



**PCCW**

# 2022 Annual Results

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**For the year ended 31 December 2022**

24 February 2023 – Hong Kong

# Forward Looking Statements

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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



# Business Overview

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Susanna Hui

Acting Group Managing Director  
& Group Chief Financial Officer

# Achievements in 2022

## OTT Business

### 1<sup>st</sup> year of positive EBITDA

- Viu ranked 1<sup>st</sup> in MAU and 2<sup>nd</sup> in paid subscribers and streaming minutes across SE Asia region
- Viu Originals helped to drive viewer engagement and paid subscriptions



## Free TV Business

### Held ground despite soft economic conditions

- Steady advertising revenue supported by continued focus on digital ad market
- Build a multifaceted entertainment hub for TV, film, music and events



## Solutions Business

### Completion of strategic partnership with Lenovo

- Partnership to help extend reach and enhance delivery capabilities in existing and new markets across the Asia Pacific region



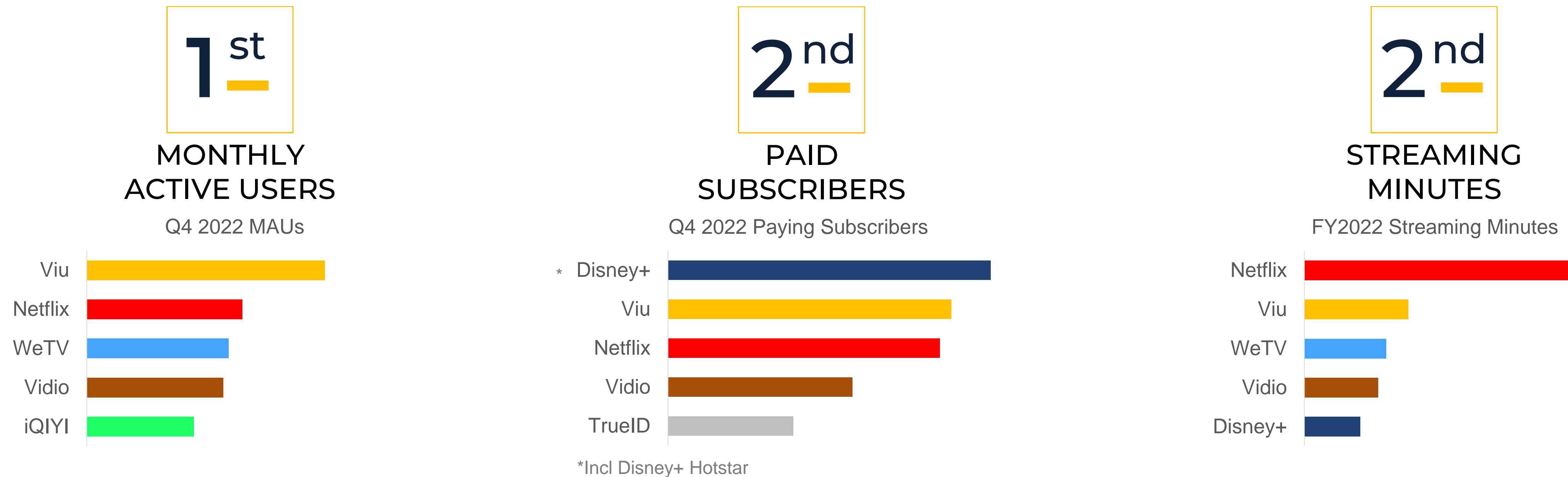


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## OTT Business

# Remained One Of The Top Video Streaming Platforms in SEA

Achieved 45% revenue growth and first full year of positive EBITDA



- No. 1 in MAUs for the **12<sup>th</sup> consecutive quarter**
- No. 2 by streaming minutes in Q4 2022 for the **11<sup>th</sup> consecutive quarter\***
- No. 2 in paid subscribers

\* Streaming minutes measurement has only been introduced for 11 quarters

Source: Media Partners Asia AMPD Online Video Consumer Insights Q4 2022 (covers Indonesia, Malaysia, Thailand, the Philippines and Singapore)

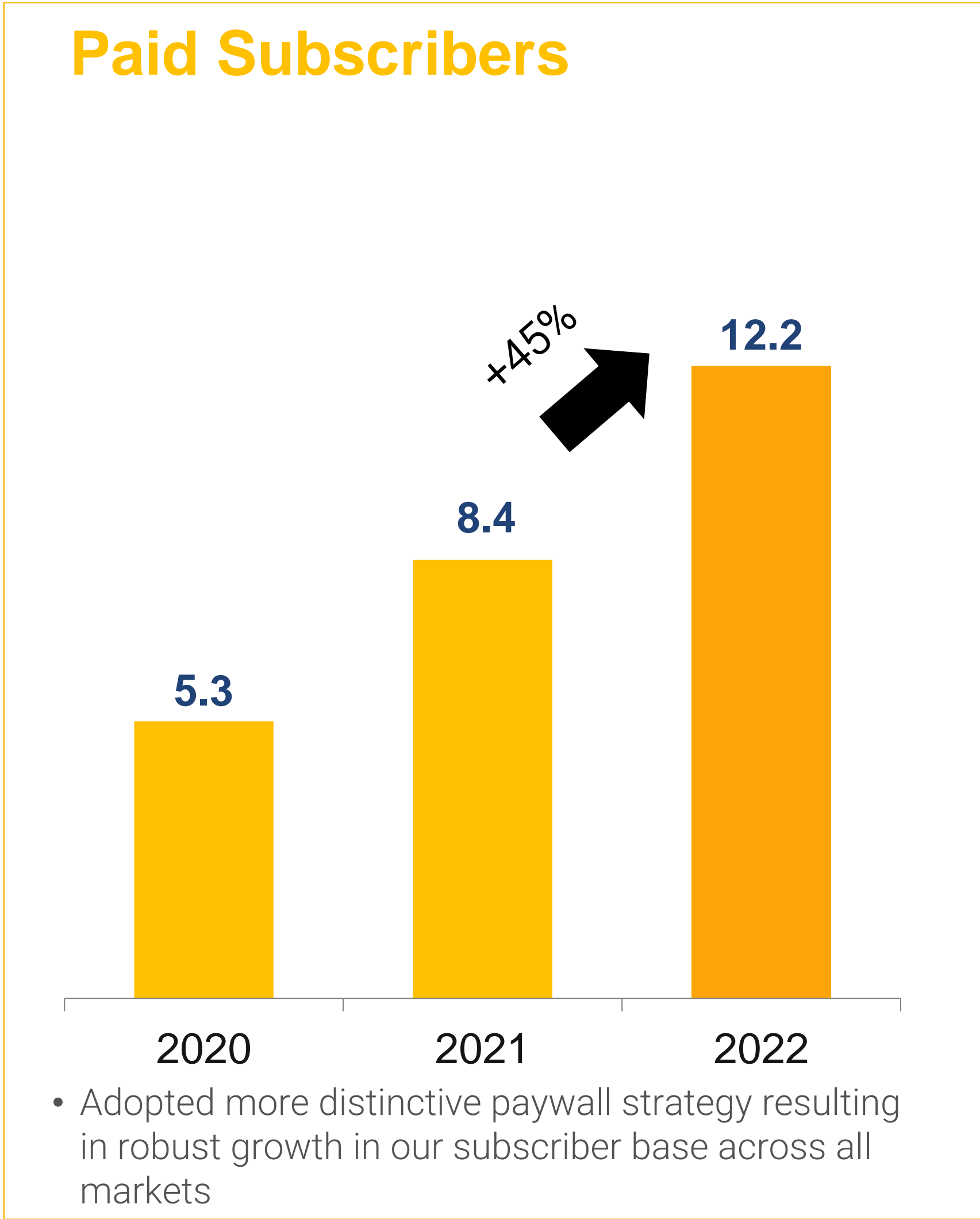
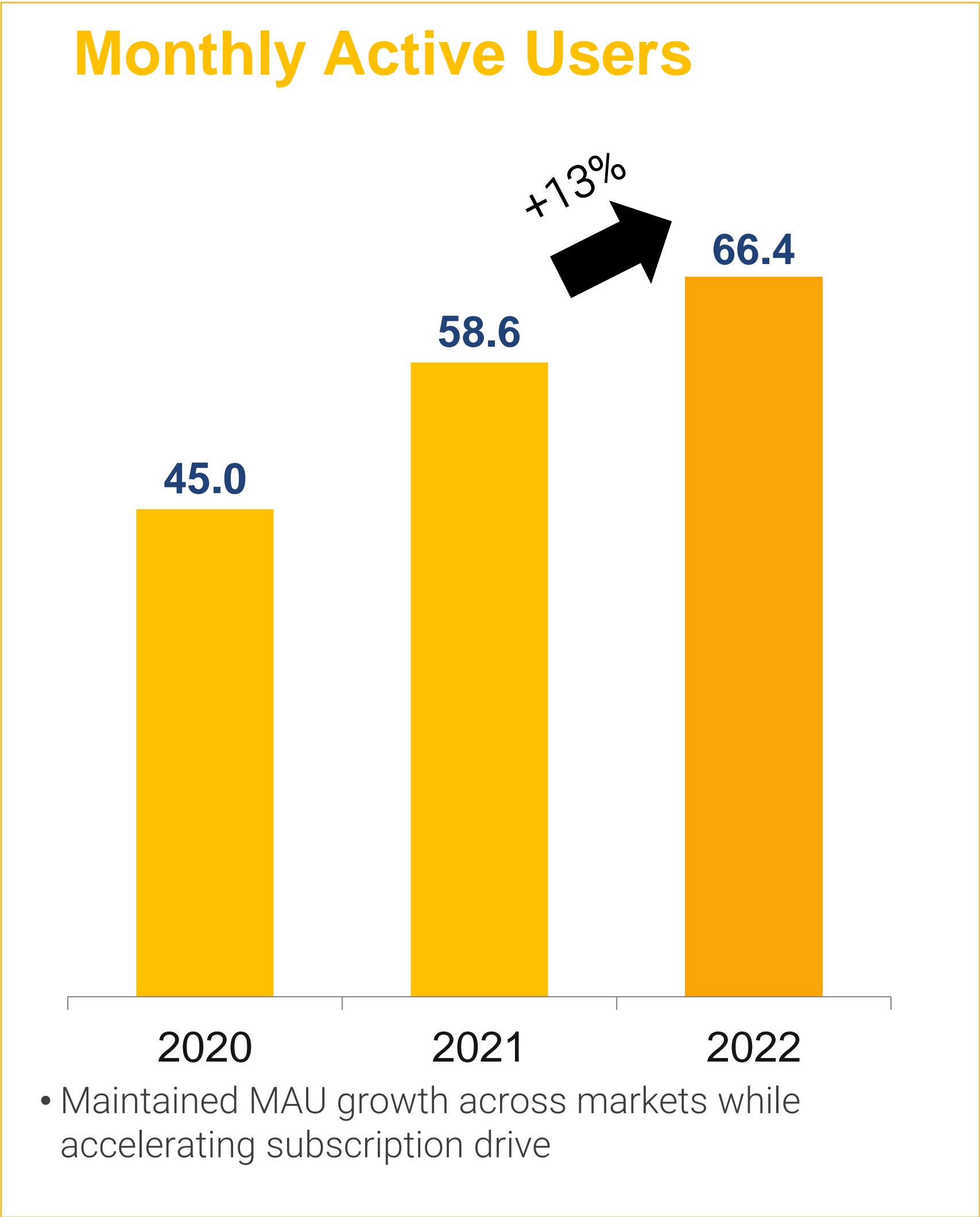
1. Amongst major video streaming platforms including Netflix, Disney+ Hotstar\*, iQIYI, Vidio, We TV, excluding YouTube and Tiktok; also excludes authenticated services and smaller platforms

2. Q4'22 Research period for MAUs and paid subs: Oct – Dec 2022; Sample size = 24,223. For streaming minutes research period Q4 2022; sample size for passive measurement is ~10,000

# Robust Growth In Both Subscription and Advertising Revenue



Supported by subscriber base expansion to 12.2MM and MAUs to 66.4MM



\* MAU and paid subscribers are normalized for India exit

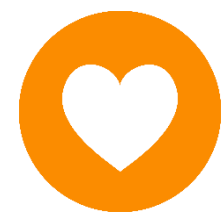


# Viu Originals Continue To Drive Market Penetration and User Engagement



## KOREAN VIU ORIGINALS

- Launched **10 Korean Viu Original** titles across various genres
- Strategically placing Viu Originals in different tiers (digital advertising vs. premium subscription) to suit different audiences and optimise economics



Top ranked  
across markets



Generating  
distribution revenue



Distributed to  
**20+ platforms in 170+ markets**  
Including non-Viu territories -  
Americas, Japan, Europe

viu ORIGINAL



REBORN RICH  
Song Joong Ki



WOORI THE VIRGIN  
Lim Soo-Hyang



THE LAW CAFE  
Lee Seung Gi



TODAY'S WEBTOON  
Kim Se Jeong



WHY HER?  
Seo Hyun Jin



### REBORN RICH

- Flagship title featuring Song Joong-ki became Viu's top title in Asia;
- Press conference with Song's presence in Singapore generated more than **557 million media reach** and **over 133,000 engagements** on Viu social platforms

## LOCAL VIU ORIGINALS

- Continue to deliver remarkable viewership and garnered awards regionally



STILL  
Philippines | Content Asia Awards  
Asian Academy Creative Awards  
Asian Television Awards



GANJIL  
Malaysia | Asian Academy  
Creative Awards



SHE WAS  
PRETTY | Asian Academy Creative Awards  
Asian Television Awards  
Malaysia



WANNABE  
Thailand | Asian Academy  
Creative Awards





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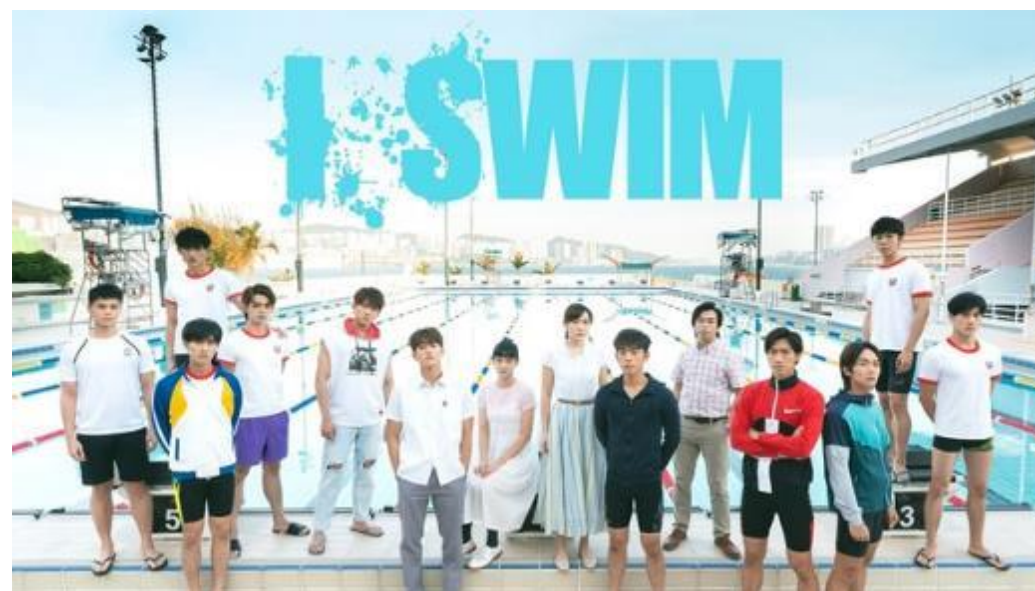
Free TV & Related Business

# Upward Trend In Viewership with Strength in Digital



## TV & Digital Viewership

- Average prime time ratings increased +6% Y-o-Y in FY 2022<sup>1</sup>
- Prime time programs with episodes over 3.0 TVRs increased from 542 in 2021 to 637 in 2022<sup>2</sup>
- Total digital viewing time increased 25% and social media followers increased 10% Y-o-Y in 2022<sup>3</sup>
- Diverse lineup ranging from dramas to world-class sports events, including:



### I SWIM

One of the top viewership dramas of the year, with the average TVRs reaching 5.9<sup>4</sup>



### FIFA WORLD CUP QATAR 2022™

Live match's total audience share increased from 47% in 2018 to 55% in 2022<sup>5</sup>

## Advertising

- Advertising revenue remained resilient at US\$79M despite challenging business environment
- Partnered with over 560 clients in FY 2022
  - 55% existing advertisers increased their spending in 2022
  - Over 170 clients spent exclusively on ViuTV in FY 2022<sup>6</sup>
- Attracted a diverse clientele by offering quality content and effective advertising solutions:



BANKING & INVESTMENTS



RESTAURANTS



ELECTRICAL APPLIANCES



TOILETRIES & HOUSEHOLDS



PHARM. & HEALTHCARE



BEVERAGES



FOOD



INSURANCE

<sup>1</sup> Source: CSM Media Research HKTAM from 01 Jan – 31 Dec 2022 vs 01 Jan – 31 Dec 2021; prime time from 18:55-24:05

<sup>2</sup> Source: CSM Media Research HKTAM from 01 Jan – 31 Dec 2022 vs 01 Jan – 31 Dec 2021; prime time from 18:55-24:05

<sup>3</sup> Source: Google Analytics and Internal Data (viu.tv + ViuTV apps) from 01 Jan – 31 Dec 2022 vs 01 Jan – 31 Dec 2021

<sup>4</sup> Source: CSM Media Research HKTAM from 11-22 Jul and 24 Oct–11 Nov 2022

<sup>5</sup> Source: CSM Media Research HKTAM from 20 Nov – 18 Dec 2022 and 14 Jun – 15 Jul 2018

<sup>6</sup> Source: admanGo from 01 Jan – 31 Dec 2022; among free TV platforms only



# Building A Multifaceted Entertainment Hub

01

## TELEVISION

- Over 1,700 hours produced for ViuTV
- In-house artistes featured in 8 scripted programs and 16 non-scripted programs

02

## FILM

- “Mad Fate (命案)” to have its world premiere at the 73<sup>rd</sup> Berlin International Film Festival’s Berlinale Special
- Artistes featured in 4 films; 3 films ranked top 10 in the domestic film box office

03

## MUSIC PUBLISHING / ARTISTE MANAGEMENT

- Music singles and videos ranked top 10 on KKBox, Spotify & YouTube

04

## LIVE STREAMING / EVENTS

- Established new live streaming platform – MakeALive
- Lineup included “Chill Club: Keep Going”, “ERROR’s Live Show 2022” and C AllStar’s “Let It Snow Live 2022”

05

## DISTRIBUTION

- Over 3,300 hours distributed globally including across Canada, mainland China, and Japan with various media partners such as Tencent and Fairchild

06

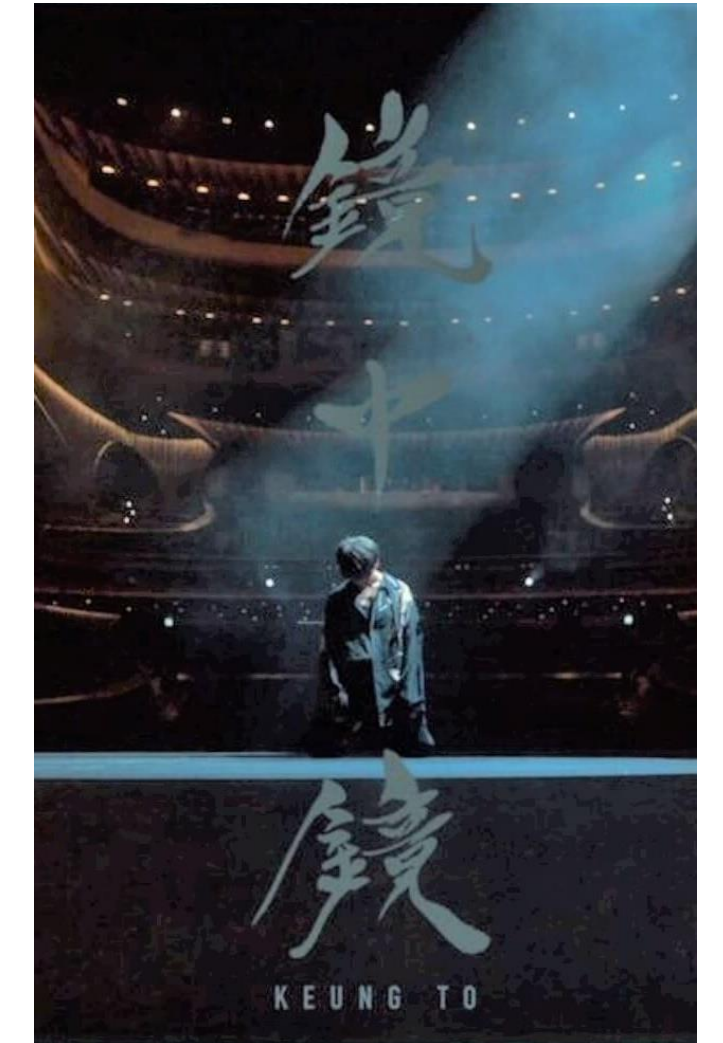
## REGIONAL

- Crime thriller drama – “Not A Murder Mystery (非殺人小說)” – produced with renowned creatives and cast
- Hit variety show – “King Maker S5 (全民造星5)” – recruitment overseas

07

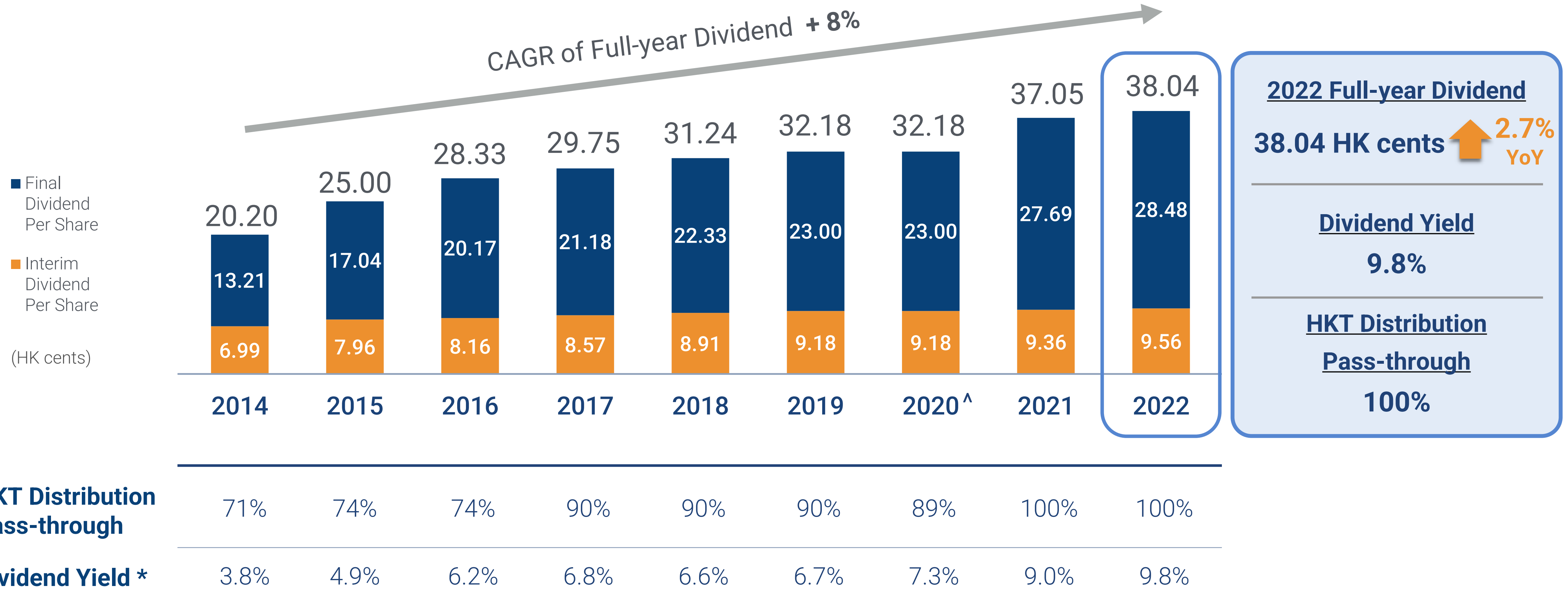
## AWARDS

- Artistes swept over 30 awards at Hong Kong’s award ceremonies
- Accolades at Asian Creative Academy Awards 2022 (National) for non-scripted programs





# Dividend Underpinned by Business Resilience



\* Based on PCCW closing price on the annual results announcement date for each respective year

<sup>^</sup> Excluding special dividend in the form of distribution in specie of PCPD shares



# Financial Overview

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Marco Wong  
Head of Investor Relations

# Financial Highlights

| (US\$ million)  | 2021  | 2022  | % change |    |
|---|-------|-------|----------|----|
| <b>Revenue</b> (from continuing operations)                                     | 4,546 | 4,624 | ↑        | 2% |
| <b>Revenue</b> (from continuing operations)<br>(excluding mobile product sales) | 4,042 | 4,159 | ↑        | 3% |
| <b>EBITDA</b> (from continuing operations)                                      | 1,504 | 1,588 | ↑        | 6% |

| Revenue (US\$ million)                      | 2021  | 2022  | % change |     |
|---|-------|-------|----------|-----|
| <b>HKT</b> (excluding mobile product sales) | 3,850 | 3,910 | ↑        | 2%  |
| <b>OTT</b>                                  | 190   | 258   | ↑        | 36% |
| <b>Free TV</b>                              | 103   | 117   | ↑        | 14% |

| EBITDA (US\$ million) | 2021  | 2022  | % change |     |
|-----------------------|-------|-------|----------|-----|
| <b>HKT</b>            | 1,632 | 1,675 | ↑        | 3%  |
| <b>OTT</b>            | (3)   | 23    | ↑        | n/a |
| <b>Free TV</b>        | 12    | 12    | ↑        | 3%  |

Note: Above results exclude the part of the Solutions Business injected into Lenovo PCCW Solutions Limited, a strategic partnership with Lenovo Group Limited (which is referred to as the ITS Business); such business was reclassified as discontinued operations



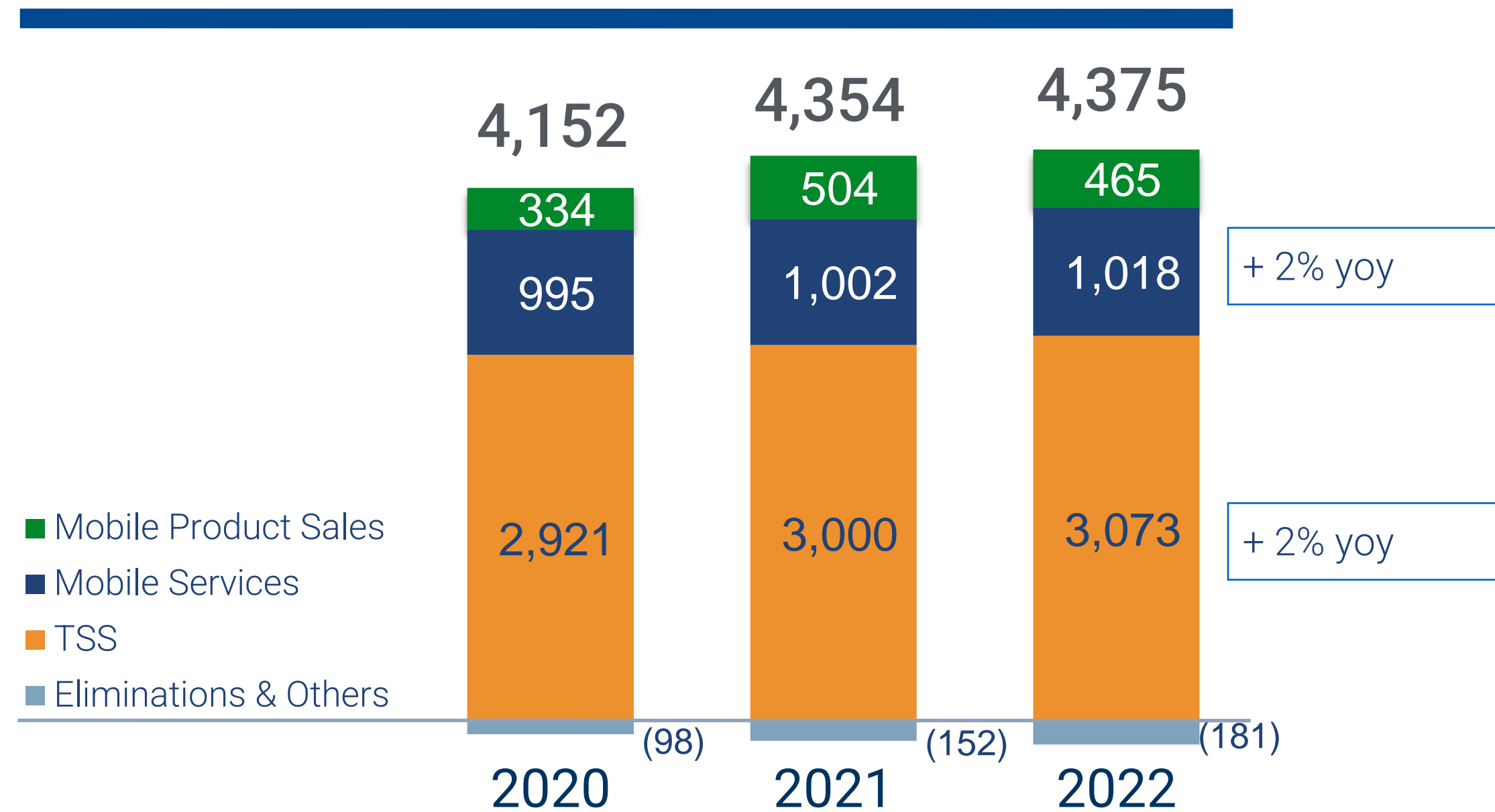
## Resilient Performance in Both TSS & Mobile Services

Adjusted Funds Flow grew to US\$724 million

PCCW to receive a total distribution of approx. US\$377 million from HKT for FY22

### HKT Revenue

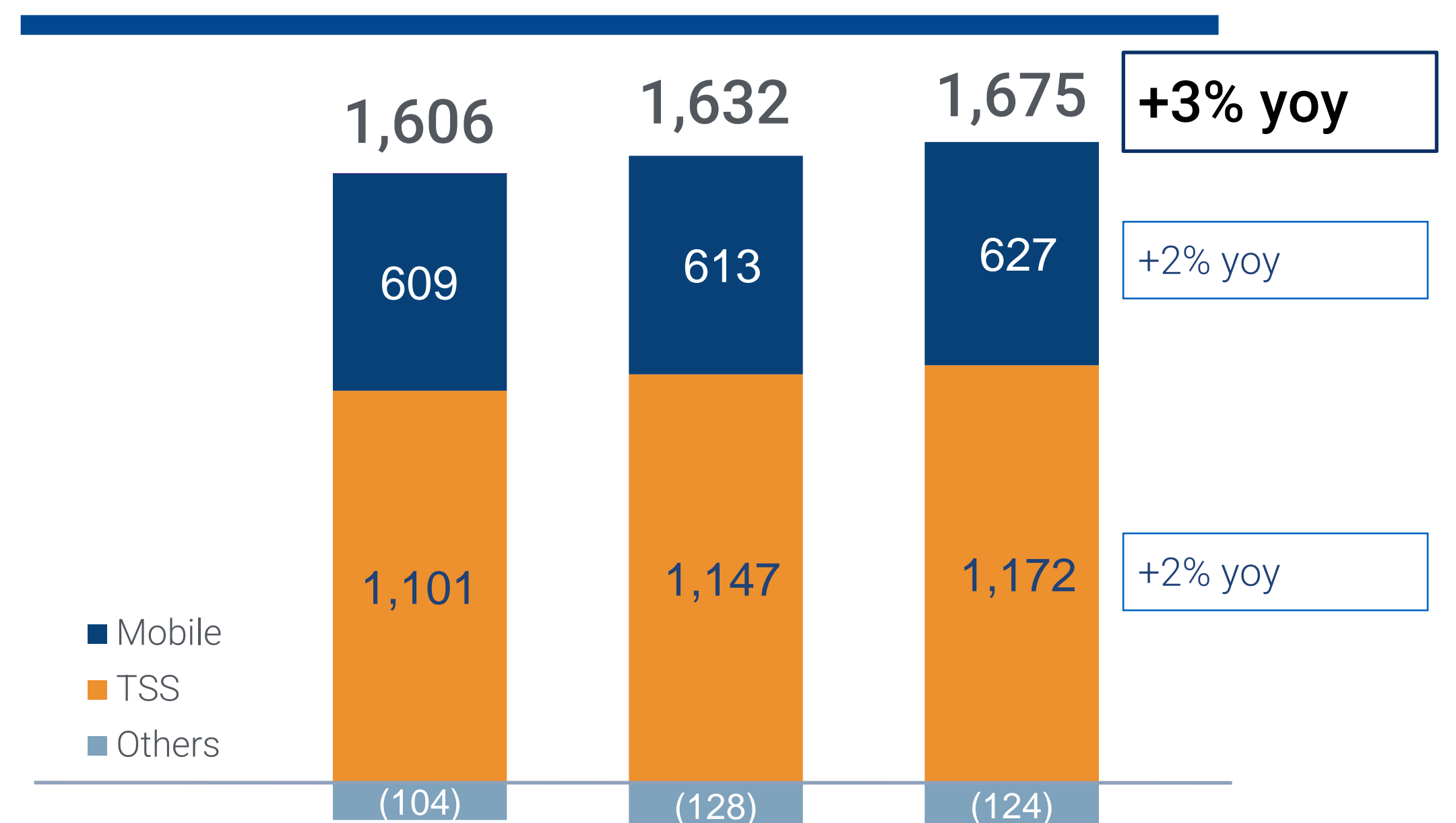
(US\$ million)



- Growth in HKT reflected continued strong demand for reliable, high-speed broadband services, further momentum in 5G adoption and the delivery of digital transformation projects for enterprise customers

### HKT EBITDA

(US\$ million)



#### HKT

#### EBITDA Margin

#### Total

#### Excl. Mobile Product Sales

|                            | 2020 | 2021 | 2022 |
|----------------------------|------|------|------|
| Total                      | 39%  | 37%  | 38%  |
| Excl. Mobile Product Sales | 42%  | 42%  | 43%  |

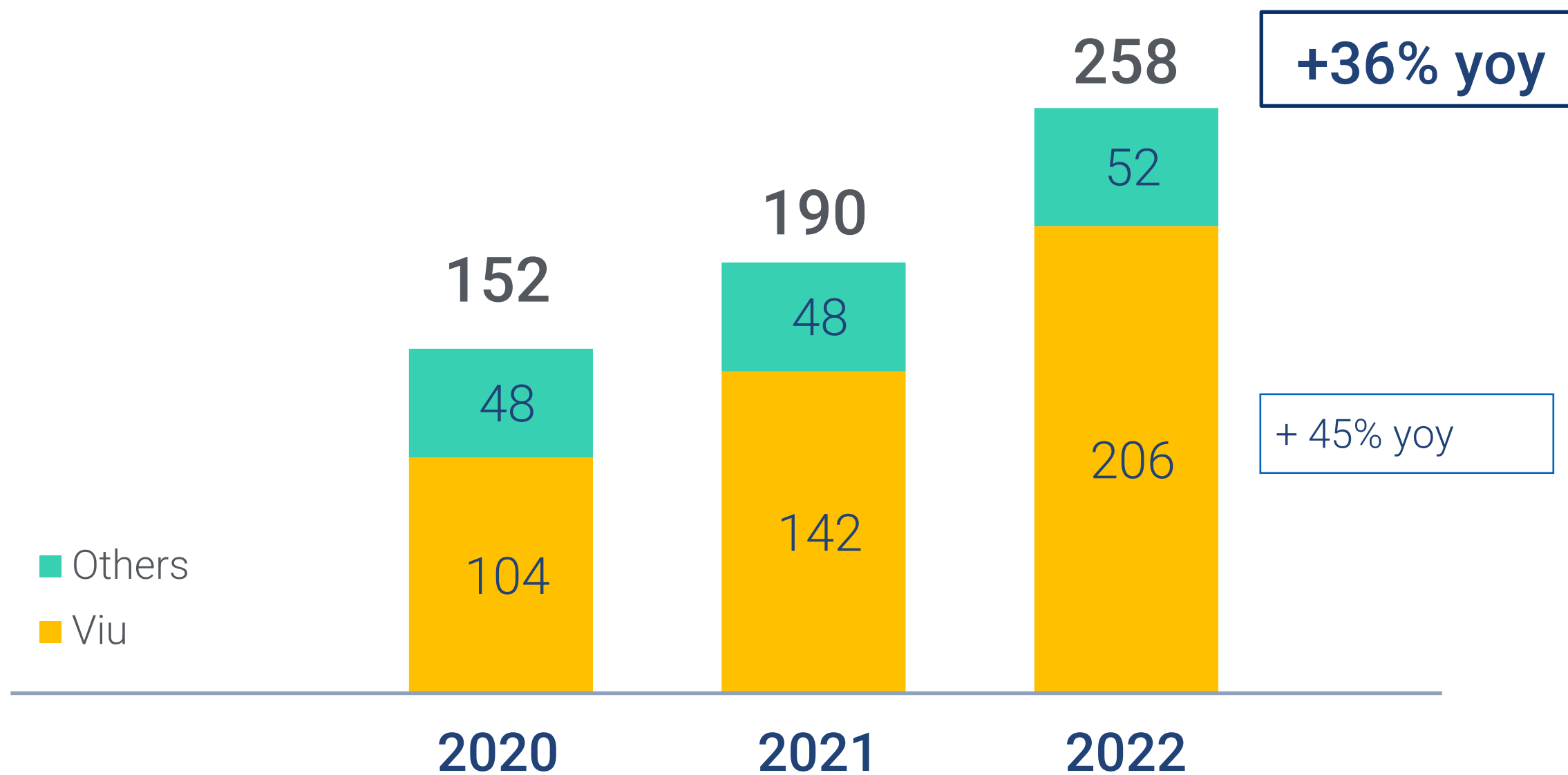
- EBITDA increased by 3% with margin improving to 38% spurred by cost efficiency initiatives across the HKT Group



# Achieved First Full Year Of Positive EBITDA

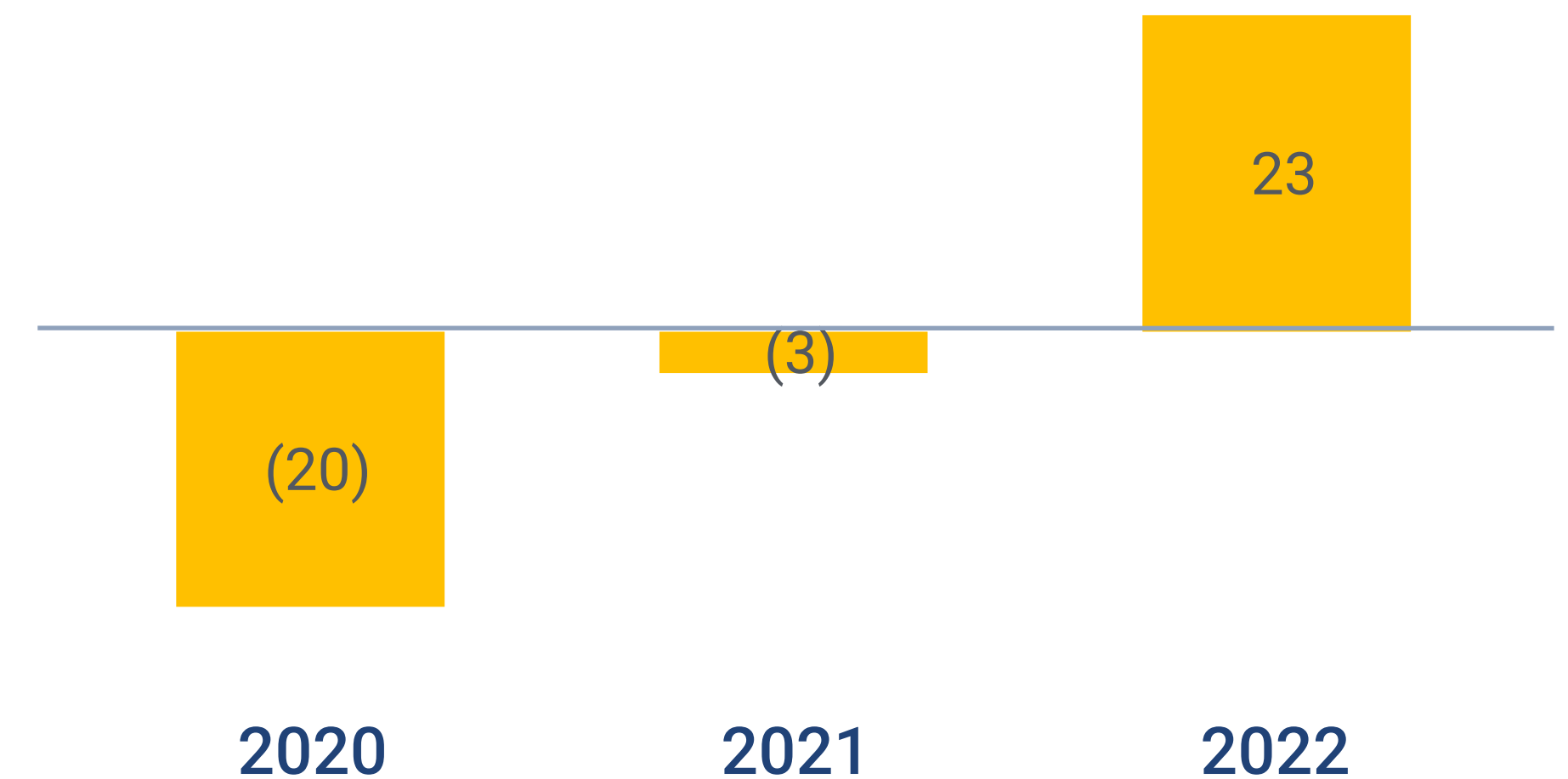
## OTT Revenue

(US\$ million)



## OTT EBITDA

(US\$ million)



- OTT revenue increased 36% driven by 45% growth in Viu
- Viu's paid subscribers and MAUs grew by 45% and 13% respectively, reflecting high quality & locally relevant content and paywall strategy
- Experienced notable growth in Thailand and Indonesia
- Distributed Viu Originals and other content to more than 20 video platforms including across North America, Japan and Europe

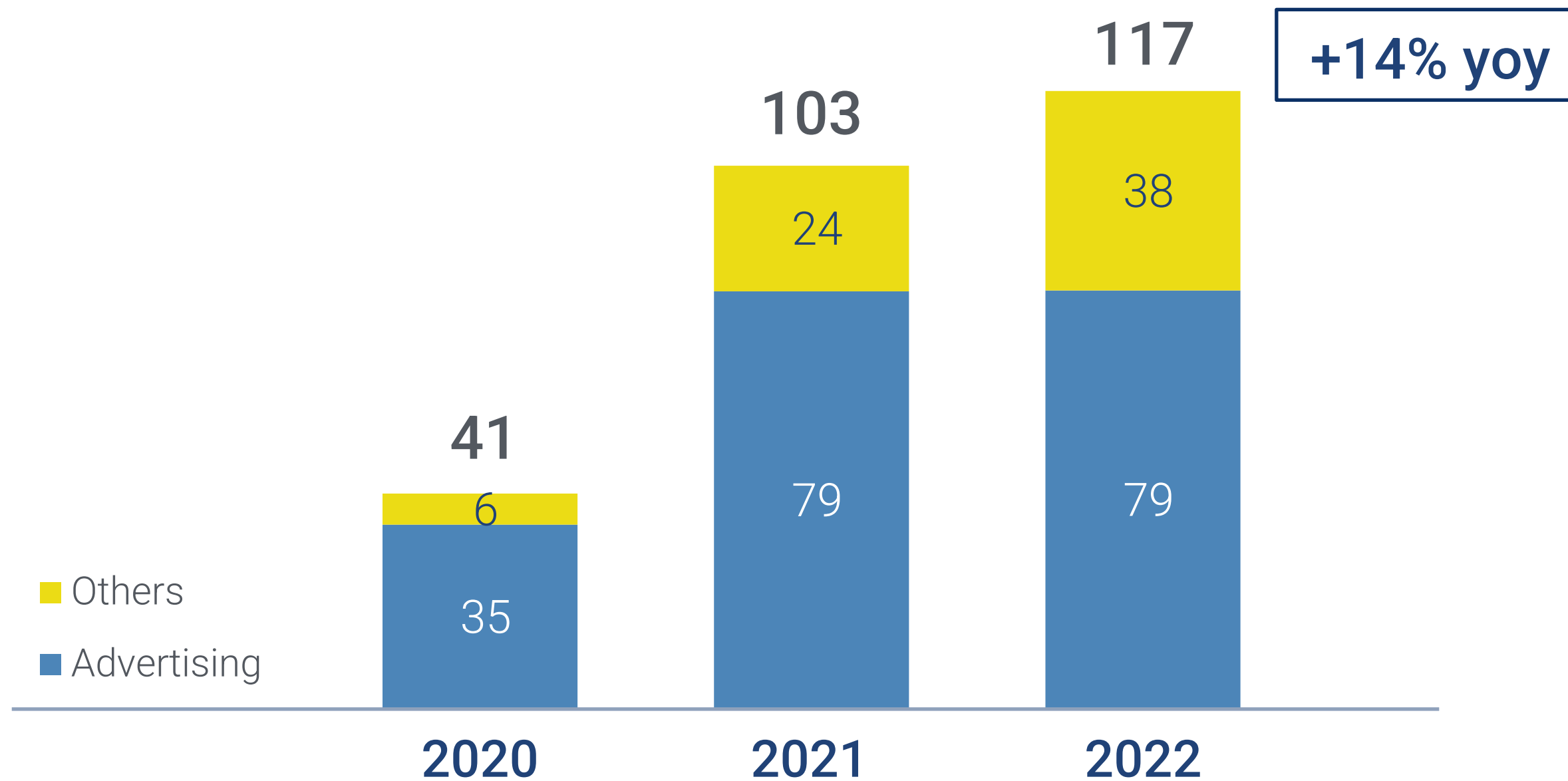
- First full year of positive EBITDA reflecting the operating leverage of OTT Business and the prudent management of expenses, including content costs



# Delivered Solid Result On Rising Viewership

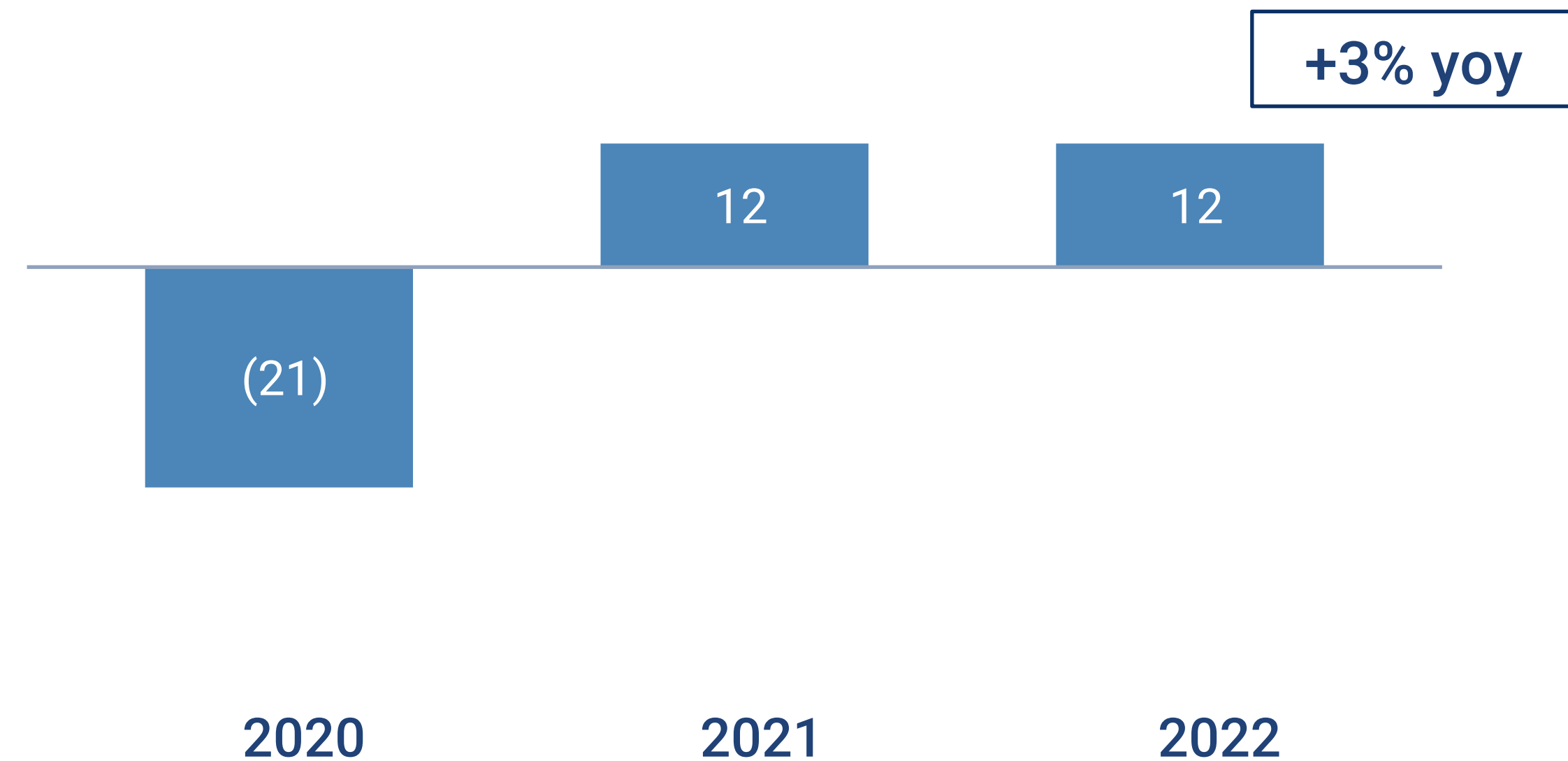
## ViuTV Revenue

(US\$ million)



## ViuTV EBITDA

(US\$ million)

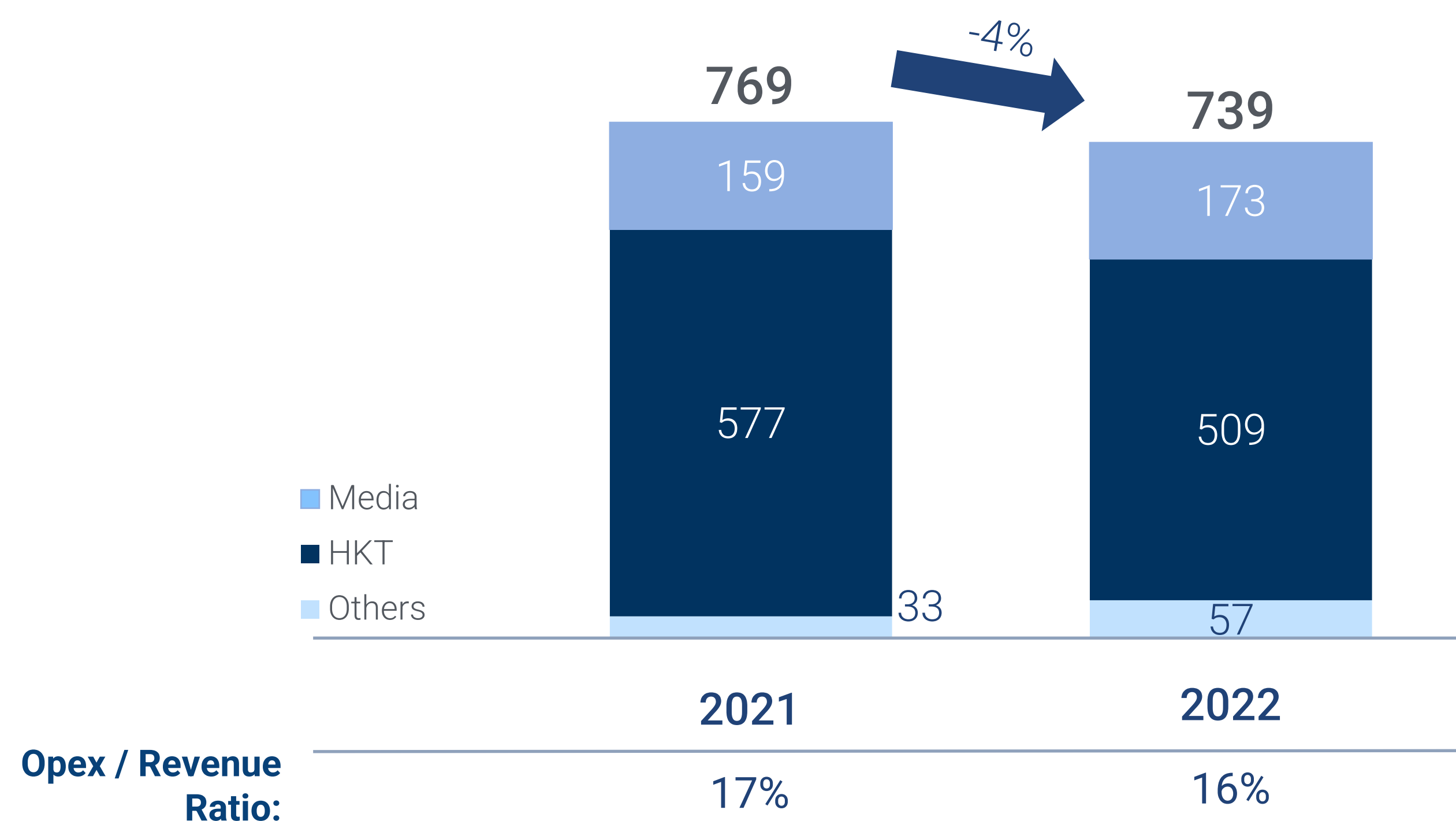


- Remained focus on delivering quality content and expanding digital presence
- Improvement in viewership and ratings, with total digital viewing time increasing by 25%
- Steady advertising revenue with total revenue growth of 14% driven by artiste management and music publishing revenue

- Continued to deliver sustained positive EBITDA with 3% growth year-on-year despite sluggish market conditions

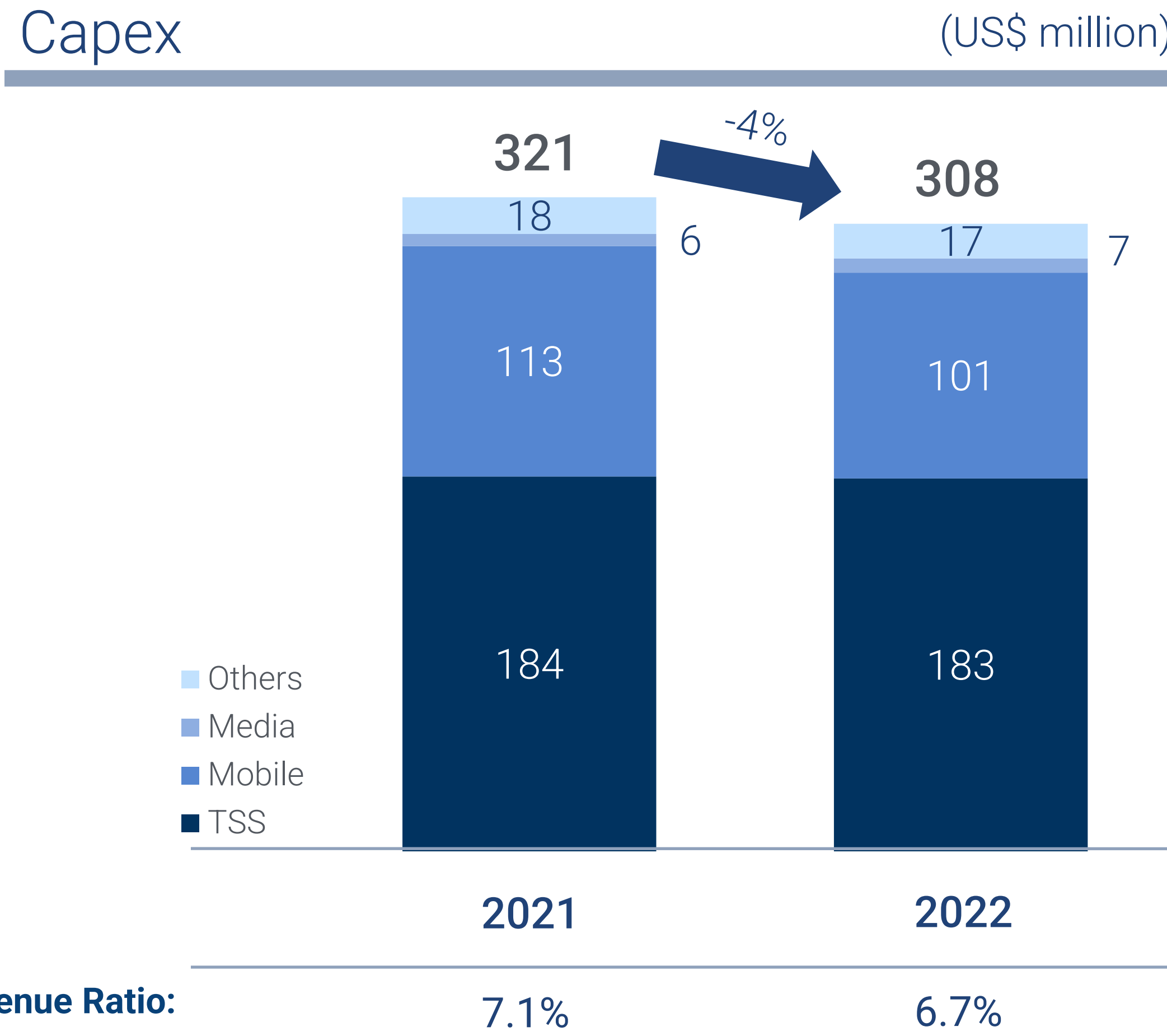
# Efficiency Gains At HKT Growth Investments in Media

Operating Expenses (US\$ million)



- Opex savings of 4% year on year with opex to revenue ratio improving to 16% from 17%
- HKT delivered savings of 12% from initiatives including:
  - Efficiency gains from mobile network operations
  - Continued improvements in business processes and productivity
- Media opex increased by 9% to support growth in OTT and Free TV businesses

# Well Managed Capex Spending



- Capex to revenue ratio further improved to 6.7%
- Mobile capex declined as territory-wide 5G coverage rollout completed. On-going capex will be focused on capacity upgrades to meet demand
- TSS capex dropped slightly with spending primarily to support continued demand for FTTH services and customized smart city solutions for enterprises
- Media capex increased slightly for streaming platform enhancement



# Debt Maturity Profile

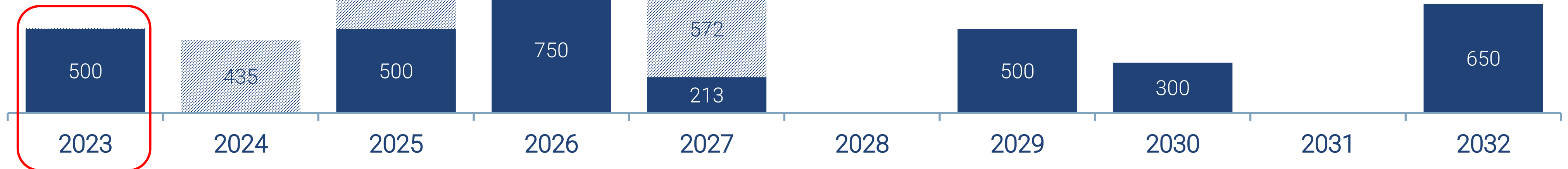
HKT

(US\$ million)

As of December 31, 2022

▨ HKT Bank Loans  
■ HKT Bonds

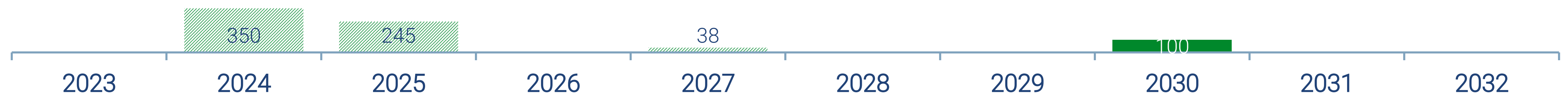
**Refinanced**



PCCW

As of December 31, 2022

▨ PCCW Bank Loans  
■ PCCW Bonds



- HKT refinanced the US\$500 million bond due 2023 with low cost, long-term funding via the issuance of US\$650 million 10-year bonds at a coupon rate of 3% during a favourable market window in January 2022
- Current mix of floating and fixed rate debt approximately 40:60
- Effective interest rate was approximately 3.0%
- Average debt maturity of approximately 3.9 years

# Healthy Liquidity

|  | As of<br>Dec 2021 |                             |                    | As of<br>Dec 2022 |                             |                    |
|--|-------------------|-----------------------------|--------------------|-------------------|-----------------------------|--------------------|
| US\$ million   | Gross Debt        | Cash Balance <sup>(5)</sup> | Undrawn Facilities | Gross Debt        | Cash Balance <sup>(5)</sup> | Undrawn Facilities |
| HKT  | 5,626             | 370                         | 1,266              | 5,664             | 271                         | 1,854              |
| PCCW   | 400               | 276                         | 1,366              | 733               | 130                         | 1,313              |
| <b>Total</b>   | <b>6,026</b>      | <b>646</b>                  | <b>2,632</b>       | <b>6,397</b>      | <b>401</b>                  | <b>3,167</b>       |
| <b>Gross Debt <sup>(1)</sup> / EBITDA <sup>(3)</sup></b> | <b>4.01x</b>      |                             |                    | <b>4.03x</b>      |                             |                    |
| <b>Net Debt <sup>(2)</sup> / EBITDA <sup>(4)</sup></b>   | <b>3.58x</b>      |                             |                    | <b>3.78x</b>      |                             |                    |

(1) Gross debt refers to the principal amount of short-term and long-term borrowings

(2) Net debt refers to the principal amount of short-term and long-term borrowings minus cash balance

(3) Based on gross debt as at period end divided by EBITDA from continuing operations for the 12-month period

(4) Based on net debt as at period end divided by EBITDA from continuing operations for the 12-month period

(5) Includes short-term deposits

(6) US\$750 million perpetual capital securities are classified as equity