

Ticker Symbol: 2633



# Taiwan High Speed Rail Corporation

2017.4Q Fubon Investment Forum





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# AGENDA

- I. ABOUT THE COMPANY
- II. CURRENT OPERATIONS OVERVIEW
- III. MARKET OVERVIEW
- IV. PROSPECTS





## I. ABOUT THE COMPANY

1. Company History
2. System Map

# 1. Company History



- Established in May 1998.
- Signed Construction and Operation Agreement (“C&OA”) with the MoTC in July 1998:
  - 35 years for construction and operation.
- Commenced construction in Q1 2000 and commenced operations in Jan 2007.
- Signed a NT\$382bn refinancing contract with 8 local banks in Jan 2010.
- Extended the concession period from 35 years to 70 years, effective Oct 2015.
- Established 3 new stations (Miaoli, Changhua, and Yunlin) on HSR route in Dec 2015.
- Established Nangang station in July 2016.
- Went public in Oct 2016.

## 2. System Map



- 12 stations, 4 depots and 1 workshop.
- Total route length: around 350 km
- Peak speed: 300 km/hour





## II. CURRENT OPERATION OVERVIEW

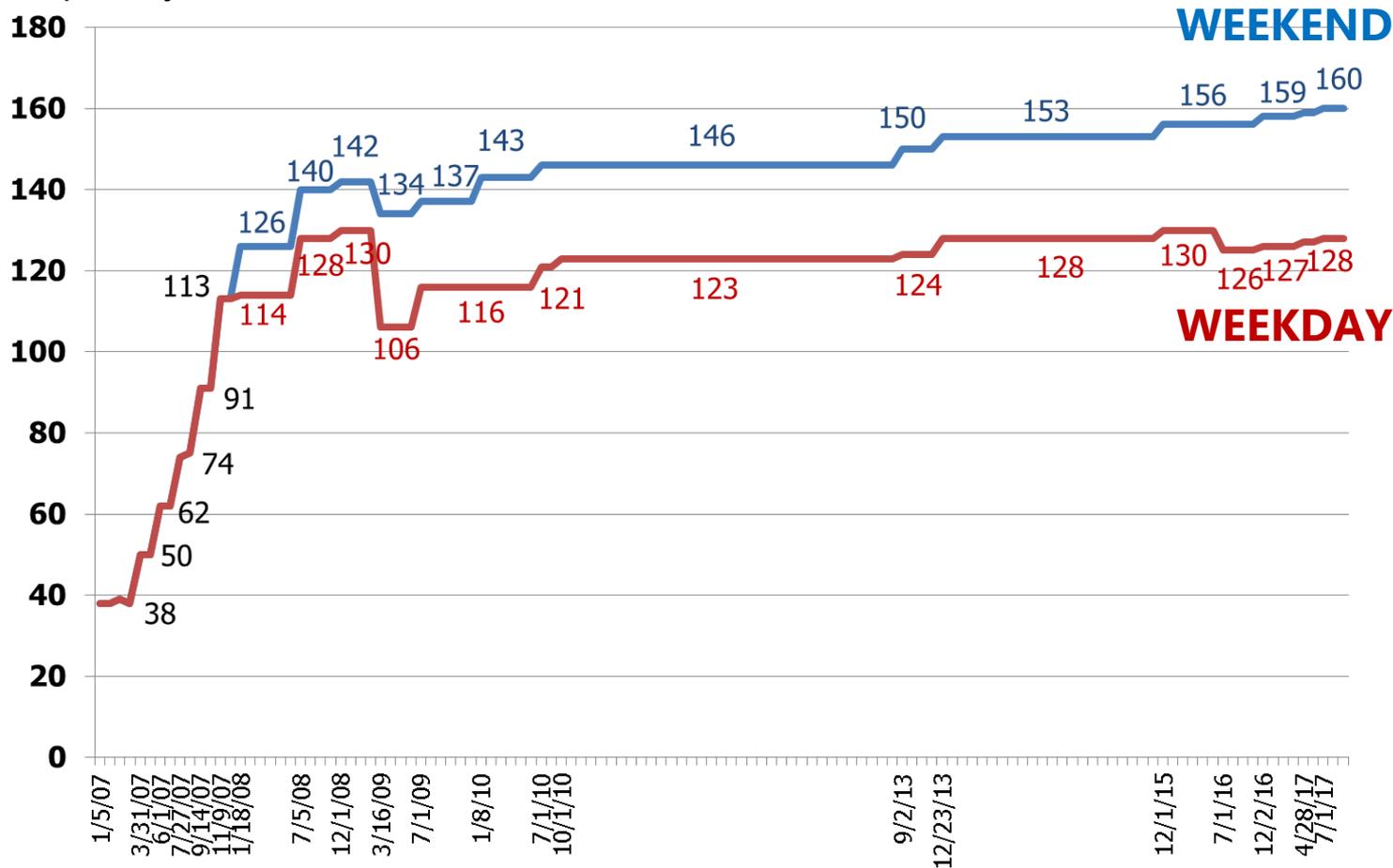
1. Operational Performance
2. Financial Performance
3. 2017 Projects and Major Events

# 1. Operational Performance



## 1) Train Frequency

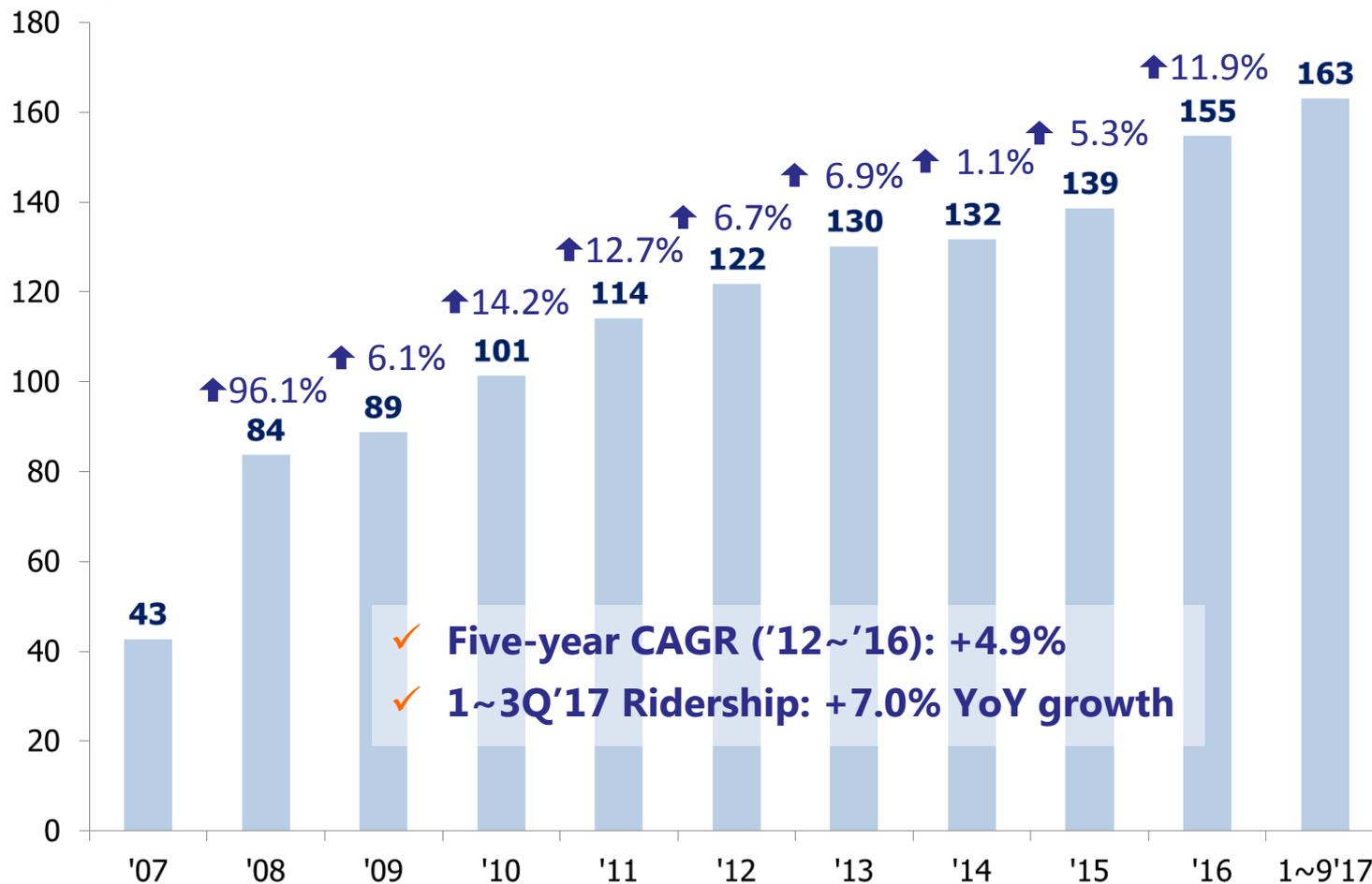
(Daily Frequency)





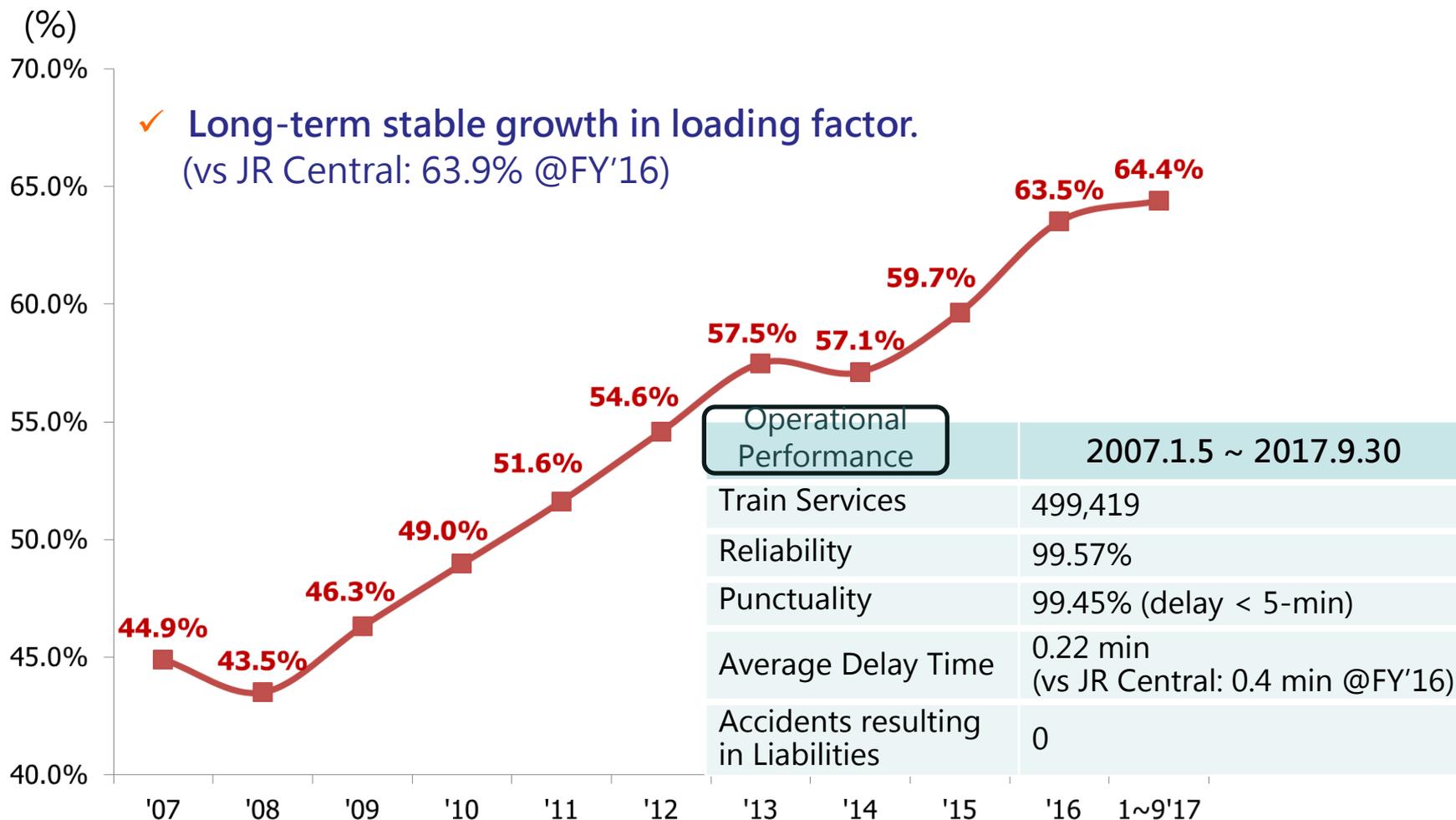
## 2) Ridership

('000/day)





### 3) Loading Factor



## 2. Financial Performance



### 1) Financial Reporting

#### ① Income Statement

(NT\$m)	1~3Q'17		1~3Q'16		Variance Amount	Variance %
Operating revenues	32,026	100.0%	30,062	100.0%	1,964	6.5%
Operating costs	(18,007)	-56.2%	(19,127)	-63.6%	1,120	-5.9%
Gross Profit	14,019	43.8%	10,936	36.4%	3,084	28.2%
Operating expenses	(788)	-2.5%	(682)	-2.3%	(107)	15.7%
Net Operating Income	13,231	41.3%	10,254	34.1%	2,977	29.0%
Non-operating income and expenses						
Interest expenses	(5,718)	-17.9%	(6,363)	-21.2%	645	-10.1%
Stabilization reserve	(2,600)	-8.1%	0	0.0%	(2,600)	-
Others	34	0.1%	(135)	-0.4%	169	125.3%
Net Income before Tax	4,947	15.4%	3,756	12.5%	1,191	31.7%
Income tax	(870)	-2.7%	(629)	-2.1%	(241)	38.3%
<b>Net Income</b>	<b>4,077</b>	<b>12.7%</b>	<b>3,127</b>	<b>10.4%</b>	<b>950</b>	<b>30.4%</b>
<b>EPS</b>	<b>0.72</b>		<b>0.56</b>			



# 1) Financial Reporting

## ② Balance Sheet

(NT\$m)	2017.9.30	2016.12.31	2016.9.30
Current assets	13,308	28,728	27,791
Operating concession assets	416,357	426,020	429,666
Other non-current assets	6,462	6,459	6,290
<b>TOTAL ASSETS</b>	<b>436,127</b>	<b>461,207</b>	<b>463,747</b>
Current Liabilities	5,377	19,815	19,136
Long-term debt	286,081	316,280	321,750
Long-term bills payable	15,956	-	-
Operating concession liabilities	54,393	53,990	53,717
Other non-current liabilities	12,556	10,058	9,456
<b>Total Liabilities</b>	<b>374,363</b>	<b>400,144</b>	<b>404,059</b>
Common stock	56,283	56,283	56,053
Capital surplus	173	173	-
Retained earnings & others	5,308	4,608	3,634
<b>Total Equities</b>	<b>61,764</b>	<b>61,064</b>	<b>59,687</b>
<b>TOTAL LIABILITIES &amp; EQUITIES</b>	<b>436,127</b>	<b>461,207</b>	<b>463,747</b>



# 1) Financial Reporting

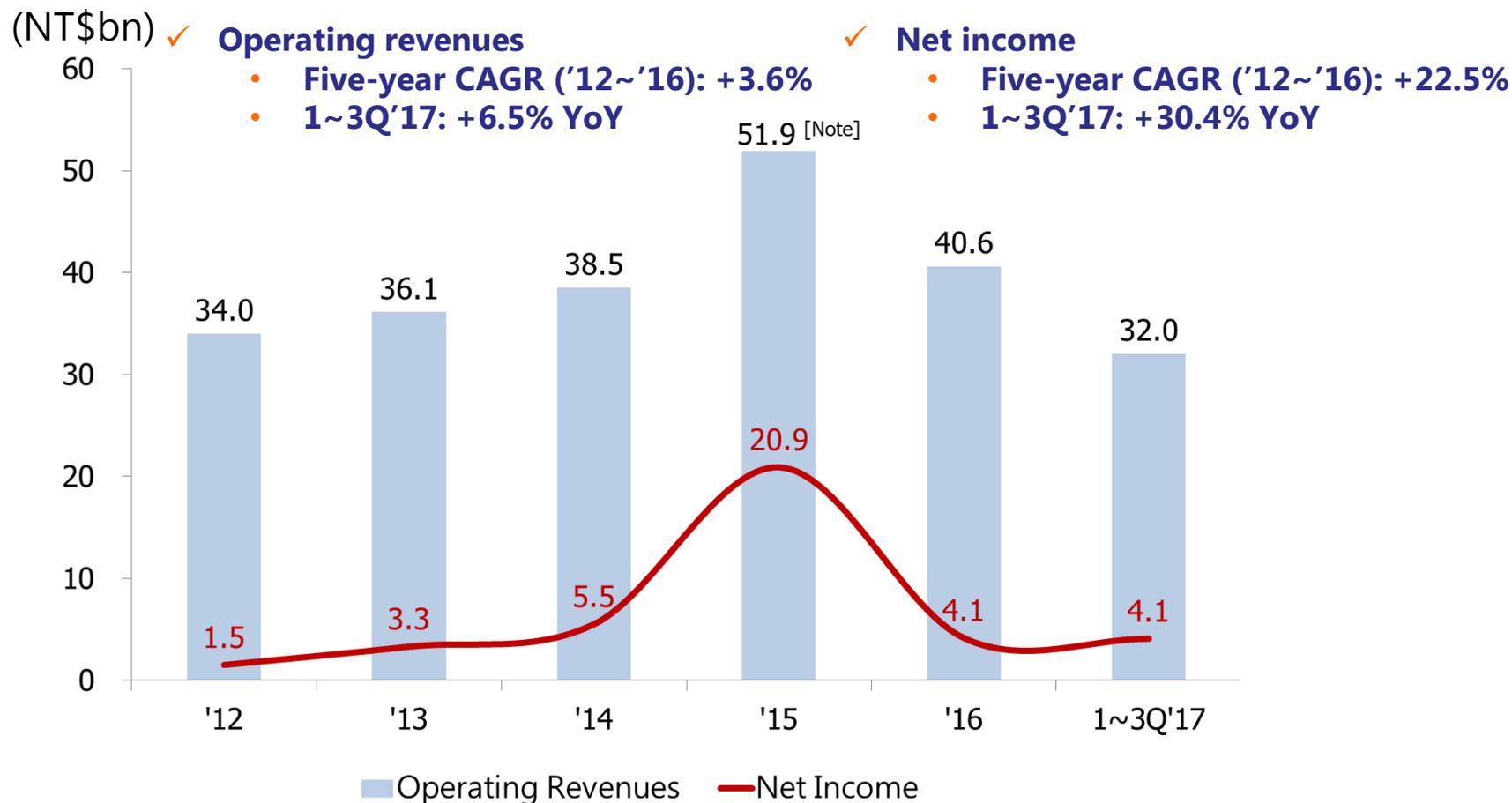
## ③ Statement of Cash Flows

(NT\$m)	1~3Q'17	1~3Q'16	Variance Amount
Cash & cash equivalents at the beginning of the period	237	2,146	(1,909)
Cash flows from operating activities	14,878	275	14,603
Cash flows from investing activities	16,382	30,682	(14,299)
Cash flows from financing activities	(28,470)	(30,089)	1,619
Effects of exchange rate changes on the balance of cash held in foreign currencies	0	(55)	55
Net increase in cash & cash equivalents	2,790	812	1,978
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>3,027</b>	<b>2,959</b>	<b>69</b>



## 2) Net Profits & Operating Revenues

### ① Historical Operating Revenues and Net Income



Note: If compensation on statutory discount tickets are excluded, operating revenues for FY 2015 would total \$39.8bn.

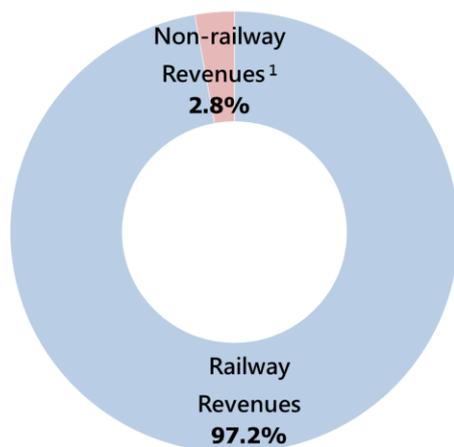


## 2) Net Profits & Operating Revenues

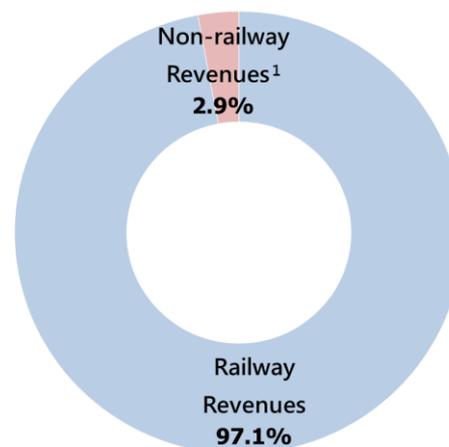
### ② Revenue Mix

(NT\$bn)	1~3Q'17	1~3Q'16	YoY
Railway revenues	31.12	29.18	+6.6%
Non-railway revenues	0.91	0.88	+3.0%
Total	32.03	30.06	+6.5%

1~3Q'17 Revenue Mix



1~3Q'16 Revenue Mix



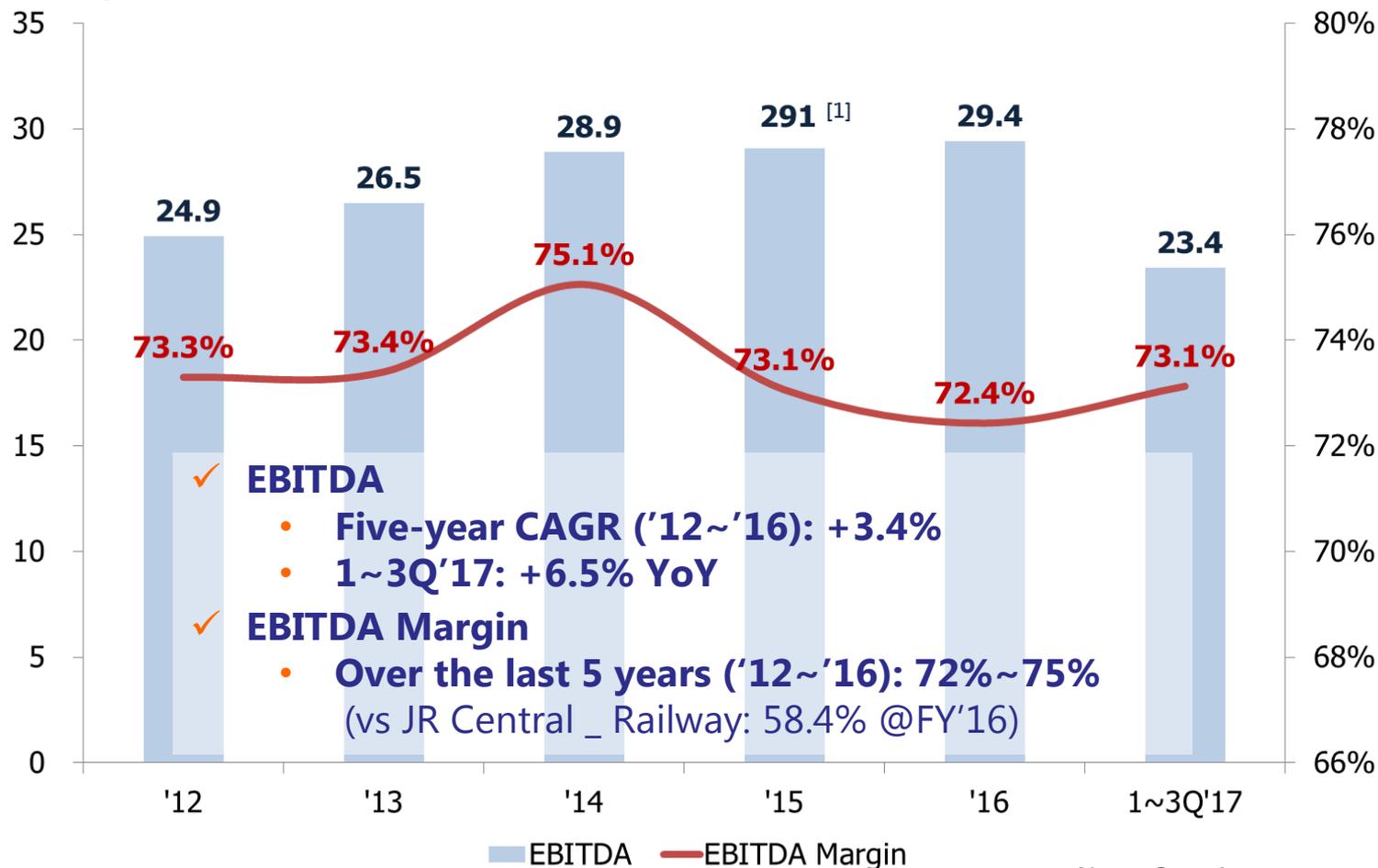
Note: Non-railway revenues mainly include rental incomes, advertising revenues, and onboard sales.



(%)

### 3) Management Efficiency: EBITDA & EBITDA Margin

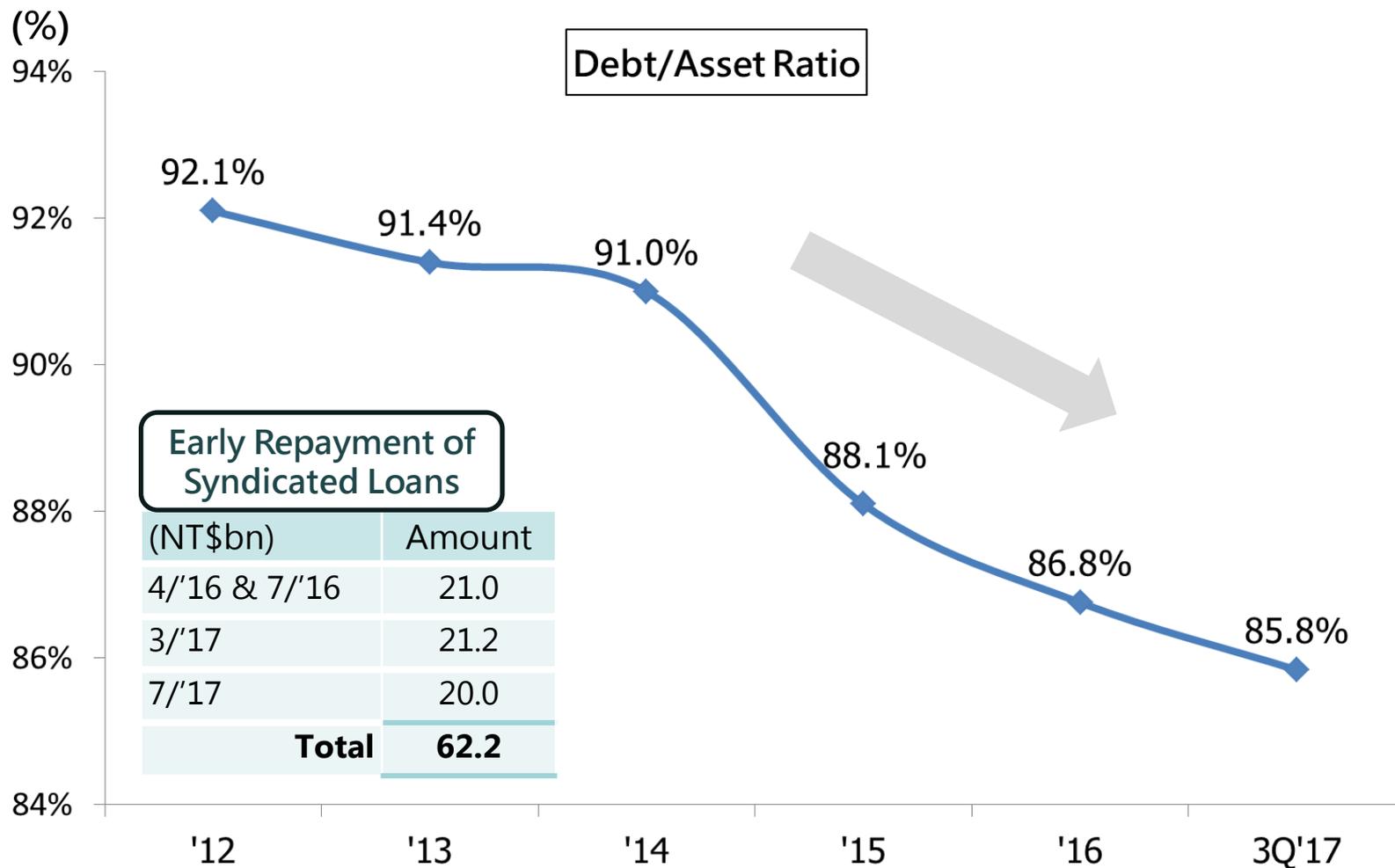
(NT\$bn)



Note: One-time compensation of \$12.1bn on statutory discount tickets is excluded in the EBITDA for the year 2015.



## 4) Financial Risk Management





## 5) Earnings Distribution

### ① Dividend Policy

Taking into consideration current and future developments, investment environments, funding demands, domestic and international competition, shareholder interests, and other relevant factors, the Company has adopted a stable and balanced dividend policy as summarized below:

- ✓ The Company shall pay out at least 60% of the earnings available for distribution to shareholders.
- ✓ Of this, cash dividends shall exceed 50% of total distribution in any given fiscal year.

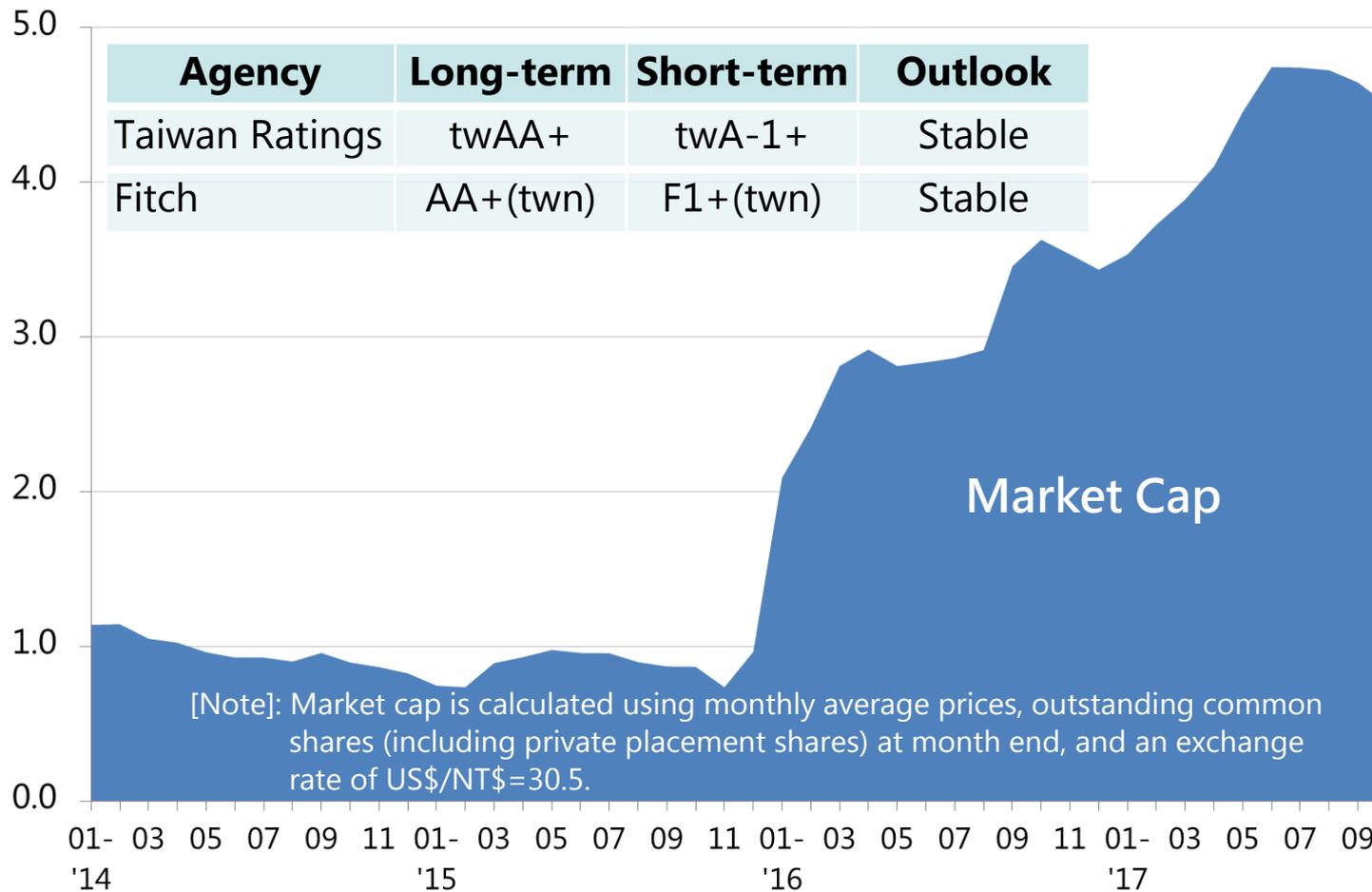
### ② Dividend History

	2015	2016
Cash dividend (NT\$/share)	0.65	0.60
Cash dividend over earnings available for distribution (%)	98.5%	89.9%



## 6) Corporate Credit Ratings & Market Cap

(US\$bn)



# 3. 2017 Projects and Major Events



## 1) Operational Aspect



Upgrades to business class services



Provided iTaiwan Wi-Fi system



Obtained TOSHMS and world-class OHSAS 18001 certificates

Promoted railway-industry localization, and proposed NT\$17bn business opportunities to be spread out over the next decade





## 2) Business Aspect



Integrated multi digital wallet platforms

Launched membership program



Added mobile payment services (Android & Apple Pay)

Launched THSR mobile application





### 3) Finance Aspect (1/2)

Date	Event
Mar 1, 2017	The Company issued commercial paper totaling NT\$16bn for early repayment of syndicated loans.
Mar 27, 2017	Board of Directors approved the following capital expenditures: <ul style="list-style-type: none"><li>✓ Replacement of Traffic Control System (TCS); project term: 33 months, total expenditure: JPY6,788 mn (tax inclusive).</li><li>✓ Establishment of Aging Bay (AGB; applied to Signal Systems); project term: 24 months, total expenditure: NT\$690 mn (tax inclusive).</li></ul>
May 24, 2017	2017 Annual General Shareholders' Meeting passed the following major resolutions: <ul style="list-style-type: none"><li>✓ Distribution of NT\$0.6 cash dividend per common share.</li><li>✓ Early election of 13 directors (including 3 independent directors).</li></ul>



### 3) Finance Aspect (2/2)

<b>Date</b>	<b>Event</b>
May 31, 2017	Listed on MSCI Taiwan Index.
Jun 8, 2017	Board of Directors approved capital expenditures for "Automatic Ticketing System Update and Maintenance Service Procurement Project"; project term: 115 months, total expenditure: NT\$601 mn (tax inclusive).
Jun 19, 2017	Listed on Taiwan 50 Index.
Jul 4, 2017	Early repayment of syndicated loans totaling NT\$20 bn.
Oct 13, 2017	Starting from the 9th year until the 30th year of the first drawdown date, the markup interest rates of syndicated loan were reduced from 1.08% to 0.92%.



### III. MARKET OVERVIEW

1. Inter-City Transportation
2. Domestic Tourism Market
3. Domestic Railway Infrastructure Projects

# 1. Inter-City Transportation



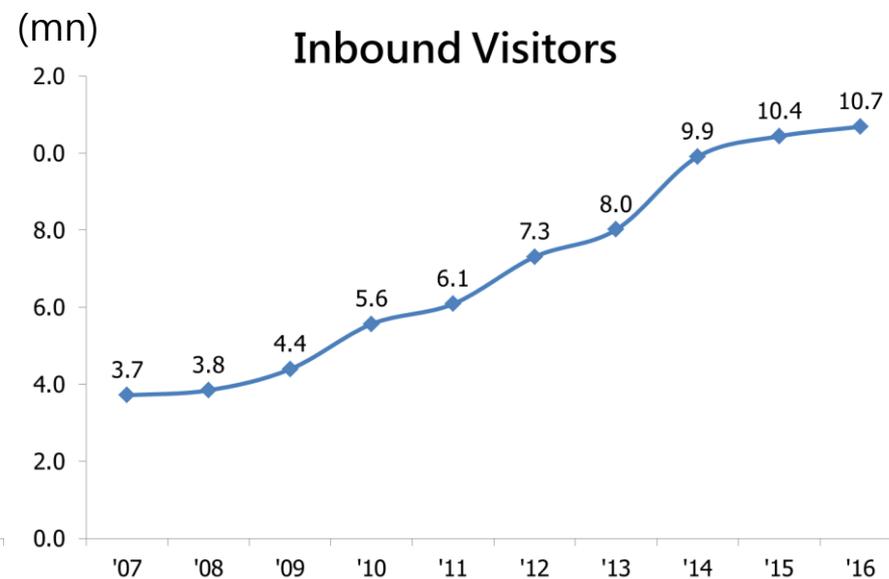
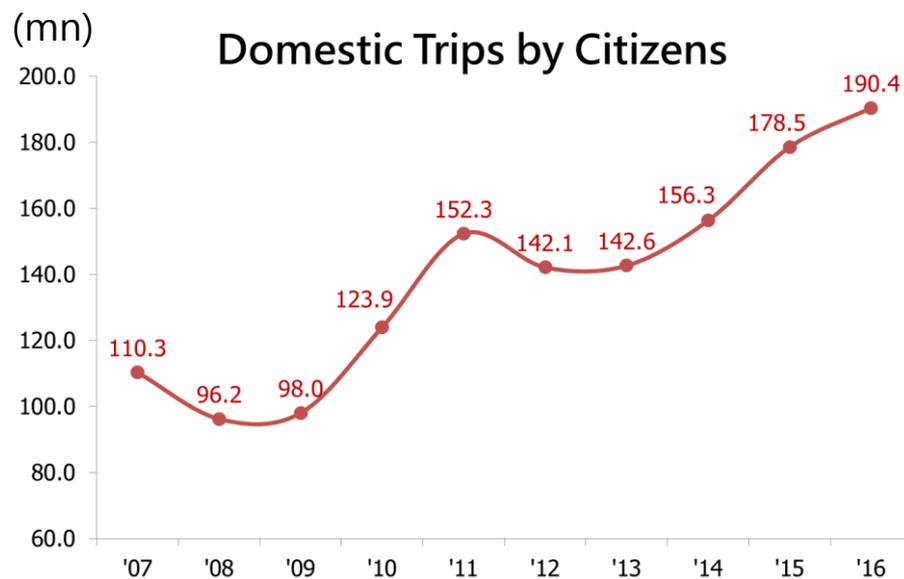
Year 2013	Short Distance (20~100km)	Medium Distance (100~200km)	Long Distance (200km+)
Weekday	<p>THSRC 1.7%</p> <p>TRA 13.9%</p> <p>Freeway Bus 7.8%</p> <p>Private Car 76.6%</p>	<p>THSRC 13%</p> <p>TRA 6%</p> <p>Freeway Bus 6%</p> <p>Private Car 75%</p>	<p>THSRC 31%</p> <p>Private Car 57%</p> <p>Freeway Bus 9%</p> <p>TRA 3%</p>
Weekend & Holiday	<p>THSRC 1.4%</p> <p>TRA 13.0%</p> <p>Freeway Bus 5.9%</p> <p>Private Car 79.7%</p>	<p>THSRC 9%</p> <p>TRA 7%</p> <p>Freeway Bus 7%</p> <p>Private Car 77%</p>	<p>THSRC 27%</p> <p>Private Car 59%</p> <p>Freeway Bus 11%</p> <p>TRA 3%</p>

Source: The 5th Taiwan Area Comprehensive Transportation Planning Research Series - Intercity Travel Survey and Preliminary Analysis, Institute of Transportation, MOTC

## 2. Domestic Tourism Market

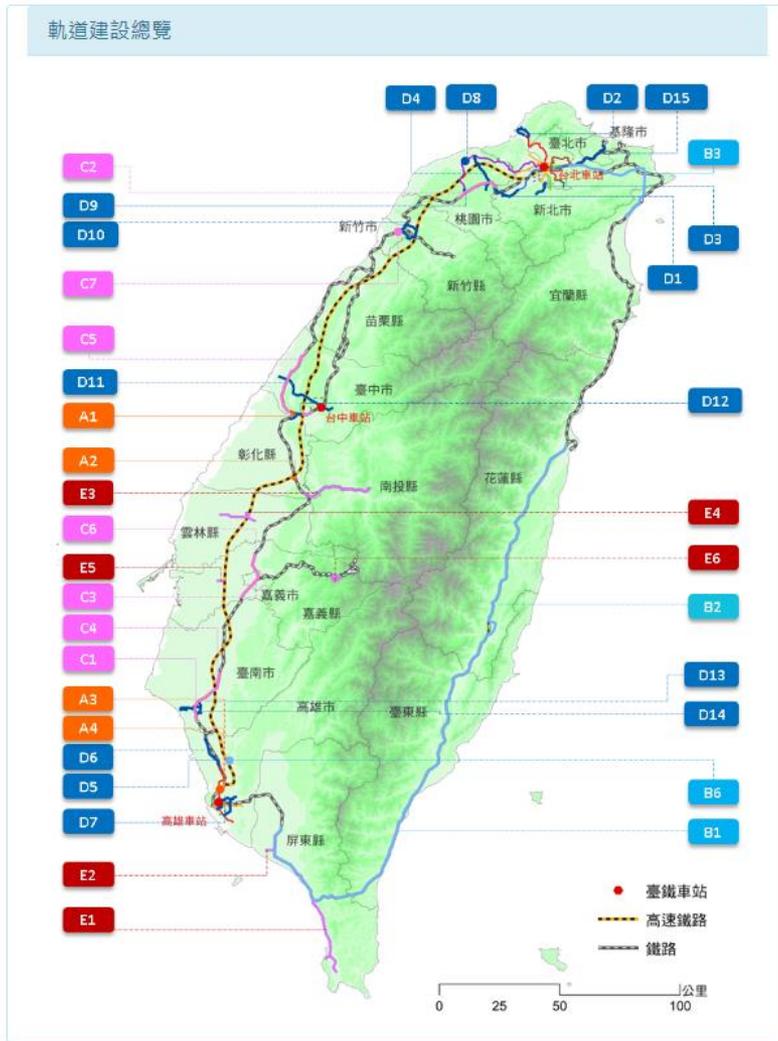


	Domestic Trips by Citizens	Inbound Visitors
5-Year('12~'16) CAGR	6.0%	7.9%
2016 Growth Rate (YoY)	6.6%	2.4%



Source: Tourism Bureau, MoTC

# 3. Domestic Railway Infrastructure Projects



- ✓ Broaden domestic rail network and industry value-chain.
- ✓ HSR-related projects include enhancing connection and accessibility services.

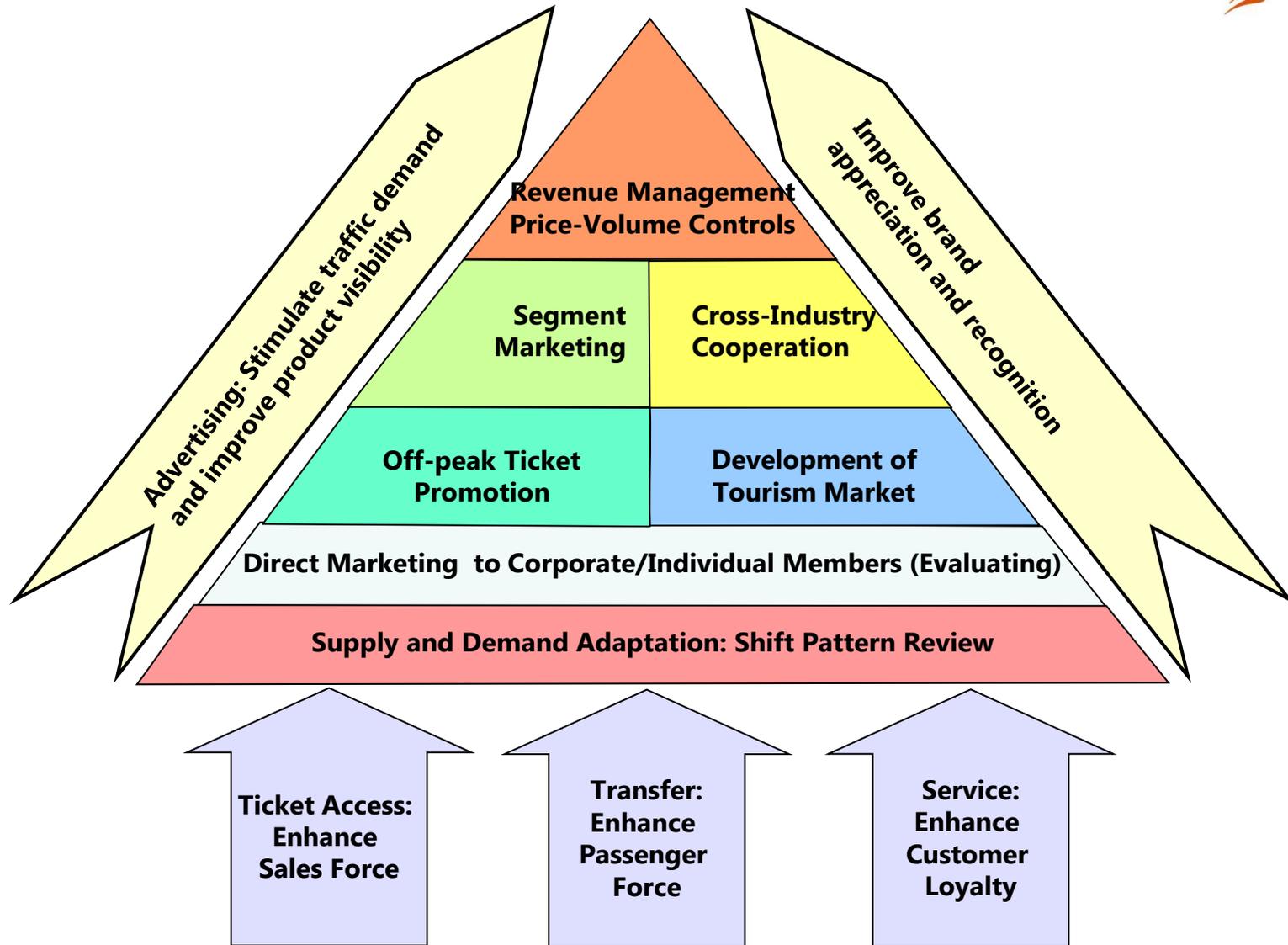
- A. Integrate the high speed rail and conventional rail systems.
- B. Upgrade and improve conventional rail services in Eastern Taiwan.
- C. Move rail tracks above- or under-ground to speed up commuter services.
- D. Promote urban mass rapid transit.
- E. Build tourism-oriented rail systems for Central and Southern Taiwan.



## IV. PROSPECTS

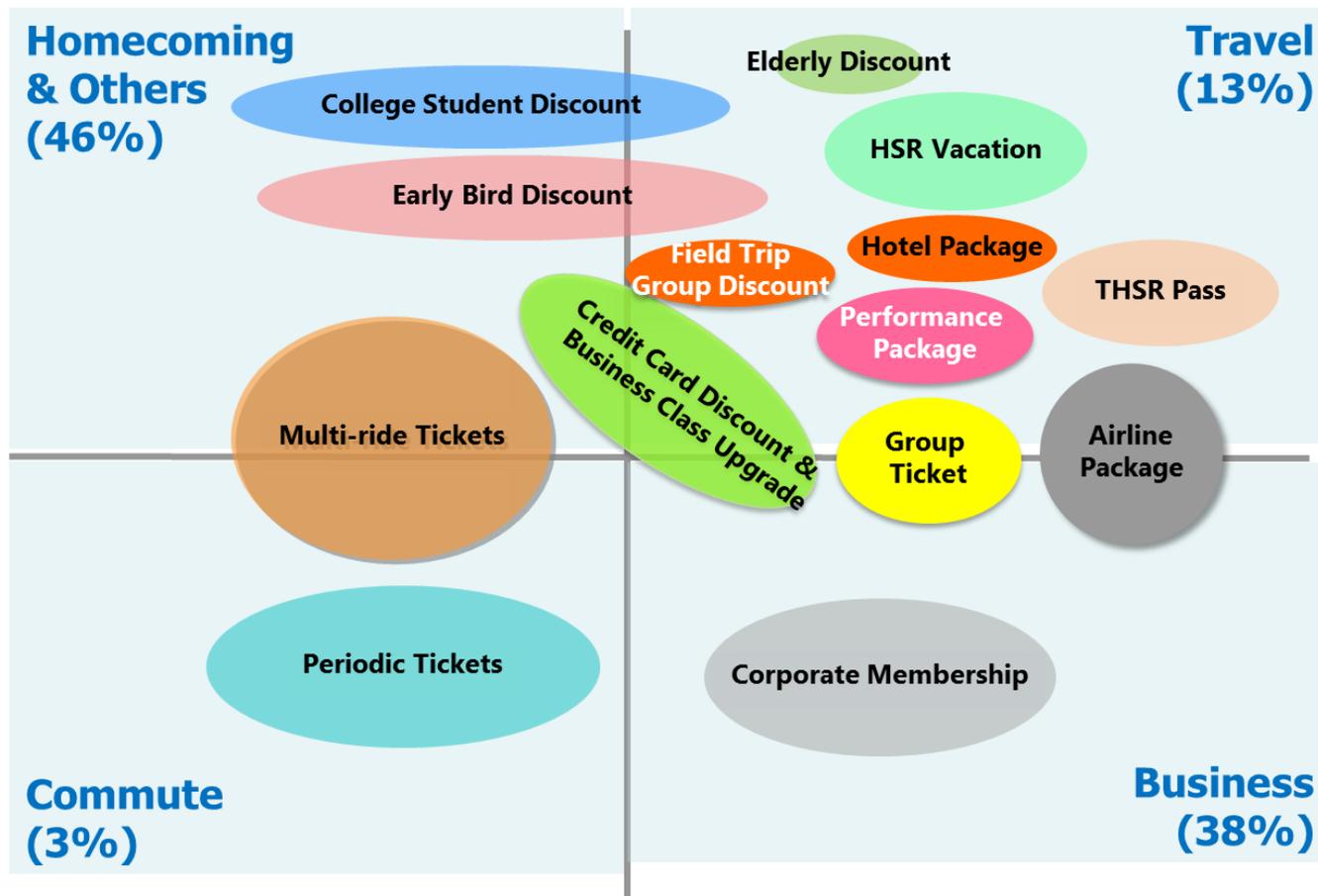
1. Sustain Revenue Growth Drivers
2. Optimize Company Financial Structure
3. Strengthen In-House Maintenance and Innovative Capabilities
4. Facilitate International Technical Exchanges

# 1. Sustain Revenue Growth Drivers





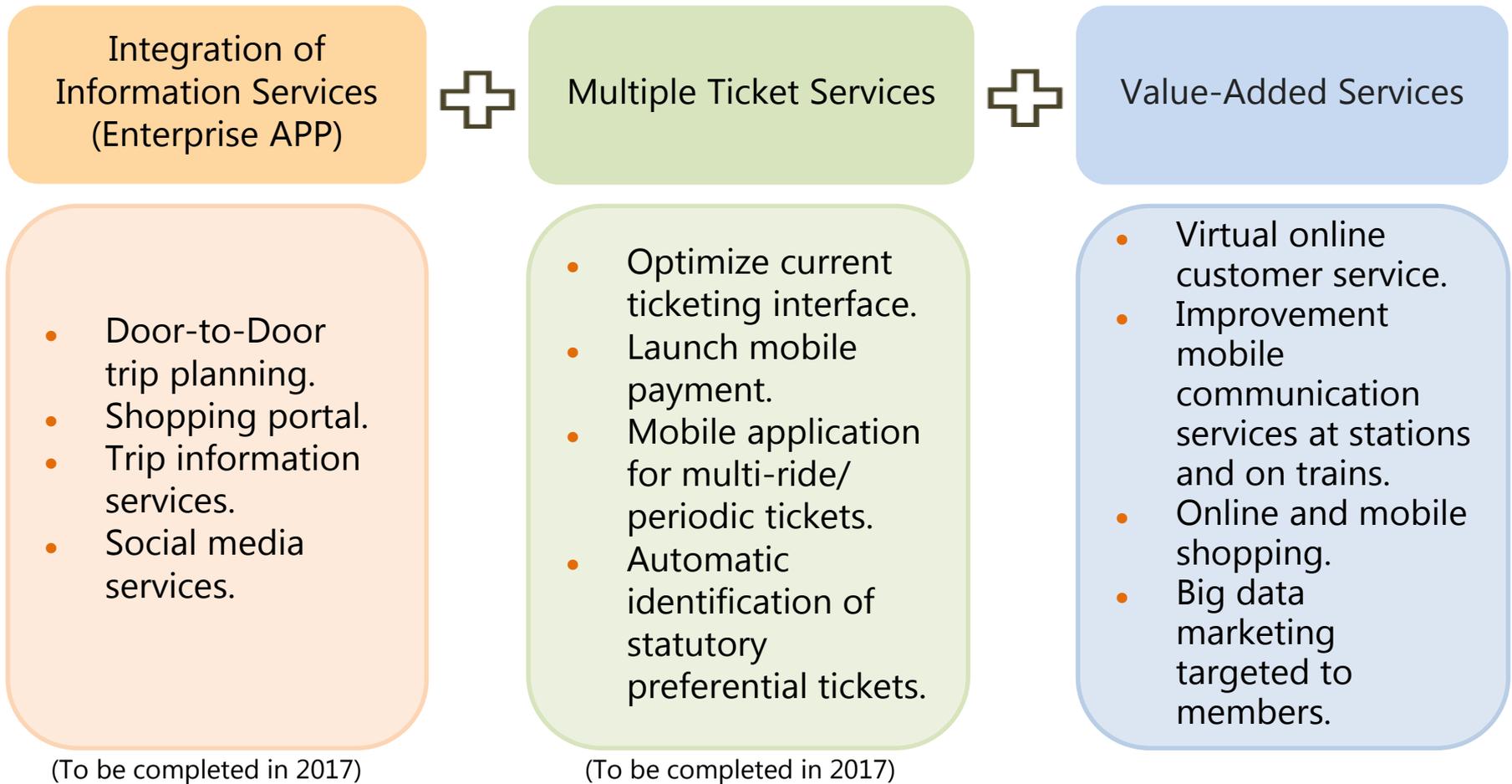
# 1) Diversify Product Lineup to Increase Off-Peak Ridership and Revenues



Source: High-speed rail passenger satisfaction survey conducted in 2015.

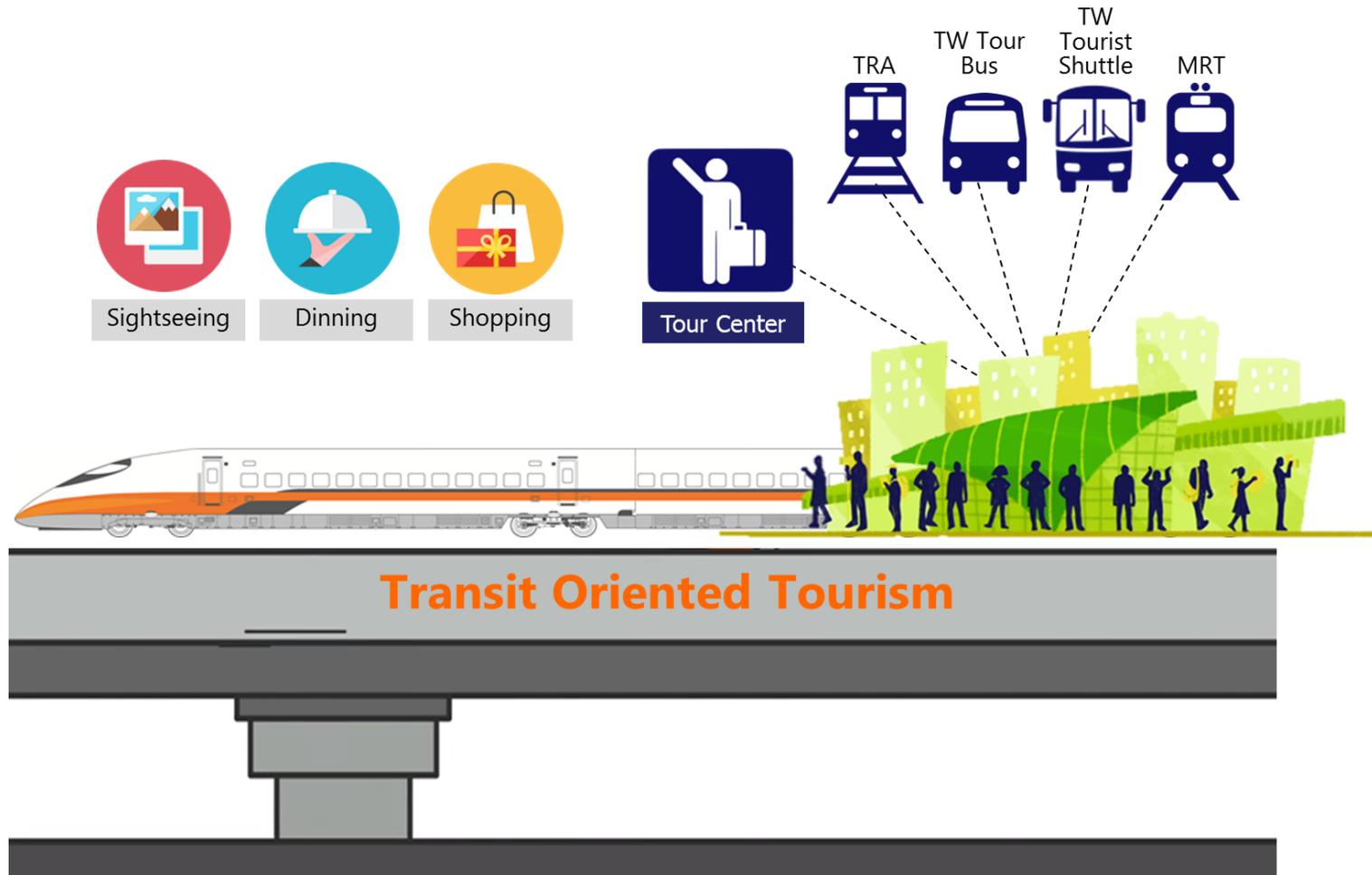


## 2) Apply Innovative Technology to Digitize Ticketing Channels and Provide Convenient Ticket Services





### 3) Integrate Local Tourist Networks & Make THSR the Backbone of Transit Oriented Tourism





#### 4) Utilize Big Data Analysis for Better Service:

“THSR Member Tgo” program was officially launched on Oct 26, 2017



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## 2. Optimize Company Financial Structure



### Early repayment of syndicated loans

After taking L/T & S/T finance/operation funding demands and liquidity risks, into consideration, the Company made early repayments of syndicated loans:

- ✓ Totaling \$21.0 bn in Apr '16 and Jul '16.
- ✓ \$21.2 bn in Mar '17.
- ✓ \$20.0 bn in Jul '17.

### Issuance of direct financial instruments to pay off syndicated loans

To ensure appropriate L/T & S/T capital allocation and to enhance profitability, the Company issued the following direct financial instruments (i.e., corporate bonds, commercial papers):

### Assessment of non-railway business investments

The Company continues to evaluate and develop the opportunities of non-railway business investment to diversify the operation revenues and increase enterprise value.

**To Ensure Long-Term Financial Stability**

### 3. Strengthen In-House Maintenance and Innovative Capabilities



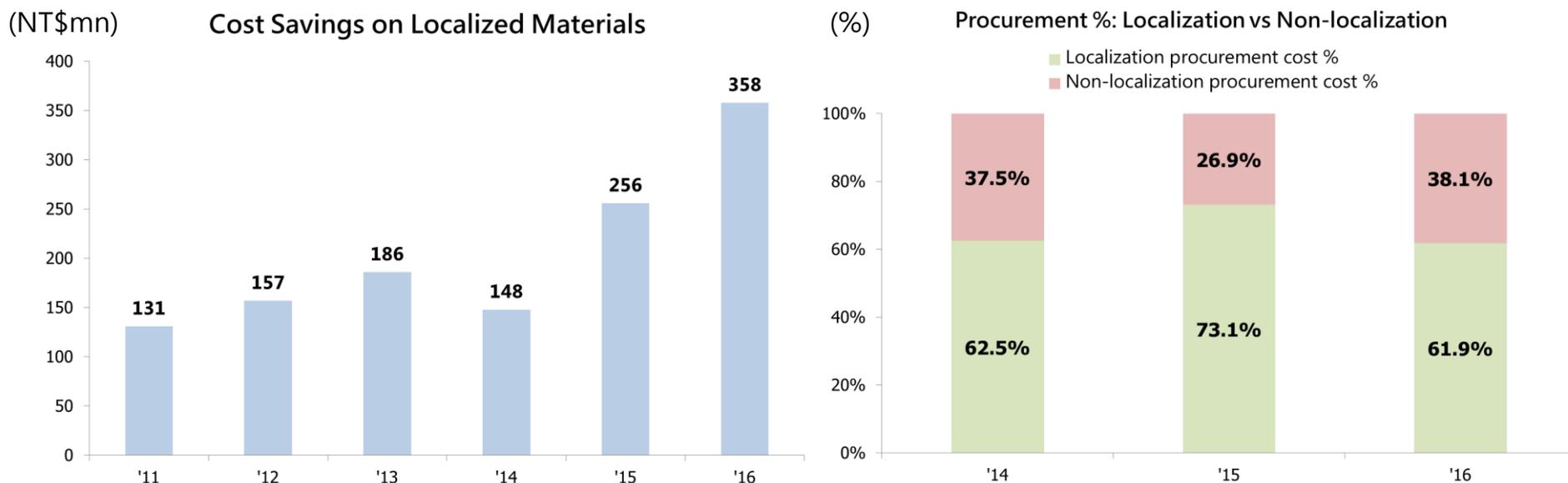
#### 1) Enhance autonomous maintenance capabilities

- Cooperate with domestic R&D institutes to establish railway equipment laboratories.
- Cooperate with Japanese railway companies to accelerate technology transfers.
- Establish electrical, mechanical, and welding factories.





## 2) Implement Material Localization



- ✓ THSRC works with national top R&D institutes (i.e. National Chung-Shan Institute of Science and Technology, Industrial Technology Research Institute, etc.) to assist qualified local suppliers in carrying out HSR material development and technology transfers while maintaining standards of traffic safety. The benefits for the Company include shortened delivery period for materials, reduced procurement costs, and fulfillment of corporate social responsibilities while supporting domestic enterprises.
- ✓ During the period from 2011 to 2016, 88 alternative manufacturers were identified; cost savings were more than NT\$1.2 bn, and savings continue to increase every year.



### 3) Promote Localization of Taiwan's Railway Industry



- ✓ The Company hosted a seminar to promote local business opportunities for the Taiwanese railway industry in Aug 2017, and proposed future procurements totaling around NT\$17 bn over the next decade.
- ✓ The current in-house maintenance ratio is over 80% and continues to grow.
- ✓ The Company hopes to achieve railway materials localization ratios at 30% in 2022 (the current ratio is around 15%).



## 5. Facilitate International Technical Exchanges



- ✓ In May 2014, THSRC and the International Railway Union (UIC) jointly hosted the 1st UIC Conference on Natural Disaster Management of Railway Systems to establish innovative benchmarks for natural disaster responses in the railway industry.



- ✓ In May 2016, the annual meeting of the International High Speed Railway Association (IHRA) was held in Taipei for the first time. This was a significant breakthrough for future international cooperation and exportation of operational know-how and maintenance technologies.



- ✓ In June 2017, the Rail Engineering Society of Taiwan partnered with THSRC to host the 2017 Annual Conference to enhance technical and service quality of domestic railways, and to assist the government in future track development projects.



# Conclusion

**[VISION]: To Become a Progressive Platform that Makes Life Better for All**

**MISSION**

**To be ranked as one of the top 10 Taiwanese outstanding brands.**

**STRATEGY**

**Intelligent  
Transportation**

**Innovative  
Technology**

**Localized  
in Taiwan**

**Sustained  
Social Care**



**Thank You For Your Attention**