

Chunghwa Telecom

Reinstate at Neutral: industry tailwind and clear dividend, but already rich valuation

Reinstating Coverage: NEUTRAL | PO: 123.30 TWD | Price: 120.00 TWD

New Big Three: healthy competition; reinstate at Neutral

We reinstate Chunghwa Telecom (CHT) at Neutral with a PO of NT\$123.30. CHT is the largest telecom operator in Taiwan, with strong market share across sub-segments: mobile, fixed-line, broadband services. Following industry consolidation, which has seen the number of players fall to three from five, we expect less irrational competition and market share to stabilize. Without fierce price competition and a gradual migration of price-sensitive customers to 5G, we expect rising 5G penetration to have a positive impact on its telecom business (4G-to-5G migration leads nearly 30-50% uplift).

High certainty in divided policy

Chunghwa Telecom is in a strong cash position (the only one with net cash among three players). We expect CHT to deliver stable dividend throughout cycles. The company has been paying out 100% of its EPS as cash dividend since 2019, despite large capex for 5G spectrum in 2020. In our view, CHT has the highest clarity in terms of dividend among telecom peers. CHT has been trading in the narrow range of 4-5% dividend yield.

Rich valuation likely to cap upside

We expect CHT to benefit from healthy industry competition, with high certainty on dividend policy, while the rich valuation may cap further upside from here. CHT is now trading at 24x P/E vs 2024E EPS growth of 2% (peers with 10%+ growth while at 20-30x P/E). We derive our PO of NT\$ 123.30 (ADR \$39.52) from a DCF model, where we assume a WACC of 5.5% and terminal growth of 1.0%.

Estimates (Dec) (NT\$)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	35,754	36,478	37,637	38,387	38,642
EPS	4.61	4.70	4.85	4.95	4.98
EPS Change (YoY)	7.0%	2.0%	3.2%	2.0%	0.7%
Dividend / Share	4.61	4.70	4.85	4.95	4.98
Free Cash Flow / Share	5.10	5.73	6.05	5.82	5.70
ADR EPS (NT\$)	46.09	47.02	48.52	49.48	49.81
ADR Dividend / Share (NT\$)	46.08	47.02	48.52	49.48	49.81
Valuation (Dec)					
P/E	26.04x	25.52x	24.73x	24.25x	24.09x
Dividend Yield	3.84%	3.92%	4.04%	4.12%	4.15%
EV / EBITDA*	11.55x	11.16x	11.17x	11.30x	11.37x
Free Cash Flow Yield*	4.25%	4.77%	5.04%	4.85%	4.75%

* For full definitions of *IQmethod*SM measures, see page 11.

11 January 2024

Equity

Brooksley Kang >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 7023
brooksley.kang@bofa.com

Stock Data

Price (Common / ADR)	120.00 TWD / 38.33 USD
Price Objective	123.30 TWD / 39.52 USD
Date Established	11-Jan-2024 / 11-Jan-2024
Investment Opinion	A-2-7 / A-2-7
52-Week Range	111.50 TWD-128.00 TWD
Market Value (mn)	30,012 USD
Market Value (mn)	930,894 TWD
Shares Outstanding (mn)	7,757.4 / 775.7
Average Daily Value (mn)	25.30 USD
Free Float	53.9%
BofA Ticker / Exchange	CHWAF / TAI
BofA Ticker / Exchange	CHT / NYS
Bloomberg / Reuters	2412 TT / 2412.TW
ROE (2023E)	9.9%
Net Dbt to Eqty (Dec-2022A)	-4.4%

Acronyms:

APT = Asia Pacific Telecom
ARPU = Average revenue per user
CHT = Chunghwa Telecom
EV = Enterprise Value
FET = Far Eastone Telecom
FTC = Fair Trade Commission
TWM = Taiwan Mobile

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Refer to important disclosures on page 12 to 15. Analyst Certification on page 10. Price Objective Basis/Risk on page 10.

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Timestamp: 10 January 2024 03:30PM EST

iQprofileSM Chunghwa Telecom

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(NT\$ Millions)					
Sales	210,478	216,739	221,439	225,231	227,387
Gross Profit	75,367	80,022	83,049	84,490	85,256
Sell General & Admin Expense	(26,237)	(29,399)	(30,979)	(31,452)	(31,887)
Operating Profit	44,930	46,825	48,508	49,420	49,701
Net Interest & Other Income	1,137	405	223	281	331
Associates	NA	NA	NA	NA	NA
Pretax Income	46,067	47,230	48,731	49,701	50,032
Tax (expense) / Benefit	(8,872)	(9,229)	(9,522)	(9,712)	(9,776)
Net Income (Adjusted)	35,754	36,478	37,637	38,387	38,642
Average Fully Diluted Shares Outstanding	7,765	7,765	7,765	7,765	7,765

Key Cash Flow Statement Data

Net Income	35,754	36,478	37,637	38,387	38,642
Depreciation & Amortization	38,401	39,428	37,643	35,712	34,900
Change in Working Capital	2,186	(1,543)	1,437	118	92
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,483)	1,588	2,412	2,443	2,454
Cash Flow from Operations	74,858	75,951	79,129	76,660	76,089
Capital Expenditure	(35,306)	(31,519)	(32,203)	(31,532)	(31,834)
(Acquisition) / Disposal of Investments	16	523	0	0	0
Other Cash Inflow / (Outflow)	4,118	207	0	0	0
Cash Flow from Investing	(31,172)	(30,789)	(32,203)	(31,532)	(31,834)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(33,404)	(35,746)	(36,476)	(37,637)	(38,387)
Cash Flow from Financing	(34,314)	(34,800)	(36,506)	(37,667)	(38,417)
Free Cash Flow	39,552	44,432	46,927	45,128	44,254
Net Debt	(11,137)	(17,393)	(27,874)	(35,395)	(41,293)
Change in Net Debt	(2,351)	(6,196)	(10,504)	(7,521)	(5,897)

Key Balance Sheet Data

Property, Plant & Equipment	289,100	291,528	291,278	298,601	307,103
Other Non-Current Assets	132,949	129,774	122,290	114,693	107,031
Trade Receivables	23,989	24,748	22,887	23,236	23,557
Cash & Equivalents	39,779	50,193	60,644	68,134	74,002
Other Current Assets	27,254	26,962	28,560	28,812	28,867
Total Assets	513,070	523,203	525,659	533,476	540,559
Long-Term Debt	28,577	32,077	32,077	32,077	32,077
Other Non-Current Liabilities	41,173	45,040	45,040	45,040	45,040
Short-Term Debt	65	722	692	662	632
Other Current Liabilities	51,993	51,585	52,761	53,480	53,949
Total Liabilities	121,808	129,425	130,570	131,260	131,698
Total Equity	391,262	393,778	395,088	402,216	408,861
Total Equity & Liabilities	513,070	523,203	525,659	533,476	540,559

iQmethodSM - Bus Performance*

Return On Capital Employed	7.9%	8.1%	8.3%	8.4%	8.3%
Return On Equity	9.4%	9.6%	9.9%	10.0%	9.9%
Operating Margin	21.3%	21.6%	21.9%	21.9%	21.9%
EBITDA Margin	39.6%	39.8%	38.9%	37.8%	37.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	2.1x	2.1x	2.1x	2.0x	2.0x
Asset Replacement Ratio	1.1x	1.0x	1.0x	1.1x	1.1x
Tax Rate (Reported)	19.3%	19.5%	19.5%	19.5%	19.5%
Net Debt-to-Equity Ratio	-2.8%	-4.4%	-7.1%	-8.8%	-10.1%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Telecom Equipment-Wireless/Cellular

Company Description

Chunghwa Telecom (CHT) is the largest integrated telecommunication service provider in Taiwan, providing mobile, fixed-line, broadband and other information-related services. CHT has 13mn mobile subscribers, 9mn fixed-line subscribers and 8mn broadband subscribers.

Investment Rationale

We rate Chunghwa Telecom at Neutral. We expect CHT to benefit from healthy industry competition in ARPU uplift, and high certainty on dividend policy, while rich valuation may cap further upside from here.

Stock Data

Shares / ADR	10.00
Price to Book Value	2.4x

Reinstate at Neutral, PO of NT\$123.3

We reinstate Chunghwa Telecom (CHT) at Neutral with a PO of NT\$123.30. Chunghwa Telecom (CHT) is the largest telecom operator in Taiwan, possessing strong market shares across sub-segments: mobile, fixed-line, and broadband services. We expect CHT to benefit from healthy industry competition, and high certainty on dividend policy, while the rich valuation may cap further upside from here.

Healthy industry competition

After the industry consolidation (number of players down to three from five), we expect overall telecom competitive landscape to move toward a favorable direction: stabilized market share and reduced irrational competition. Since the launch of the M&As (from 2021), there has been a positive uplift to CHT's ARPU, confirming the trend. Without fierce price competition and gradual migration of price-sensitive customers to 5G, we expect rising 5G penetration to have a positive impact on CHT's telecom business (4G-to-5G migration leads around 30-50% uplift). We forecast CHT will deliver (1) 1-2% uplift in ARPU, benefiting from positive industry dynamics; (2) 1-2% telecom revenue growth, driven by ARPU uplift; and (3) 2% profit growth on stabilizing capex after 5G investment is largely done.

High certainty on dividend policy

Chunghwa Telecom is in a strong cash position (the only one with net cash among three players). We expect CHT to deliver stable dividend throughout cycles. The company has been paying out 100% of its EPS as cash dividend since 2019, despite large capex for 5G spectrum in 2020. In our view, CHT has the highest clarity on dividend among telecom peers. We identify two key support for CHT's dividend policy: (1) it is a well-known dividend stock by the market, and the company has a track record of maintaining return to common shareholders (major shareholder is Ministry of Transportation & Communications); and (2) under-leverage financial position (average Taiwan corp. net debt-to-equity around 30-35% vs. net cash at CHT) and SOE background enable CHT to raise debt/bank loan easily, if needed.

Rich valuation

CHT appears to be rich in valuation, already both in terms of P/E vs. growth and dividend yield. CHT trades at one-year forward EV/EBITDA of 24x vs. 2% EPS growth, and 1-year forward dividend yield of 4-4.5%. In our view, the catalyst for CHT to surprise the market is limited, while peers could have additional highlights on post-merger synergy.

Risks

- Upside risks are (1) faster 5G penetration; (2) stronger-than-expected 5G ARPU uplift; and (3) better-than-expected dividend policy
- Downside risks are: (1) slower 5G penetration; (2) weaker-than-expected 5G ARPU uplift; and (3) higher-than-expected capex



Valuation & risks

We derive our PO of NT\$123.30 from DCF model, whereas we assume a WACC of 5.5% and terminal growth of 1.0%. WACC for CHT is comparably lower than its peers due to (1) bigger size and SOE background to enjoy cheaper funding cost, and (2) lower beta. Terminal growth of 1% is in-line to the other two peers: TWM and FET.

Exhibit 1: CHT: DCF valuation – cash flows

We assume a WACC of 5.5% and terminal growth of 1.0%

DCF model	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal
Revenue	221,439	225,231	227,387	229,177	230,983	232,806	234,646	236,504	
Tax Rate	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5%	
EBIT * (1-tax rate)	39,029	39,763	39,989	40,098	40,208	40,318	40,430	40,542	
Depreciation & Amortization	38,483	31,517	31,912	32,291	32,674	33,061	33,451	33,845	
Change in working capital	1,437	118	92	87	88	89	89	90	
Capital expenditure	(32,203)	(31,532)	(31,834)	(32,085)	(32,338)	(32,593)	(32,850)	(33,111)	
Cashout on intangibles	0	0	0	0	0	0	0	0	
Unlevered Cash flows	46,747	39,866	40,159	40,391	40,632	40,875	41,120	41,367	938,362
Discount factor	-	1.00	0.95	0.90	0.85	0.81	0.77	0.73	
Discounted Cash flows	-	39,866	38,082	36,322	34,649	33,054	31,533	30,082	682,384

Source: BofA Global Research estimates

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Exhibit 2: CHT: DCF valuation model

Our PO of NT\$123.30 implies 2% upside potential

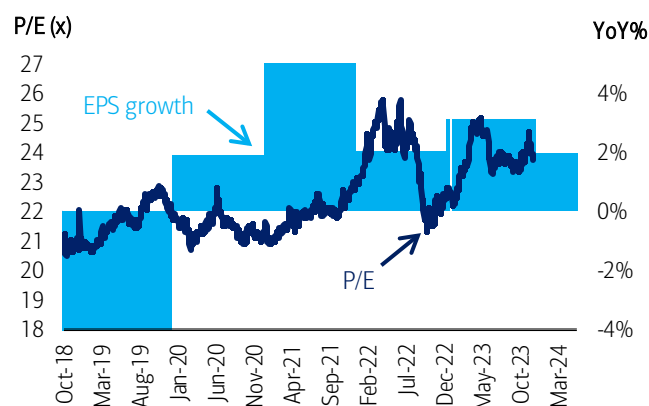
PV of cash flows	243,589
Terminal growth	1.0%
PV of terminal value	682,384
Enterprise value (NT\$ mn)	925,973
- Net debt/(cash)	(30,389)
Equity Value	956,362
Number of Shares Outstanding	7,757
Equity value per share (NT\$)	123.28
PO	123.30
PO upside potential	3%
Dividend yield	4.1%
Total potential return	7%

Source: BofA Global Research estimates

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Exhibit 3: CHT: P/E vs. EPS growth

CHT now trades at 24x 2024EP/E

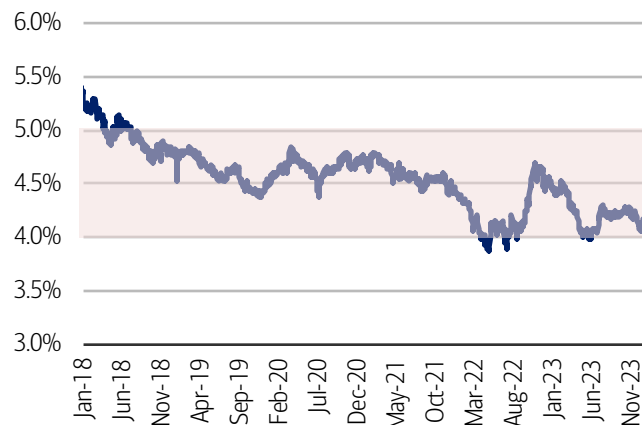


Source: TEJ, Company data, BofA Global Research

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Exhibit 4: CHT: Rolling 12-month forward dividend yield

CHT saw a tight range of dividend yield band between 4-5%

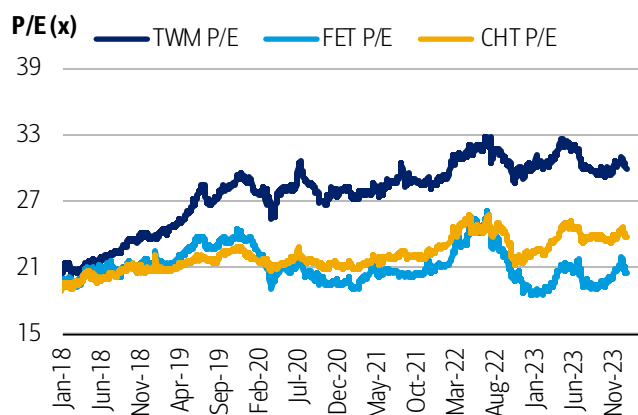


Source: Bloomberg, BofA Global Research

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Exhibit 5: Three TW telecom operators: P/E since 2018

CHT has been comparably stable among the three in P/Evaluation

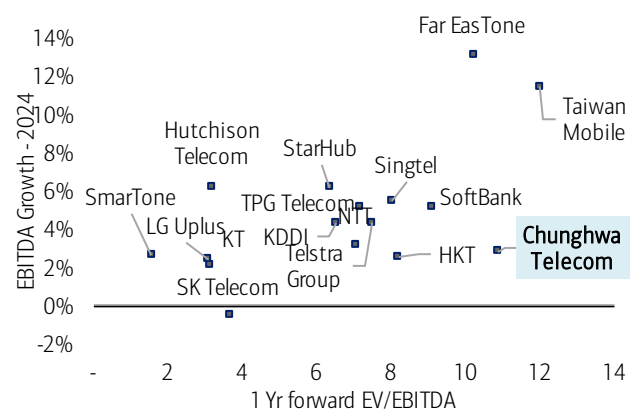


Source: Bloomberg, BofA Global Research estimates

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Exhibit 6: Developed markets – EV/EBITDA vs. EBITDA growth

CHT is rich in valuation on its quiet EBITDA growth



Source: BofA Global Research estimates

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Stable dynamics after peers consolidation

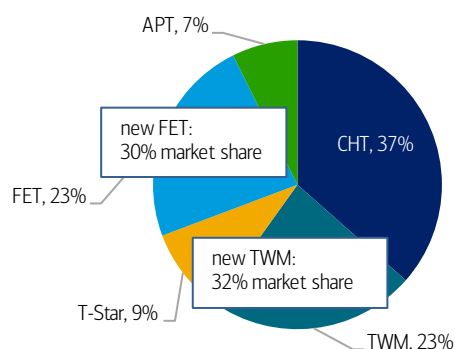
Mobile business after the new Big Three

After the recent industry consolidation, we expect market share to stabilize and less irrational competition. Taiwan Mobile acquired T-Star, and FET acquired APT. Both acquisitions were completed in December 2023. The new market share will be more fairly split between the new Big Three: 40%/30%/30% by CHT/Taiwan Mobile/FET. We note that the two acquirees (T-Star and APT) used to be aggressive in price campaign to win over customers. Their existing customers were also price-sensitive ones. Since the launch of the M&As (from 2021), there has been a positive uplift to CHT's ARPU.

In terms of the competitive landscape, we note that CHT's market share in fixed line will remain dominant building on its historical presence, mobile market share will be stable as industry consolidation settles down to three players with a more balanced split.

Exhibit 7: Market shares of mobile subscribers

The new market share split is more balanced across the three operators

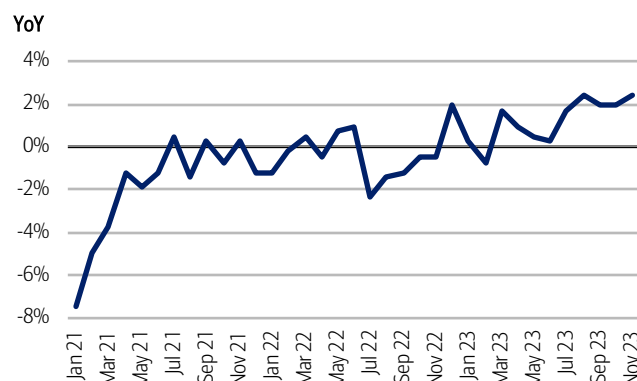


Source: NCC, Company reports

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Exhibit 8: CHT: monthly ARPU growth

CHT saw steadily improving ARPU in the past two years



Source: Company reports

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Our estimates: stable top-line and bottom-line

We forecast CHT will deliver (1) 1-2% uplift in ARPU, benefiting from positive industry dynamics; (2) 1-2% telecom revenue growth, driven by ARPU uplift; and (3) 2% profit growth on stabilizing capex after 5G investment is largely done.

Exhibit 9: Key financial figures on CHT

We expect 1-2% annual ARPU uplift in the coming years

Income statement				
NT\$m	2022	2023E	2024E	2025E
Revenue				
Fixed line	82,366	83,190	84,022	84,862
Mobile	95,934	105,594	108,181	109,170
ICT business	25,754	26,012	26,272	26,534
Total Revenue	216,739	221,439	225,231	227,387
Gross profit	80,022	83,049	84,490	85,256
Operating profit	46,825	48,508	49,420	49,701
EBITDA	87,094	86,991	85,972	85,441
Net profit	36,478	37,637	38,387	38,642
EPS (NT\$)	4.70	4.85	4.94	4.98
DPS (NT\$)	4.70	4.85	4.95	4.98
Key metrics	2022	2023E	2024E	2025E

Exhibit 9: Key financial figures on CHT

We expect 1-2% annual ARPU uplift in the coming years

Income statement

Gross margin (%)	36.9%	37.5%	37.5%	37.5%
EBITDA margin (%)	40.2%	39.3%	38.2%	37.6%
Return On Equity (%)	9.9%	10.0%	9.9%	9.8%
Return On Asset (%)	7.2%	7.2%	7.2%	7.1%
Capex / Sales (%)	14.5%	14.0%	14.0%	14.0%
Net Debt/EBITDA (x)	-0.3x	-0.4x	-0.5x	-0.5x
Total mobile subs ('000)	12,621	13,021	13,121	13,131
Blended mobile ARPU	417	420	424	427

Source: Company reports, BofA Global Research estimates

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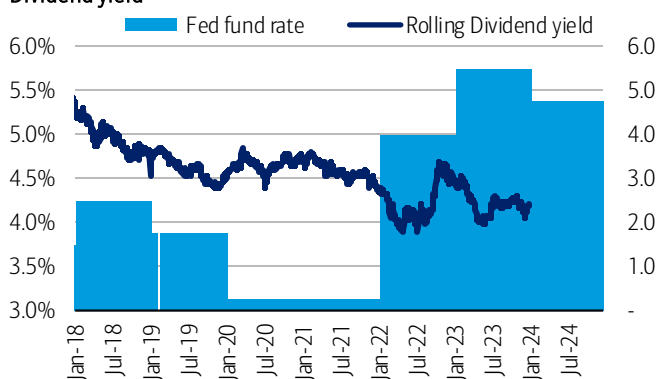
Consistent dividend policy

CHT is in a strong cash position (net cash), and it is expected to deliver stable dividend throughout cycles. The company has been paying out 100% of its EPS as cash dividend since 2019, despite large capex for 5G spectrum in 2020. In our view, CHT has the highest clarity in terms of dividend among telecom peers.

Some have concern about the slow ARPU uplift failing to catch up with capex (maintenance cost rise on inflation and new business capex), which may endanger the stability of dividend. Our view is skewed to support stable dividend, given: (1) CHT is a well-known dividend stock by the market, and the company has a track record of maintaining return to common shareholders (major shareholder is Ministry of Transportation & Communications); and (2) under-levered financial position (average Taiwan corp. net debt-to-equity around 30-35% vs. net cash at CHT) and SOE background enable CHT to raise debt/bank loan easily, if needed.

Exhibit 10: CHT dividend yield vs. the Fed fund rate

The Fed fund rate didn't impact much of how market trades on CHT's dividend yield

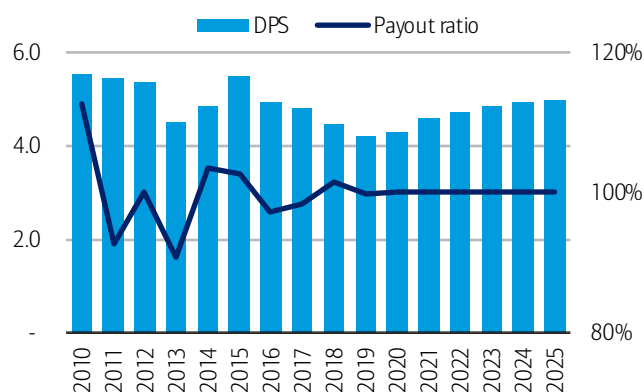
Dividend yield

Source: Company reports, Bloomberg

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Exhibit 11: CHT dividend policy

CHT is getting more stable in dividend policy: 100% payout ratio since 2019

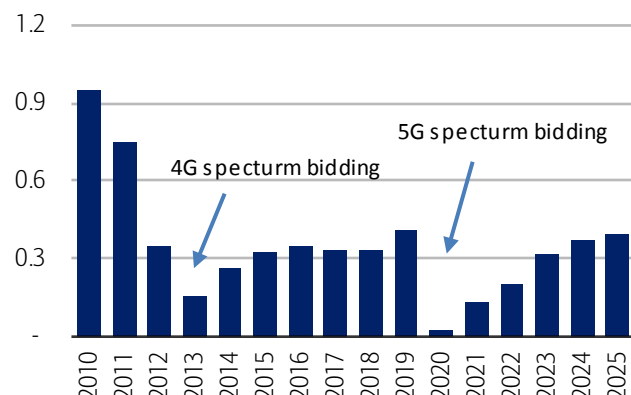


Source: Company reports

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Exhibit 12: CHT: net cash to EBITDA

Even during the large capex years (spectrum bidding), CHT maintains net cash position

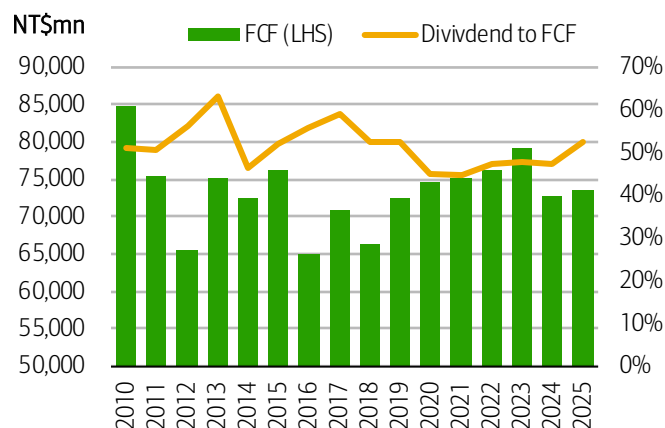
Net Cash to EBITDA

Source: Company reports, BofA Global Research estimates

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Exhibit 13: Dividend vs. Free Cash Flow (FCF)

Dividend is stable in its % to FCF around 45-55%



Source: Company reports, BofA Global Research estimates

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Company profile

Chunghwa Telecom (CHT) is a leading integrated telecom operator in Taiwan, which had monopoly market presence before telecom liberation in 2000s. Chunghwa Telecom became a privatized company in 2005, as the government's ownership (Ministry of Transportation & Communications) was reduced to less than 50%. Chunghwa Telecom was listed on the Taiwan Stock Exchange in October 2000.

Board & management team

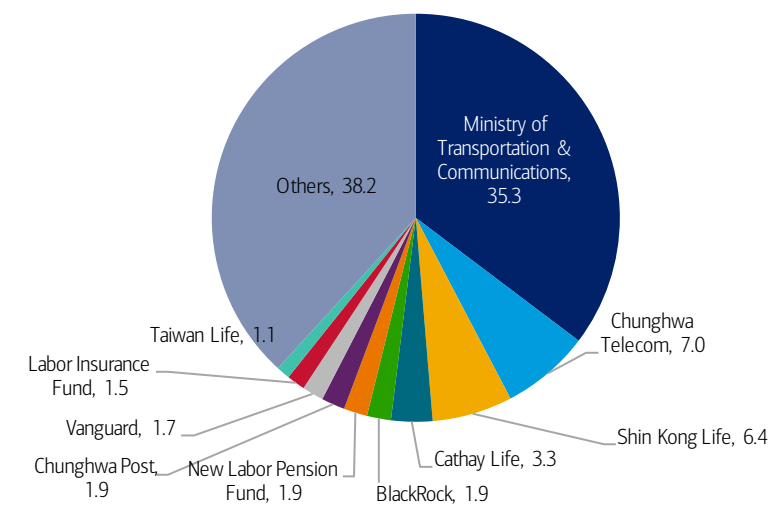
Shui-Yi Kuo, Chairman: Mr. Kuo was the President of CHT, before being elected as Chairman in 2023. Mr. Kuo used to serve in multiple management roles in CHT, including CFO, Accounting Department, Corporate Strategy Committee, Risk Management Committee and Data Governance Committee. Mr. Kuo obtained his master's degree in accounting from National Chengchi University, Taiwan.

Ivan Lin, President: Mr. Lin came on-board as the President of CHT in 2023, who also served in multiple roles in CHT in the past 35 years. Before serving as the President, Mr. Lin oversaw the Information Technology Group, which positions in the niche markets: IDC (Internet Data Center), Cloud, AI, and Cyber security. Mr. Lin obtained his Ph.D. in Electronic Engineering from National Taiwan University of Science and Technology, and master's degree in information engineering from Feng Chia University, Taiwan.

Shareholding structure

Chunghwa Telecom is a state-owned enterprise (SOE) telecom operator, which used to be the monopoly in telecom service in Taiwan. Even now, Chunghwa Telecom dominates the fixed-line market with over 90% share. The major shareholder of Chunghwa Telecom is the government entity: Ministry of Transportation and Communications. Given the high and stable dividend yield nature of the stock, many major shareholders are insurance companies and pension funds with dividend-receiving purpose.

Exhibit 14: Major shareholders of CHT
Ministry of Transportation and Communications owns 35% shareholding of CHT



Source: Bloomberg
Note: as of latest filing

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Price objective basis & risk

Chunghwa Telecom (CHWAF / CHT)

We derive our PO of NT\$123.30 from DCF model, where we assume a WACC of 5.5% and terminal growth of 1.0%. Upside risks are (1) faster 5G penetration, (2) stronger-than-expected 5G ARPU uplift, and (3) better-than-expected dividend policy. Downside risks are: (1) slower 5G penetration, (2) weaker-than-expected 5G ARPU uplift, and (3) higher-than-expected capex

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	Converge ICT	XLERF	CNVRG PM	Jonathan Gabriel Madrid
	Digital Telecommunications Infra Fund	TTCFF	DIF TB	Thititthep Nophaket
	Far EasTone	FEOTF	4904 TT	Brooksley Kang
	GDS Holdings	GDS	GDS US	Daley Li, CFA
	GDS Holdings	XMJFF	9698 HK	Daley Li, CFA
	Indus Towers	XYYAF	INDUSTOW IN	Sachin Salgaonkar
	INTUCH	XIHTF	INTUCH TB	Thititthep Nophaket
	KT	KTCNF	030200 KS	Sun Jung Lee
	KT	KT	KT US	Sun Jung Lee
	NextDC Limited	NXDCF	NXT AU	Ware Kuo
	PLDT	PHTCF	TEL PM	Jonathan Gabriel Madrid
	PLDT -A	PHI	PHI US	Jonathan Gabriel Madrid
	Singtel	SNGNF	ST SP	Sachin Salgaonkar

APR - Telecommunications Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	SK Telecom	SKMTF	017670 KS	Sun Jung Lee
	SK Telecom	SKM	SKM US	Sun Jung Lee
	Taiwan Mobile	TWMBF	3045 TT	Brooksley Kang
	Telstra Group	TTRAF	TLS AU	Ware Kuo
	Telstra Group-A	TLGPY	TLGPY US	Ware Kuo
	TPG Telecom	TPGTF	TPG AU	Ware Kuo
	XL Axiata	PTXAF	EXCL JJ	Sukriti Bansal
NEUTRAL				
	Bharti Airtel	BHTIF	BHARTI IN	Sachin Salgaonkar
	Chunghwa Telecom	CHWAF	2412 TT	Brooksley Kang
	Chunghwa Telecom	CHT	CHT US	Brooksley Kang
	LG Uplus	LTCLF	032640 KS	Sun Jung Lee
	Megaport Ltd	MGPPF	MP1 AU	Ware Kuo
	PT Telkom	TLKMF	TLKM JJ	Sukriti Bansal
	PT Telkom	TLK	TLK US	Sukriti Bansal
	Spark New Zealand Ltd	NZTCF	SPK NZ	Ware Kuo
	Spark New Zealand Ltd.-SP ADR	SPKKY	SPKKY US	Ware Kuo
	True Corporation	XTPCF	TRUE TB	Thititthep Nophaket
	VNET Group	VNET	VNET US	Daley Li, CFA
UNDERPERFORM				
	Axiata	AXXTF	AXIATA MK	Sukriti Bansal
	Vodafone Idea	IDEAF	IDEA IN	Sachin Salgaonkar
RVV				
	TM	MYTEF	T MK	Sachin Salgaonkar

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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Important Disclosures

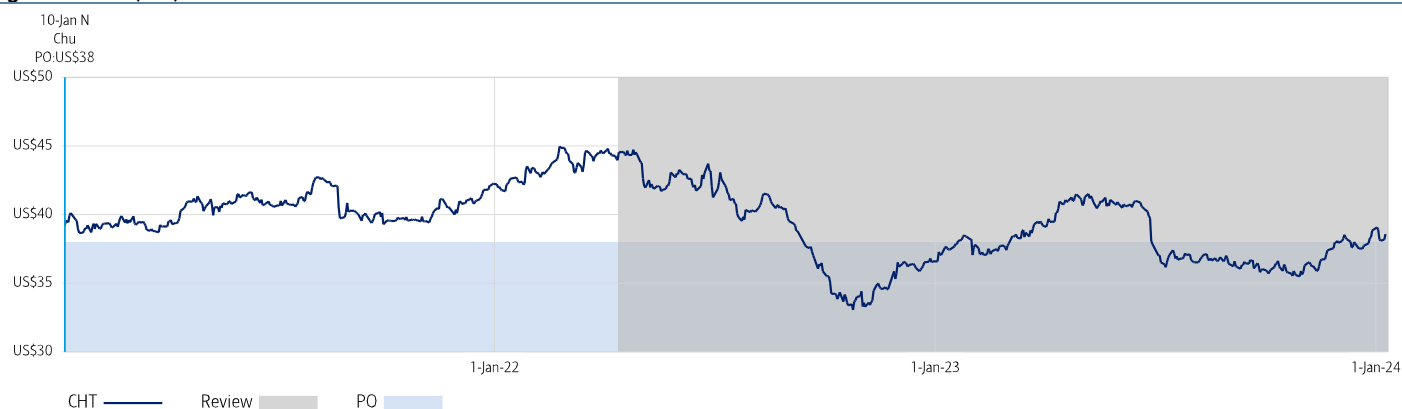
Chunghwa Telecom (CHWAF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Chunghwa Telecom (CHT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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