

Bulletin

Far EasTone's EBITDA To Rebound On Rising 5G Penetration

August 10, 2021

Taiwan Ratings Corp. said today that **Far EasTone Telecommunications Co. Ltd.** (twA+/Stable/twA-1) is on track to meet our forecast of 2%-4% growth in EBITDA in 2021. Mid-year results showed consumer adoption of fifth generation (5G) services is moderately higher than our forecast at the beginning of the year. We now believe the Taiwan-based mobile service provider's 5G subscription is likely to reach 1.5 million by the year end of 2021, equivalent to about 21% of the service provider's total subscription base.

We anticipate sustainable gains in Far EasTone's blended average revenue per user (ARPU). Benefitting from 5G service's higher monthly rate, ARPU has rebounded to new Taiwan dollar (NT\$) 573/month in June 2021, up by 2.1% year on year.

ARPU uplift along with robust growth in the operator's information communication technology business should continue to underpin modest EBITDA growth over the next two quarters. Far EasTone's EBITDA was up by NT\$188 million quarter on quarter to NT\$6.99 billion in the second quarter of 2021, the highest since the first quarter of 2020.

Deleveraging progress could slightly exceed our expectation in 2021, boosted by the company's decision to sell off its office asset for NT\$3.26 billion. In addition, the recent regulatory approval on Far EasTone and Asia Pacific Telecom Co.'s 5G cooperation proposal will allow the two companies to proceed with their 5G network sharing plan. This means Far EasTone will receive a net cash inflow of NT\$4.5 billion after deducting the telecom operator's planned NT\$5 billion capital injection in Asia Pacific Telecom from a promised payment of NT\$9.5 billion for partial usage of Far EasTone's 5G bandwidth. The cooperation will also lower Far EasTone's investment burden in 5G network infrastructure and increase efficiency in spectrum usage.

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