

TRANSFORMATION

3'S CONNECTED WORLD

The telecommunications business is the modern backbone of the mobile and Internet economy. While cables in the ground move the data, telecom towers have become the last-mile solution to getting data to the people.

The world is abuzz with talk of 5G technology and the Internet of Things (IoT). But if the underlying corporate and financial structures aren't modernised, they can slow the upgrading of technology, leaving opportunities on the table and putting a telecommunications leader at a disadvantage to its competitors.

The CK Hutchison Group (CKHH) has moved to modernise, rationalise and energise its global telecom holdings across Europe and Asia. The new holding company's financial strength and corporate structure will position the Group to capitalise on the 21st century's most exciting prospects.

3 EUROPE AND 3 HONG KONG: ALL TOGETHER NOW!

CKHH has moved to rationalise the telecom assets of the Group, whether wholly or partially owned, in a manner that will enable them to unlock value for future growth.

Newly formed CK Hutchison Group Telecom Holdings Limited (CK Hutchison Group Telecom) is 100% owned by CKHH and is a vital part of the global business. Its earnings contributed 31% of Group EBITDA in the first half of 2019 and its assets make up 28% of the Group total. CK Hutchison Group Telecom's strength is the Group's strength.



Under the old structure, Hutchison Telecom Hong Kong Holdings Limited (HTHKH) held the 3 businesses in Hong Kong and Macau as well as related telecom assets. Likewise, each European company – from the UK to Italy – was a distinct company, whether 100% owned (3 UK, Wind Tre, 3 Austria and 3 Ireland) or 60% owned (3 Sweden and 3 Denmark). Assets, like cell sites and telecom towers, were held by each national champion. The companies were able to cooperate by, for example, leading Europe in eliminating roaming charges for 3 customers across its six markets.

But now cross-border cooperation, fiscal strength and operational efficiency are all being elevated through the new structure that sees the phone companies held in one vehicle: CK Hutchison Group Telecom.





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Fiscally, the improved credit rating status of the combined entity enables it to borrow money at lower rates, thereby permitting more flexibility in fundraising. This will have a direct impact on current leverage, especially debt associated with the acquisition of Wind Tre. For the next several years, over €100 million in annual savings will arise from reduced interest charges for Wind Tre alone. The importance of CK Hutchison Group Telecom to CKHH cannot be underestimated, and neither can Wind Tre to CK Hutchison Group Telecom. Wind Tre contributed 54% to CK Hutchison Group Telecom's EBITDA earnings from January to the end of June in 2019.



The evidence for this fiscal upgrade has been confirmed by the world's major rating agencies that pre-approved credit ratings for the new entity. S&P has awarded it an A- rating, Moody's a Baa1 rating and Fitch a BBB+ rating - all excellent by global financial standards.

REACH FOR THE SKY

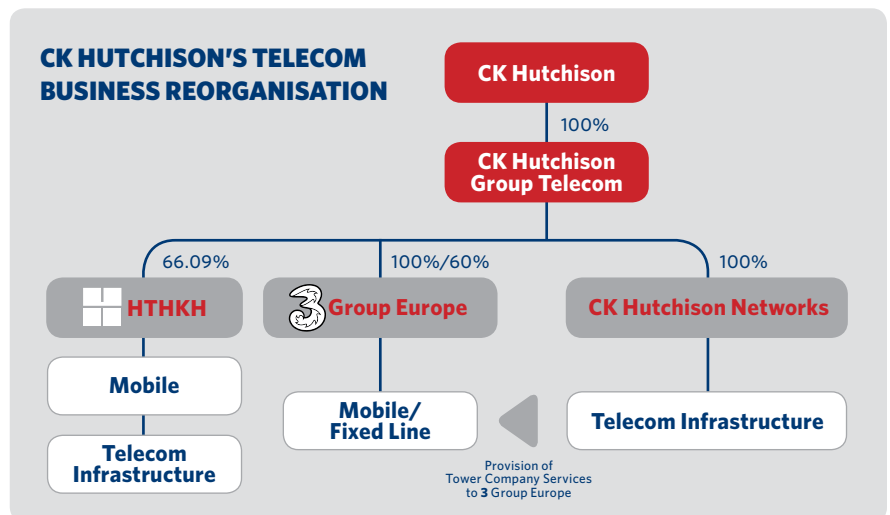
The 3 mobile phone companies focus on new services and putting technology in the hands of mobile device users. But another vital part of the telecommunications business is tower assets. These towers bring the data from the world of cables into the ether so it can reach your phone - and soon, much more.

your streaming Spotify, Google searches and Instagram posts. But that transmission capability can be leased out to other mobile providers operating drones, sending and receiving vehicle data or taking information from sensors and monitors. The list of uses is as endless as IoT, which delivers a wireless world with all devices connecting through tower assets.

Telecom towers carry the telephone signals and data that bring you mum's phone call,

With improved fiscal strength and reduced costs in servicing interest, the company is inherently more efficient. It also becomes easier to consolidate buying, providing leverage in negotiations with global suppliers. It can focus on technology roll-out and bandwidth acquisition that makes it more competitive and responsive to customers. CK Hutchison Group Telecom can also boost cross-border opportunities by working as a group as opposed to smaller national entities.

Another vital part of the restructuring is the creation of another new entity under CK Hutchison Group Telecom - CK Hutchison Networks Holdings Limited (CK Hutchison Networks).



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CK Hutchison Group Telecom combines the Group's European tower assets into one company: CK Hutchison Networks. The Hong Kong and Macau assets (another 9,300 towers) may join in the future. Currently, it means that 28,500 towers across Europe will be owned by CK Hutchison Networks.

This combined model is popular with investors who see significant upside in tower asset managers. This consolidation will make CK Hutchison Networks the fourth largest such company in Europe. Investors also like the visibility that is made possible by combining the assets. They can more easily evaluate the tenancy ratio (how many mobile operators are, on average, using a tower) for companies and judge their potential for revenue growth and determine the implied value per site.

There are a series of related services that CK Hutchison Networks can develop including provision of space on the site, energy supply to devices on the tower, site planning, design and construction management and site access management.

THE NEXT WAVE

The next wave of telecoms is already upon us with 5G, IoT, drones, autonomous vehicles and mobile cloud computing, all asking more of the telecom network. The technology can only be quickly brought to bear in a reliable manner by a global company that has a strong structure and strong fiscal position leading into the 21st century. CKHH has created a new, responsive and powerful set of consolidated entities to best position CK Hutchison Group Telecom and CK Hutchison Networks to tackle the future. □

