



# 2019

---

## ANNUAL RESULTS

FOR THE YEAR ENDED  
DECEMBER 31, 2019

February 13, 2020 – Hong Kong



# Forward Looking Statements

---

This presentation may contain “forward-looking statements” that are not historical in nature. These forward-looking statements, which include, without limitation, statements regarding PCCW's future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of PCCW about the business, the industry and the markets in which PCCW operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond PCCW's control and are difficult to predict. Actual results could differ materially from those expressed, implied or forecasted in these forward-looking statements for a variety of factors

# Overview

---

BG Srinivas

Group Managing Director

# Expanding Our Reach Regionally . . .



65

Employee nationalities



46

Countries with operations<sup>1</sup>



39%

PCCW Group employees work outside of HK



32

OTT markets



>30%

PCCW Solutions secured orders from outside of Hong Kong



737

Active enterprise customers in Forbes Global 2000

. . . While Sustaining Market Leadership in HK

Note  
1. Based on employees' physical presence

# Financial Review

---

Susanna Hui  
Group Chief Financial Officer

# Financial Highlights

(US\$ million)	2018	2019	% change
<b>Revenue</b>	4,981	4,810	(3)%
<b>Revenue</b> (Excluding Mobile Product Sales)	4,243	4,374	3%
<b>EBITDA</b>	1,569	1,587	1%
<b>Profit</b> Attributable to Equity Holders	115	87	(24)%

<b>HKT Revenue</b> (Excluding Mobile Product Sales)	3,773	3,808	1%
<b>Media Revenue</b>	509	514	1%
<i>Now TV</i>	366	344	(6)%
<i>OTT</i>	117	137	18%
<i>Free TV</i>	26	33	27%
<b>Solutions Revenue</b>	525	541	3%
<b>PCPD Revenue</b>	39	130	238%

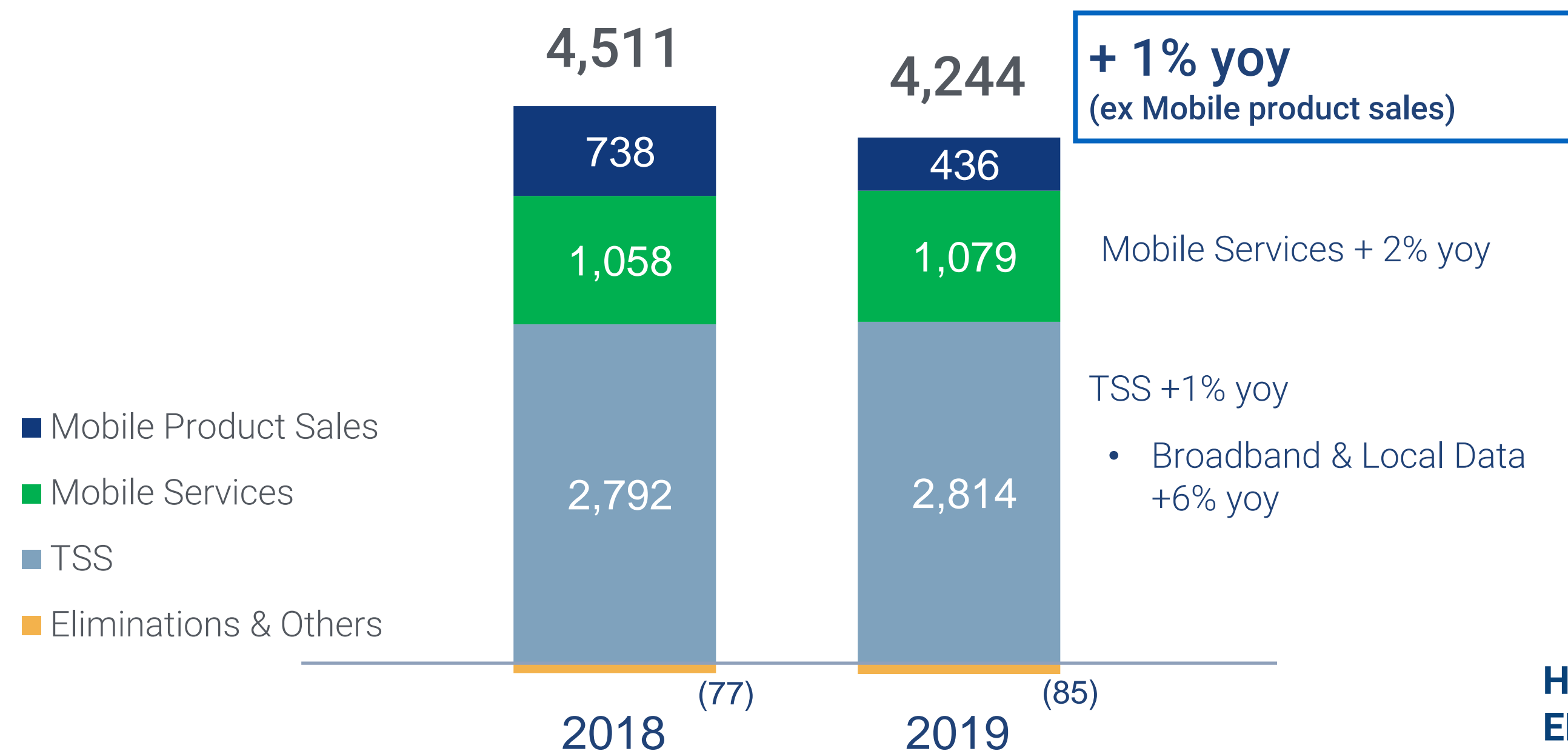
## Resilient Performance

Adjusted Funds Flow up 3% to US\$683 million

PCCW to receive a total distribution of approx. US\$355 million from HKT for FY19

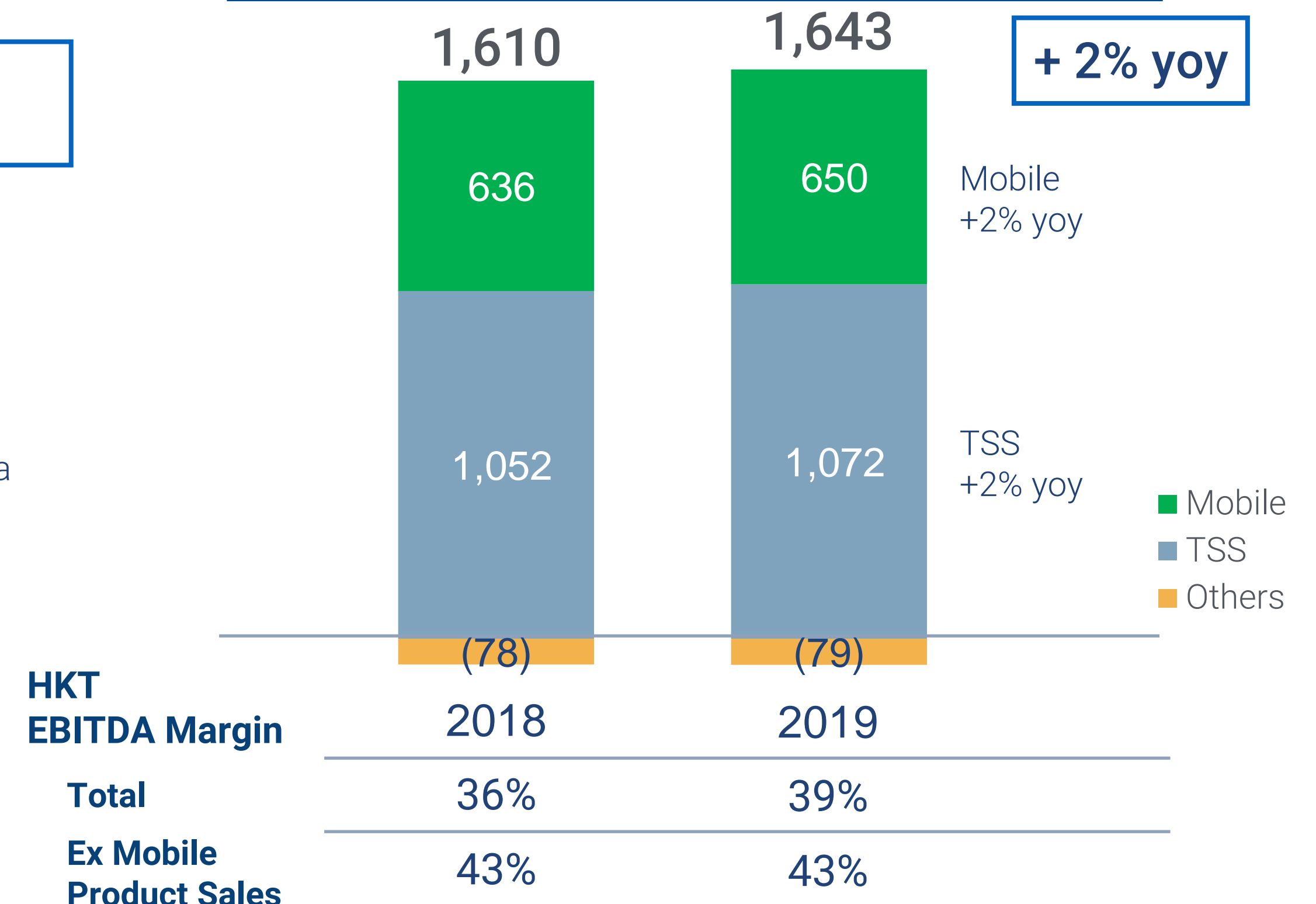
### HKT Revenue

(US\$ million)



### HKT EBITDA

(US\$ million)

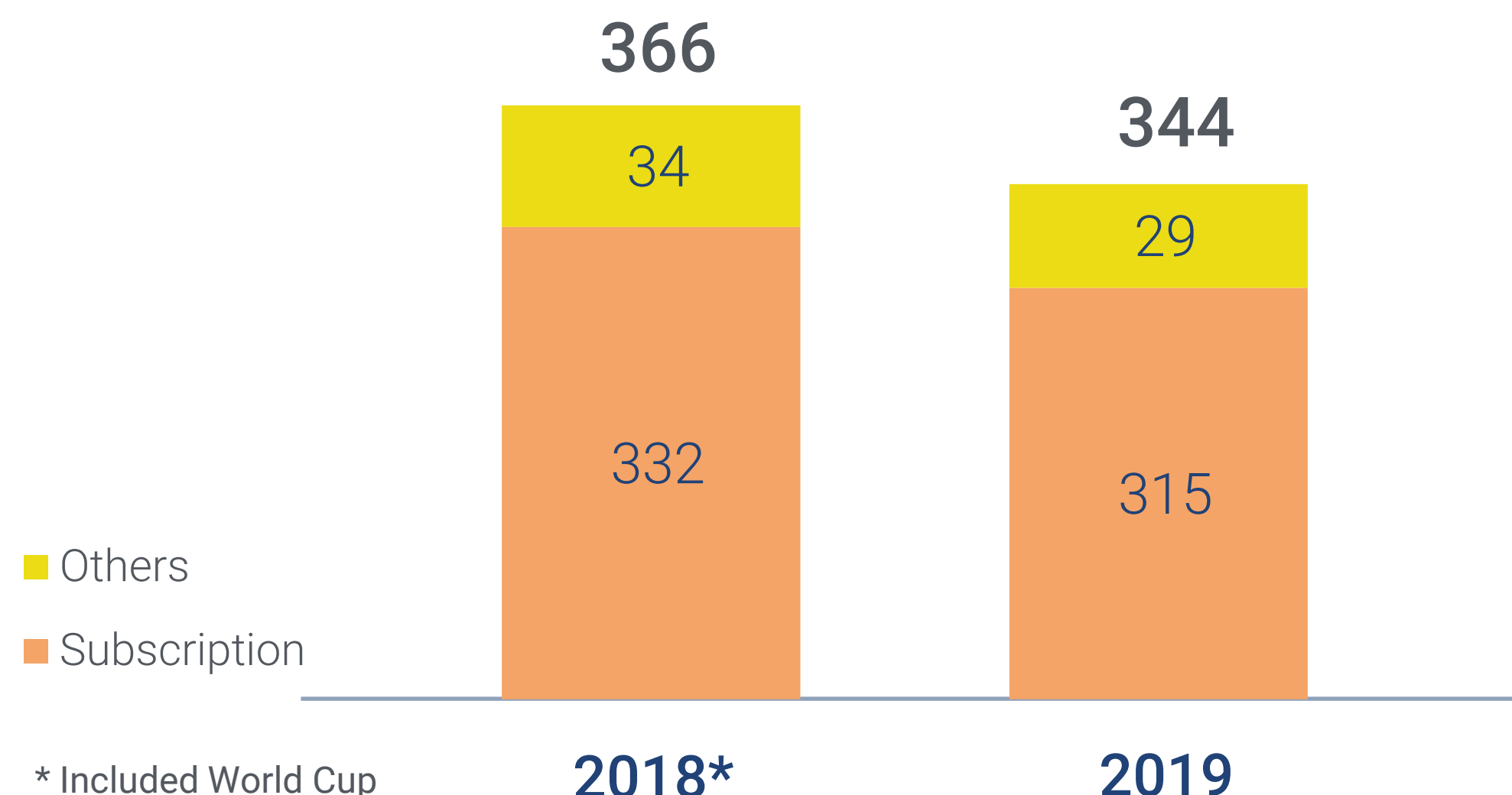


- **Broadband** – Sustained growth driven by continued demand for our FTTH services and deepening traction of our Home Wi-Fi and Smart Living solutions
- **Local Data** – Strong growth momentum benefiting from growing digital transformation initiatives from large enterprises and public sector
- **Mobile Services** - Benefited from a 13% growth in premium 1010 customer base and higher revenue from mobile enterprise solutions

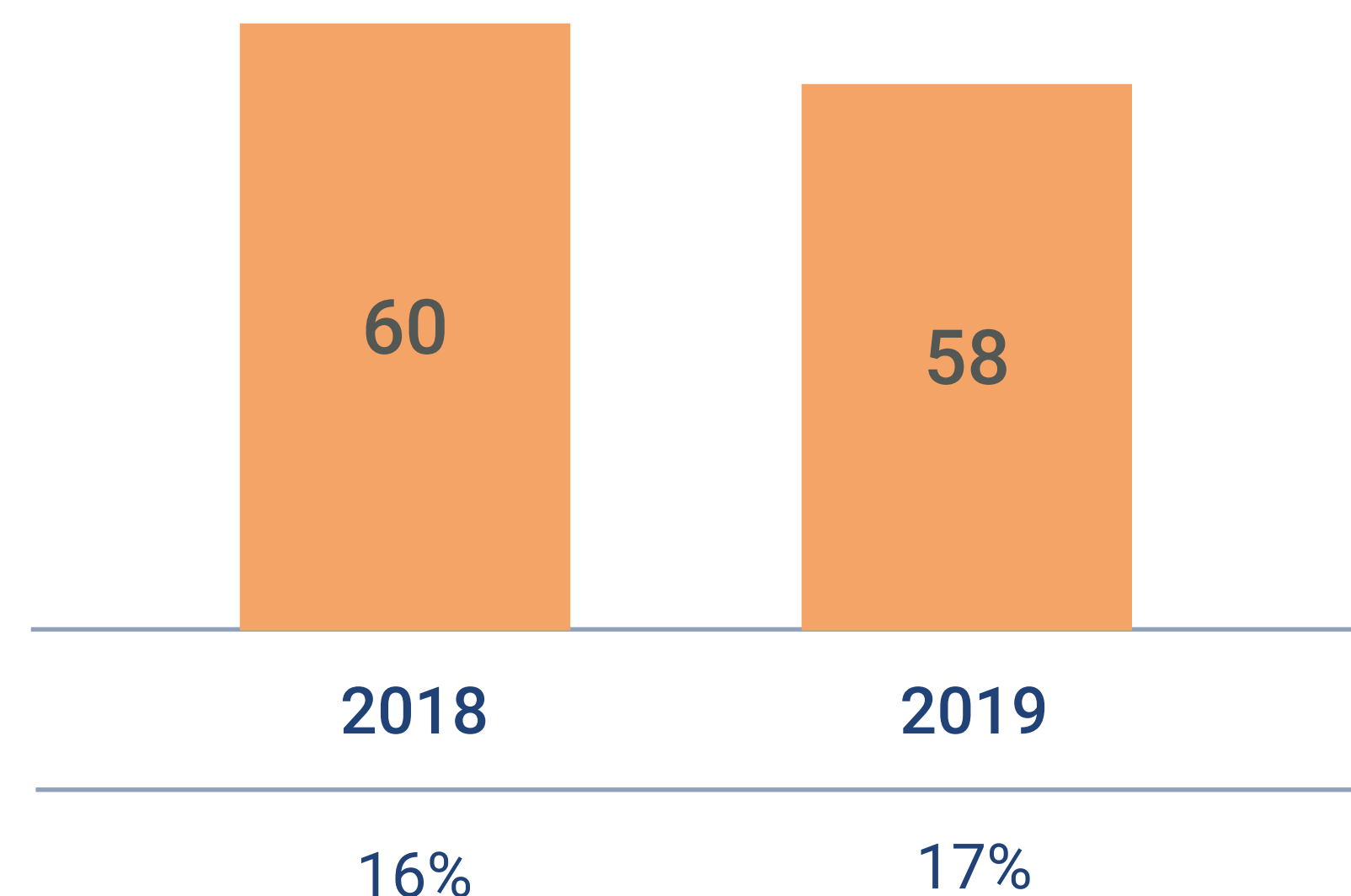
- 2% increase in EBITDA with continued operating efficiencies across all lines of business
- Overall EBITDA margin increased to 39%

# Improving Operational Efficiency

Now TV Revenue (US\$ million)



Now TV EBITDA (US\$ million)



EBITDA Margin

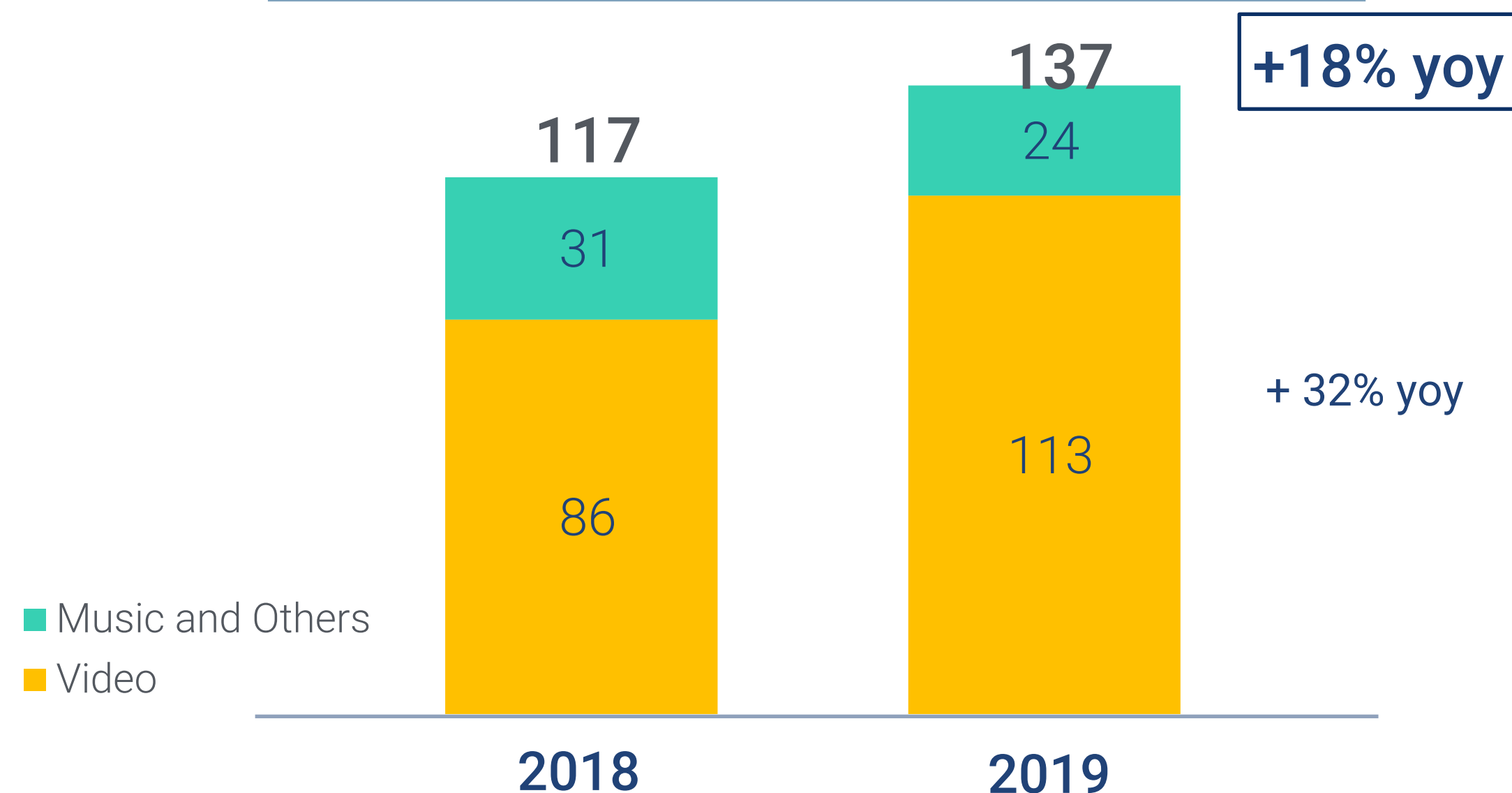
- Revenue steady after adjusting for World Cup impact in 2018
- Expanded installed base to 1,361,000 as Now E penetrated into non-TV users
- Exclusive UEFA EURO 2020™ broadcast and immersive 5G content to drive future growth

- Continuous margin improvement from operational efficiency gain and content cost rationalization



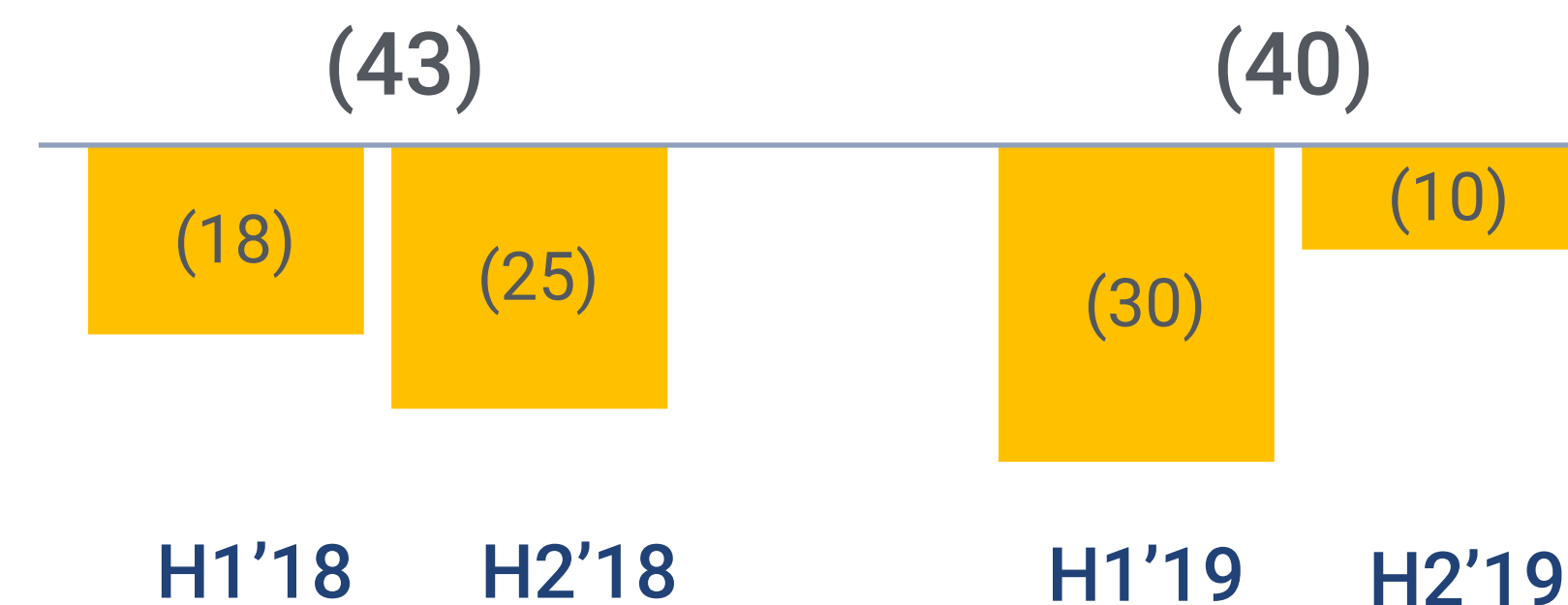
## OTT Revenue

(US\$ million)



## OTT EBITDA

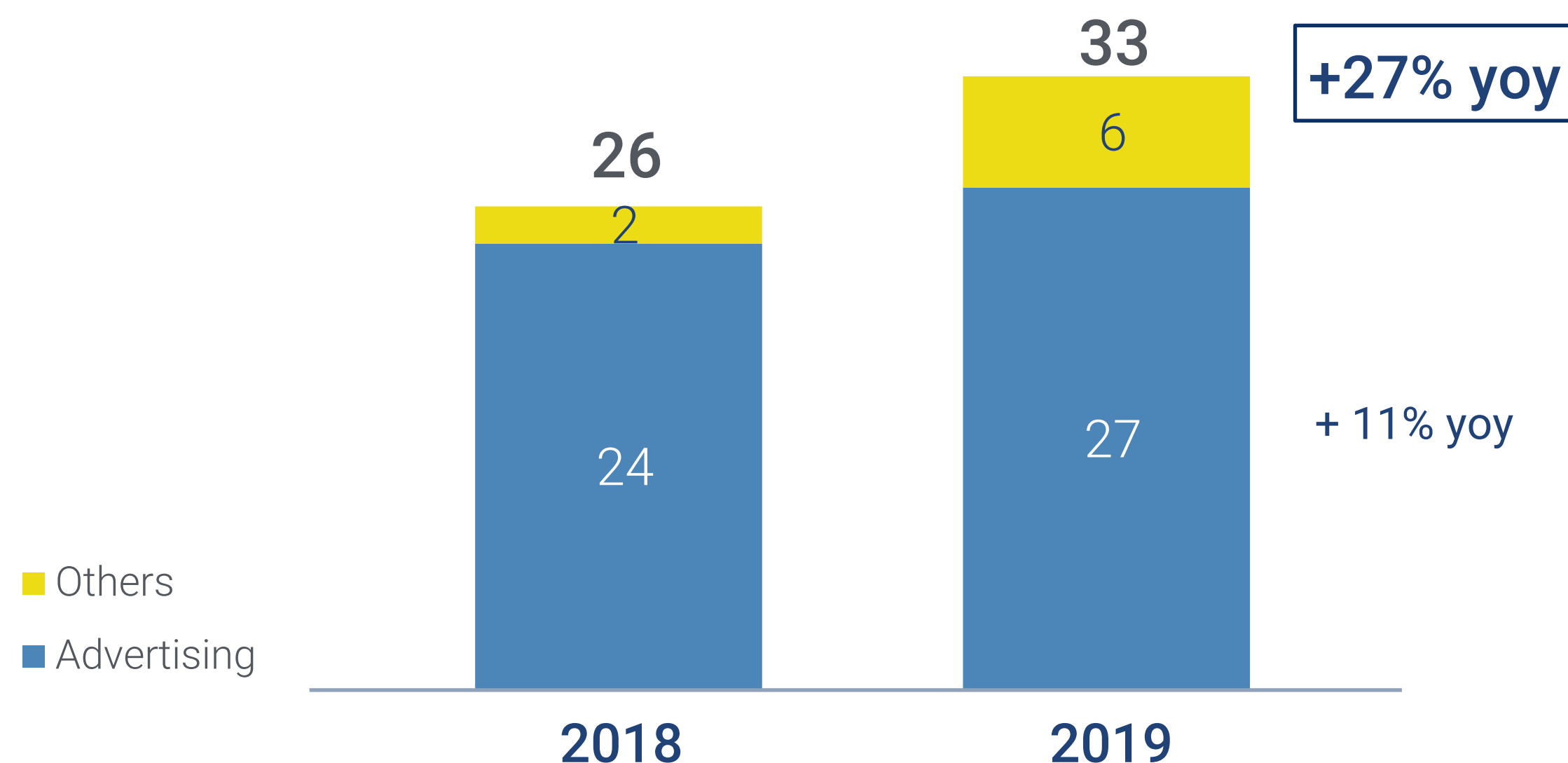
(US\$ million)



- Strong Video revenue growth in Greater Southeast Asia and Middle East
- Viu MAUs reached 41.4 million (+35% yoy) and watched 5.7 billion videos (+69% yoy)
- Viu Original continued to drive user engagement and syndication opportunities

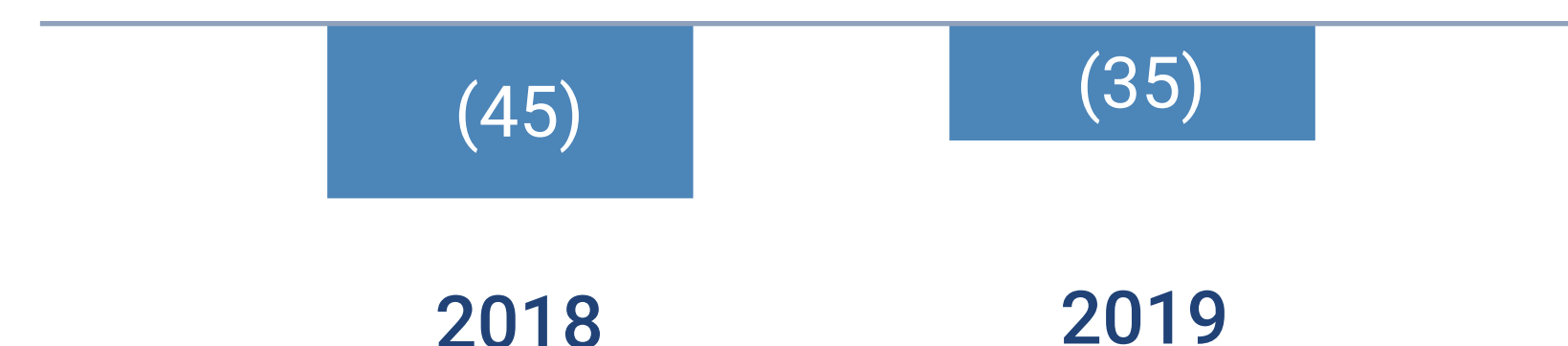
- Benefits of scale resulted in reduced loss with a significant improvement in the second half of the year

ViuTV Revenue (US\$ million)



- Expanded viewership translated into 27% growth in revenue
- Non-advertising revenue including drama production and artiste management started to generate meaningful contribution

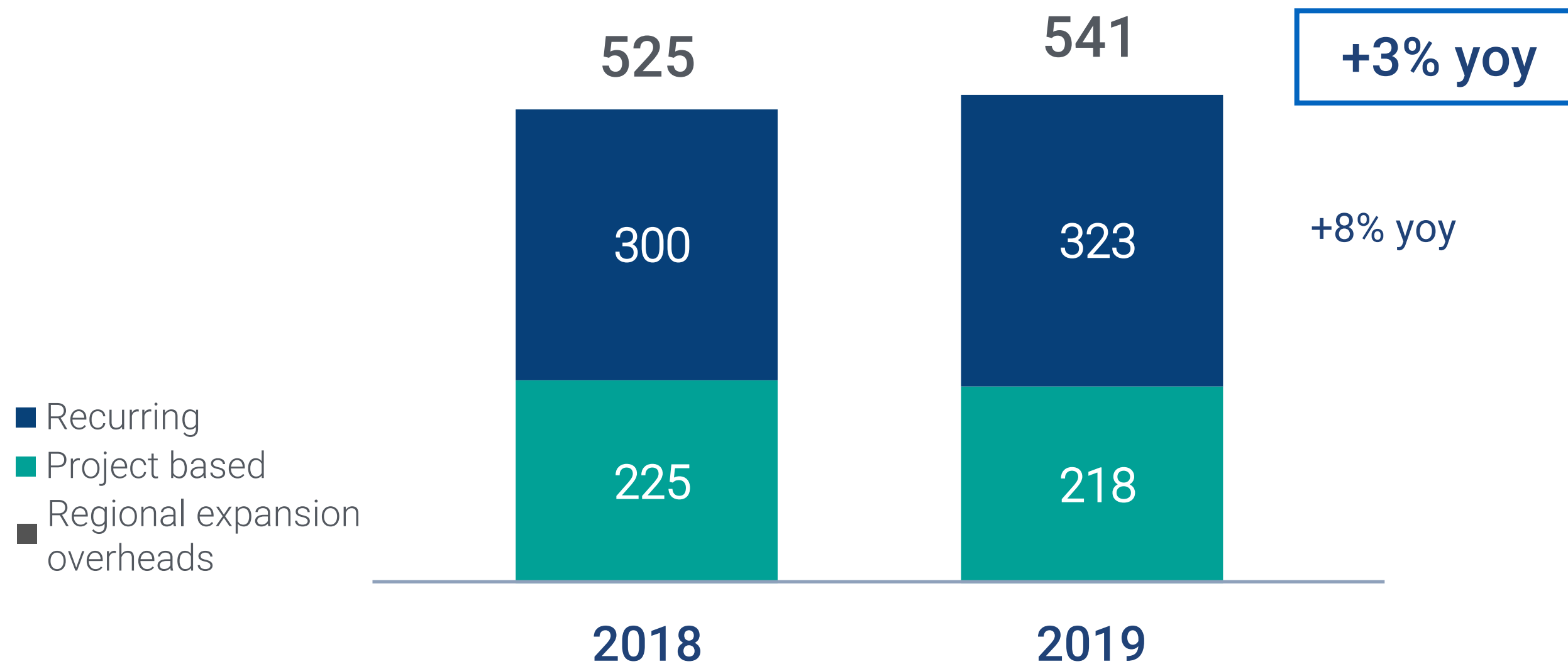
ViuTV EBITDA (US\$ million)



- Enlarged revenue base helped narrow EBITDA loss
- Sequential improvements since the second half of 2018

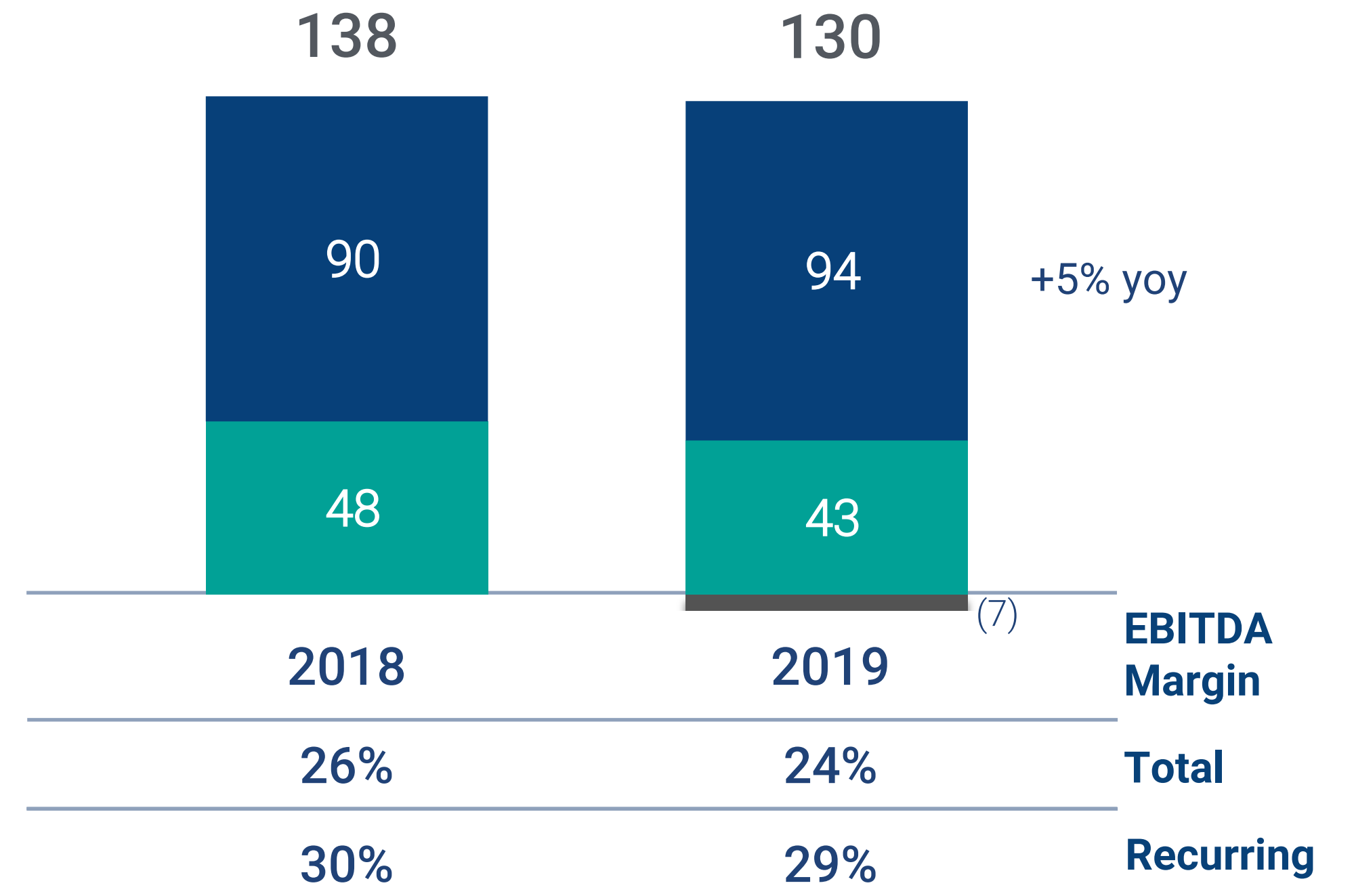
# Expanding Regional Presence

Solutions Revenue (US\$ million)



- 8% growth in recurring revenue such as cloud solutions and infrastructure services
- Secured orders increased by 29% to US\$1,189 million, of which more than 30% outside of Hong Kong

Solutions EBITDA (US\$ million)

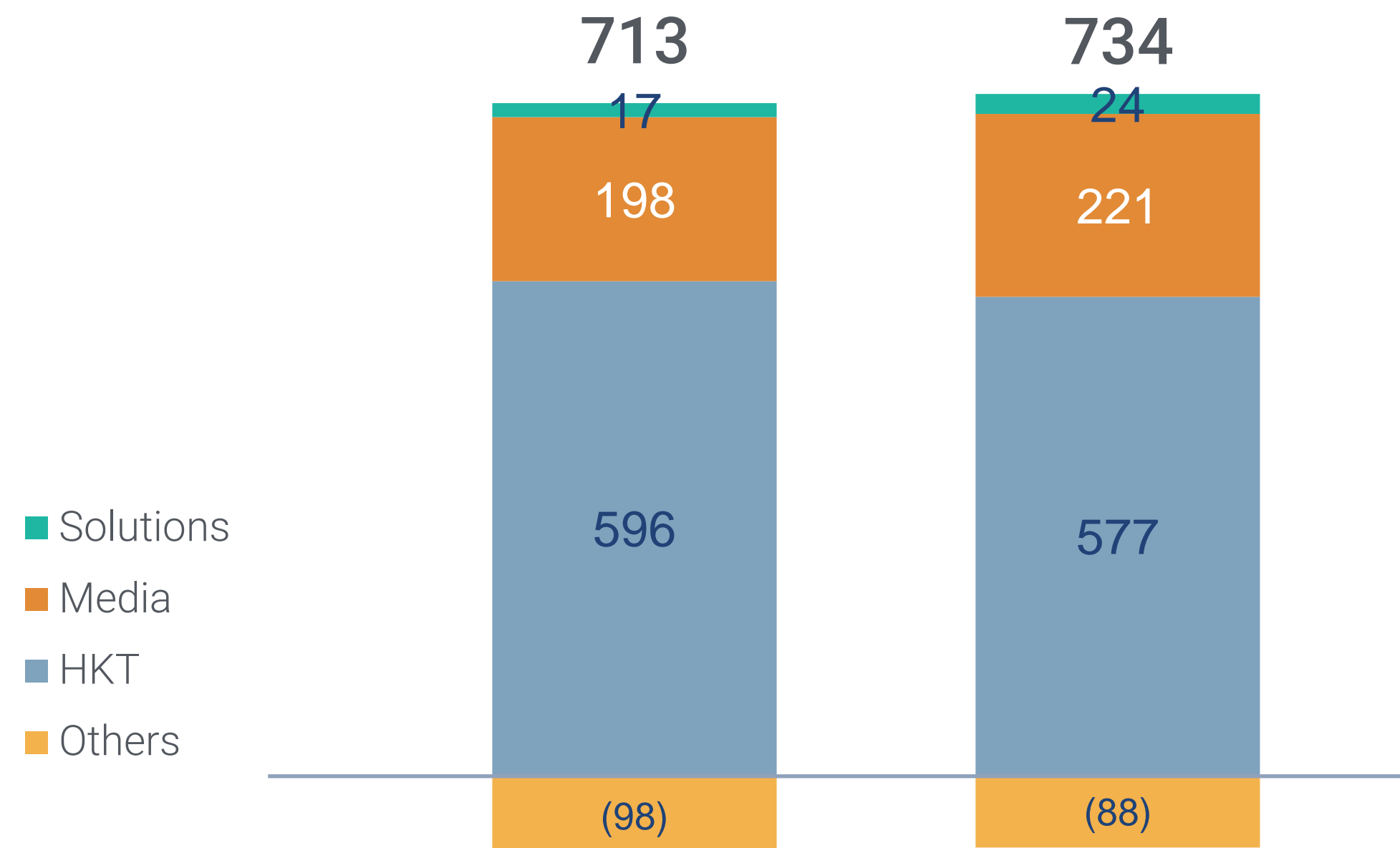


- Recurring margin relatively steady while project based margin stabilizing
- One off startup costs and overheads in 2019 associated with regional expansion



# Invest in Regional Expansion while Driving Operating Cost Efficiencies

## Core Operating Expenses (US\$ million)



- Core opex to revenue ratio at 16%
- Reduced operating costs at HKT
- Continued opex investment to support the regional expansion of the Media and Solutions businesses

### Opex to Revenue Ratio

#### Core Business:

2018

2019

14.4%

15.7%

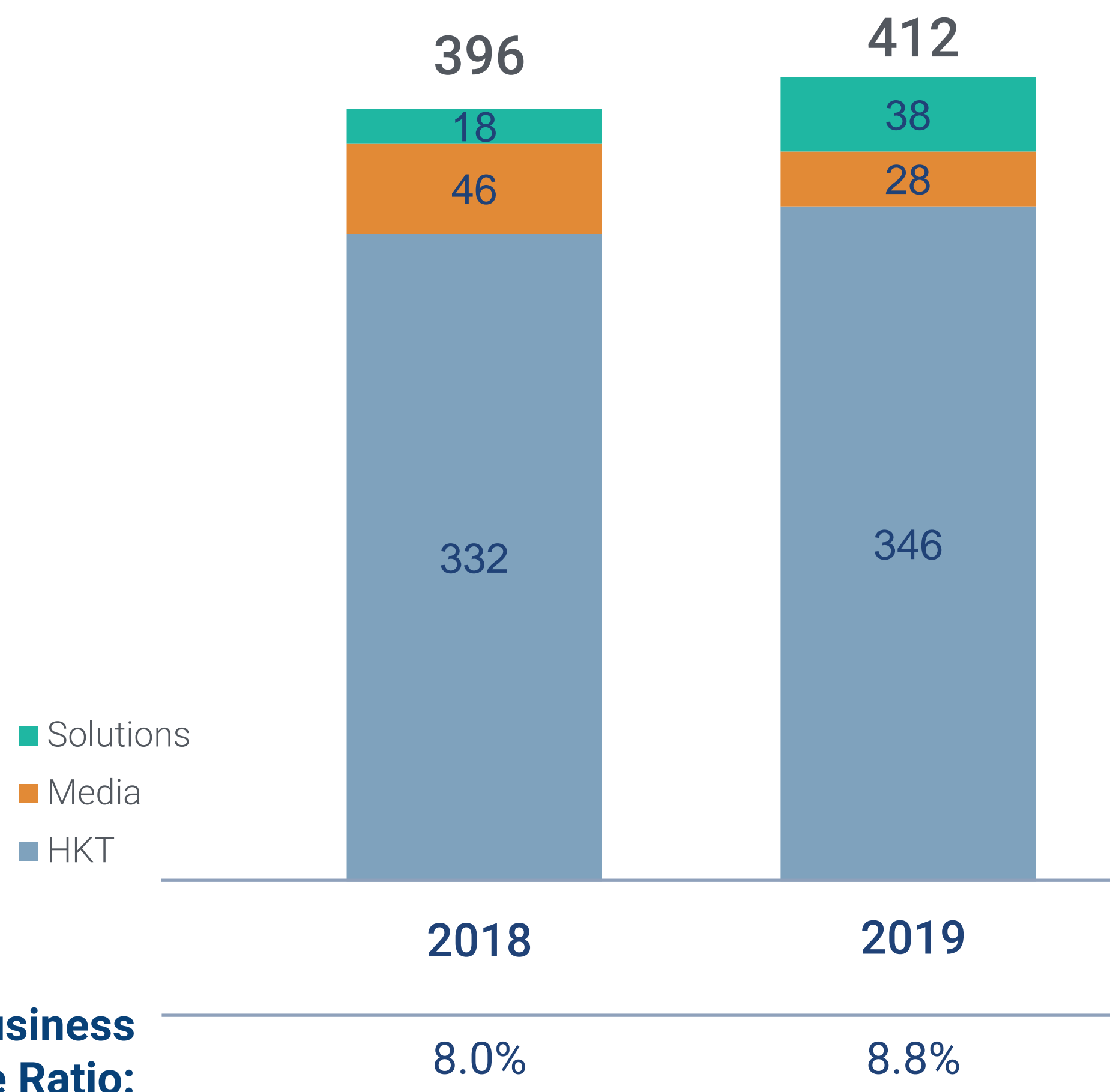
#### HKT:

13.2%

13.6%

# Capex Investment To Support Growth

Core Capex (US\$ million)



- Capex to revenue ratio at 8.8%
- Mobile capex for critical infrastructure enhancements, network capacity expansion and 5G rollout
- TSS capex for investment in Ultra Express Link, customized enterprises solutions and FTTH services
- Media capex decreased following relocation and upgrading of production studio facilities in 2018
- Solutions capex increased to support the expansion of data center capacity in Hong Kong

# Healthy Liquidity

	As of June 2019			As of Dec 2019		
US\$ million	Gross Debt	Cash Balance <sup>(5)</sup>	Undrawn Facilities	Gross Debt	Cash Balance <sup>(5)</sup>	Undrawn Facilities
HKT	5,178	277	1,174	5,220	372	1,178
PCCW	575	77	1,280	817	197	961
<b>Total</b>	<b>5,753</b>	<b>354</b>	<b>2,454</b>	<b>6,037</b>	<b>569</b>	<b>2,139</b>
<b>Core Gross Debt <sup>(1)</sup> / EBITDA <sup>(3)</sup></b>	<b>3.69x</b>			<b>3.77x</b>		
<b>Core Net Debt <sup>(2)</sup> / EBITDA <sup>(4)</sup></b>	<b>3.46x</b>			<b>3.41x</b>		
PCPD	790 <sup>(6)</sup>	90	163	1,078 <sup>(6)</sup>	364 <sup>(7)</sup>	Nil <sup>(7)</sup>

(1) Core gross debt refers to the principal amount of short-term and long-term borrowings (excluding PCPD)

(2) Core net debt refers to the principal amount of short-term and long-term borrowings minus cash balance (excluding PCPD)

(3) Based on core gross debt as at year end divided by EBITDA for the year

(4) Based on core net debt as at year end divided by EBITDA for the year

(5) Includes short-term deposits

(6) Excludes US\$70 million bonds purchased by PCCW

(7) Includes USD187 million restricted cash as of Jan 31, 2020 which can be released for bank loan repayment and operational uses

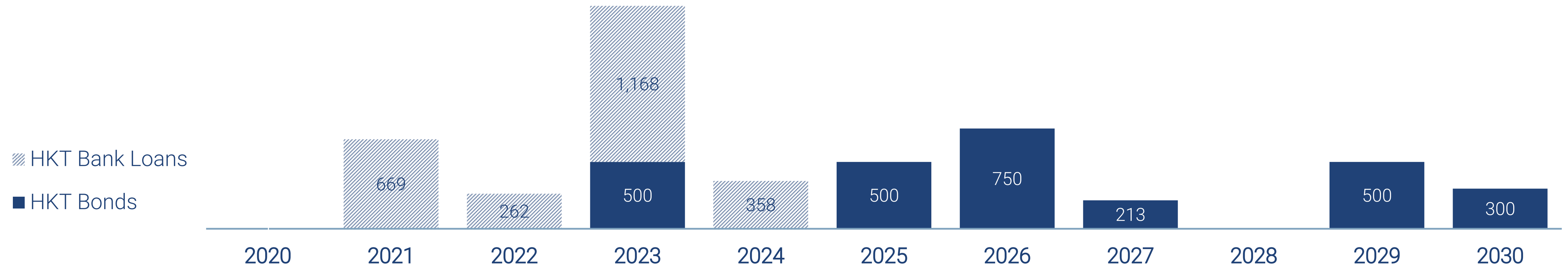


# Debt Maturity Profile

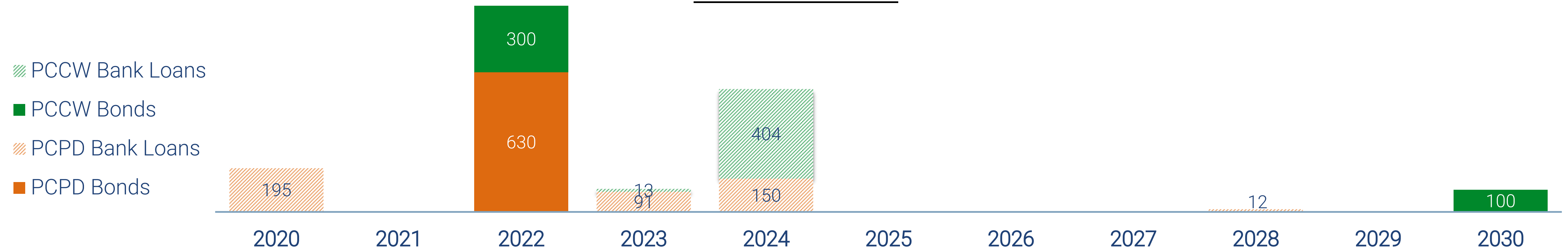
(US\$ million)

As of December 31, 2019

HKT

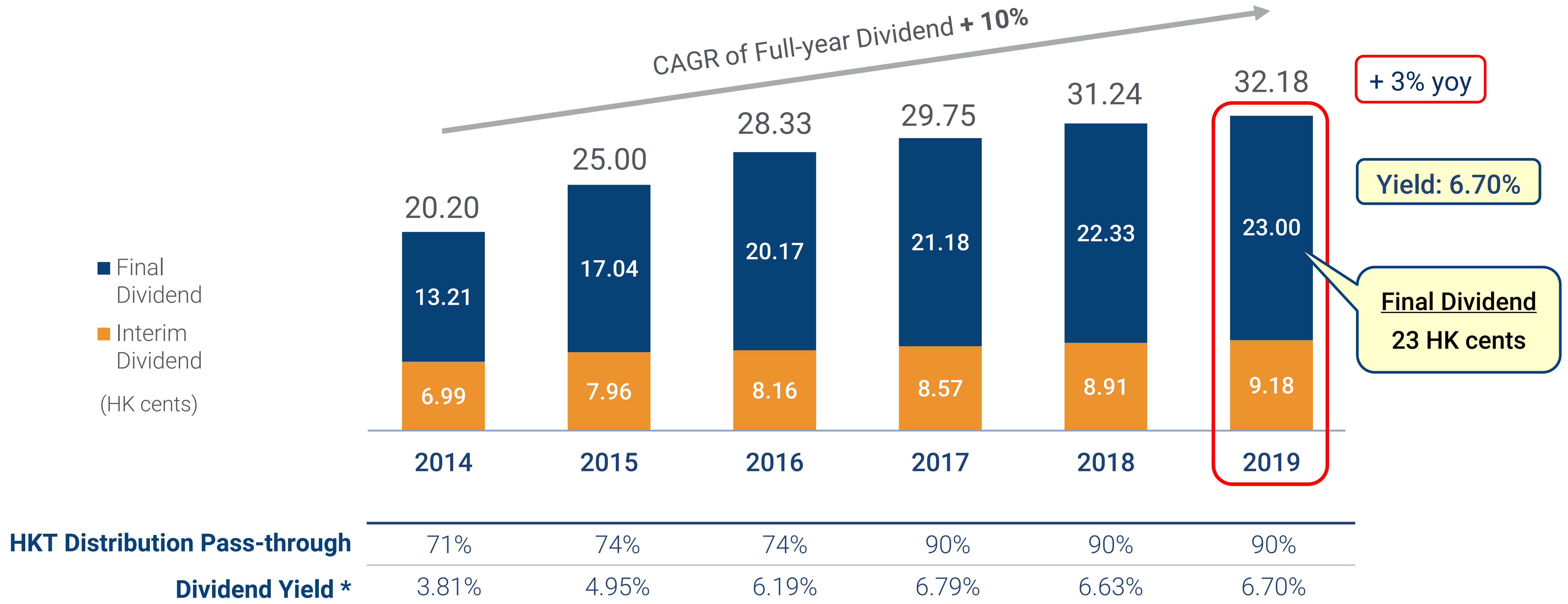


PCCW & PCPD



- Current mix of floating and fixed rate debt approximately 40:60
- Effective interest rate was approximately 3.43% in 2019
- Average debt maturity of approximately 4.5 years

# Sustained Distribution Pass-Through



\* Based on PCCW closing price on the annual results announcement date for each respective year; 2019 dividend yield based on share price at the end of morning session on February 13, 2020



---

# Media Business





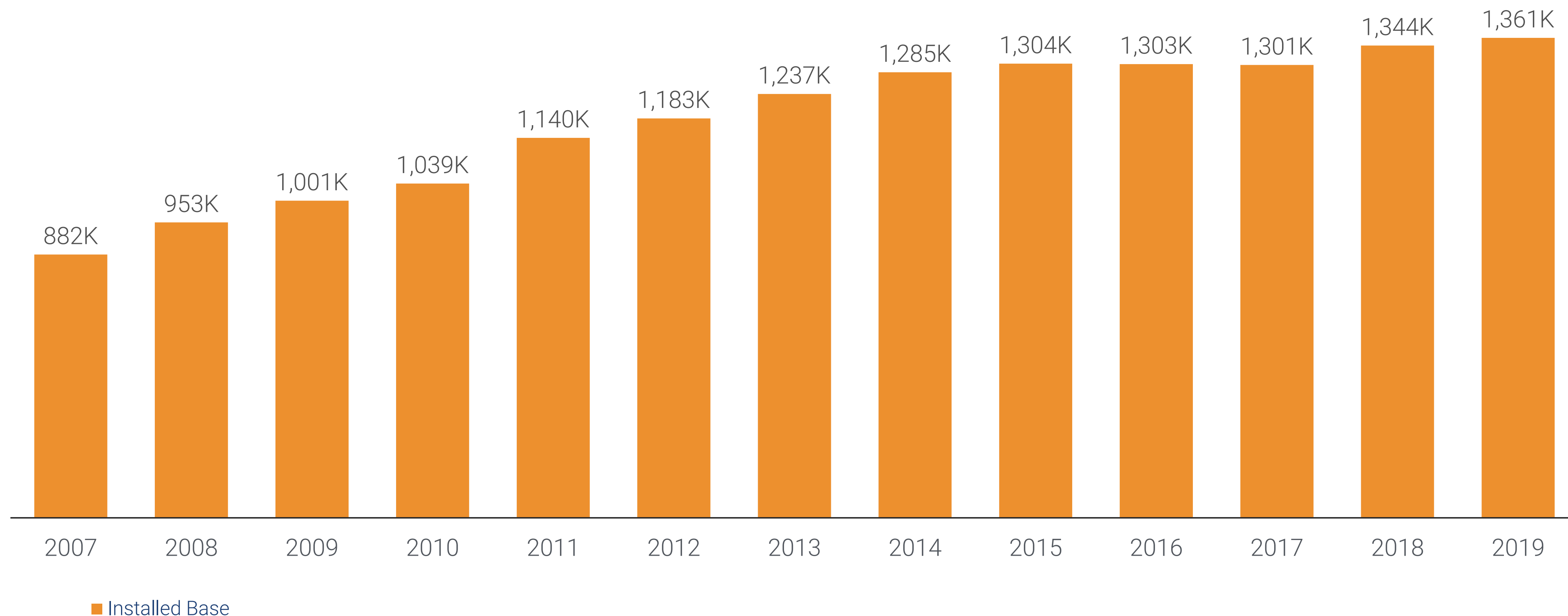
---

## Pay TV Business

# Steady Performance in 2019



- Pay TV remained steady in 2019 despite uncertain market environment in 2H 2019 and impact of World Cup in 2018
- EBITDA Margin improved to 17% as a result of improved operational efficiency and content cost streamlining
- Now E contributed to continued expansion of customer base to 1.36 million
- Exit ARPU at HK\$174



# Exclusive Broadcast of UEFA EURO 2020™



EURO 2020 Official Mascot  
"Skillzy"

- EURO will be a growth driver in 2020 for both subscription and advertising
- For the first time, 12 host cities across Europe will stage 51 matches among 24 top-tier European teams during 12 June to 12 July 2020
- Favorable prime-time kick-off (i.e. 8pm) for Hong Kong with comprehensive coverage of matches, highlights and magazine programs
- Selected matches will be available on Viu TV



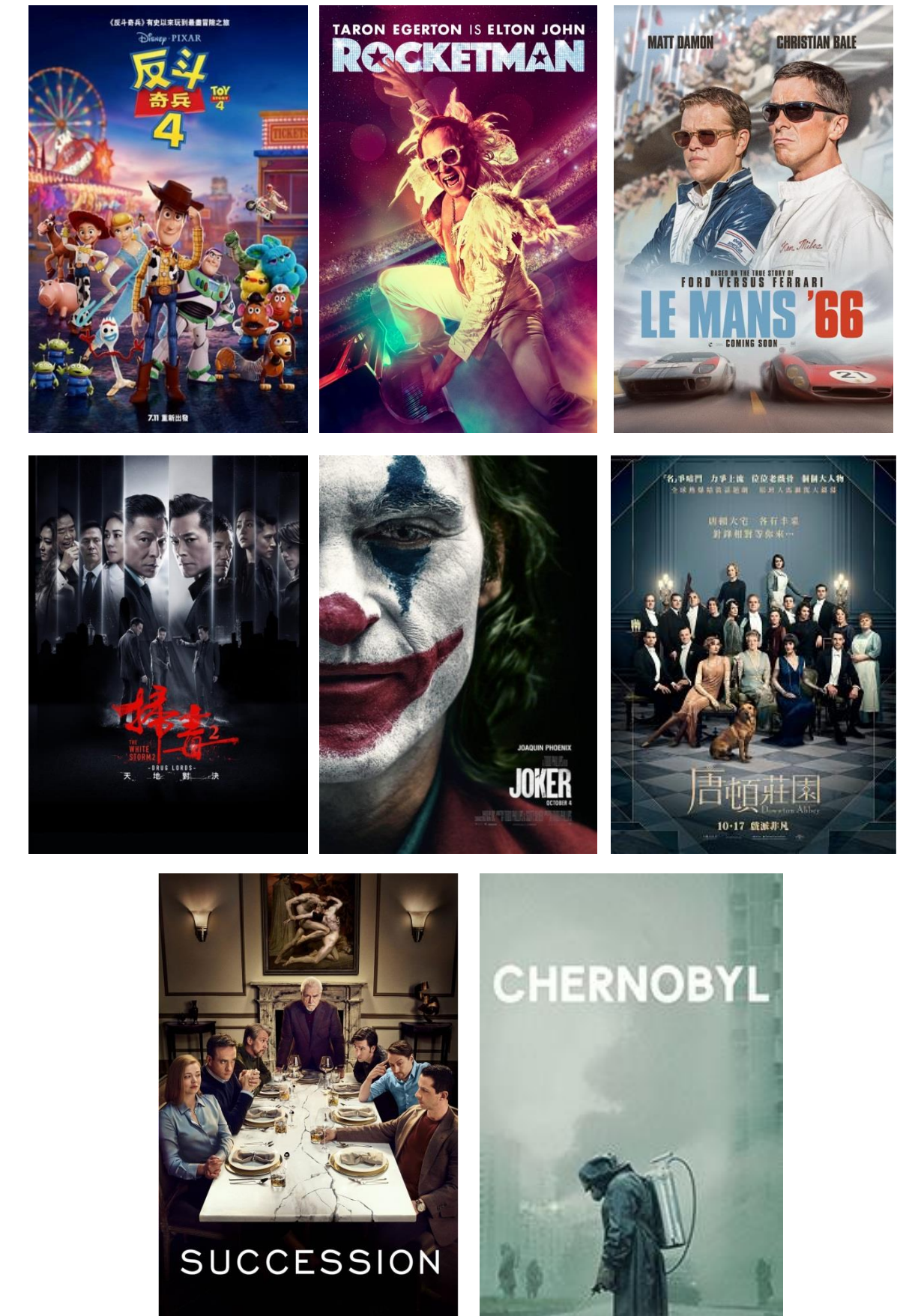


# Strongest Entertainment Content in Town



Now TV continues to be the only subscription video service in Hong Kong to offer the latest and most critically acclaimed Hollywood and Asian blockbuster movies and TV shows:

- 👍 Over 90% of the Top 50 world-wide highest-grossing box office receipt movies in 2019<sup>1</sup>
- 👍 60% of the Top 50 Most Watched U.S. TV Shows <sup>2</sup>
- 👍 First run movies and TV series on Now TV have received a total of over 70 Golden Globe®, Oscar® and/or Primetime Emmy® nominations or winners<sup>3</sup>.



(\*1) Source: 2019 worldwide box office records from [www.boxofficemojo.com](http://www.boxofficemojo.com).

(\*2) Based on 2018/19 US TV Season data from "Variety – 100 Most-Watched TV Shows of 2018-19: Winners and Losers" dated 22 May 2019.

(\*3) Movies nominated for Best Picture, Best International Picture, Best Animated Picture, Best Leading Actor, Best Leading Actress and Best Director categories. TV shows nominated for Golden Globe and Primetime Emmy awards under Outstanding series, Outstanding Leading Actress and Outstanding Leading Actor in Drama, Comedy/Musical and Limited series nominated categories.



# Immersive Viewing Experience for 5G Launch

Exclusive 4K and VR content offering curated popular international content with compelling live events and local productions to showcase our unique 5G capabilities.



Immersive Viewing Experience



Professional HiFi Experience



VR Local Production



VR K-Pop Content From Top Idols





---

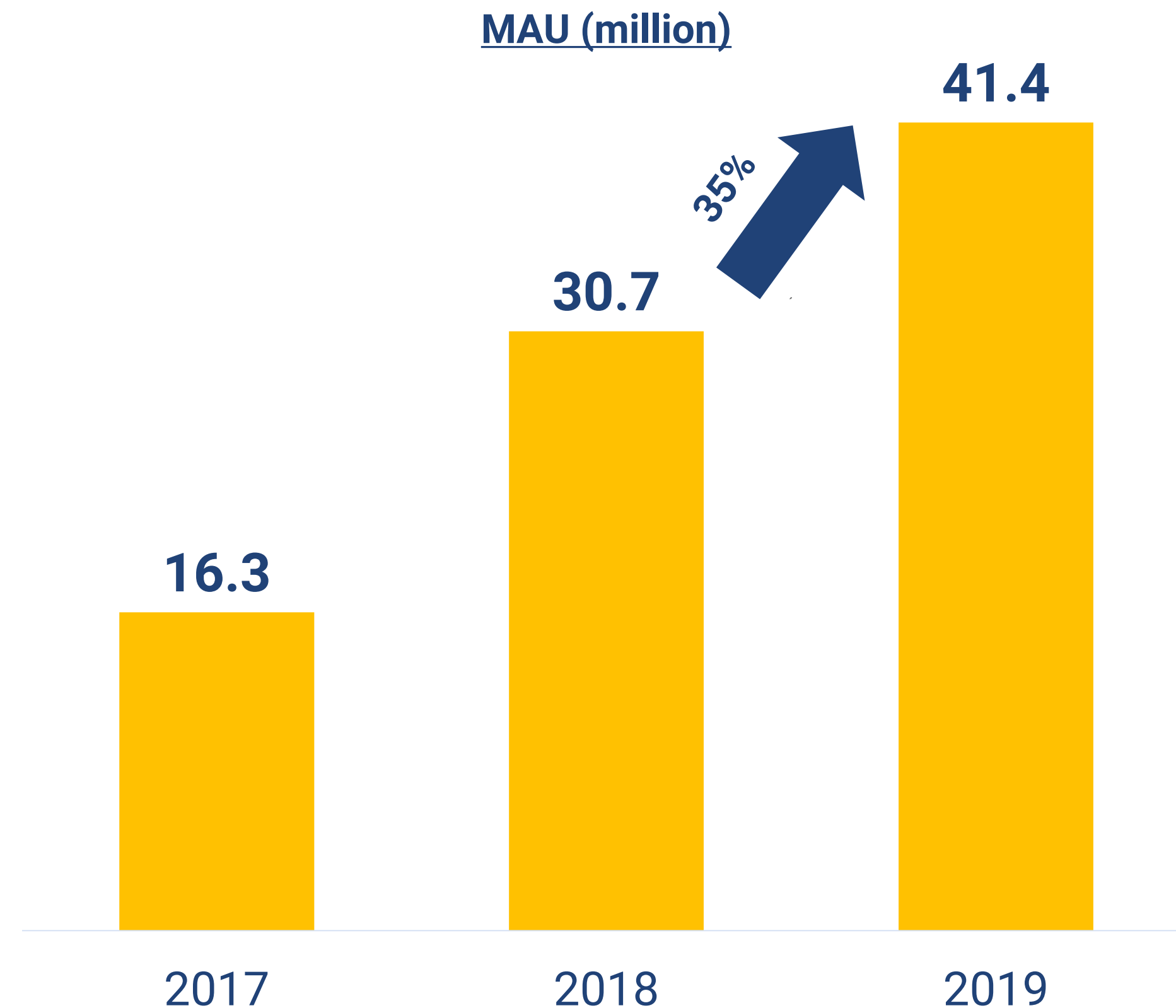
OTT Business



# 41 Million Highly Engaged Users ...and Growing



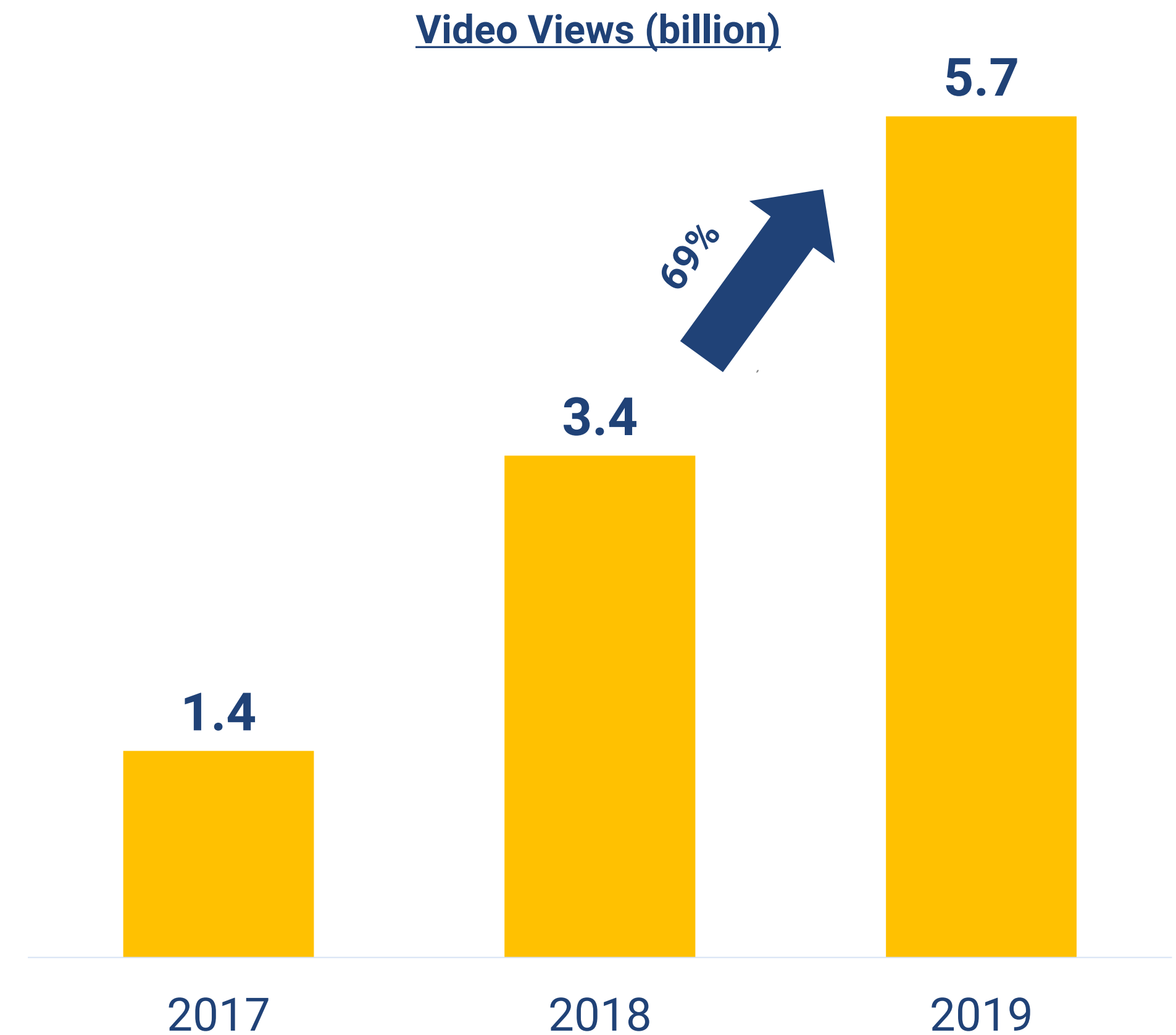
## 41 Million Monthly Active Users



- Viu continues to lead with popular and engaging Asian content. In addition, recently added Discovery's lifestyle, travel & living content across the region



## 5.7 Billion Video Views



- Video views grew 69% and reached 5.7 Billion during 2019 (vs 2018) demonstrating quality and stickiness of users as MAU grows

# A Regional Leader in OTT Video Entertainment - Dec 2019 (Greater SEA)

All Data and information below has been provided and verified by App Annie

Rank	IAP Revenue <sup>1</sup> (in-app purchase)	Monthly Active Users <sup>2</sup>	Total Time <sup>3</sup>	Avg Time per user <sup>4</sup>
1	Netflix	Netflix	Netflix	Netflix
2	Viu	Viu	Viu	Viu
3	WeTV	iflix	iWant TV	Youtube Kids
4	V – Live Broadcasting	TrueID	Youtube Kids	iWant TV
5	MONOMAXXX	iWant TV	WeTV	AIS PLAY
6	TrueID	LINE TV	iflix	HOOQ
7	HBO GO Singapore	Google Play Movies and TV	TrueID	Iflix
8	Iflix	YouTube Kids	Twitch	TrueID
9	HOOQ	HOOQ	HOOQ	LINE TV
10	iQIYI	AIS Play	LINE TV	Google Play Movies and TV

Viu ranked No. 2 in “IAP Revenue”, “Monthly Active Users”, “Total Time” and “Avg Time per user” in December 2019 among top video streaming apps (entertainment category) in Greater SEA (Hong Kong, Indonesia, Malaysia, Philippines, Singapore and Thailand) <sup>5</sup>.

Source: App Annie Intelligence data by using combined data and estimates from iPhone and Android Phone.

1. Revenue: Includes any paid downloads and/or in-app revenue net of the 30% platform commission that goes to the iOS or Google Play stores in December 2019 and excludes any revenue generated outside of the app stores, such as advertising and e-commerce.

2. Unique active user in December 2019.

3. Total Time: The total time spent in an app across all users in December 2019.

4. The average total time spent in an app or viewing a mobile website during a period by an active user in December 2019.

5. Viu ranked No.2, compared against other Greater SEA Video Streaming Apps (entertainment category) based on the total sum of each metric across regions specified above.

Video streaming apps were identified from entertainment category apps on iOS App Store and Google Play, which include apps with some long-form videos in the form of TV series, movies, news programs and full sports events (including eSports) where the content provider retains ownership and control of the content. Apps exclusively showing short-form videos in the form of music videos, user-generated content and highlights and clips were excluded.



Creation of original content assets show traction across markets

Key Viu original titles are among the Top 5\* content viewed

Attracted over 40%\* of viewers to watch Viu Originals

Adaptation of  
Globally Acclaimed  
IPs



Pretty Little Liars | *Indonesia*



- Format by Warner Brothers
- Localized in Bahasa and filmed in Bali
- Launching in 2020 Q1



2020



The Bridge 2 | *Malaysia*




- Developing Season 2 after success of Season 1
- Continue partnership with HBO Asia
- Syndicate to 17 markets




2020

Creating Original  
Asian IP


Based on analytics of  
local consumption




4 Freaks 4 Fam | *Thailand*




- #1 as compared to all new releases in Thailand



workpoint



Zodiac | *Middle East*



- #1 as compared to all new releases on Viu Middle East
- 7 awards in NRJ Egypt Radio Ramadan Drama Award 2019

Innovating New  
Production  
Concepts

Created based on the  
“Social TV” concept



My Bubble Tea | *Thailand*



- Drama leveraging youth oriented stories & online fan fictions
- Combining viral power of K-idol (2PM Nichkhun) & local Thai culture



2020



No Sleep No FOMO | *Singapore*



- Hosts with 12M+ social media followers
- 50% of the viewers of this show in Singapore are new to Viu
- Syndicated to Discovery Network in 14 Asian markets



\* As compared to other new titles launched on VIU in the same period in the respective country



# Viu Original Awards in 2019

Winner of 12  ASIAN ACADEMY CREATIVE AWARDS



Best Original by a Streamer/OTT



- Best Comedy Performance
- Best Comedy Programme
- Best Direction in Malaysia



- Best Drama Series
- Best Adaptation of an Existing Format



Best Promo or Trailer



Best Branded Programme



Best Actress in Supporting Role



Best Short Form Content



Best Comedy Programme



Best Documentary Series

NRJ Egypt Radio Ramadan  
Drama Award 2019



- Best Series by Juries
- Best Series Viewer's Choice
- Best Screenplay
- Best Set Design
- Best Costume Design
- Best Actress in a Supporting Role
- Best Upcoming Actor.





---

Free TV Business



# Steady Growth In Revenue With Solid Programming Line-up



## Drama



Till Death Do Us Apart



CELEBRITIES



Limited Education



SCRIPT

### Upcoming Drama Line-up



We Are The Littles



Who Sells Bricks In Hong Kong

## Variety



King Maker S2



SEQUEL



C9 Tours



CREATIVE

### Upcoming Variety Line-up



Hot Chef



Calling Netizens

## International Projects



The Gutter

- Partnered with Youku to co-produce a romantic drama
- Featuring renowned artists including Bowie Lam and Catherine Chau, and led by an experienced production crew

### Upcoming International Project



Ink At Tai Ping





# Expanding Audience Base And Reach



## International Business



Accumulated a library of over 9,000 hours of self-produced scripted and non-scripted content with continual monetization



Self-produced programs reached audiences in 11 markets in Asia and North America, and inflight services



Synergistic collaboration with Viu Malaysia – simulcast drama and variety content

## Talent Management Business

### Growth In Business From Group Synergies



1st Anniversary Limited Edition Boxset



1st Anniversary Capsules

### Increased Exposure Beyond Hong Kong



至 HIT 推崇粵語新歌手（金）姜濤。

至 HIT 推崇粵語新歌手（銀）Mirror。

***PCCW* Solutions®**

---

IT Solutions Business



# Strategic Focus



## Accelerating growth in Southeast Asia

- Increasing market presence and expanding workforce across **Southeast Asia**, currently representing around **25%** of our total workforce
- Setting up a new development center in **Malaysia** as a nearshore facility
- Awarded long-term managed services contracts from various **Singapore** government agencies
- Continuing development in new markets, secured strategic win in **Indonesia**

## Deepening penetration in key industries

- Adopting consultative selling approach to drive business transformation projects in the **telecom industry**
- Embracing agile delivery model to provide cost-effective and high-quality IT services to the **public sector**
- Scaling proven solutions and best practices to win new customers from the **travel and transportation industry**



# Driving Enterprise Digital Transformation & IP Creation



## Communications, Media & High-tech

### Digital Business Enablement Systems

Enabled a telecom service provider to undergo business transformation, enhancing digital experience with unified customer management

### Mobile Integration Services

Transformed the BSS/OSS systems for a telecom service provider to deliver differentiated offerings and improve business agility



## Travel & Transportation

### Track Access Management System

Supported a railway operator to optimize engineering work planning

### Smart Parking and Charging

Implemented Smart Parking system for a leading service provider to optimize its car park operations



## Banking, Financial Services & Insurance

### Next Generation Insurance Platform

Empowered a leading life insurance provider to revolutionize customer journey and transform selling processes with automated tools

### Integration Platform as a Service (iPaaS)

Built an integrated platform for a financial regulator to integrate all backend systems and create an ecosystem of services



## Retail, Manufacturing & Logistics

### Robotic Process Automation (RPA) as a Service

Automated the financial processes with enhanced data accuracy for a leading fast-food chain using RPA as a Service

### Infinitum™ Visum Smart Mirror

Empowered a property developer to deliver home automation to residents



# World-class Data Center Services



Phase 1 of the new data center in Fo Tan is completed and fully taken up by anchor clients. Phase 2 is underway with pre-sales discussions with potential customers, expect to complete construction in second half of 2020

Maintained high utilization rate across all data center facilities in Hong Kong and mainland China

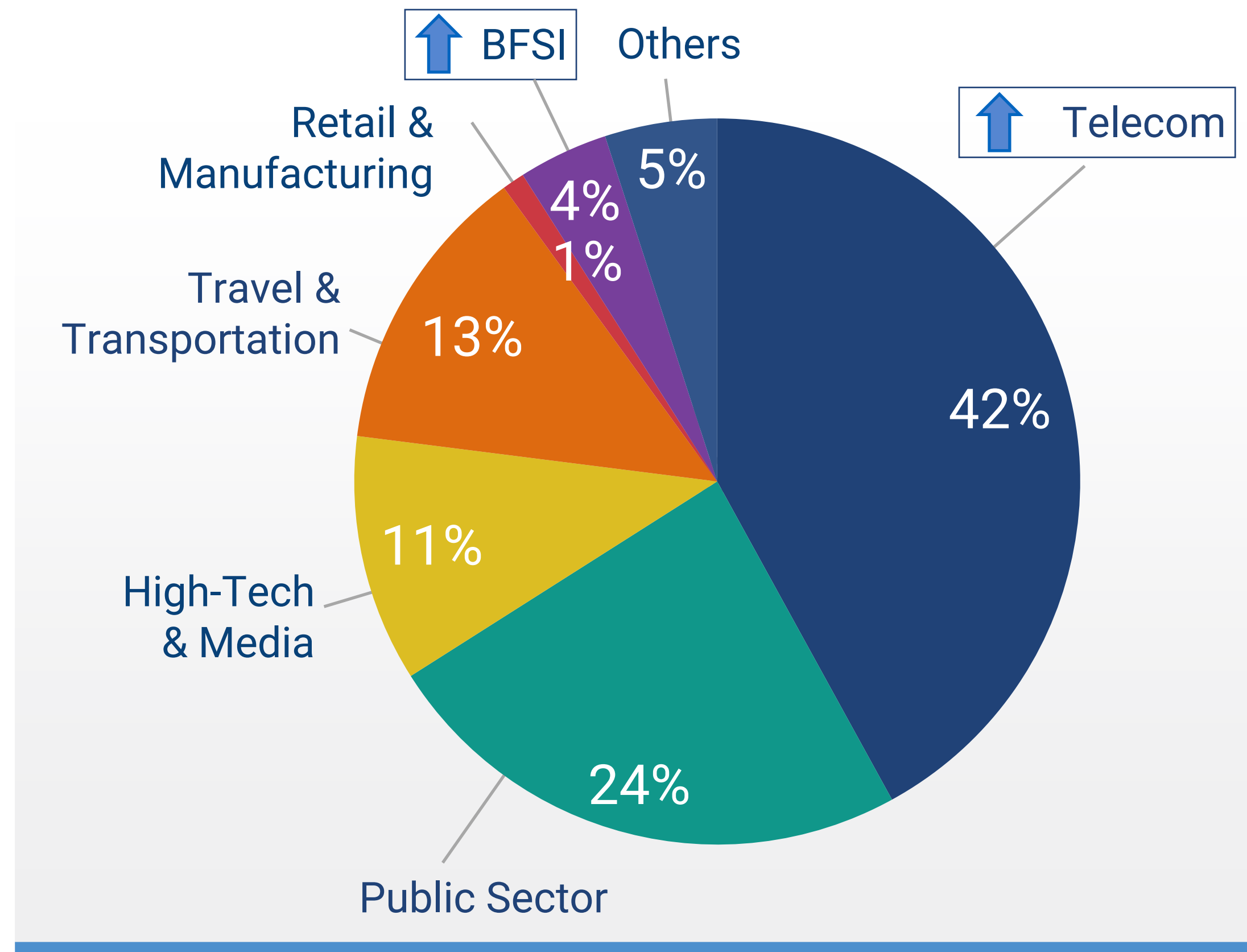
Actively planning further expansion of data center capacity and new data center locations to fulfill our customers' needs in the region

Focus on addressing the growing demand from large cloud providers and global financial institutions

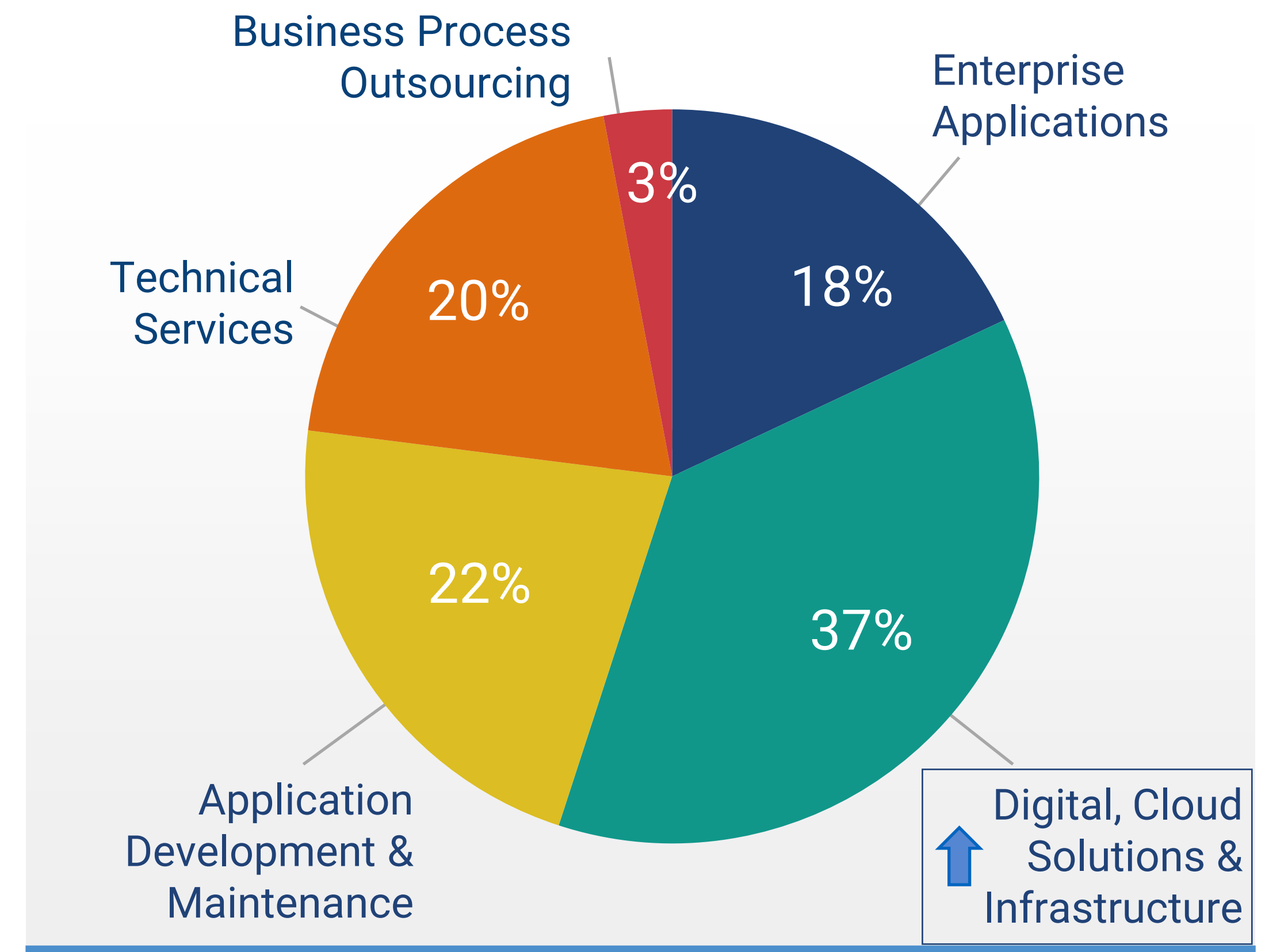


# Revenue by Industry & Services

## 2019 Revenue by Industry



## 2019 Revenue by Services



Secured orders exceeded the billion dollar mark for the first time at US\$1,189 million as of December 31, 2019 (+29% YoY)



# Industry Case Studies



Solutions

## Public

### Government Agencies in Singapore

- Provision of long-term managed services for several government agencies in Singapore – covering national security, public safety, checkpoints & border control, immigration, public health, urban planning, food safety, financial regulation and enterprise development

Value

- Responsive to dynamic business needs with capabilities to scale-up with multi-skilled resources and end-to-end solutions
- Identify areas for continuous improvement and implement automation to enhance operational efficiency
- Achieve outcome-based results with strong governance of quality, empowering clients to focus on their core business

## Travel & Transportation

### Hong Kong International Airport

- Providing and upgrading the airport systems for airport expansion and enhancement for third runway
- Enhance the functionality, resilience and scalability of the existing airport systems to facilitate efficient airport operation and further expansion
- Ensure seamless diversion process with minimal service interruption to the airport operation for timely construction of Intermodal Transfer Terminal and Sky Bridge

## Data Center

### One of the hyper-cloud service providers

- Extending data center capacity to support client's business needs and to further expand their presence in Hong Kong
- Comply with the most stringent industry standards
- Fulfill client's specific engineering requirements for the facility and service level commitments, in terms of scalability, availability, security and time-to-market



# Industry Case Studies



## Healthcare

### A Health Organization

- Providing public cloud services including managed cloud services consulting and operating services to facilitate e-health applications

### Value

- Leverage our strong cloud expertise, rich support resources and end-to-end solutions
- Achieve efficient implementation and improve process integration

## Communications, Media & High-Tech

### A Telco Operator in Indonesia

- Developing a smart mobile application for the client to deliver differentiated customer services

- Empowering client to address consumers' needs in real time through comprehensive self-service options
- Deliver unified O2O customer experience and drive upselling opportunities

## Banking, Financial Services & Insurance

### A Virtual Bank

- Building a centralized Cloud Integration Platform, with Open APIs integrating all backend systems, such as Faster Payment System gateway, SWIFT, mobile banking and e-banking

- Highly reliable and scalable infrastructure, empowering client to launch their virtual banking services
- Support high volume of banking transactions, up to one million transactions per second
- Interoperable with all third party service providers for seamless integration



# Market Recognition



## China

### China Software Export and Service Outsourcing

- Top 10 China IT Outsourcing Company
- Most Competitive Brand of Software Export and Service Outsourcing



## Hong Kong

### Hong Kong Awards for Industries

- Innovation and Creativity – Certificate of Merit (Infinitum™ Visum smart mirror)



## Philippines

### Asia CEO Awards 2019

- Technology Company of the Year - Circle of Excellence Award



## Singapore

### CMO Asia Awards

- Brand Excellence in IT Sector
- Marketing Campaign of the Year (HABBITZZ+ intelligent unmanned store)



# Summary

**HKT** will focus on making available quality 5G services, deepening its customer engagement, providing innovative, value added services and a better user experience for customers

**PCCW Media** will drive for deeper user engagement and further penetration in the regional markets with high quality content

**PCCW Solutions** will continue to serve the digital transformation needs of customers in Hong Kong and further expand into the Southeast Asia region

**The leading provider of digital services in Asia for consumers and enterprises**