HKBN Announces Solid FY20 Annual Results
Integration Synergies and Multi-play Strategy Bolster Resilience & Growth

(Hong Kong - 29 October 2020) HKBN Ltd. (“HKBN” or the “Company”; SEHK stock code: 1310) today announced solid operational and financial results for the year ended 31 August 2020 (“FY20”). Despite social unrest and COVID-19, HKBN saw resilient growth on all business fronts in FY20. The completion of JOS acquisition has further bolstered its offerings and capabilities in the enterprise space as the largest alternative telecom carrier with integrated telecom and technology solutions capabilities in Hong Kong. Key highlights of FY20 results include:

- Revenue, EBITDA and Adjusted Free Cash Flow (“AFF”) continued to grow year-on-year at 85%, 47%, and 49% respectively to HK$9,453 million, HK$2,505 million and HK$1,114 million. The substantial year-on-year increase was mainly contributed by:
  - Increase of Enterprise Solutions revenue by 103% to HK$4,708 million, which was mainly contributed by the full year operating results of WTT and eight and a half months operating results of JOS.
  - Reported EBITDA increased by 47% to HK$2,505 million after adoption of HKFRS 16 in FY20. Excluding the impact of HKFRS 16, EBITDA would have increased 32% from HK$1,709 million to HK$2,251 million mainly contributed by consolidating the operating results of WTT and JOS and the realisation of synergies through integration.

- The Board has recommended the payment of a final dividend of 38 HK cents per share (FY19: 36 HK cents per share), resulting in a 7% year-on-year increase in full year payment to 75 HK cents per share (FY19: 70 HK cents per share).

Enterprise Solutions: increased capabilities and presence drove revenue and ARPU growth

WTT and JOS integrations increased both HKBN’s capabilities and offerings in the enterprise segment, which have enabled the Company to provide integrated telecom and technology solutions at competitive value to a much larger customer base. During the year, HKBN’s total number of enterprise customers increased to 105,000 and its enterprise ARPU improved from HK$1,742 to HK$2,948. Looking forward, Enterprise Solutions will maximise the operational and financial synergies benefits from the enlarged group, and fully utilise the network capacity and back-end support function of WTT and JOS in transforming HKBN to an integrated telecom and technology solutions powerhouse.

Residential Solutions: successful integrated multi-play drove ARPU growth

During the year, HKBN customers have shown good receptiveness to its quad-play offerings whereby its triple/quad-play upsell has reached 50% of total broadband customers as at 31 August 2020. Excluding the impact of one-month service fee waiver given to customers to relieve their household financial burdens due to COVID-19, HKBN Residential Solutions
revenue increased by 0.4% year-on-year to HK$2,483 million. Historical full base residential ARPU has increased from HK$185/month to HK$190/month. HKBN will continue to expand quad-play bundle plans to infinite-play to drive ARPU and subscription growth and disrupt the legacy standalone broadband, fixed-voice, multimedia content and mobile services.

1-HKBN Strategy with interest alignment to maximise synergies for growth

“HKBN saw proven success integrating five add-on acquisitions since management buyout in 2012, especially in driving market leading growth with interest alignment through our Co-Ownership plans. With the collective efforts of our over 5,900 Talents led by around 990 Co-Owners to deliver disruptive innovations for stakeholders, and by transforming our enterprise customers into our business partners, we are in an enviable position to grow in these tough times,” said Co-Owner and Executive Vice-chairman William Yeung, and Co-Owner and Group CEO NiQ Lai.

For more details of HKBN’s results in FY20, please refer to the announcement: https://reg.hkbn.net/WwwCMS/upload/pdf/en/e_FY20_AnnualResultsAnnouncement.pdf

Appendix: Shareholder Letter

Photo caption: HKBN announces resilient FY20 growth across all business fronts. (From left) Co-Owner and Chief Strategy Officer Almira Chan, Co-Owner and Executive Vice-chairman William Yeung, and Co-Owner and Group CEO NiQ Lai.
Dear fellow Shareholders,

Let’s first express our deep appreciation to all our Fellow 5,929 HKBNers for the incredible work in delivering dividend per share growth of 7% to HK$0.75 for FY20, which is by far the highest growth within our telecom industry peer group. We are particularly proud of these results as they are inclusive of our comprehensive pay-it-forward #ToughTimesTogether initiatives such as 1-month service fee waiver to our entire residential fixed-line and enterprise customer base, 10,000 free broadband lines for the underprivileged, 100 fresh graduate hires being 10x more than what we need, and most significantly, pass-through to all our eligible Talents of regional government wage subsidies.

Whereas COVID-19 is an unprecedented global crisis, at HKBN we see COVID-19 as an unprecedented calling to serve our community and an accelerant for our own much needed transformations. In confronting the COVID-19 situation, our baseline is “perfect is the enemy of good”, i.e. we embrace imperfect and incomplete information decision making and rely on our agility to adjust to changing conditions. In uncertainty, our Company’s clear core purpose of “Make our Home a Better Place to Live” sets a very clear priority on safety above all else, impact to the community and taking care of our wide range of stakeholders. At HKBN, we consider profit to be a subset of PURPOSE and we run HKBN for PURPOSE.

At HKBN we “eat what we cook”, i.e. we must first transform ourselves as to earn the right to help others transform. Our digital transformation, which we accelerated a couple of years ago, is now paying big dividends. Being digital has transformed our Company from a “fibre” company to a “distribution” company, leveraging our massive reach of 1-in-3 residential households and 1-in-2 active enterprises in Hong Kong.

At HKBN, we condemn “silos”, i.e. we intermix our residential and enterprise scale to empower innovations such as our Barter & Bundle, where we happily accept partial payment for our enterprise solutions in the form of service vouchers to use in our residential acquisition and retention programmes. In doing so, we transform our enterprise customers into our business partners which opens a far greater range of opportunities for value creation. Our partners, formerly known as enterprise customers, love our Barter & Bundle as this brings new business from our massive reach to them. Whereas in the past, we were selling our telecom services to their procurement team, we are now strategising CEO-to-CEO to improve our businesses for true Win-Win-Win for our enterprise partners, our residential customers and HKBN.

With each sequential integration of our five acquisitions post our Management Buy Out in 2012, we have learned and strengthened our “best of breed” merger process. Our baseline is that there is no ex-HKBN, ex-WTT, ex-JOS, etc silo culture that should survive, but rather there is only one “best of breed” 1-HKBN. Our deep Co-Ownership alignment means we have skin-in-the-game to realise integration gains. So far, we are well on track to fully realise the highlighted HK$300 million synergies from our recent WTT Merger and JOS Acquisition by FY21.

Beyond our operational transformation, we are super excited to see the formal launch of our HKBN Talent CSI Fund seeded by Co-Owners’ contribution of 4 million HKBN shares currently valued at over HK$54 million. This fund is governed independently from the HKBN executive group with the additional checks and balances of independent non-executive directors as voted in by Co-Owners. Having a percentage of our HKBN owned by this Fund means that we are perpetually aligned, i.e. the more value and dividends we execute for HKBN, the more funding this CSI Fund will have to make positive impacts. This perpetual alignment gives our CSI Fund the runway to make strategic impact, rather than just short term ad-hoc initiatives.
At HKBN, we embrace “Change or Die” and we want to live. We have exited past predicaments such as SARS in 2003 and the global financial crisis in 2008 stronger than when they hit us, and this is exactly what we are doing with COVID-19.

We are here to GROW!

Sincerely yours,

William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group CEO