

Ticker Symbol: 2633



# Taiwan High Speed Rail Corporation

## UBS Taiwan Conference 2019

2019/6/27



# Disclosures

- The information contained in this presentation and its accompanying announcements, including content relating to business outlooks, financial operations, and business forecasts, is based on information derived from internal corporate data and external economic developments as a whole.
- The Company's actual operations, financial conditions, and operational performance may differ from forecasted information; this may be due to various factors including but not limited to market demand, changes in policies and regulations and overall economic conditions, and other factors or risks beyond the Company's control.
- The information provided in this presentation reflects the Company's current views about the future; correctness, completeness, or reliability of said views are not explicitly or implicitly expressed or warranted. The Company is not responsible for updating or amending changes or adjustments made to the contents of this presentation, if such changes or adjustments should occur in the future.
- For the convenience of readers, this presentation has been translated into English from an original Chinese version. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, information in the Chinese-language presentation shall prevail.

# AGENDA

- I. BUSINESS OVERVIEW
- II. FINANCIAL OVERVIEW
- III. MARKET OVERVIEW
- IV. PROSPECTS



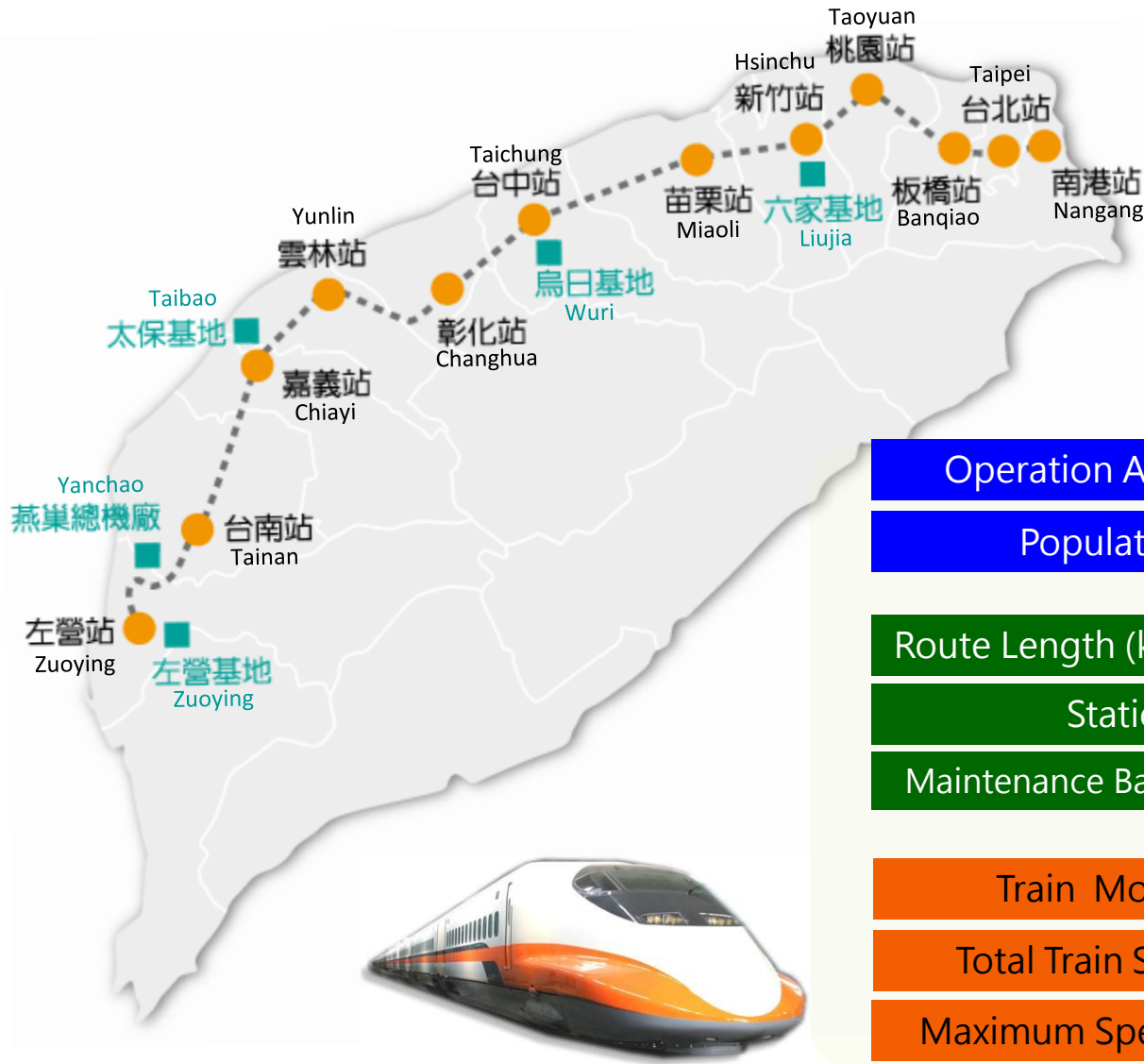
# I. Business Overview

1. High-Speed Rail Network

2. Operational Performance



# 1. High-Speed Rail Network



<span style="color: orange;">●</span> Stations
<span style="color: teal;">■</span> Bases

Operation Area	<b>11 Cities &amp; 76 Townships</b>
Population	<b>90 %</b>
Route Length (km)	<b>350</b>
Stations	<b>12</b>
Maintenance Bases	<b>5</b>
Train Model	<b>700T</b>
Total Train Sets	<b>34</b>
Maximum Speed	<b>300 km/h</b>

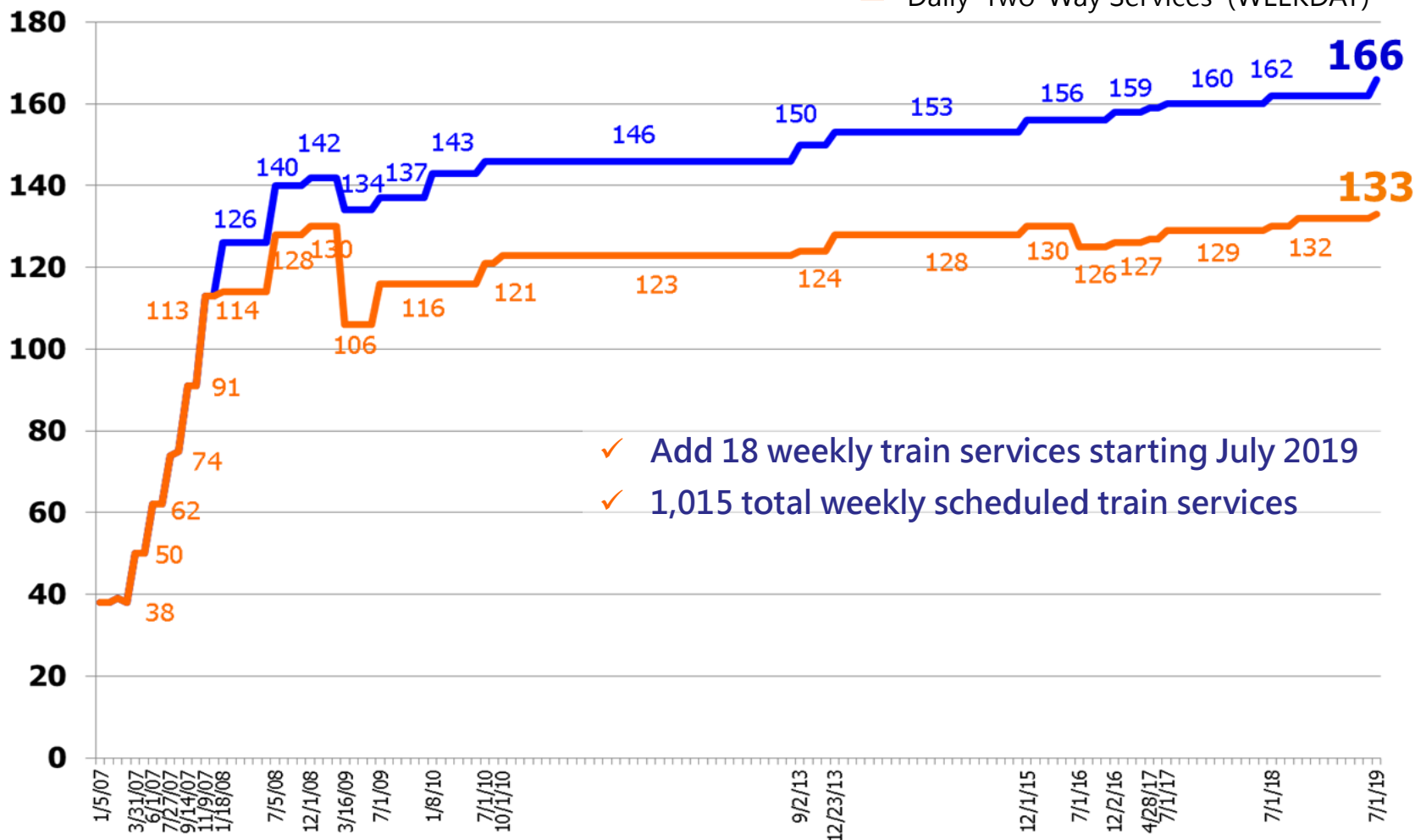
# 2. Operational Performance



## 1. Train Frequency

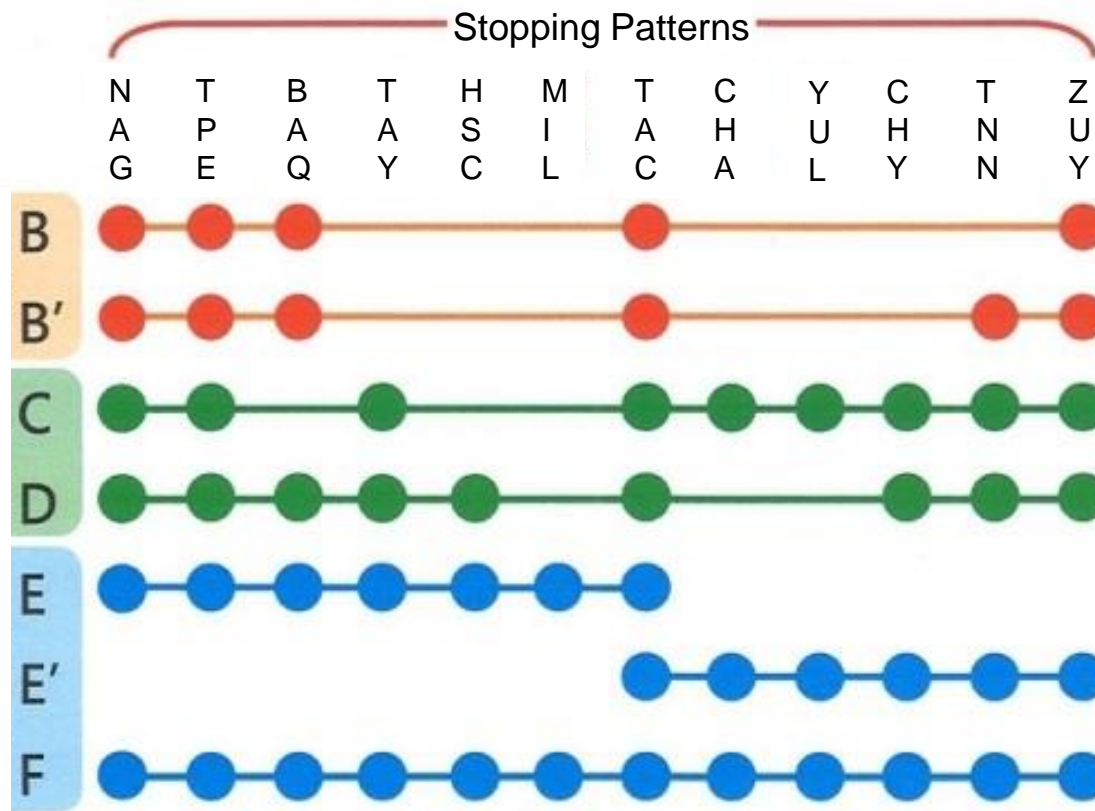
(daily frequency)

- Daily Two-Way Services (WEEKEND)
- Daily Two-Way Services (WEEKDAY)



- ✓ Add 18 weekly train services starting July 2019
- ✓ 1,015 total weekly scheduled train services

## 2. Train Stopping Patterns and Weekly Services (Effective from 2019/7/1)



### Peak Hour Services

South-bound Shifts	North-bound Shifts
<b>15</b>	<b>14</b>
<b>9</b>	<b>11</b>
<b>3</b>	<b>3</b>
<b>29</b>	<b>30</b>
<b>9</b>	<b>9</b>
<b>1</b>	<b>1</b>
<b>16</b>	<b>16</b>
<b>82</b>	<b>84</b>
<b>166</b>	

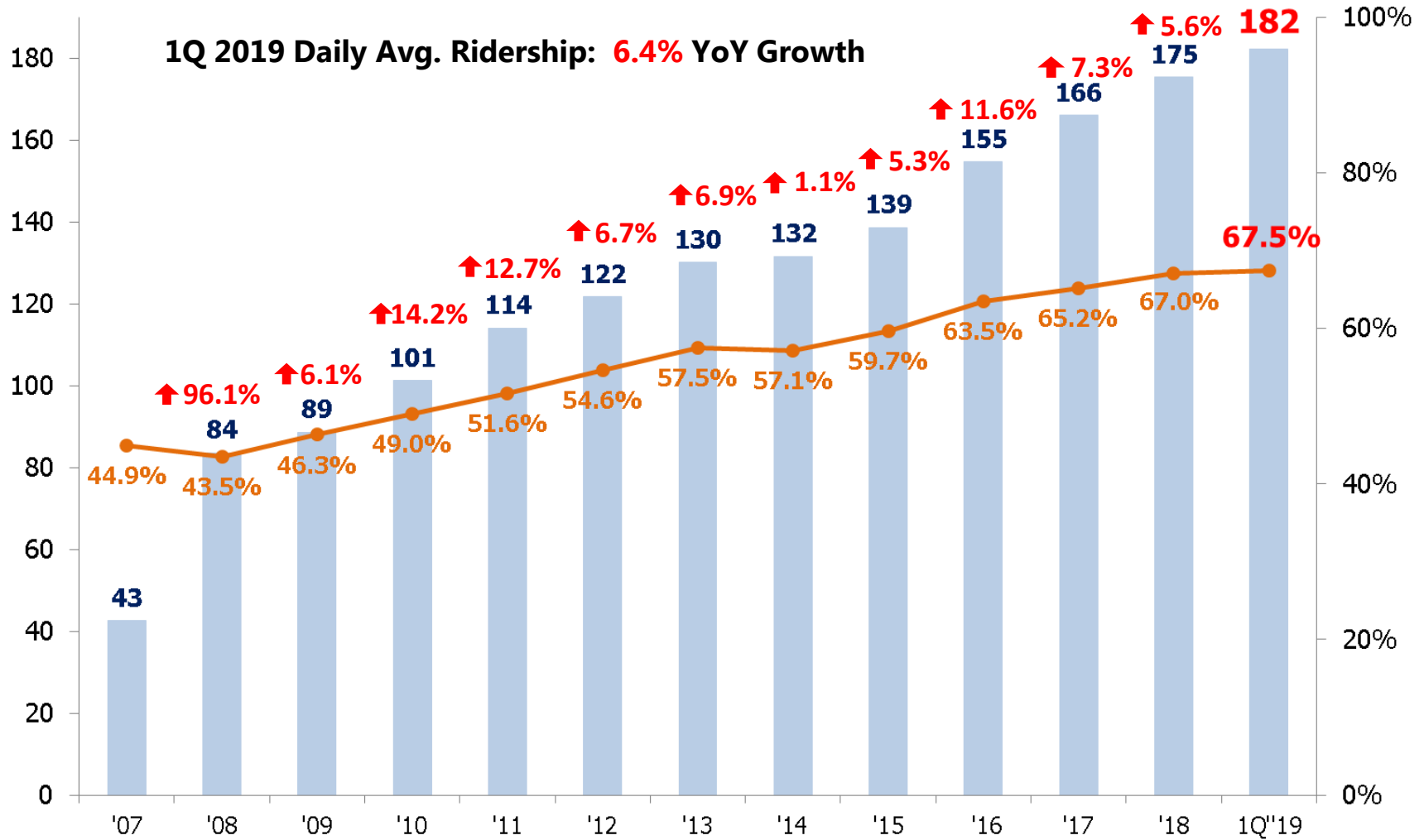
Total

- Operating Period ⇒ **05:50 ~ 24:00**
- Maintenance Period ⇒ **24:00 ~ 05:50**
- First Train ⇒ **05:50**
- Last Trains ⇒ **22:50(from Nangang) 、 22:55(from Zuoying)**

# 3. Ridership & Loading Factor



(thousand persons/day)



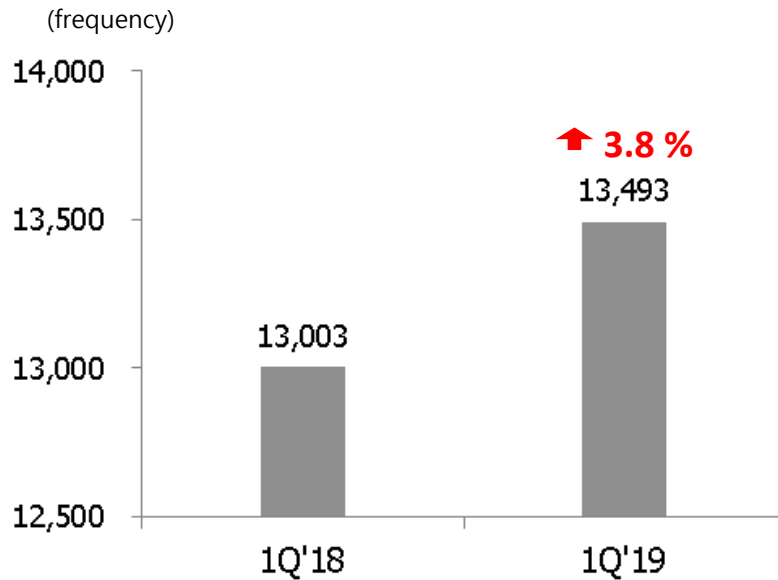


## 4. Growth of Transportation Capacity & Volume ( 1Q2019 vs 1Q2018 )



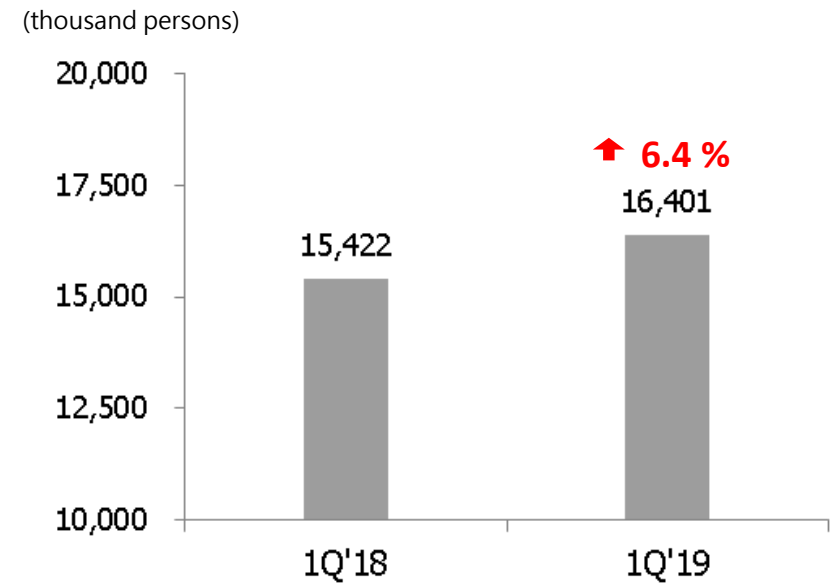
### Transportation Capacity

#### Train Services



### Transportation Volume

#### Ridership



## 5. Operational Performance



	<b>2019.01.01 ~ 2019.3.31</b>	<b>2007.01.05 ~ 2019.3.31</b>
Train Services	13,493	578,426
Cumulative Passengers (million passengers)	16.4	545.2
Passenger Kilometers (million-km)	2,984	105,373
Loading Factor	67.46%	55.56%
Reliability	100%	99.63%
Punctuality (delay < 5min)	99.96%	99.45%
Avg. Delay Time (min)	0.06	0.21
Accidents resulting in Liabilities	0	0



## II. FINANCIAL OVERVIEW

1. Financial Performance
2. Financial Risk Management
3. Corporate Credit Rating & Market Cap
4. Recent Major Events and Activities

# 1. Financial Performance



## 1. Income Statement (2018 vs 2017)

(NT\$m)	2018		2017		Variance Amount	Var. %
Operating revenue	45,415	100%	43,435	100%	1,980	4.6%
Operating costs	(25,081)	-55%	(24,614)	-57%	(467)	1.9%
Gross Profit	20,334	45%	18,821	43%	1,513	8.0%
Operating expenses	(1,189)	-3%	(1,066)	-2%	(123)	11.5%
Net Operating Income	19,145	42%	17,755	41%	1,390	7.8%
Non-operating income and expenses						
Interest expenses	(6,618)	-14%	(7,463)	-17%	845	-11.3%
Stabilization reserve	(5,415)	-12%	(3,866)	-9%	(1,549)	40.1%
Others	200	0%	52	0%	148	284.6%
Net Income before tax	7,312	16%	6,479	15%	833	12.9%
Income tax benefit(expense)	3,385	7%	(1,139)	-3%	4,524	-397.2%
<b>Net Income</b>	<b>10,696</b>	23%	<b>5,340</b>	12%	5,356	100.3%
<b>EPS</b>	<b>1.90</b>		<b>0.95</b>			



# 1. Income Statement (1Q2019 vs 1Q2018)

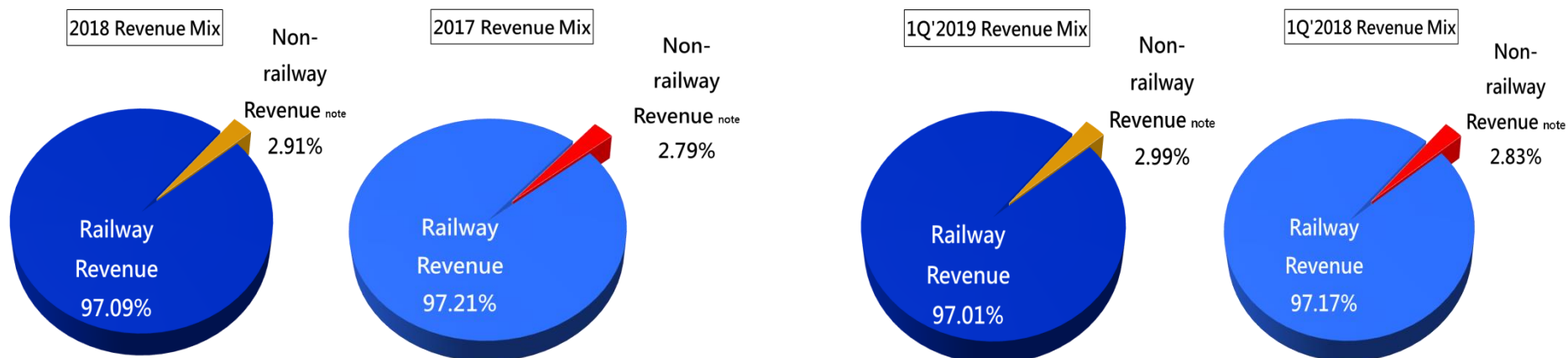
(NT\$m)	1Q2019		1Q2018		Variance Amount	Var. %
Operating revenue	11,762	100%	11,039	100%	723	6.5%
Operating costs	(6,228)	-53%	(6,004)	-54%	(224)	3.7%
Gross Profit	5,535	47%	5,035	46%	500	9.9%
Operating expenses	(278)	-3%	(265)	-3%	(13)	4.9%
Net Operating Income	5,257	44%	4,770	43%	487	10.2%
Non-operating income and expenses						
Interest expenses	(1,597)	-13%	(1,666)	-15%	69	-4.1%
Stabilization reserve	(1,548)	-13%	(1,164)	-10%	(384)	33.0%
Others	60	0%	69	0%	(9)	-13.0%
Net Income before tax	2,172	18%	2,010	18%	162	8.1%
Income tax benefit	116	1%	389	4%	(273)	-70.2%
<b>Net Income</b>	<b>2,288</b>	19%	<b>2,399</b>	22%	(111)	-4.6%
<b>EPS</b>	<b>0.41</b>		<b>0.43</b>			



## 2. Net Profits & Operating Revenues

### 1) Revenue Structures

(NT\$bn)	2018	2017	YoY	1Q2019	1Q2018	YoY
Railway Revenue	44.1	42.2	4.5%	11.4	10.7	6.4%
Non-railway Revenue	1.3	1.2	9.1%	0.4	0.3	12.5%
Total	45.4	43.4	4.6%	11.8	11.0	6.5%

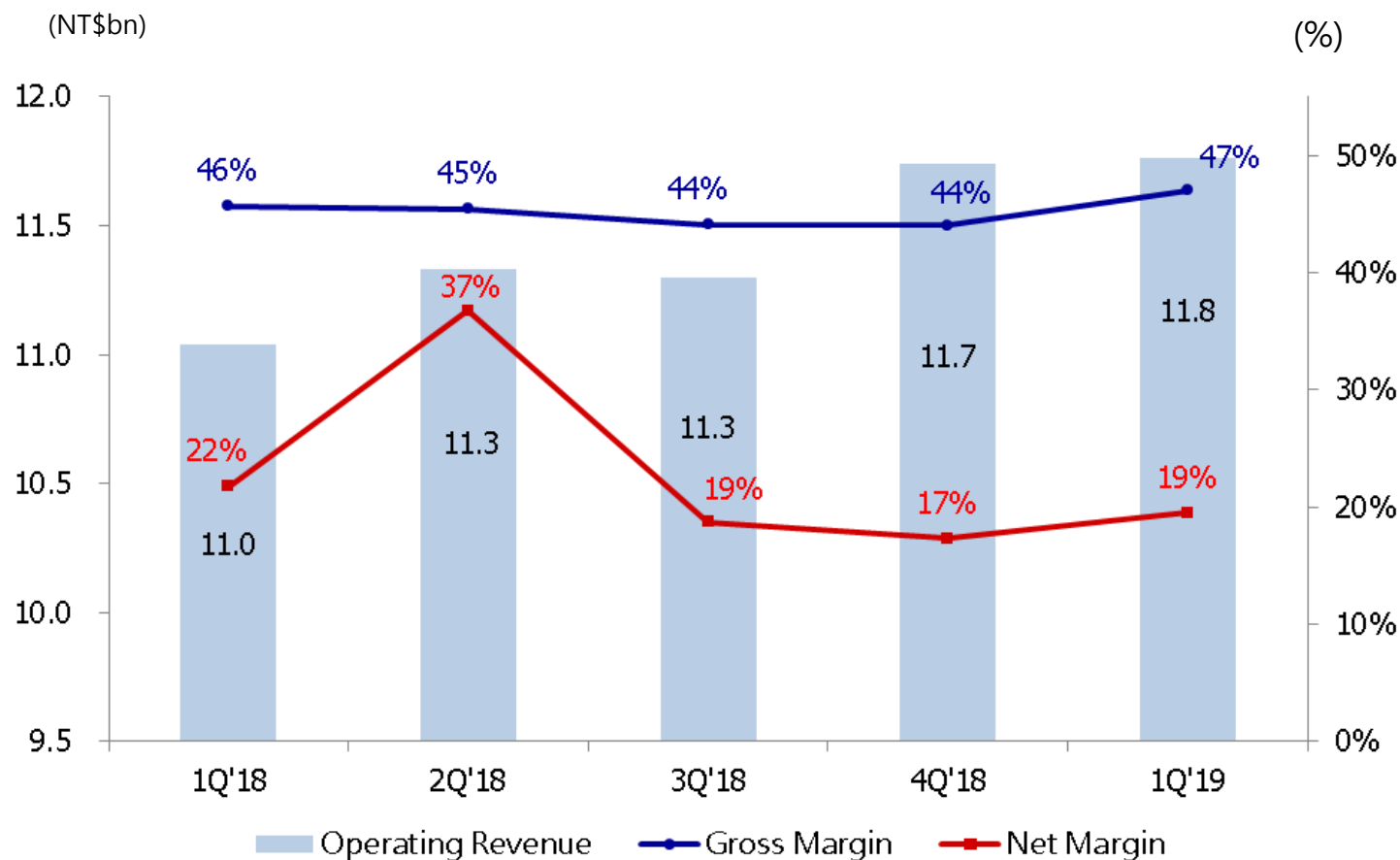


Note: Non-railway revenues mainly include rental incomes, advertising revenues, and onboard sales.

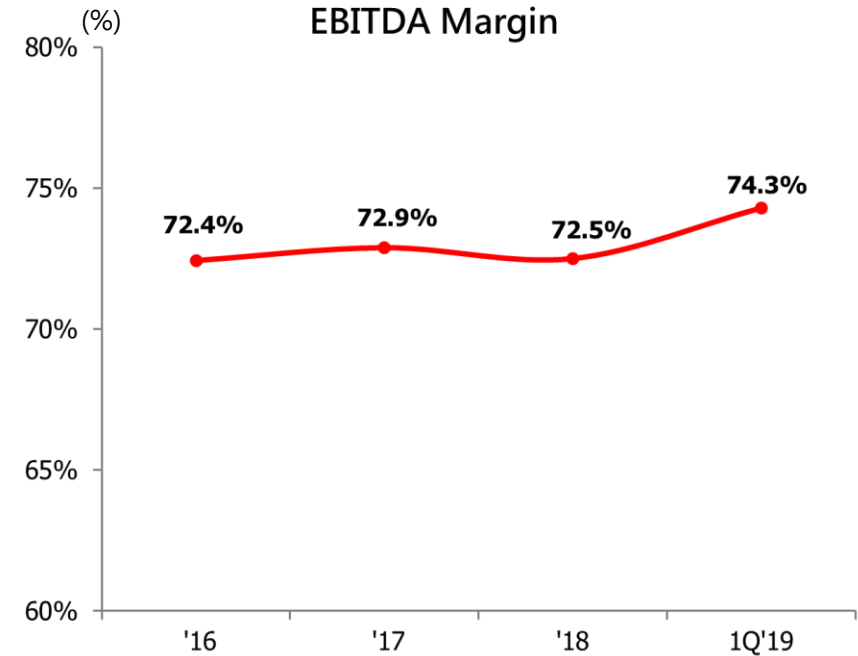
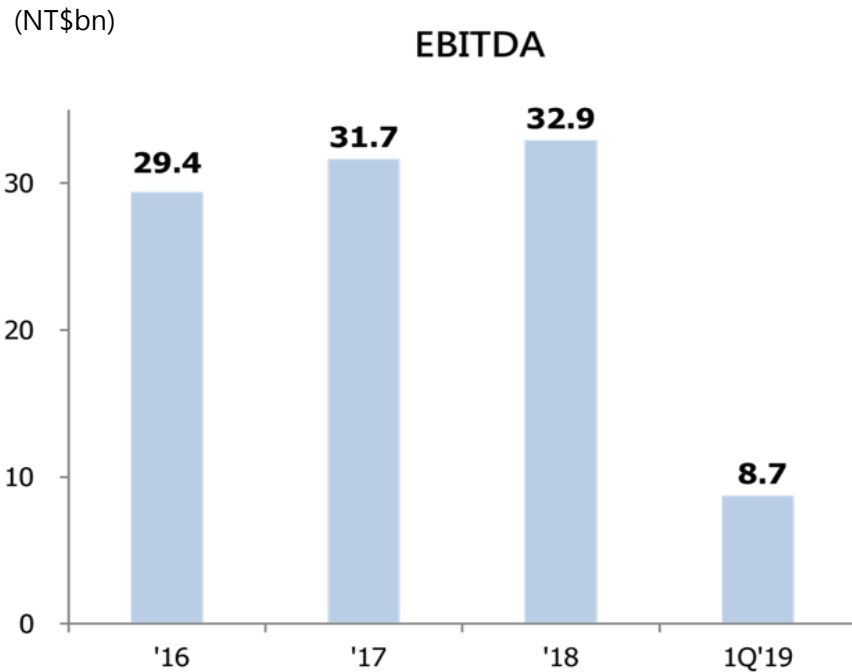


## 2. Net Profits & Operating Revenues

### 2) Operating Revenue, Gross Margin, and Net Margin



### 3. Operational Efficiency: EBITDA & EBITDA Margin



#### ✓ EBITDA

- 1Q2019: YoY +6.4%
- 2018: YoY +4.0%
- 5-Year ('14~'18) CAGR: +2.6%

#### ✓ EBITDA Margin

- '16~'18: 72%~73%





## 4. Balance Sheets

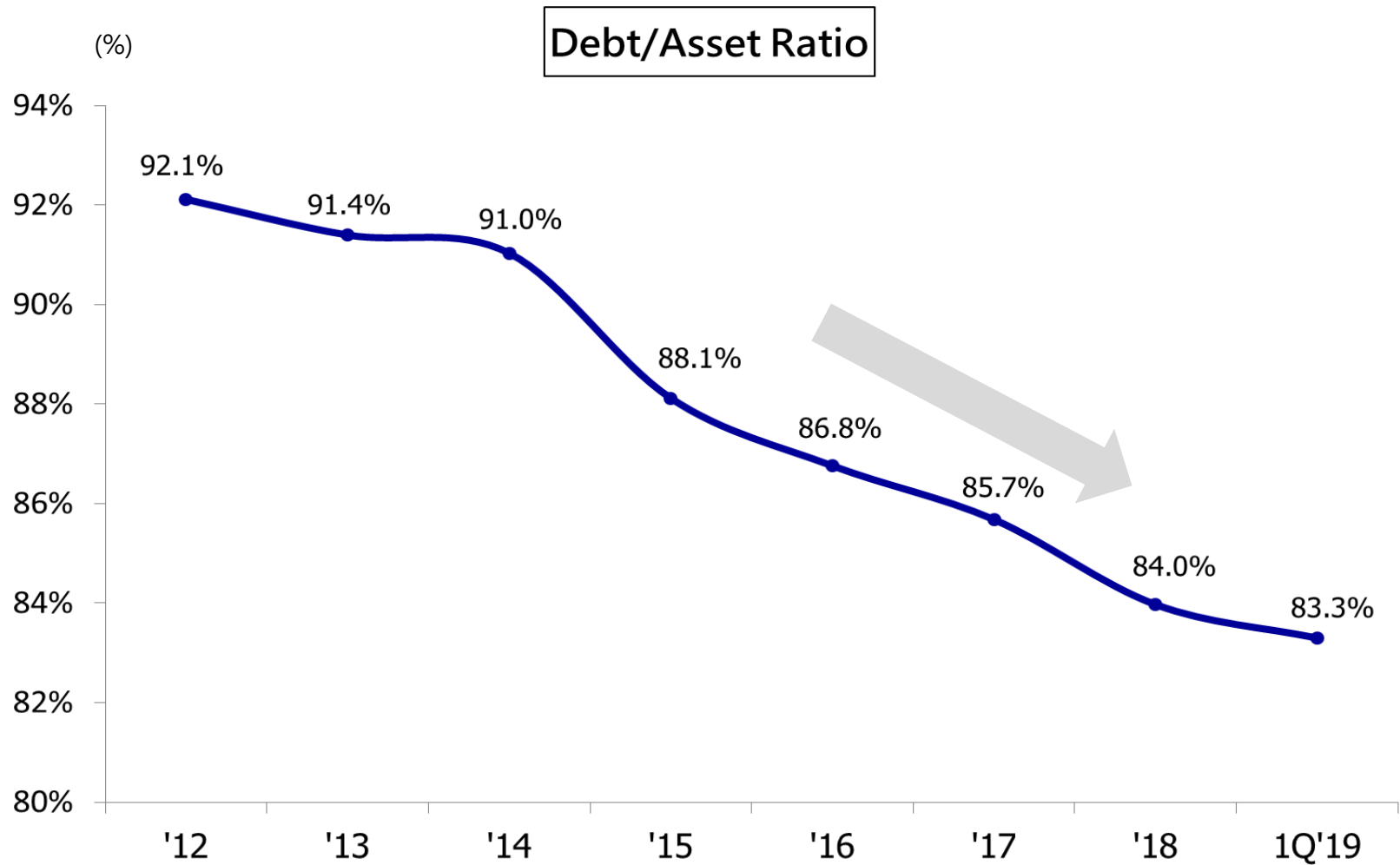
(NT\$m)	2019.3.31	2018.12.31	2018.3.31
Current assets	21,003	22,797	22,540
Operating concession asset	398,302	401,169	410,040
Other non-current assets	9,986	9,092	7,938
<b>Total assets</b>	<b>429,291</b>	<b>433,057</b>	<b>440,517</b>
Current liabilities	5,497	13,814	19,083
Non-current liabilities	352,093	18,821	356,014
<b>Total liabilities</b>	<b>357,590</b>	<b>363,644</b>	<b>375,097</b>
Common stock	56,283	56,283	56,283
Capital surplus	173	173	173
Legal reserve & unappropriated earnings	15,245	12,957	8,964
<b>Total equity</b>	<b>71,701</b>	<b>69,413</b>	<b>65,420</b>
<b>Total liabilities &amp; equity</b>	<b>429,291</b>	<b>433,057</b>	<b>440,517</b>



## 5. Statement of Cash Flows

(NT\$mn)	<b>2019.3.31</b>	<b>2018.12.31</b>	<b>2018.3.31</b>
Cash & cash equivalents at the beginning of the period	6,948	7,188	7,188
Cash flows from operating activities	6,947	26,217	6,817
Cash flows from investing activities	(1,861)	(4,356)	(2,764)
Cash flows from financing activities	(8,037)	(22,101)	(3,930)
Net increase in cash & cash equivalents	(2,951)	(240)	123
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>3,997</b>	<b>6,948</b>	<b>7,311</b>

# 2. Financial Risk Management





# 4. Recent Major Events and Activities



Date	Events
2019.2	<ul style="list-style-type: none"><li>✓ THSRC signed a new generation intelligent "Passenger Information System" with local suppliers.</li></ul>
2019.4	<ul style="list-style-type: none"><li>✓ In 2019, THSRC ran a total of 1,045 train services during the 6-day Tomb Sweeping Day holiday. On April 7, single-day passenger numbers reached 300,500 passengers, the highest number on record since THSRC commenced commercial operations.</li><li>✓ THSRC was selected by and listed in the FTSE4GOOD TIP Taiwan ESG Index for the second time.</li><li>✓ In order to adhere with the "Assist Railway Industry and Develop Local Supplier Technical Capabilities" governmental policy, we officially launched our "High Speed Rail Train Driving Simulator" developed in cooperation with the National Chung-Shan Institute of Science and Technology.</li><li>✓ Taiwan Stock Exchange presented THSRC with a "Top 5% of Corporate Governance Evaluations Award" for the second consecutive year.</li></ul>
2019.7	<ul style="list-style-type: none"><li>✓ An additional 18 weekly train services will be added starting on July 1, bringing total weekly train services to 1,015.</li></ul>



## III. MARKET OVERVIEW

1. Inter-City Transportation
2. Inter-City Public Transport Market
3. Domestic Tourism Market

高鐵假期

，國民旅遊卡  
高鐵路假期

了解更多

車票+住宿+接駁一站購足，  
平日出發輕鬆度假去！

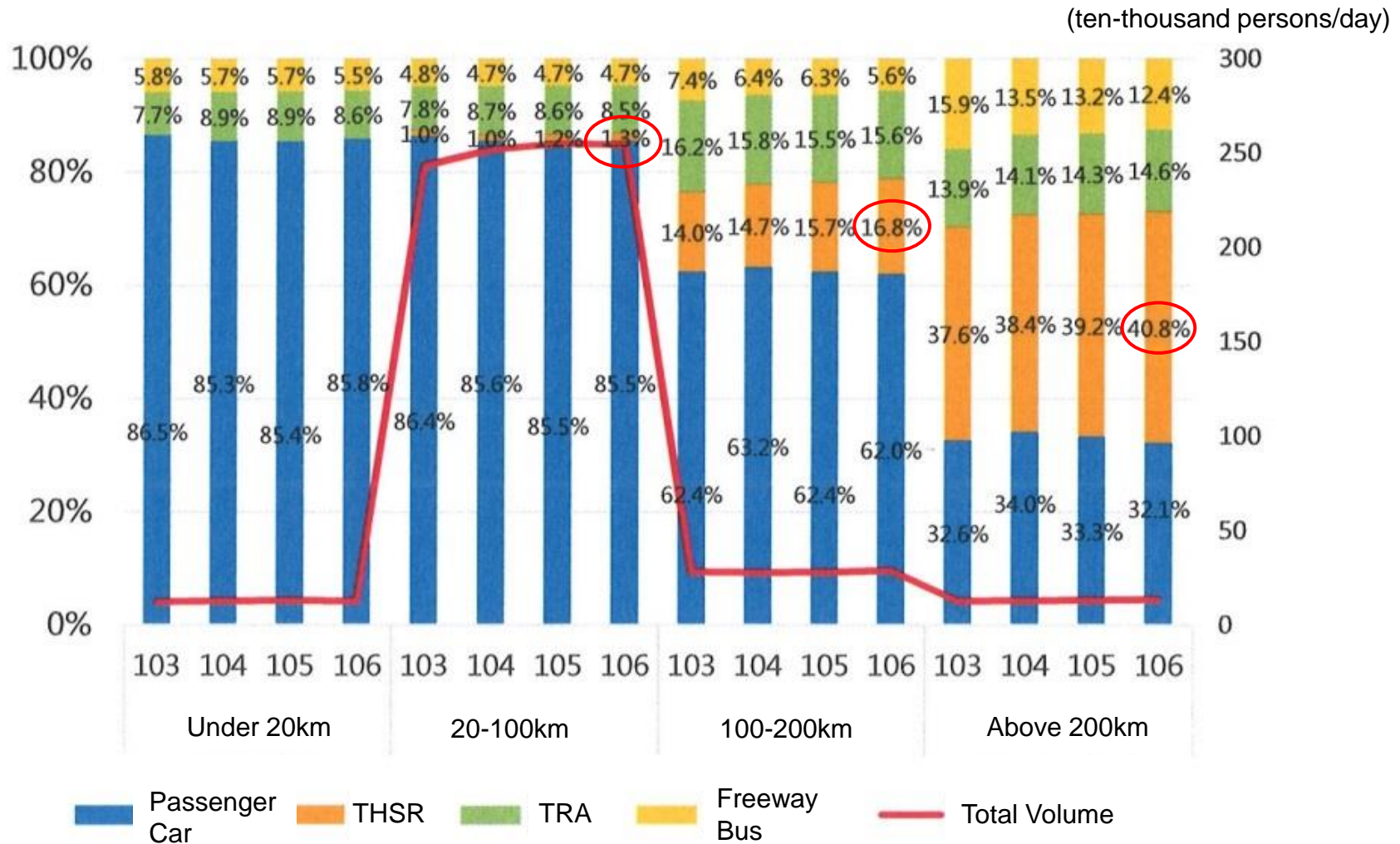


# 1. Inter-City Transportation



## 1. Market Share for Different Travel Distances (Weekday)

Market Share for Different Travel Distances (Weekday, 2014~2017)



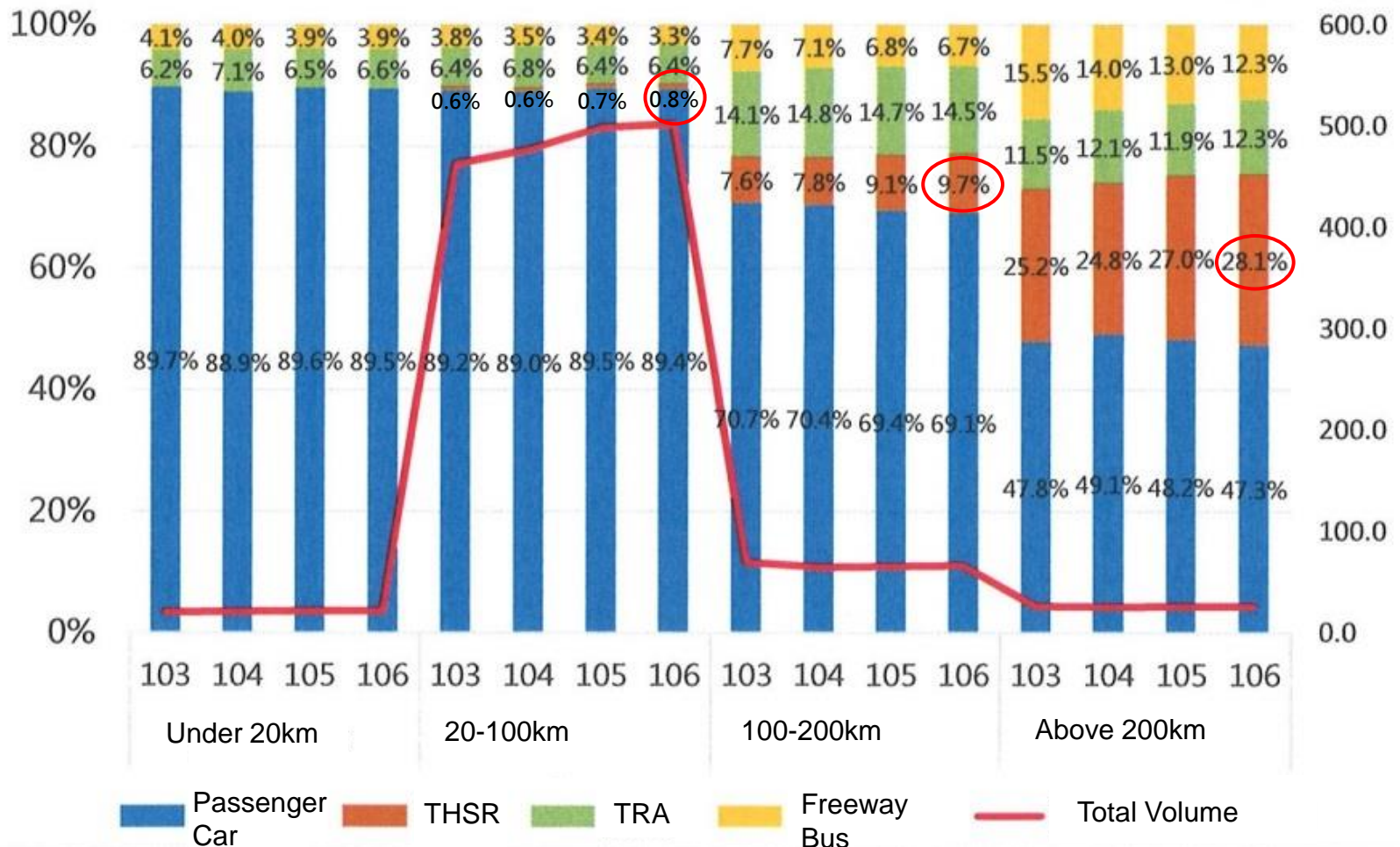
# 1. Inter-City Transportation



## 2. Market Share for Different Travel Distances (Weekend)

Market Share for Different Travel Distances (Weekend, 2014~2017)

(ten-thousand persons/day)

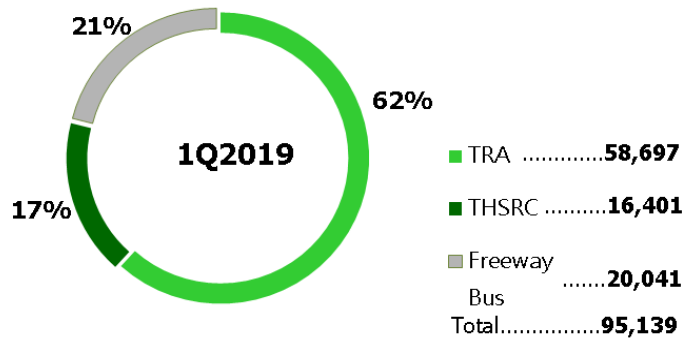




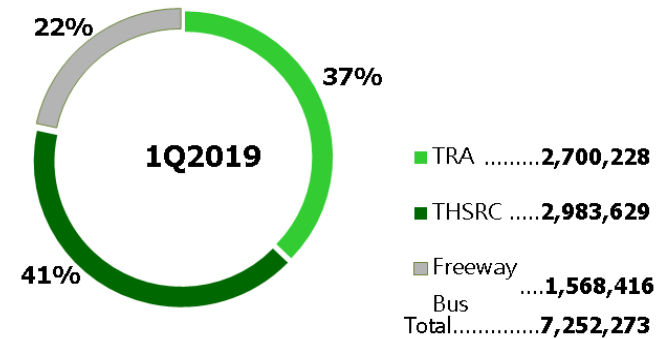
# 2. Inter-City Public Transport Market



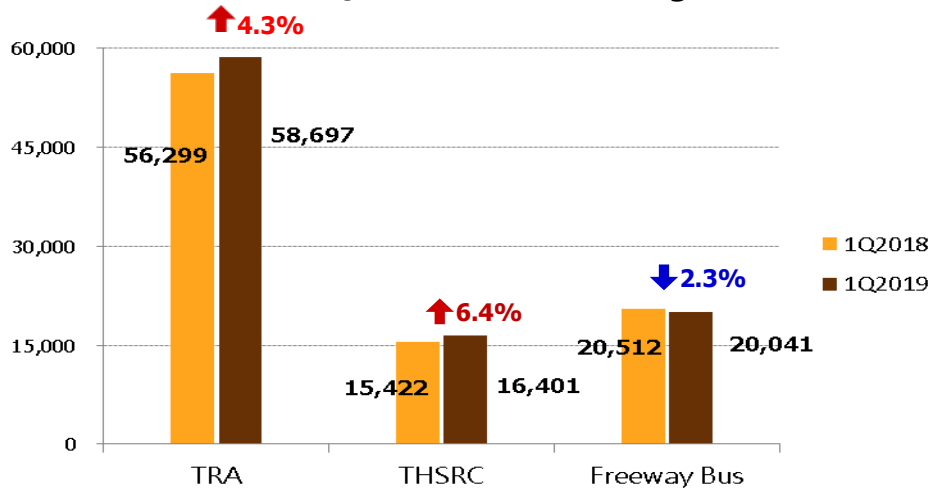
Passenger (thousand persons) **Passenger Proportions**



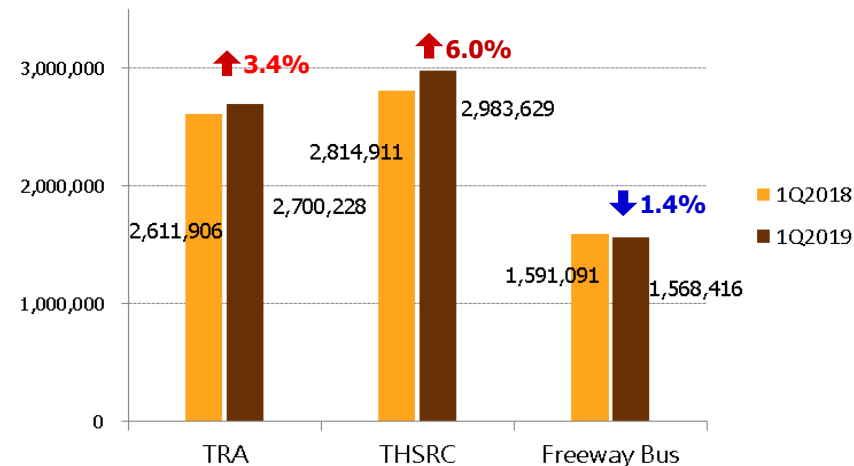
Passenger-km (thousand persons-km) **Passenger-km Proportions**



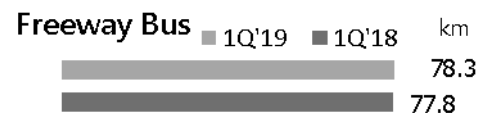
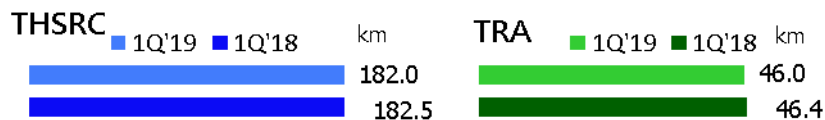
(thousand persons) **1Q'19 Trend of Passenger Growth**



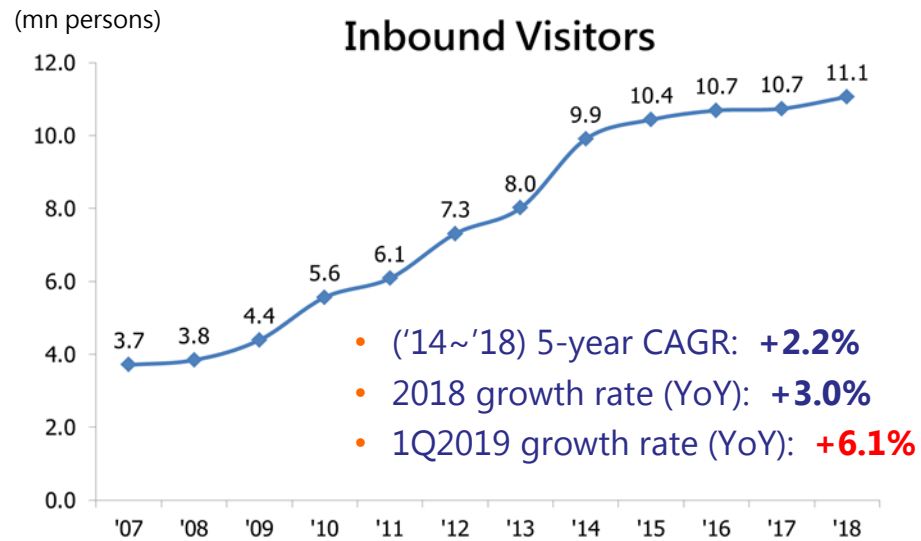
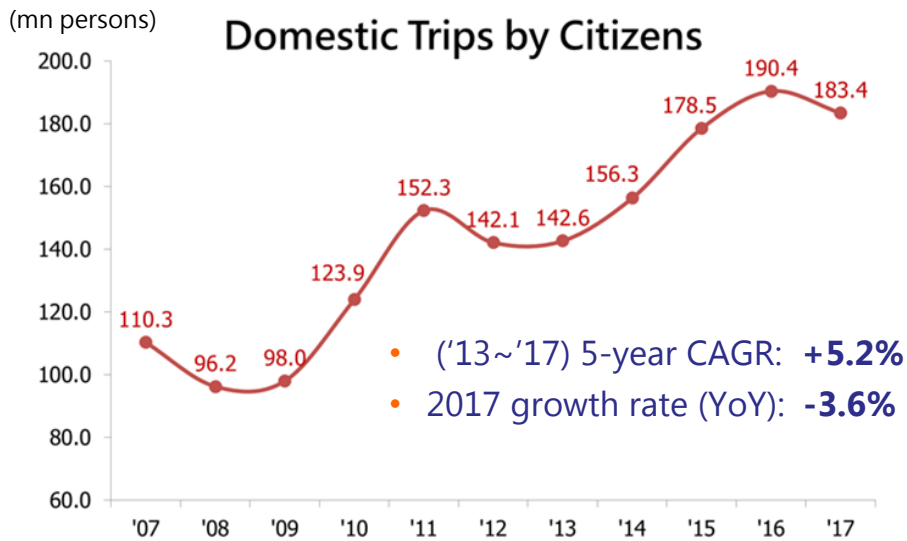
(thousand-km) **1Q'19 Trend in Passenger-km Growth**



**Avg. passenger distance**

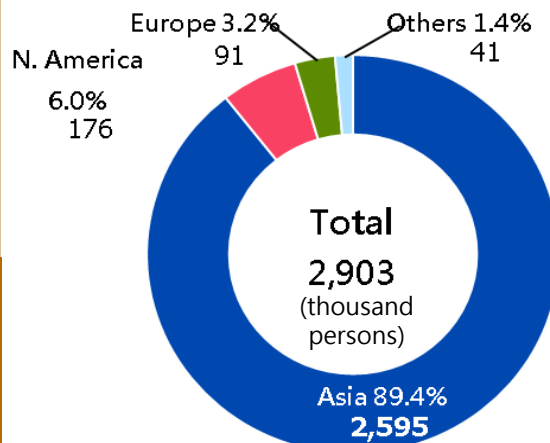


# 3. Domestic Tourism Market

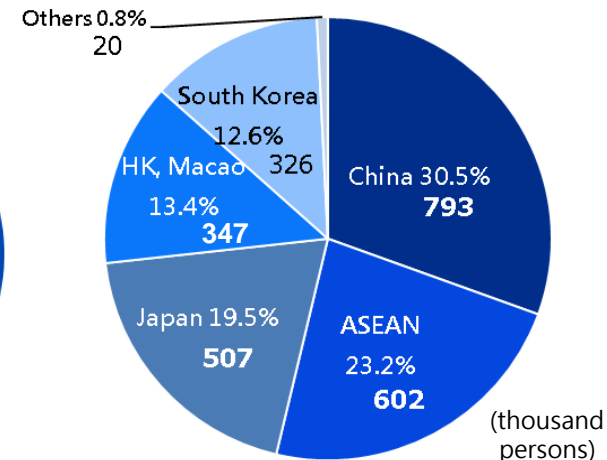


MOTC Tourism Bureau "Tourism 2020-Taiwan Sustainable Tourism Development Program" components:

- Increase market diversification
  - Actively support domestic tourism
  - Encourage industry transformation
- 
- Precision marketing in 10 selected countries (international market)
  - Promote "2019 Small Town Roaming Year" (domestic market)
  - 2019 targets: 11.5 million inbound visitors and 190 million domestic trip by citizens.



**1Q2019 distribution of foreign visitors (Global)**



**1Q2019 distribution of foreign visitors (Asia)**

Source : Tourism Bureau, MoTC



## IV. PROSPECTS

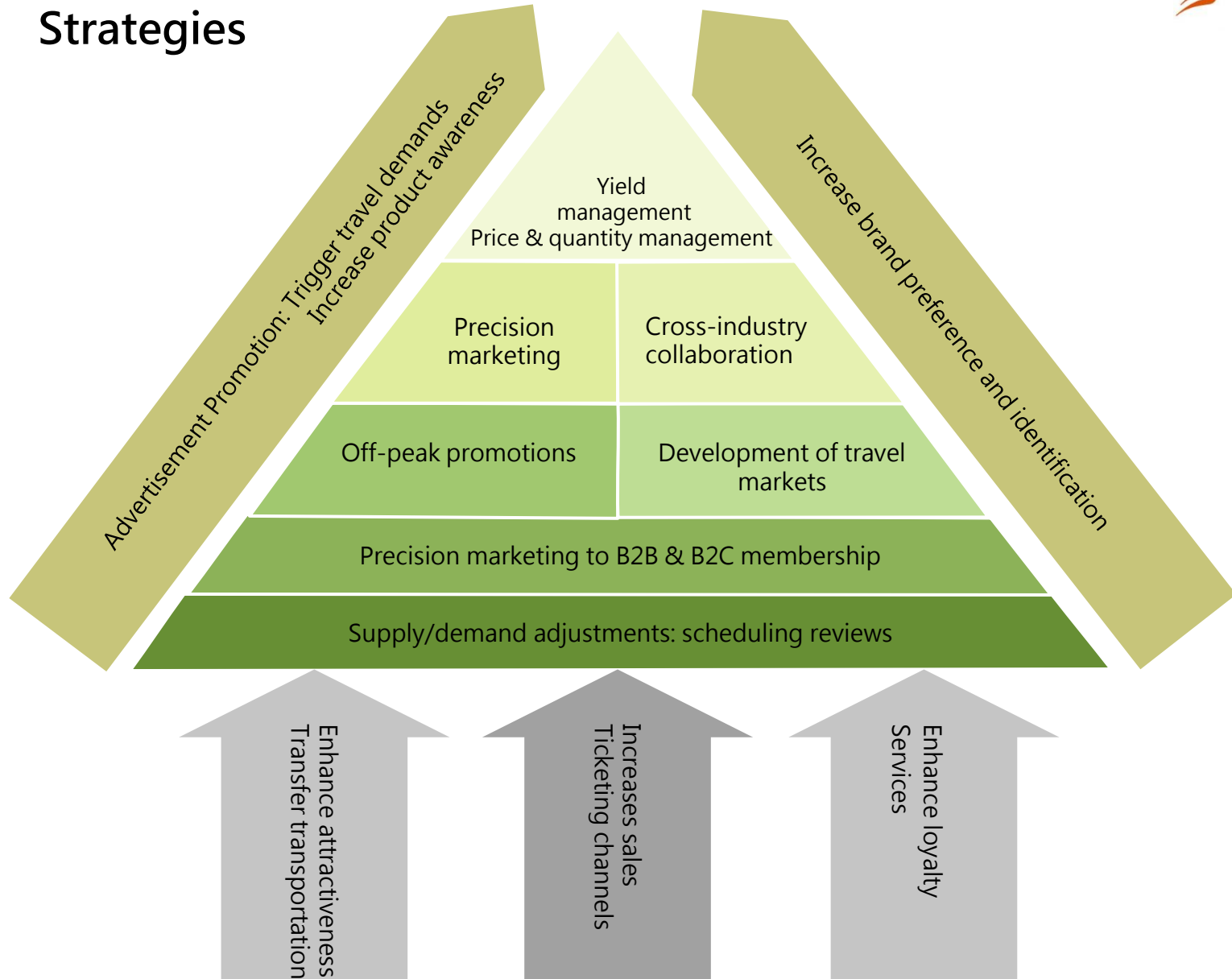
1. Sustain Revenue Growth Drivers
2. Reduce Operating Costs



# 1、Sustain Revenue Growth Drivers



## 1. Strategies





## 2. Major Production and Marketing Initiatives

### Add Train Services

- Establish appropriate train schedules
- Maintain adaptability of seating supply/demand
- Meet market demands for transportation services

### Digitize Ticketing Channels

- Make convenient ticketing services available to all customers
- Broaden the scope of mobile and electronic payment

### Improve Member Benefits

- Enhance TGo membership system and related services
- Implement precision marketing strategies and build a member platform

1 Million Members

### Develop Tourism Packages

- Promote "Journey with THSR, Discover Taiwan"
- Provide THSR holiday packages and hotel & travel coupons

150 Itineraries

170 Hotels

### Diversify Product Lines

- Develop diversified products
- Increase customer loyalty
- Satisfy different customer needs

2.68 Million Tourists

### Increase Non-Ticket Revenues

- Develop affiliated business such as shops, parking lots, advertising, and so on
- Launch retail products and expand sales channels

# 2. Reduce Operating Costs



## ✓ Enhance Self-Maintenance Capabilities

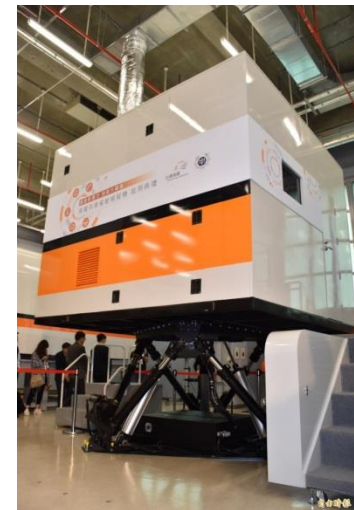
- Set up electronics, machinery, welding and other factories to strengthen THSRC's self-maintenance capabilities; currently, our self-maintenance capabilities have reached more than 90% of total maintenance abilities.

## ✓ Promote Localization of Railway Industry

- Build train-driving simulators and develop a new-generation smart "Passenger Information System".

## ✓ Local Supplied Material

- Use domestically manufactured parts and components, such as trainset rail car paint, axle bolts, and so on. Our target is to use 30% locally supplied materials by 2022.



# Conclusion



**Vision: To be the platform for advancement and enjoyment.**

Integrate technology into services for smart and convenient new 4T living

**THSRC strives to be one of the top ten brands in Taiwan**

**Intelligent**

Smart Transportation  
Safe Rides

**T**  
**ransportation**

**Innovative**

Inventive Technology  
Low Carbon Industry

**T**  
**echnology**

**Localized  
in**

Material Localization  
Travel in Taiwan

**T**  
**aiwan**

**Sustained  
Social Care**

Continuous Community Care  
Create Company Value

**T**  
**ouch**



<http://www.thsrc.com.tw>

