerate in Jan
- Nevertheless, growth in revenue and profit in 1H FY23 was made possible by
 - ARPU growth driven by 5G penetration which is still on an uptrend (35% as at Feb 2023); Postpaid churn rate remains low
 - Some roaming recovery towards end of calendar year
 - Strong growth in 5G Home Broadband customer base and revenue
 - Enterprise Solutions business as additional growth driver
- Further upside is expected in 2H FY23 especially from roaming recovery; expect strong contribution from continuous uptake in 5G penetration and 5G Home Broadband
- Interim dividend at [14.5] cents, same as last year; expect to maintain payout ratio of 75% on a full-year basis

Financial overview



- Service revenue increased by 4% YoY. Roaming revenue grew by 42% YoY
- Both local and roaming contributed to strong growth of 6% YoY in overall ARPU
- 5G penetration rate uptake is strong. Further potential ARPU uplift from converting the remaining customer base
- Postpaid churn rate remains low

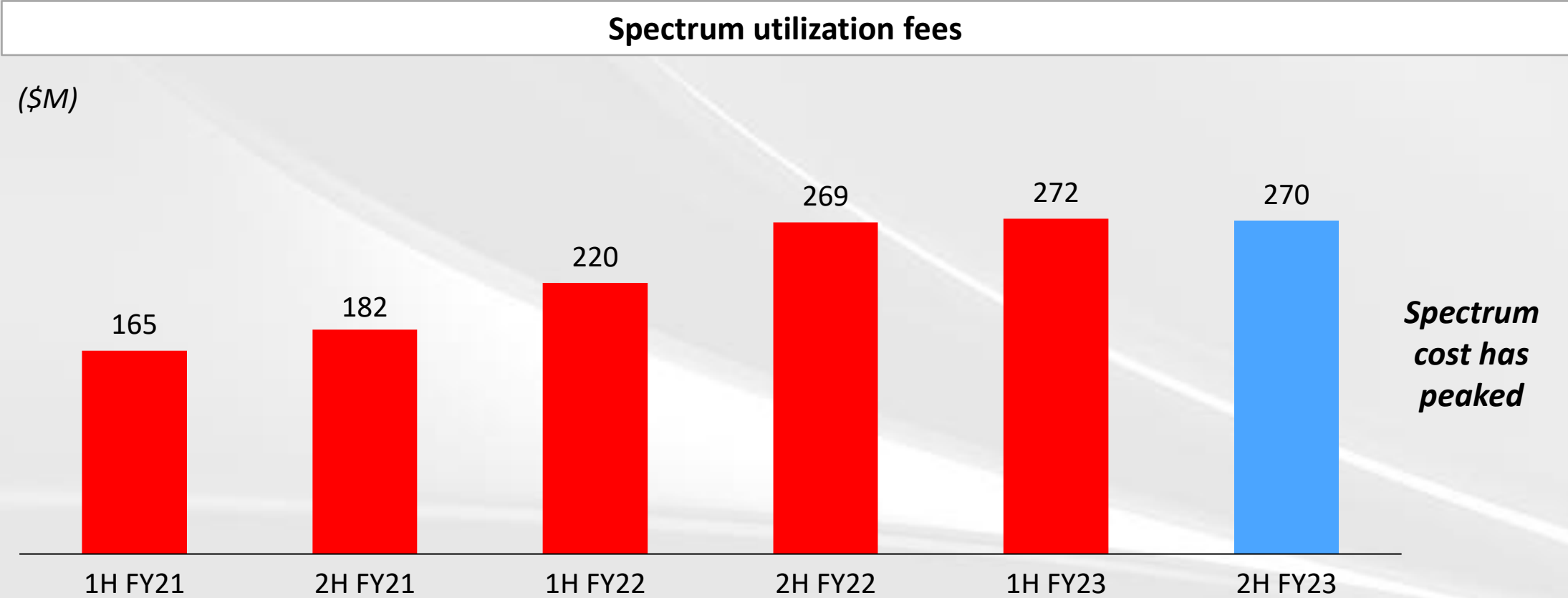
Roaming recovered moderately during the period



- Roaming revenue has gradually climbed from 47% of pre-COVID level in Jun-22 to 55% in Dec-22
- Roaming revenue has continued to ramp-up to 68% of pre-COVID level in Jan-23 and reached 70% in the initial six weeks of 2023 calendar year. Further growth is expected
 - Observed continual week-on-week roaming increases, as China and Macau have gradually opened
 - Anticipate substantial recovery of China roaming in second half of fiscal year. In early Feb, after eliminating the PCR test requirement, China roaming grew to 66% of pre-COVID levels, from 43% in Jan-23
 - Roaming in certain countries, such as the UK, have exceeded pre-COVID levels as customer usage patterns are changing
 - Additional upside as Hong Kong outbound travelers continue to increase, and some destinations such as Taiwan and the U.S. are still below pre-COVID levels

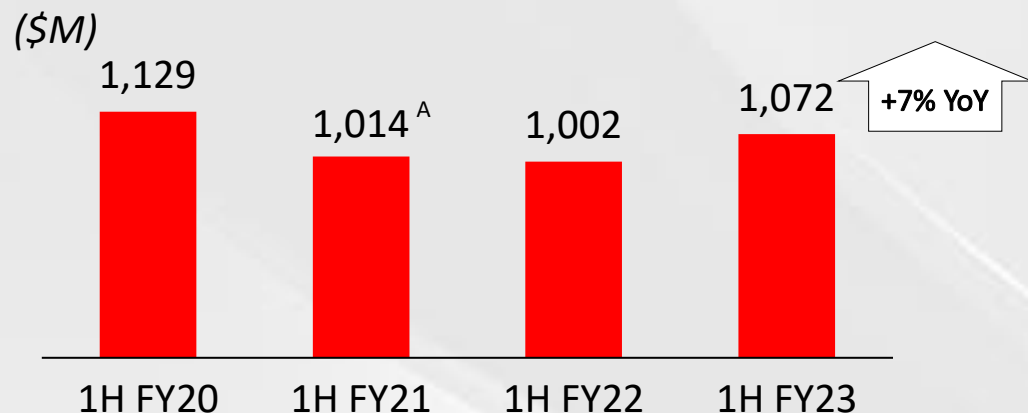
The company has hit peak spectrum cost

1H FY23 is the peak period of spectrum cost, which is expected to decline in the coming periods

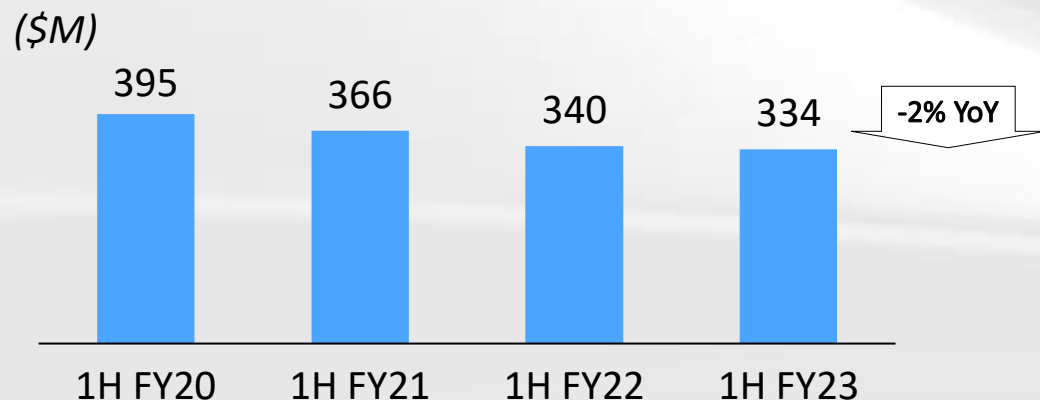


Higher OPEX driven by business growth and inflationary pressures

Operating Expenses



Depreciation on Right-to-Use Assets



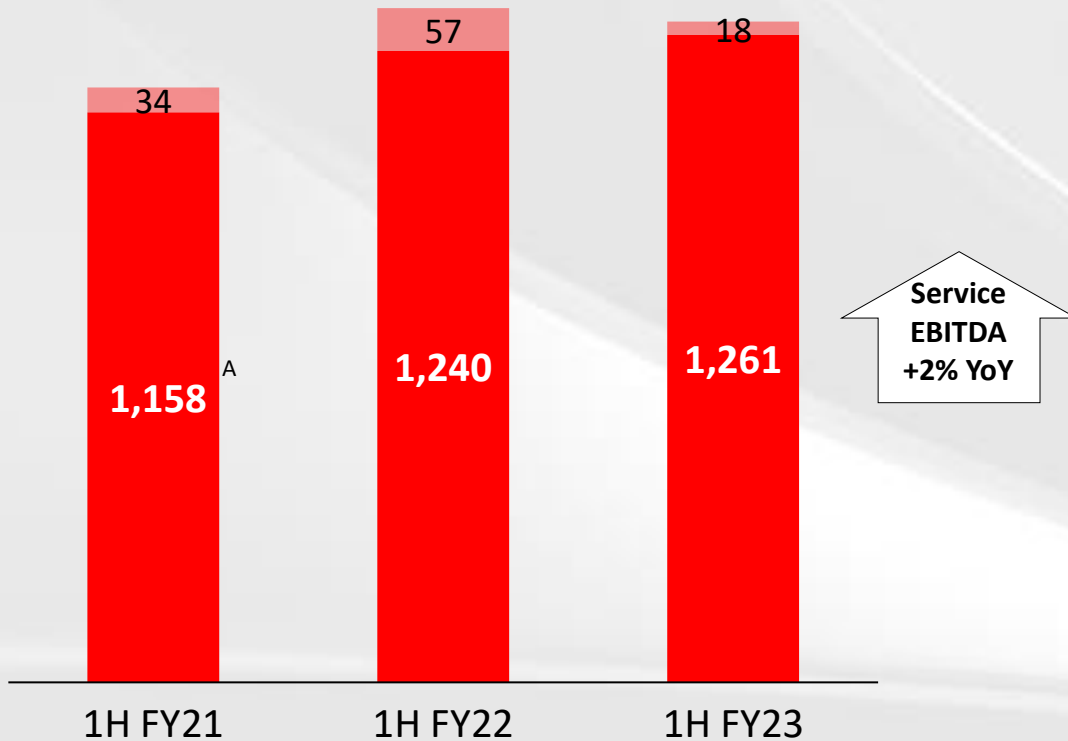
- **Higher operating expenses**
 - Inflationary pressures led to increased costs
 - Investment into key growth areas such as 5G Home Broadband and Enterprise Solutions
- **Efficiency programs are in place to minimize cost pressures.** Savings redeployed towards growing revenue streams and customer service enhancement
- **Decline in depreciation on right-to-use assets reflects the continuous effort to lower the rental cost of stores, office and cell sites**

^A Excludes government subsidies

Ongoing improvement in service EBITDA and EBIT anchored by core business

EBITDA

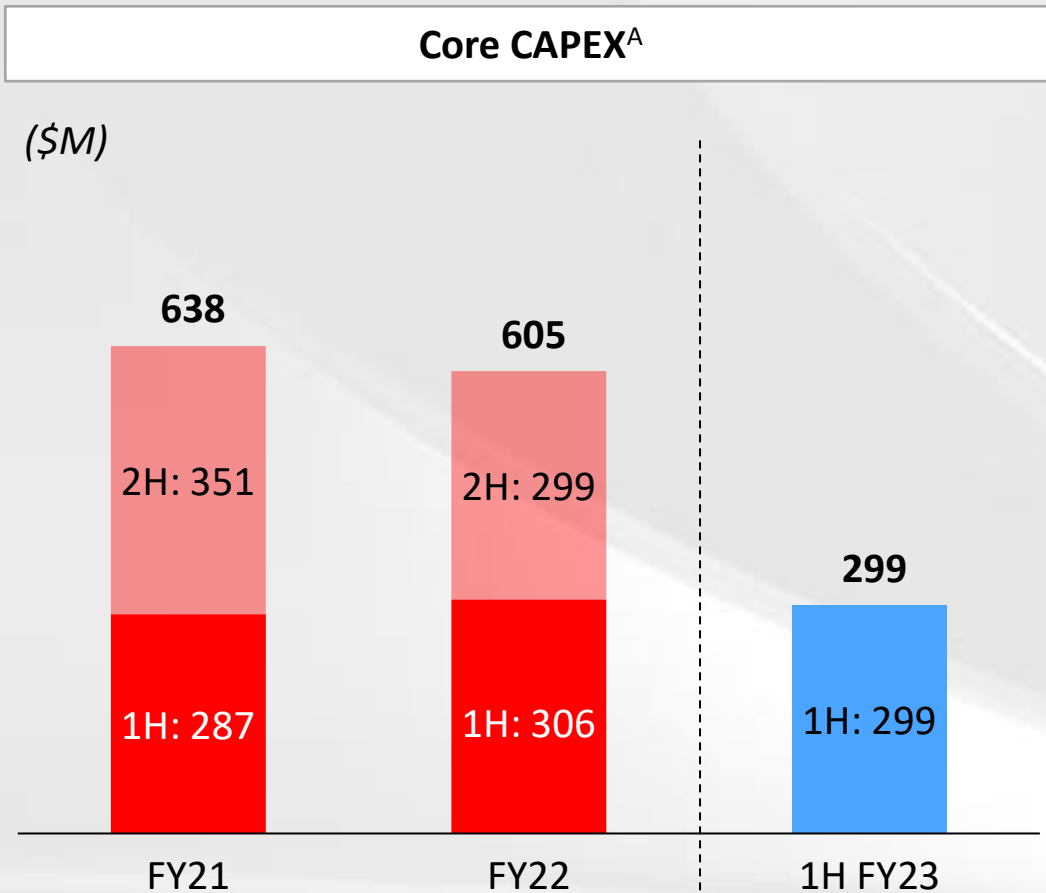
(\$M) ■ Service EBITDA ■ Handset EBITDA



- Despite multiple headwinds over the last 6 months, Service EBITDA registered 2% YoY growth
 - Modest roaming recovery
 - Ongoing growth in 5G penetration
 - Strong performance in 5G Home Broadband
 - Enterprise Solutions as additional growth driver

^AExcludes government subsidies

Well-managed CAPEX following peak 5G rollout



- Savings redirected towards high growth areas such as Enterprise Solutions and 5G Home Broadband

^A Excludes project-related CAPEX for Enterprise Solutions and CAPEX for 5G Home Broadband routers

Business review

Allen Fung

Executive Director

SmarTone's 5G network ranked as No.1 in multiple network tests

Over the past six months, many influential media ranked SmarTone's network as "No. 1"



"SmarTone is the only winner"

"..smoothest video streaming and WhatsApp experience"



"SmarTone has the smoothest and the most stable experience"



"...the most outstanding and stable performance"



"SmarTone Home 5G Broadband...several times faster than competitors"



"SmarTone Home 5G Broadband's performance is the smoothest and the most stable"



SmarTone is well-positioned to proactively capture the roaming rebound

Tourism rebound

- Full resumption of cross-border travel
- Restriction-free international travel

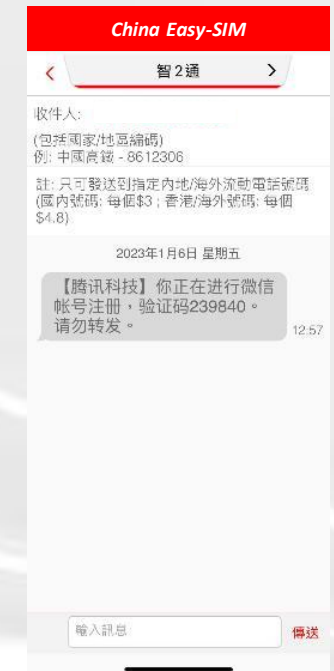
SmarTone's strong proposition

1. Superior 5G offering in key roaming markets

- Dedicated crew running speed tests at overseas locations to ensure high quality (e.g. Japan)
- 24/7 free roaming hotline for customer queries & complaints
- SmarTone has the widest 5G roaming coverage for all major destinations

2. Convenience and reliability

- China "Easy-SIM": instant assignment of China local number to Hong Kong customers
- Reliable, instant reception upon arrival at airport



Delivering extensive coverage and exceptional network performance

Market-leading 5G network quality and performance

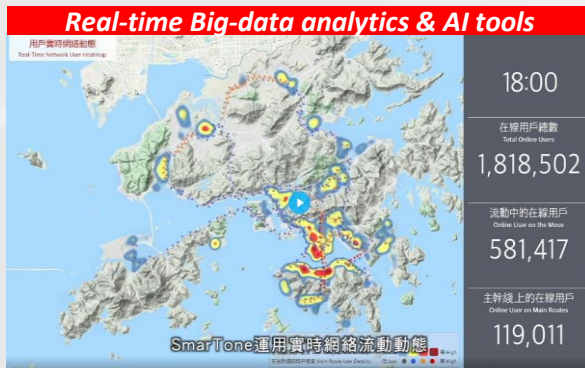
- Deployed largest low-band spectrum portfolio (700MHz to 900MHz) for deep in-building performance
- Territory-wide deployment of golden 5G spectrum (3.5GHz / 4.9GHz) for future traffic growth and speed performance
- Utilization of Big data analytics and machine learning for network optimization to deliver exceptional user experience

Stay ahead and anticipate the needs of the population movements in newly developed areas

- Investing in the Northern Metropolis and surroundings
- Collaborating with Heung Yee Kuk to improve coverage in under-served villages and facilitate Smart Village development
- Extending 5G coverage to country parks and new transport infrastructures, e.g., MTR Shatin-Central line and Tseung Lam Tunnel

Upgrade of advanced 5G network to cater for exciting new applications

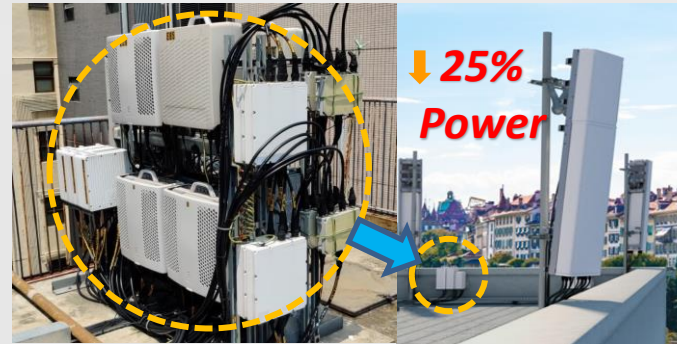
- Cloud-based dual-mode 5G network to support NSA and SA modes
- Network slicing and edge computing to achieve low latency, and ultra-reliable secured service



Enhancing energy efficiency through deployment of latest technologies

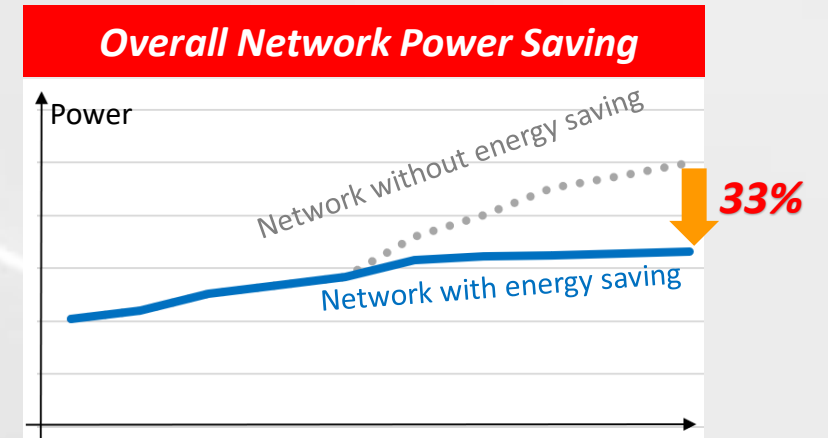
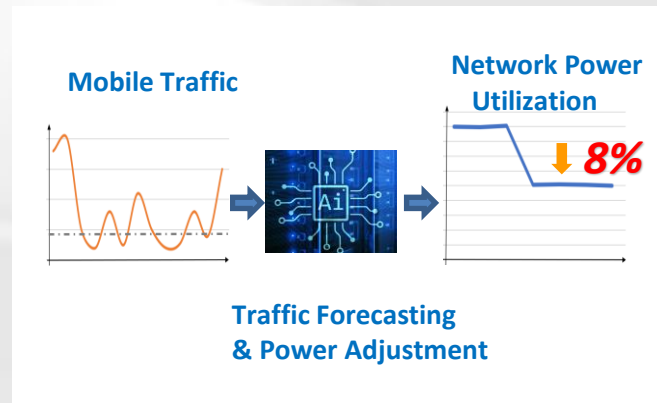
To deliver a combined ~33% energy savings, and to minimize energy consumption increase even after 5G roll-out

Modernizing base stations with the latest generation of hardware and software to deliver 25% energy saving



Utilize AI-based network solution to further reduce power consumption by 8%

Predict traffic pattern and adjust power consumption dynamically without compromising network performance



SmarTone enjoys a substantial lead in the 5G home broadband market

5G Home Broadband registering strong increase in customer base and revenue

Top Market Share¹

- Pure mobile operator providing 5G Home Broadband service
- Top market share and increasing

Top Consumer Choice²

- Winner of the Best 5G Home Broadband award

Top Network Performance

- Ranked as No.1 by multiple influential media

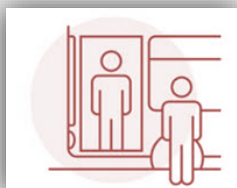
全港No.1 最多消費者選用的家居無線寬頻



1. Top Market Share : 5G Home Broadband Base count Fixed broadband users (n=1,720) from Market Share Study 2022 and 5G Home Broadband users (n=982) from 5G Home Broadband Study of known operator

2. No. 1 Consumer Choice in home wireless broadband in Hong Kong: Based on results obtained from study conducted by market research company NuanceTree, as commissioned by SmarTone. 1,002 home wireless broadband users were interviewed via surveys had completed the survey between May and June 2022.

Enterprise Solutions: Maximizing safety and convenience thru 5G SmarTransport



On-board Passenger Occupancy

- Live on-board passenger counting function
- On bus upper deck occupancy display
- Transparency to waiting passengers
- Enhance safety by minimizing unnecessary passenger movement between decks
- Fleet management facilitation
- Serving 2,500 buses in Q2 2023



SmarTone joins forces with The Point to bring more rewards to customers

- From 1st December 2022 onwards, customers will automatically earn The Point points upon spending at SmarTone
- “The Point” is the loyalty program of SHKP Malls, and points earned can be used for spending as Point Dollars at 25 SHKP malls and redeeming gifts through The Point App
- Leverage the customer base of The Point to drive sales opportunities for SmarTone




SmarTone × **THE POINT**

Auto-Earn Points with **SmarTone** Monthly Plan

Every **\$2** = **1** **POINT**
SmarTone Spending Point

Earn Points with Monthly Plan, 5G Broadband, Roaming, Handset Purchase and more

Points can be converted into Point Dollar in The Point app, at 25 designated SHKP malls

 **Spend as Cash**  In The Point app **Redeem Gifts**  **FREE Parking**

Outlook

Fiona Lau

Chief Executive Officer

Outlook for coming year

- **Continued challenges**

- Hong Kong mobile telecom market competition remains intense: price pressure persists
- High spectrum cost and tax non-deductibility
- Inflationary environment will continue to put pressure on cost of operations – maintain a tight cost discipline

- **But tangible upside exist in the immediate and medium term**

- Re-opening of Hong Kong and Mainland China will boost the broader economy and roaming business in the coming 12 months: Jan / Feb recovery reaching ~70%
- 5G Home Broadband has already seen robust growth, with strong momentum and unique proposition
- 5G penetration will continue to grow – upcoming AR, VR adoption will drive the next wave of acceleration
- Enterprise Solutions is nascent with significant long-term upside; synergy with SHKP Group business to deliver innovation

- **Looking ahead**

- Deliver the mission of enhancing customers' lives by providing them with the most reliable services in a highly connected world
- Drive innovation and a customer-centric culture

Q&A

Smartone