

Chunghwa Telecom (2412.TW/2412 TT)

The only telco to see earnings growth in 2024F

Neutral · Maintained

Price as of 30 January 2024	119.5
12M target price (NT\$)	119.0
Previous target price (NT\$)	109.0
Revised up (%)	9.2
Downside (%)	0.4

Key message

- 4Q23 sales and earnings both fell short, with EPS arriving at NT\$1.06.
- Continued upticks in 5G penetration to drive mobile service sales growth.
- As the only telecom to pull off earnings growth, we estimate CHT's earnings will inch up 3% YoY in 2024F.

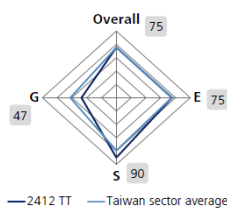
Trading data

Mkt cap (NT\$bn/US\$m)	872 / 31,279		
Outstanding shares (mn)	7,757		
Foreign ownership (mn)	1,272		
3M avg. daily trading (mn)	5.41		
52-week trading range (NT\$)	112.0 –128.0		
Performance (%)	3M	6M	12M
Absolute	3.5	2.6	4.4
Relative	-8.2	-1.7	-12

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.17A	1.24A	1.21A	1.08A
2023	1.24A	1.28A	1.17A	1.06F
2024	1.29F	1.30F	1.24F	1.10F

ESG score card



Source: TEJ

Event

Chunghwa Telecom (CHT) held a conference call on January 30, and reported 4% 4Q23 YoY growth of consolidated revenue, while EPS declined 2.2% YoY to NT\$1.06, missing our forecast.

Impact

4Q23 sales and earnings fell short. 4Q23 consolidated revenue rose 4% YoY, as mobile service sales grew 5.3% YoY on higher ARPU, and as hardware and ICT sales both picked up. However, due to increased costs, expenses, and property investment losses on the non-op front, 4Q23 net profit fell 2.2% YoY, resulting in reduced EPS of NT\$1.06. 2023 consolidated revenue totaled NT\$223.2bn, up 3% YoY, while net profit edged up 1.2% YoY to NT\$36.9bn, for EPS of NT\$4.75.

Continued upticks in 5G penetration to drive mobile service sales. CHT's mobile subscriber base grew 4.1% YoY in 2023, or 1.6% excluding IoT customers, of which 27-28% were 5G users as of end-2023. Thanks to higher 5G penetration, the APRU of monthly plan customers climbed 4.3% YoY in 2023, prompting full-year mobile service sales to grow 6.4% YoY. With competition being pared down to the Big Three again in 2024, and with the mobile service market almost at saturation, we estimate CHT's subscribership will grow less than 2% in 2024F. That said, as the fees for 5G data plans are 20% higher than for 4G, we think the firm should register 3-4% ARPU growth in 2024F, leading to 3-5% growth in mobile service sales.

Only telco to see earnings growth; earnings will inch up 3% YoY in 2024F. We estimate 2024F consolidated revenue will rise 3% YoY to NT\$230bn, with mobile service, international and ICT businesses still being the primary growth drivers. Blended gross margin should remain stable at 36%, which, coupled with continued control of operating expenses, should translate to 2024F net profit of NT\$38.3bn, or EPS of NT\$4.95, up 3.7% YoY. CHT's 5G capex has peaked out, and given the stability of operating cash flows, we predict that the firm will pay out a 2024F cash dividend of NT\$4.7 per share.

Valuation & Action

2024F earnings will edge up 3.7% YoY on continued growth in 5G penetration. We maintain Neutral on CHT with a higher target price of NT\$119, on 24x 2024F EPS.

Risks

Mobile service revenue growth is weaker than expected.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	210,478	216,739	223,197	229,963	236,068
Gross profit (NT\$m)	75,367	80,022	80,557	83,347	85,785
Operating profit (NT\$m)	45,669	46,825	46,350	48,285	50,022
Net profit (NT\$m)	35,754	36,477	36,914	38,294	39,628
EPS (NT\$)	4.61	4.70	4.76	4.94	5.11
Cash DPS (NT\$)	4.61	4.70	4.70	4.80	4.90
EPS growth (%)	7.0	2.0	1.2	3.7	3.5
PE (x)	25.9	25.4	25.1	24.2	23.4
PB (x)	2.4	2.4	2.4	2.4	2.4
EV/EBITDA (x)	10.5	10.2	10.2	9.7	9.3
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	3.9	3.9	3.9	4.0	4.1
Return on average equity (%)	9.4	9.6	9.7	10.0	10.4

Source: Company data, KGI Research estimates

Analyst meeting – Key takeaways

- Market share for CHT's mobile sales (40.2%) and mobile clients (37.1%) both rank first in Taiwan. 4Q23 fixed–mobile convergence (FMC) Multiple Play service revenue was up 14% QoQ, while subscribership for MOD+OTT, the largest audio-visual platform in Taiwan, grew 3.7% YoY. The consumer information security customer count was up 18.7% YoY.
- 4Q23 sales for the enterprise customer business group were up 2.5% YoY, mainly driven by mobile service, ICT business and sales revenue. Enterprise customer emerging business sales were down 2.7% YoY, due to a higher base on recognition for E-Learning and Fintech projects in 2023. Although IDC sales were down 11% YoY and cloud service sales dipped by 3.8% YoY, on drops in non-recurring revenue, both segments climbed 15.3% YoY and 20.4% YoY, respectively, judging from the recurring sales perspective. The firm will build Taiwan's largest 5G slicing service demonstration field in Kaohsiung, to support innovative applications such as smart healthcare and intelligent transportation in the future.
- International business group sales were up 33.4%, mainly driven by ICT and fixed network services. CHT also signed a basic agreement with NTT for the realization of an innovative optical and wireless network. Operation of the SJC2 International undersea cable will commence in 2024, so the firm is positive on its global OTT business.
- **2024 guidance:** The firm guides 2024F sales of NT\$228.5-230.2bn, up 2.4-3.1%, as it is positive on expanding subscribership on rising 5G penetration. Additionally, client demand for digital transformation will be boosted by ICT. Earnings guidance is NT\$35.66-37.2bn, down 3.4% YoY to up 0.8% YoY, for EPS of NT\$4.3-4.8. The earnings forecast will likely flatten YoY, on rising infrastructure investment. CHT's 2024 capex forecast is NT\$34.02bn, of which mobile service accounts for NT\$9.59bn, down 14% YoY. Non-mobile service capex will edge up by 24.7% YoY on IDC, above 10% in 2024F, and undersea cable expenses.

Figure 1: Breakdown of 4Q23 results & 1Q24F forecast revisions

NT\$m	4Q23					1Q24F		
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Revision	QoQ (%)	YoY (%)
Sales	61,865	65,451	(5.5)	15.3	4.0	55,940	(9.6)	3.2
Gross profits	19,772	21,926	(9.8)	(0.2)	(1.1)	21,257	7.5	3.3
Operating income	10,454	12,768	(18.1)	(8.8)	(4.6)	12,640	20.9	3.8
Net income	8,255	9,783	(15.6)	(9.2)	(1.7)	10,015	21.3	3.9
EPS (NT\$)	1.06	1.26	(15.6)	(9.2)	(1.7)	1.29	21.3	3.9
Gross margin (%)	32.0	33.5	(1.5)ppts	(5.0)ppts	(1.6)ppts	38.0	6.0 ppts	0.0 ppts
OP margin (%)	16.9	19.5	(2.6)ppts	(4.5)ppts	(1.5)ppts	22.6	5.7 ppts	0.1 ppts
Net margin (%)	13.3	14.9	(1.6)ppts	(3.6)ppts	(0.8)ppts	17.9	4.6 ppts	0.1 ppts

Source: KGI Research

Figure 2: Breakdown of 2023 results & 2024F forecast revisions

NT\$m	2023				2024F	
	Actual	KGI forecast	Diff. (%)	YoY (%)	Revision	YoY (%)
Sales	223,197	226,391	(1.4)	3.0	229,963	3.0
Gross profit	80,557	83,243	(3.2)	0.7	83,347	3.5
Operating income	46,350	49,086	(5.6)	(1.0)	48,285	4.2
Net income	36,914	38,375	(3.8)	1.2	38,294	3.7
EPS (NT\$)	4.76	4.95	(3.8)	1.2	4.94	3.7
Gross margin (%)	36.1	36.8	(0.7)ppts	(0.8)ppts	36.2	0.2 ppts
OP margin (%)	20.8	21.7	(0.9)ppts	(0.8)ppts	21.0	0.2 ppts
Net margin (%)	16.5	17.0	(0.4)ppts	(0.3)ppts	16.7	0.1 ppts

Source: KGI Research

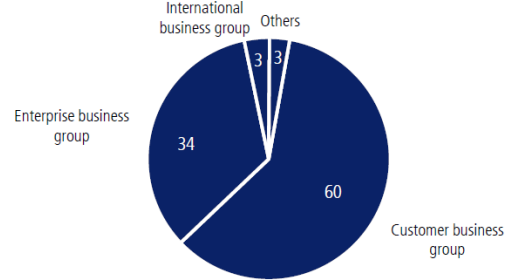
Figure 3: Company profile

As the top-ranked telecom operator in Taiwan, Chunghwa Telecom provides mobile telecom, domestic and international fixed lines, fixed network ADSL and fiber optic broadband data services. Following privatization in August 2005, the Ministry of Communications (MOC) remains the largest shareholder with a 35% stake. As of end-December 2023, Chunghwa Telecom had 13.14mn mobile users, 4.4mn broadband access subscribers, and 9.15mn fixed-line users.

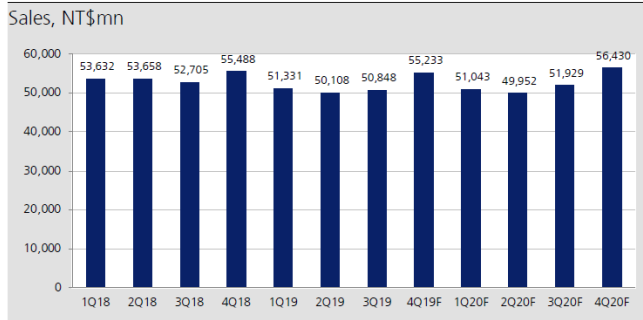
Source: KGI Research

Figure 4: Personal services the main source of sales in 2023

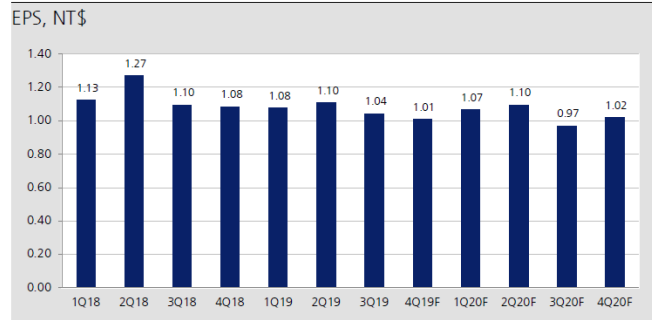
Sales breakdown, percentage



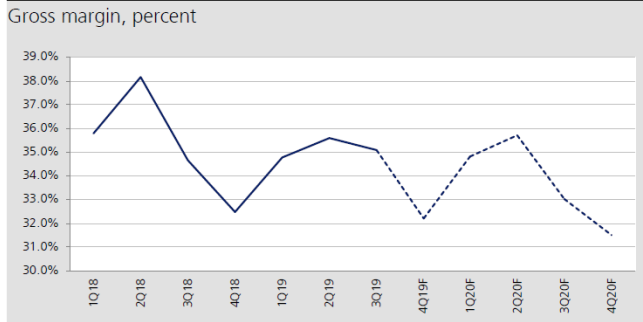
Source: KGI Research

Figure 5: Sales


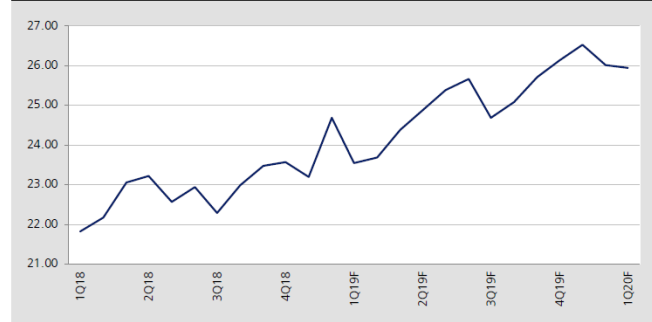
Source: KGI Research

Figure 6: EPS


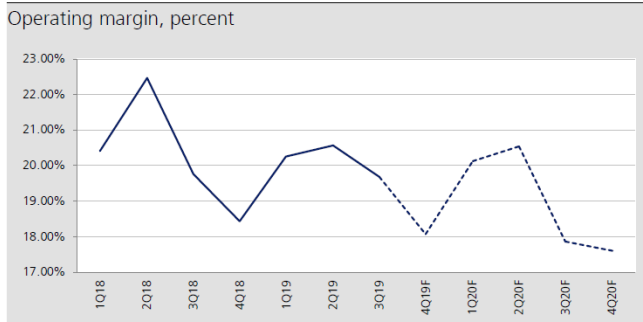
Source: KGI Research

Figure 7: Gross margin


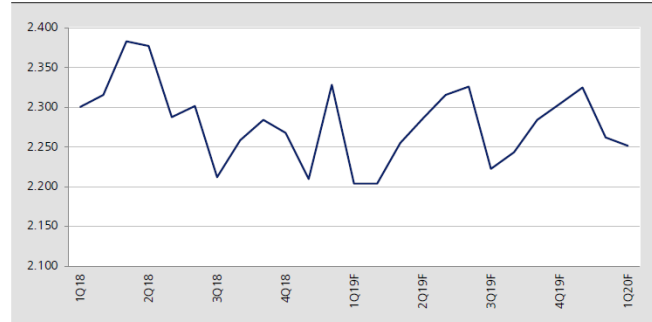
Source: KGI Research

Figure 8: Rolling PE


Source: KGI Research

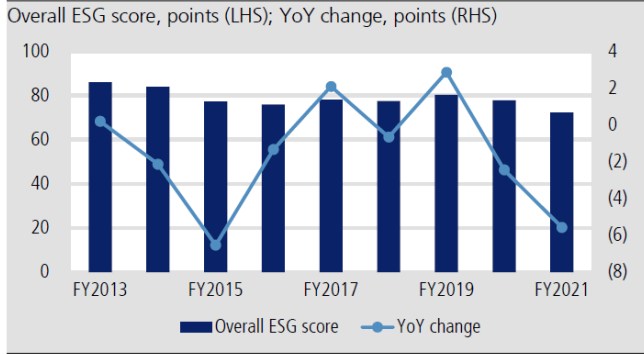
Figure 9: Operating margin


Source: KGI Research

Figure 10: Rolling PB


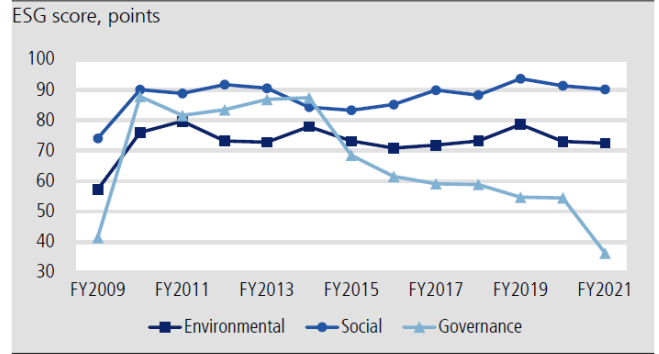
Source: KGI Research

Figure 11: Overall ESG score



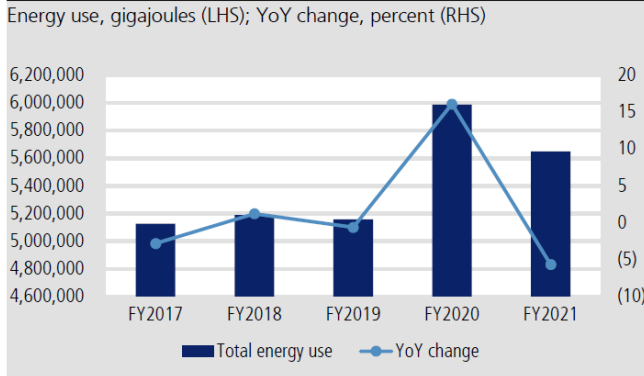
Source: Refinitiv; KGI Research; Company data

Figure 12: ESG score by category



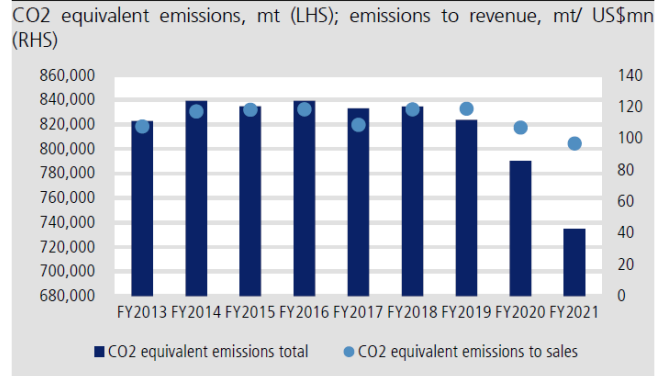
Source: Refinitiv; KGI Research; Company data

Figure 13: Energy use



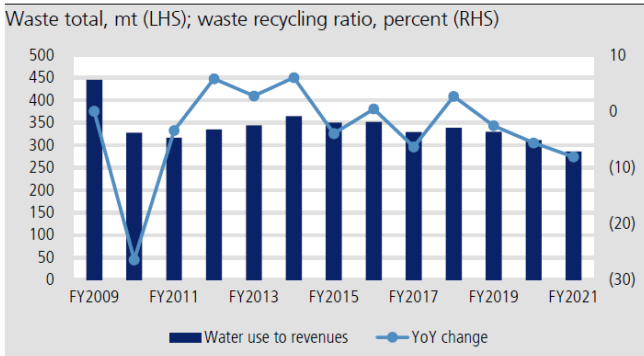
Source: Refinitiv; KGI Research; Company data

Figure 14: CO2 equivalent emissions



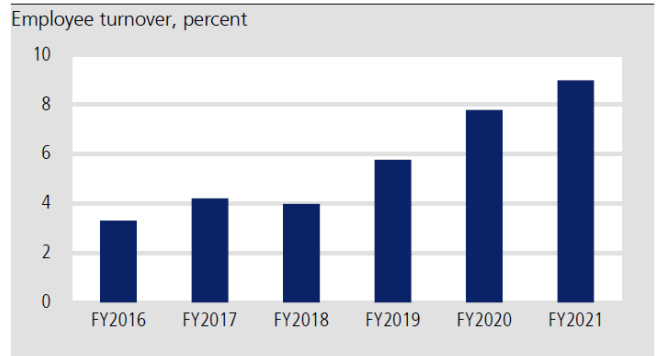
Source: Refinitiv; KGI Research; Company data

Figure 15: Waste total



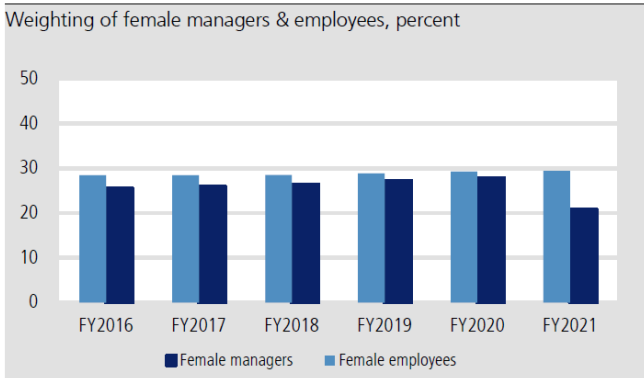
Source: Refinitiv; KGI Research; Company data

Figure 16: Employee turnover



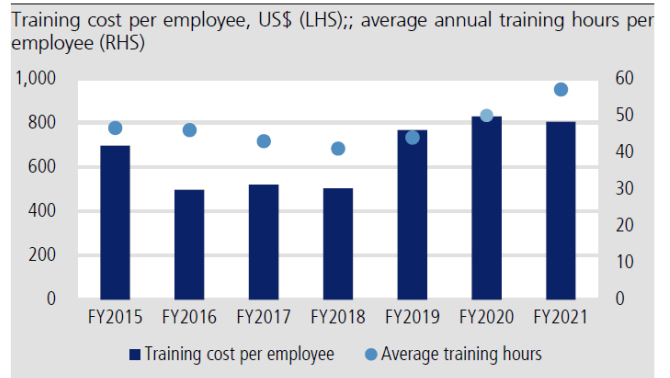
Source: Refinitiv; KGI Research; Company data

Figure 17: Gender diversification



Source: Refinitiv; KGI Research; Company data

Figure 18: Employee training



Source: Refinitiv; KGI Research; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv, KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
Income statement (NT\$mn)											
Revenue	54,211	53,464	53,658	61,865	55,940	55,008	55,401	63,613	223,197	229,963	236,068
Cost of goods sold	(33,630)	(33,076)	(33,842)	(42,092)	(34,683)	(34,050)	(34,626)	(43,257)	(142,641)	(146,616)	(150,283)
Gross profit	20,581	20,387	19,816	19,772	21,257	20,958	20,776	20,356	80,557	83,347	85,785
Operating expenses	(8,407)	(8,130)	(8,351)	(9,318)	(8,617)	(8,332)	(8,560)	(9,553)	(34,207)	(35,062)	(35,763)
Operating profit	12,174	12,257	11,465	10,454	12,640	12,626	12,215	10,803	46,350	48,285	50,022
Depreciation of fixed assets	(8,204)	(8,252)	(8,240)	(8,328)	(8,485)	(8,485)	(8,485)	(8,485)	(33,025)	(33,941)	(34,767)
Amortisation of intangible assets	(1,892)	(1,890)	(1,886)	(1,577)	(1,811)	(1,811)	(1,811)	(1,811)	(7,245)	(7,245)	(7,245)
EBITDA	22,270	22,400	21,591	20,359	22,936	22,923	22,512	21,100	86,620	89,472	92,033
Interest income	118	201	137	140	145	145	145	145	595	580	592
Investment income	103	283	121	50	105	290	125	55	557	575	603
Other non-op income	45	42	72	54	45	58	65	50	213	218	231
Non-operating income	266	525	329	244	295	493	335	250	1,364	1,373	1,426
Interest expense	(75)	(78)	(80)	(80)	(85)	(85)	(85)	(85)	(313)	(340)	(352)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(104)	(49)	(76)	(183)	(30)	(25)	(90)	(110)	(412)	(255)	(305)
Non-operating expenses	(179)	(126)	(156)	(263)	(115)	(110)	(175)	(195)	(725)	(595)	(657)
Pre-tax profit	12,260	12,656	11,638	10,435	12,820	13,009	12,375	10,858	46,989	49,063	50,791
Current taxation	(2,387)	(2,453)	(2,258)	(2,066)	(2,564)	(2,602)	(2,475)	(2,172)	(9,164)	(9,813)	(10,158)
Minorities	(230)	(285)	(285)	(111)	(241)	(300)	(299)	(116)	(911)	(957)	(1,004)
Normalised net profit	9,643	9,918	9,095	8,258	10,015	10,108	9,601	8,570	36,914	38,294	39,628
Extraordinary items	(0)	3	(0)	(3)	-	-	-	-	-	-	-
Net profit	9,643	9,921	9,095	8,255	10,015	10,108	9,601	8,570	36,914	38,294	39,628
EPS (NT\$)	1.24	1.28	1.17	1.06	1.29	1.30	1.24	1.10	4.76	4.94	5.11
Margins (%)											
Gross profit margin	38.0	38.1	36.9	32.0	38.0	38.1	37.5	32.0	36.1	36.2	36.3
Operating margin	22.5	22.9	21.4	16.9	22.6	23.0	22.0	17.0	20.8	21.0	21.2
EBITDA margin	41.1	41.9	40.2	32.9	41.0	41.7	40.6	33.2	38.8	38.9	39.0
Pretax profit margin	22.6	23.7	21.7	16.9	22.9	23.7	22.3	17.1	21.1	21.3	21.5
Net profit margin	17.8	18.6	16.9	13.3	17.9	18.4	17.3	13.5	16.5	16.7	16.8
Sequential growth (%)											
Revenue growth	(8.9)	(1.4)	0.4	15.3	(9.6)	(1.7)	0.7	14.8			
Gross profit growth	2.9	(0.9)	(2.8)	(0.2)	7.5	(1.4)	(0.9)	(2.0)			
Operating profit growth	11.1	0.7	(6.5)	(8.8)	20.9	(0.1)	(3.3)	(11.6)			
EBITDA growth	5.8	0.6	(3.6)	(5.7)	12.7	(0.1)	(1.8)	(6.3)			
Pretax profit growth	13.0	3.2	(8.0)	(10.3)	22.9	1.5	(4.9)	(12.3)			
Net profit growth	14.8	2.9	(8.3)	(9.2)	21.3	0.9	(5.0)	(10.7)			
YoY growth (%)											
Revenue growth	5.7	2.0	0.3	4.0	3.2	2.9	3.2	2.8	3.0	3.0	2.7
Gross profit growth	5.0	1.5	(2.5)	(1.1)	3.3	2.8	4.8	3.0	0.7	3.5	2.9
Operating profit growth	4.4	1.9	(5.9)	(4.6)	3.8	3.0	6.5	3.3	(1.0)	4.2	3.6
EBITDA growth	3.3	1.0	(3.2)	(3.3)	3.0	2.3	4.3	3.6	(0.5)	3.3	2.9
Pretax profit growth	5.0	1.2	(4.7)	(3.8)	4.6	2.8	6.3	4.1	(0.5)	4.4	3.5
Net profit growth	6.4	2.7	(2.8)	(1.7)	3.9	1.9	5.6	3.8	1.2	3.7	3.5

Source: Company data, KGI Research estimates

Balance sheet

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	513,070	523,203	527,062	531,735	536,554
Current assets	91,021	101,902	111,579	125,805	143,317
Cash & ST securities	39,781	50,209	58,149	71,053	87,129
Inventory	11,327	11,316	11,807	12,103	12,439
Accounts receivable	23,989	24,748	25,683	26,389	27,164
Other current assets	15,924	15,628	15,941	16,260	16,585
Non-current assets	422,049	421,302	415,483	405,930	393,237
LT investments	21,520	21,471	21,877	22,147	22,512
Net fixed assets	289,100	291,528	286,885	278,486	266,709
Other assets	111,429	108,303	106,721	105,298	104,016
Total liabilities	121,808	129,425	132,371	136,086	139,899
Current liabilities	64,292	65,698	78,120	76,995	80,655
Accounts payable	18,455	16,968	17,703	18,147	18,652
Interest bearing ST liabilities	65	722	11,384	7,830	9,028
Other current liabilities	45,773	48,008	49,033	51,018	52,975
Non-current liabilities	57,516	63,727	54,250	59,091	59,244
Long-term debt	28,577	32,077	21,385	24,949	23,761
Other L-T liabilities	21,877	24,316	25,532	26,808	28,149
Total equity	391,262	393,778	394,691	395,649	396,655
Share capital	77,574	77,574	77,574	77,574	77,574
Retained earnings reserve	50,639	51,869	51,870	51,872	51,874
Minority interests	11,928	12,600	13,511	14,467	15,471
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	1.4%	3.0%	3.0%	3.0%	2.7%
Operating profit growth	16.6%	2.5%	(1.0%)	4.2%	3.6%
EBITDA growth	11.2%	2.6%	(0.5%)	3.3%	2.9%
Net profit growth	7.0%	2.0%	1.2%	3.7%	3.5%
EPS growth	7.0%	2.0%	1.2%	3.7%	3.5%
Profitability					
Gross profit margin	35.8%	36.9%	36.1%	36.2%	36.3%
Operating margin	21.7%	21.6%	20.8%	21.0%	21.2%
EBITDA margin	40.3%	40.2%	38.8%	38.9%	39.0%
Net profit margin	17.0%	16.8%	16.5%	16.7%	16.8%
Return on average assets	7.0%	7.0%	7.0%	7.2%	7.4%
Return on average equity	9.4%	9.6%	9.7%	10.0%	10.4%
Stability					
Gross debt to equity	7.3%	8.3%	8.3%	8.3%	8.3%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	215.5	180.8	151.0	145.3	145.3
Interest & ST debt coverage (x)	1.0	1.0	0.8	0.9	0.8
Cash flow interest coverage(x)	343.1	289.1	243.8	231.8	229.8
Cash flow/int. & ST debt (x)	264.4	77.1	6.5	9.6	8.6
Current ratio (x)	1.4	1.6	1.4	1.6	1.8
Quick ratio (x)	1.2	1.4	1.3	1.5	1.6
Net debt (NT\$mn)	(11,137)	(17,393)	(25,362)	(38,257)	(54,323)
Per share data					
EPS (NT\$)	4.61	4.70	4.76	4.94	5.11
CFPS (NT\$)	9.65	9.79	9.85	10.16	10.43
BVPS (NT\$)	48.90	49.14	49.14	49.14	49.14
Adj BVPS (NT\$)	48.90	49.14	49.14	49.14	49.14
SPS (NT\$)	27.13	27.94	28.77	29.64	30.43
EBITDA/share (NT\$)	10.94	11.23	11.17	11.53	11.86
Cash DPS (NT\$)	4.61	4.70	4.70	4.80	4.90
Activity					
Sales / avg assets	0.41	0.42	0.43	0.43	0.44
Days receivable	41.6	41.7	42.0	42.0	42.0
Days inventory	30.6	30.2	30.2	30.2	30.2
Days payable	49.9	45.3	45.3	45.3	45.3
Cash cycle	22.3	26.6	26.9	26.9	26.9

Source: Company data, KGI Research estimates

Profit & loss

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	210,478	216,739	223,197	229,963	236,068
Cost of goods sold	(135,111)	(136,717)	(142,641)	(146,616)	(150,283)
Gross profit	75,367	80,022	80,557	83,347	85,785
Operating expenses	(29,699)	(33,197)	(34,207)	(35,062)	(35,763)
Operating profit	45,669	46,825	46,350	48,285	50,022
Non-operating income	894	1,071	1,364	1,373	1,426
Interest income	95	249	595	580	592
Investment income	576	610	557	575	603
Other non-op income	224	211	213	218	231
Non-operating expenses	243	(667)	(725)	(595)	(657)
Interest expense	(218)	(263)	(313)	(340)	(352)
Investment loss	-	-	-	-	-
Other non-op expenses	461	(404)	(412)	(255)	(305)
Pre-tax profit	46,805	47,229	46,989	49,063	50,791
Current taxation	(8,872)	(9,229)	(9,164)	(9,813)	(10,158)
Minorities	(1,441)	(1,523)	(911)	(957)	(1,004)
Extraordinary items	(739)	0	-	-	-
Net profit	35,754	36,477	36,914	38,294	39,628
EBITDA	84,885	87,094	86,620	89,472	92,033
EPS (NT\$)	4.61	4.70	4.76	4.94	5.11

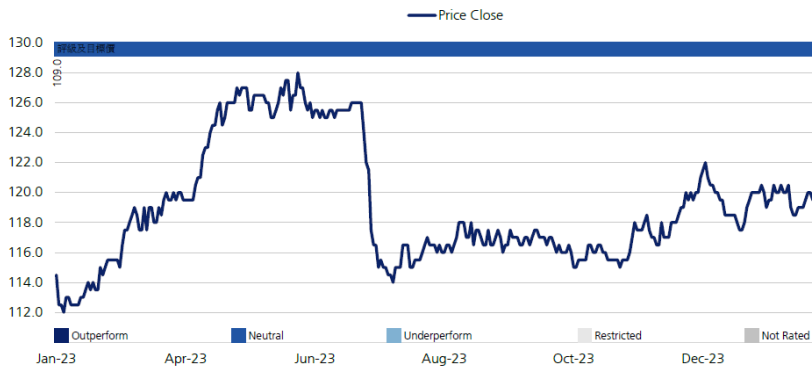
Cash flow

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	74,858	75,951	76,379	78,804	80,906
Net profit	35,754	36,477	36,914	38,294	39,628
Depreciation & amortisation	39,216	40,269	40,270	41,187	42,012
Decrease in working capital	1,938	(2,325)	(415)	(272)	(308)
Other operating cash flow	(2,050)	1,530	(389)	(405)	(425)
Investing cash flow	(31,172)	(30,789)	(34,062)	(31,229)	(28,893)
Sale of ST investment	2,580	(292)	-	-	-
New investments	(321)	288	(16)	136	60
Capital expenditure	(35,333)	(31,535)	(28,381)	(25,543)	(22,989)
Others investing cashflow	1,902	749	(5,664)	(5,822)	(5,964)
Free cash flow	35,550	36,600	41,539	46,754	51,486
Financing cash flow	(34,314)	(34,800)	(34,379)	(34,670)	(35,938)
Increase in short term debt	(2)	657	(30)	10	10
Increase in long term loans	6,992	3,496	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(34,300)	(36,800)	(36,476)	(36,913)	(38,292)
Other financing cashflow	(7,004)	(2,153)	2,127	2,233	2,345
Forex effects	(13)	53			
Total cash generated	9,359	10,414	7,939	12,905	16,076

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	14.1%	15.3%	15.3%	15.2%	15.1%
= Operating margin	21.7%	21.6%	20.8%	21.0%	21.2%
1 / (Working capital/revenue	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
+ Net PPE/revenue	1.4	1.3	1.3	1.2	1.1
+ Other assets/revenue)	0.1	0.1	0.1	0.1	0.0
= Capital turnover	0.7	0.7	0.8	0.8	0.9
Operating margin	21.7%	21.6%	20.8%	21.0%	21.2%
x Capital turnover	0.7	0.7	0.8	0.8	0.9
x (1 - tax rate)	81.0%	80.5%	80.5%	80.0%	80.0%
= After-tax ROIC	12.8%	12.8%	13.0%	14.0%	15.2%

Source: Company data, KGI Research estimates

Chunghwa Telecom – Recommendation & target price history


Date	Rating	Target	Price
2023-02-02	Neutral	109.0	112.0
2022-11-01	Neutral	109.0	109.5
2022-07-29	Neutral	119.0	121.5
2022-05-03	Neutral	115.0	127.5
2022-01-26	Neutral	115.0	117.5
2021-11-01	Neutral	115.0	111.0
2021-07-30	Neutral	109.0	115.0
2021-05-04	Neutral	104.0	112.5
2021-02-04	Neutral	102.0	108.0

Source: TEJ, KGI Research

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