

Bulletin:

Chunghwa Telecom's EBITDA Rises As Demand For New Services Grows

November 14, 2022

Rising demand for 5G telecom services and faster broadband speeds will sustain **Chunghwa Telecom Co. Ltd.**'s robust financial profile over the next few years. Revenue for the Taiwan-based telecom operator climbed 5% year on year in the third quarter of 2022, after a 6% rise in the second quarter. EBITDA rose 2% and 3%, respectively.

Taiwan's telecom sector could see further consolidation among the operators in 2023. This would reduce price competition and support growth in average revenue per user (ARPU). Structural changes in the oligopolistic market could promote a modest rate increase for legacy 4G data plans. These still account for 70%-75% of Chunghwa Telecom's (twAAA/Stable/twA-1+) mobile data plans. The above could offset slightly slower growth in the adoption of more expensive 5G data plans over the next one to two years.

Expansion of Chunghwa Telecom's information and communications technology business could further drive growth for the company in 2023-2024. The company aims to promote this segment to enterprise and government clients. This will involve new internet data center rooms, 5G private networks, smart products for the factory/home/city, big data projects, and internet security projects.

In addition, Chunghwa Telecom's selective project bidding on new enterprise projects could help prevent margin dilution. These growth drivers will likely more than offset a continuous decline in tradition fixed-line voice revenue and underpin modest growth in the company's EBITDA over the next two years.

This report does not constitute a rating action.

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