

# Taiwan High Speed Rail Corporation

## 1~3Q 2018 Operating Results



**Transportation** 運輸  
安全運輸 拉近距離



**Technology** 科技  
創新低碳 暖心服務



**Taiwan** 在地  
繁榮在地 暢遊台灣



**Touch** 關懷  
創造價值 關懷社會

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# AGENDA

- I、 BUSINESS OVERVIEW
- II、 FINANCIALS OVERVIEW
- III、 MARKET OVERVIEW
- IV、 PROSPECTS



# I、BUSINESS OVERVIEW

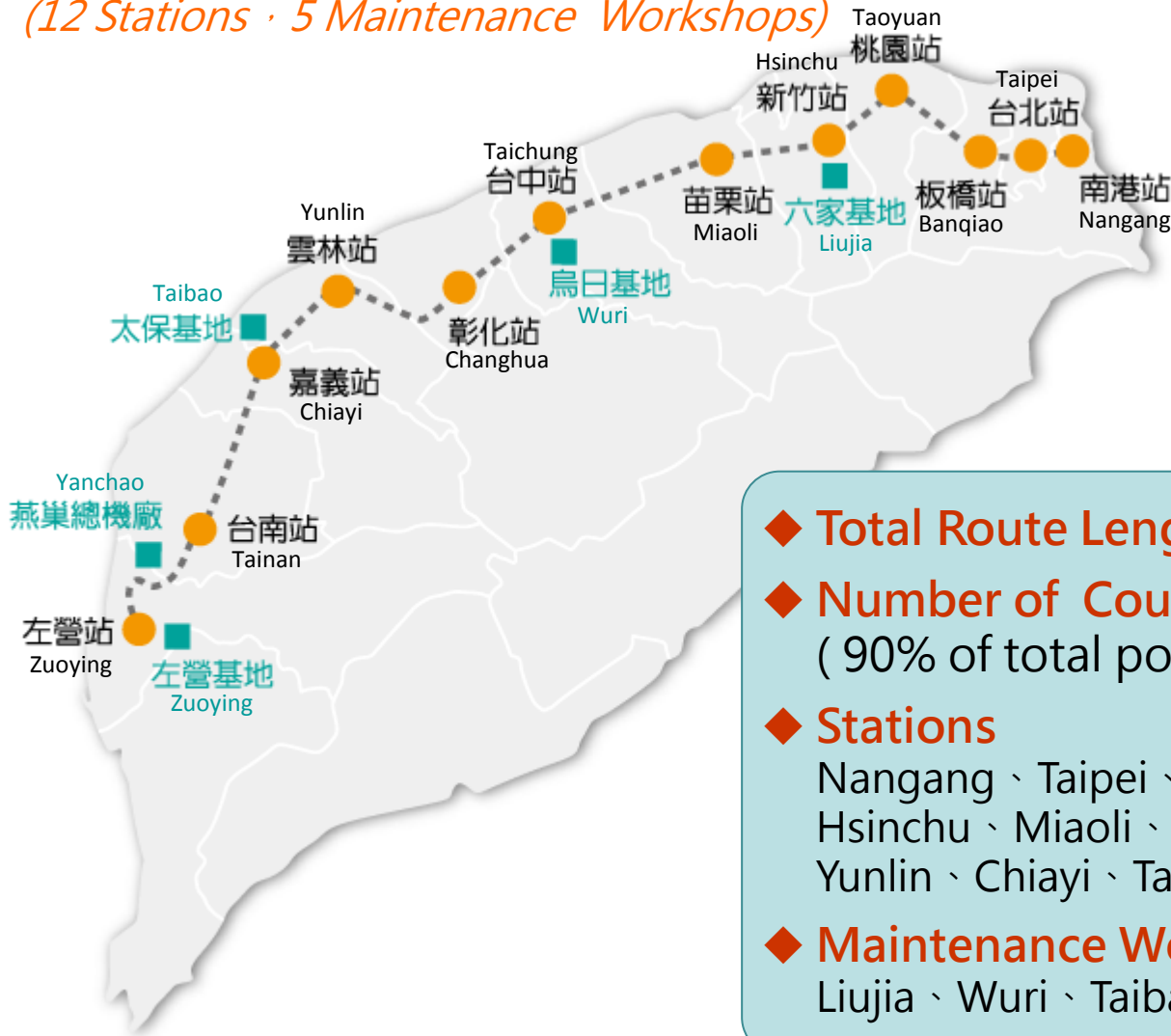
1. Operational Bases
2. Operational Performance



# 1、Operational Bases



(12 Stations · 5 Maintenance Workshops)



- ◆ **Total Route Length** : 350 km
- ◆ **Number of Counties Passed Thru** : 11  
( 90% of total population )
- ◆ **Stations**  
Nangang · Taipei · Banqiao · Taoyuan · Hsinchu · Miaoli · Taichung · Changhua · Yunlin · Chiayi · Tainan · Zuoying
- ◆ **Maintenance Workshops**  
Liuja · Wuri · Taibao · Yanchao · Zuoying

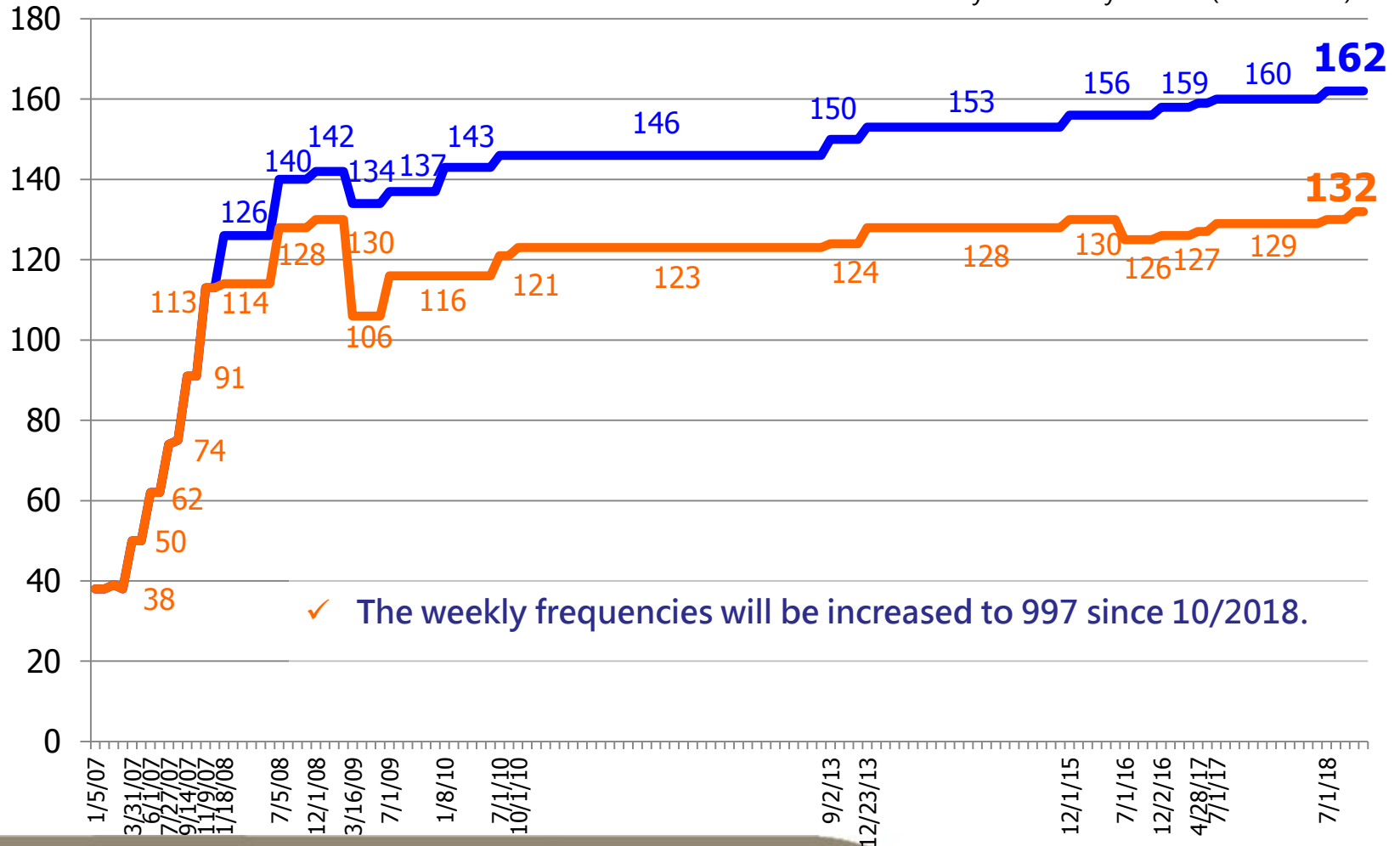
# 2、Operational Performance



## 1. Train Frequency

(Daily Frequency)

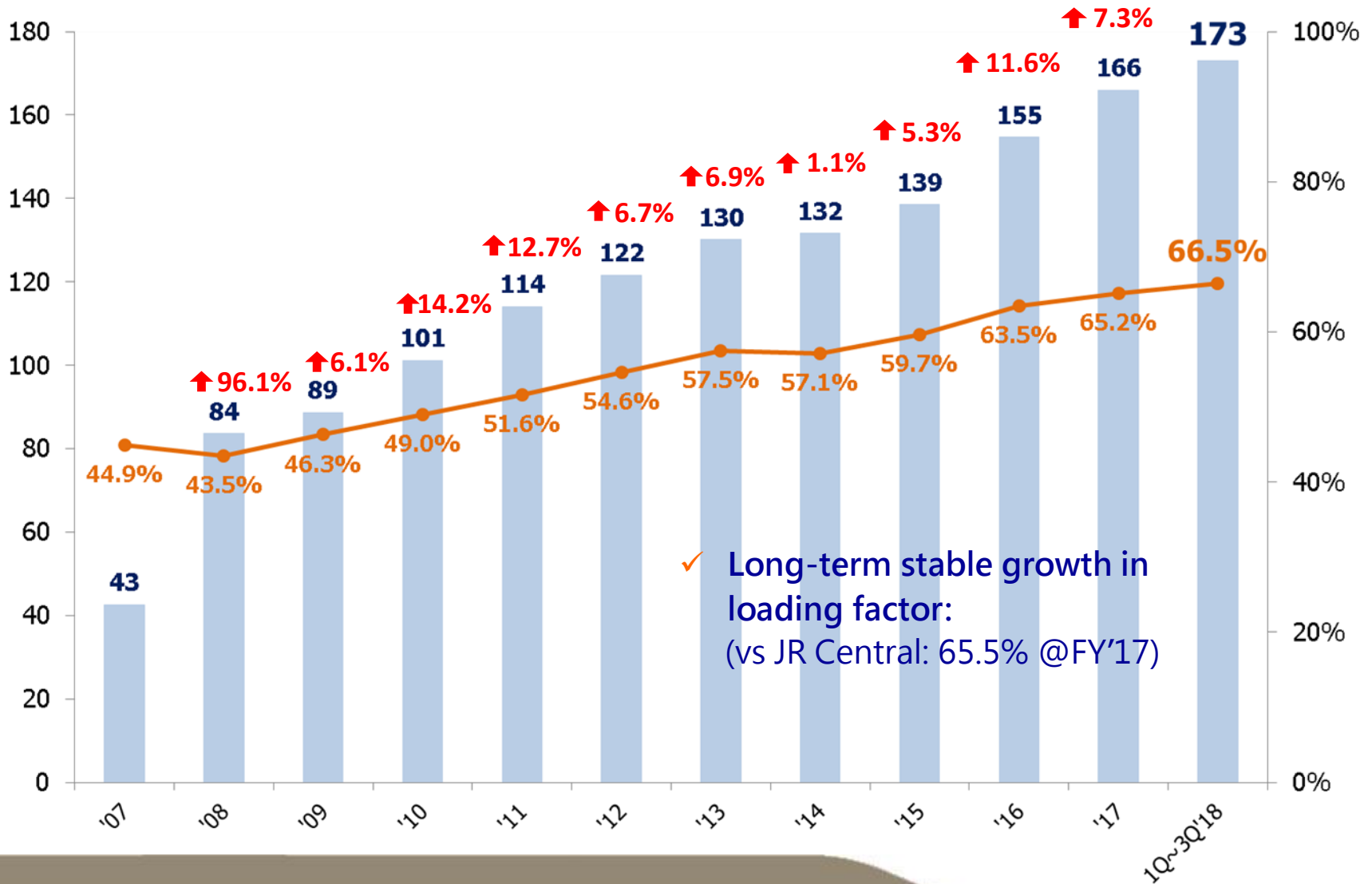
- Daily Two-Way Shifts (WEEKEND)
- Daily Two-Way Shifts (WEEKDAY)



## 2. Ridership & Loading Factor



( '000/day )

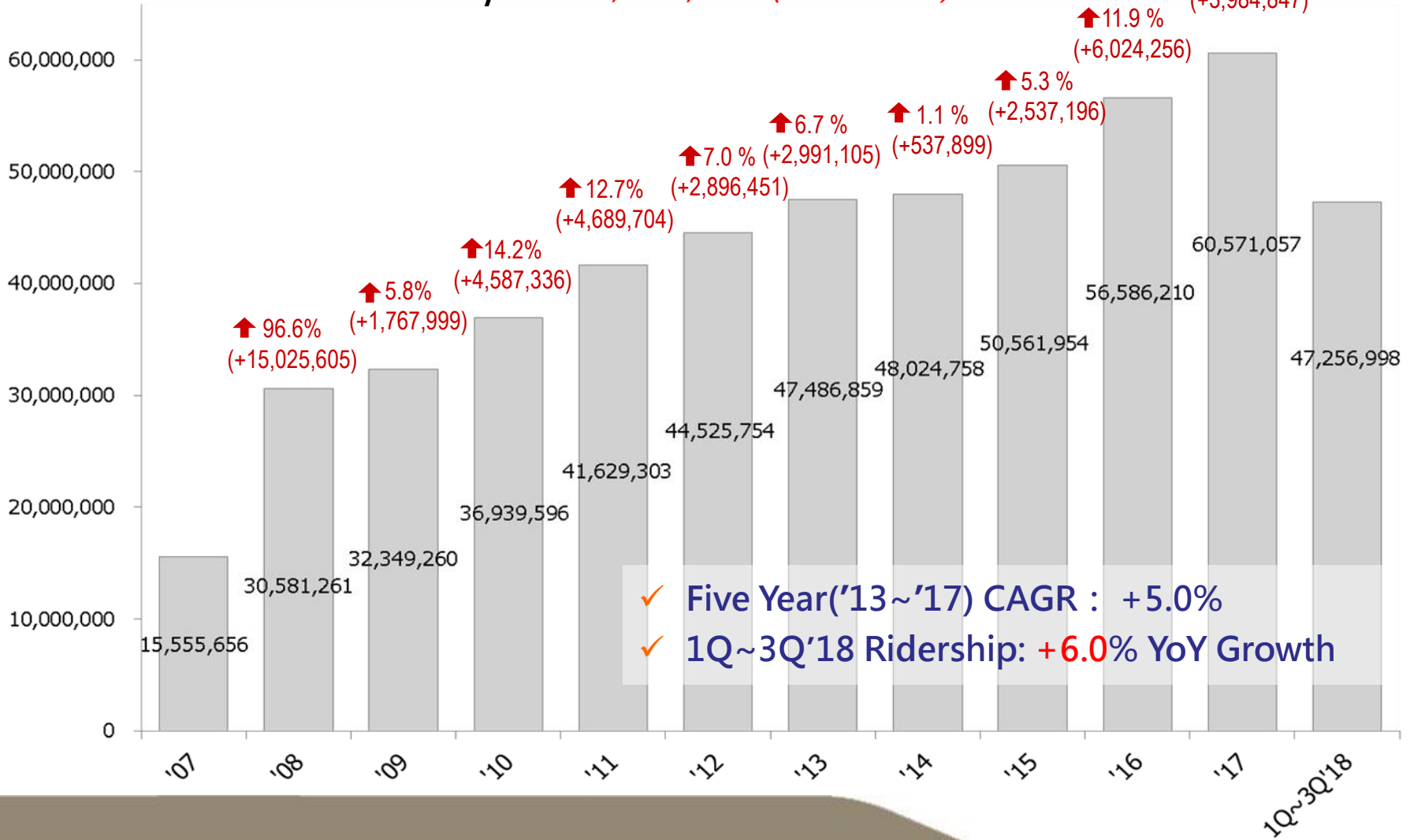


# 3. Ridership



(Person)

※ **Total Ridership : 512,068,666 (2018.9.30)**





## 4. Operational Performance



	2018.01.01 ~ 2018.09.30	2007.01.05 ~ 2018.09.30
Train Services	39,171	551,667
Cumulative Passengers	47 million passengers	512 million passengers
Passenger Kilometers	8,570 million km	99,401 million km
Loading Factor	66.52%	55.03%
Punctuality	99.43% (delay < 5min)	99.45% (delay < 5min)
Avg. Delay Time	0.17 min (vs JR Central: 0.7min @FY'17)	0.22min
Accidents resulting in Liabilities	0	0



## II 、 FINANCIALS 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 (3Q '18 vs. 3Q '17)

(NT\$m)	3Q'2018		3Q'2017		Variance Amount	差異 %
Operating revenue	11,305	100%	10,614	100%	691	6.5%
Operating costs	(6,322)	-55%	(6,202)	-56%	(120)	1.9%
Gross Profit	4,983	45%	4,411	44%	572	13.0%
Operating expenses	(283)	-2%	(268)	-2%	(15)	5.6%
Net Operating Income	4,699	43%	4,144	42%	555	13.4%
Non-operating income and expenses						
Interest expenses	(1,640)	-15%	(1,841)	-18%	201	-10.9%
Stabilization reserve	(1,339)	-11%	(917)	-8%	(422)	46.0%
Others	29	0%	12	0%	17	141.7%
Net Income before tax	1,749	17%	1,398	16%	351	25.1%
Income tax	359	9%	(233)	-3%	592	-254.1%
<b>Net Income</b>	<b>2,108</b>	26%	<b>1,165</b>	13%	943	80.9%
<b>EPS</b>	<b>0.37</b>		<b>0.20</b>			



## 2. Income Statement (1~3Q '18 vs. 1~3Q '17)

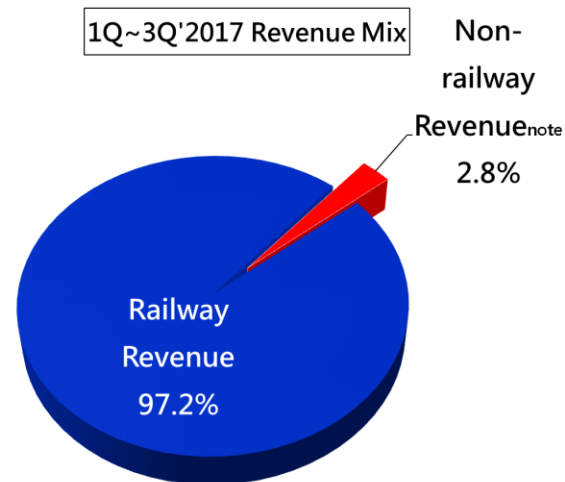
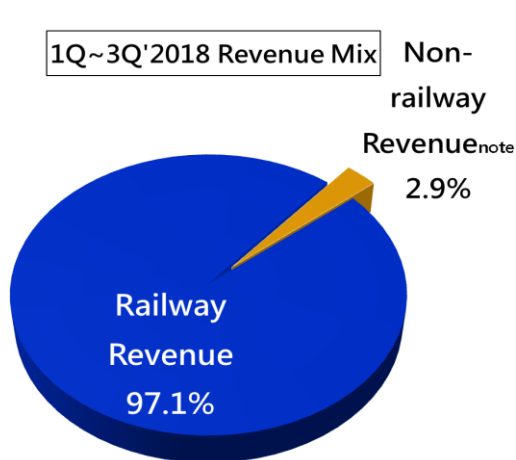
(NT\$m)	1Q~3Q'2018		1Q~3Q'2017		Variance Amount	差異 %
Operating revenue	33,671	100%	32,026	100%	1,645	5.1%
Operating costs	(18,507)	-55%	(18,007)	-56%	(500)	2.8%
Gross Profit	15,164	45%	14,019	44%	1,145	8.2%
Operating expenses	(858)	-2%	(788)	-2%	(70)	8.9%
Net Operating Income	14,307	43%	13,231	42%	1,076	8.1%
Non-operating income and expenses						
Interest expenses	(4,985)	-15%	(5,718)	-18%	733	-12.8%
Stabilization reserve	(3,831)	-11%	(2,600)	-8%	(1,231)	47.3%
Others	163	0%	34	0%	129	379.4%
Net Income before tax	5,653	17%	4,947	16%	706	14.3%
Income tax	3,011	9%	(870)	-3%	3,881	-446.1%
<b>Net Income</b>	<b>8,665</b>	26%	<b>4,077</b>	13%	4,588	112.5%
<b>EPS</b>	<b>1.54</b>		<b>0.72</b>			



### 3. Net Profits & Operating Revenues

#### 1) Revenue Mix

(NT\$bn)	1~3Q'18	1~3Q'17	YoY
Railway revenues	32.7	31.1	+5.1%
Non-railway revenues	1.0	0.9	+8.9%
Total	33.7	32.0	+5.1%

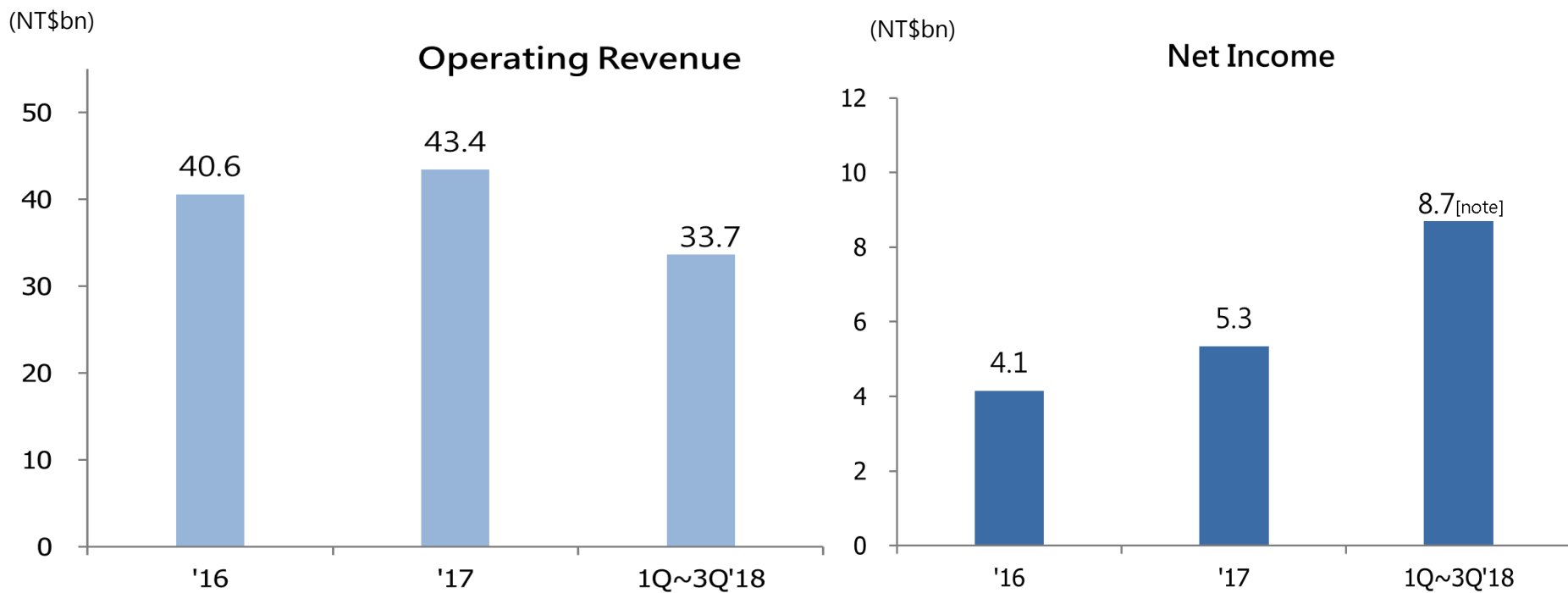


Note: Non-railway revenues mainly include rental incomes, advertising revenues, and onboard sales.



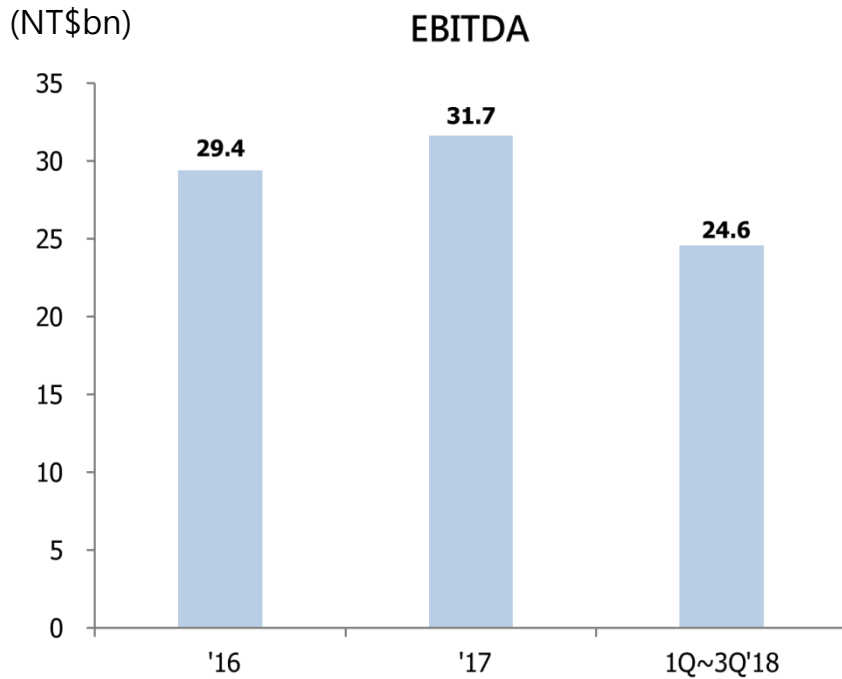
### 3. Net Profits & Operating Revenues

#### 2) Operating Revenues and Net Income

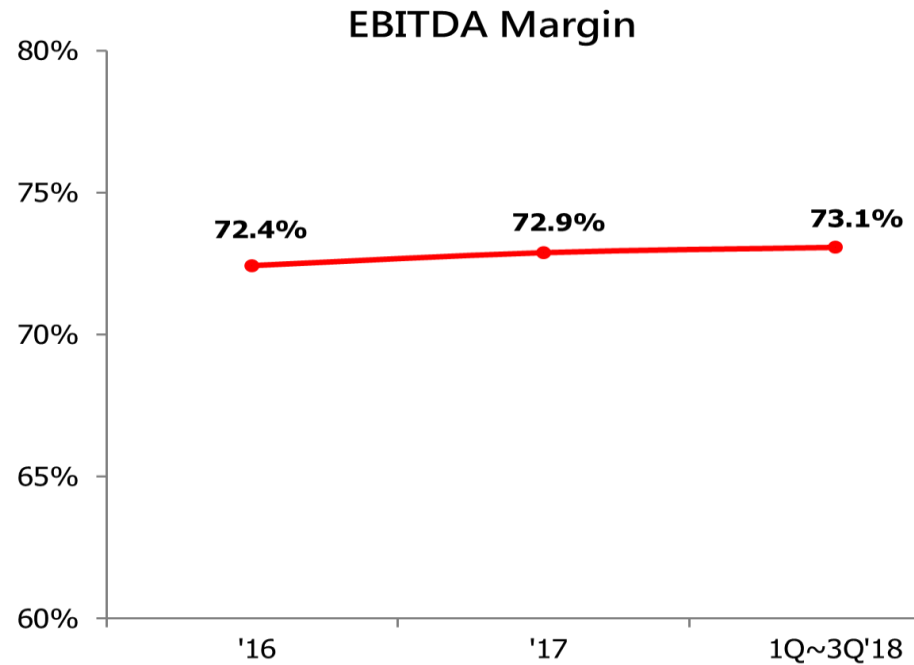


Note: 1-3Q'18 net profit after tax includes income tax benefit of approximately \$3bn due to the application of the 5-year income tax exemption and tax rate adjustment

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



- ✓ **EBITDA**
  - 1Q~3Q'18: YoY+4.9%



- ✓ **EBITDA Margin**
  - Over the last 3 years: 72%~75%  
(vs JR Central \_ Railway: 48.2% @FY'17)



## 5. Statement of Cash Flows

(NT\$m)	1~3Q'18	1~3Q'17	Variance
Cash & cash equivalents at the beginning of the period	7,188	237	6,951
Cash flows from operating activities	19,100	14,878	4,222
Cash flows from investing activities	(1,166)	16,382	(17,548)
Cash flows from financing activities	(22,154)	(28,470)	6,316
Net increase in cash & cash equivalents	(4,221)	2,790	(7,011)
Cash & cash equivalents at the end of the period	<b>2,967</b>	<b>3,027</b>	<b>(60)</b>



# 2、Financial Risk Management



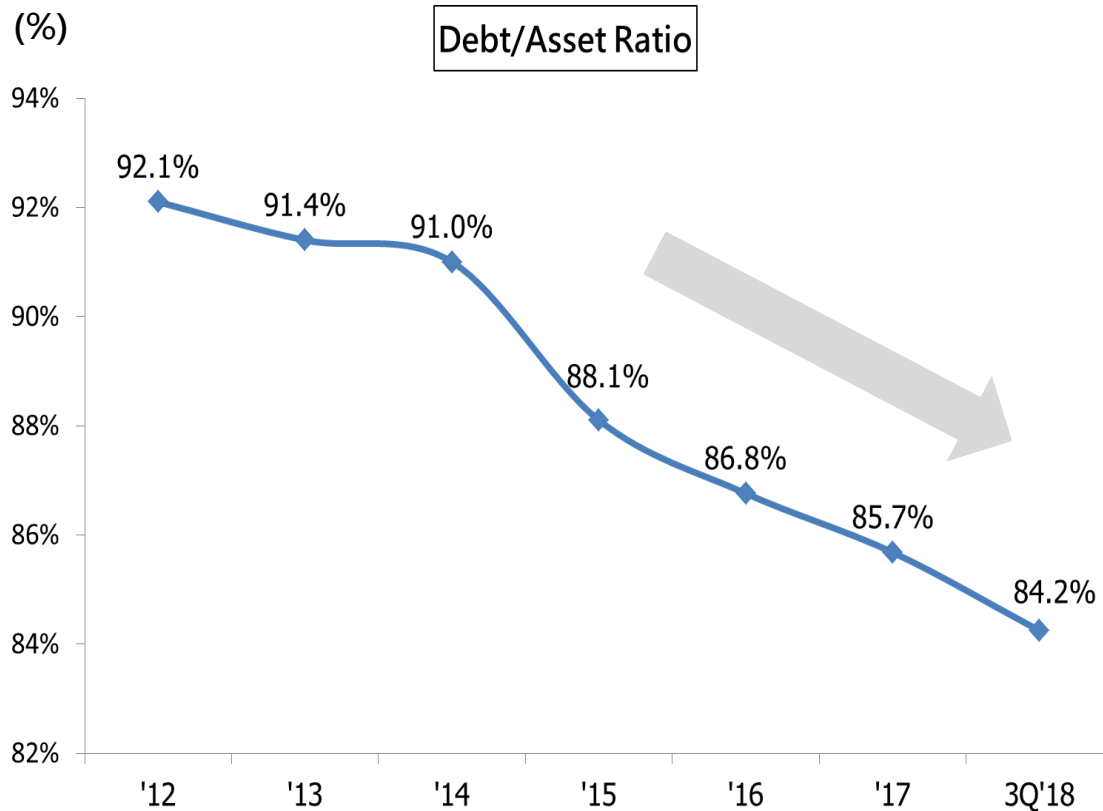
## Establish Long-Term Stable Financial Structure

- ✓ Considering L/T & S/T finance/operation funding demands and financial risks, **make early retirement of syndicated loans.**

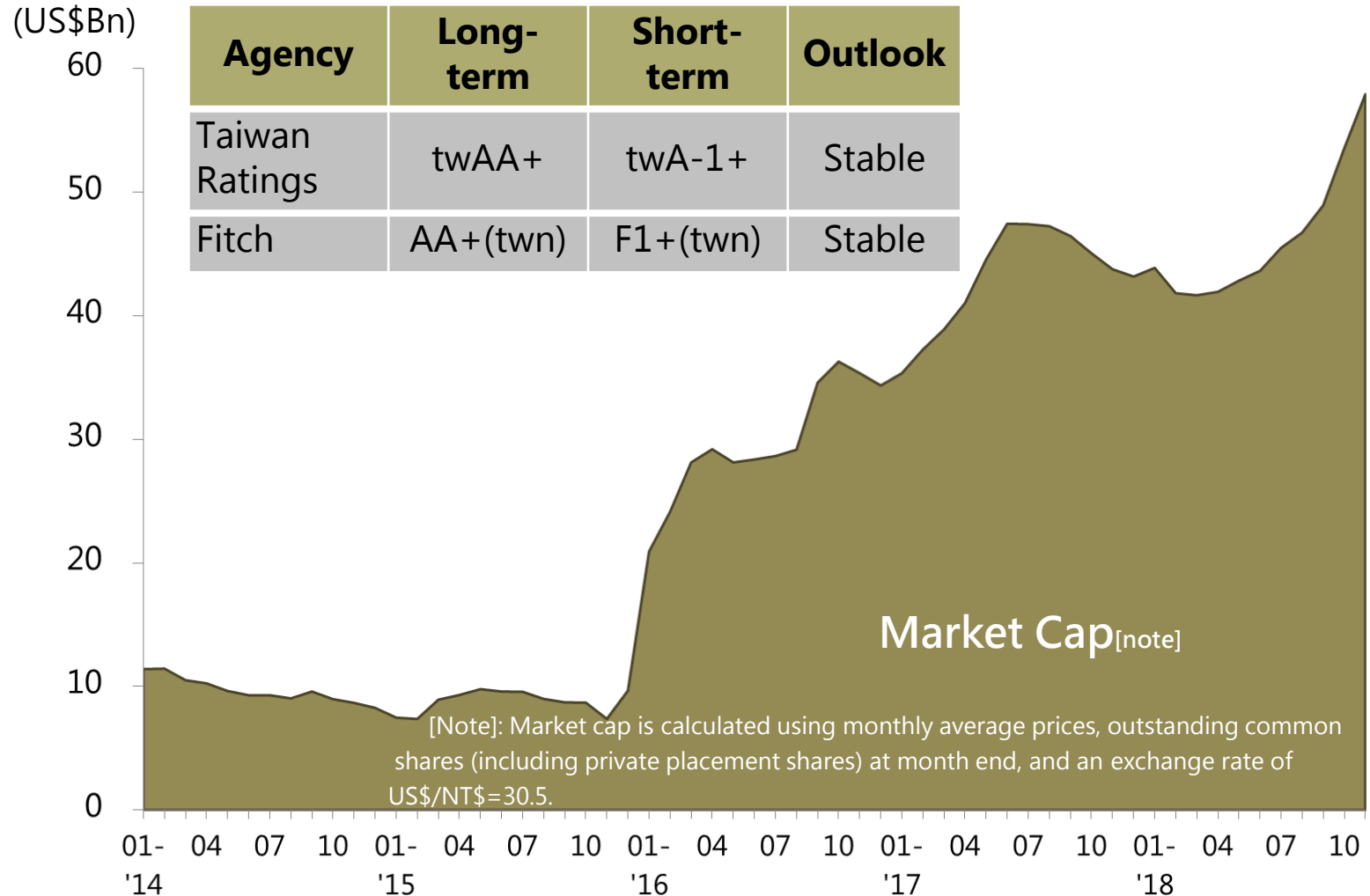
### Early Retirement of Syndicated Loans since '16

(NT\$bn)	Amount
4/'16及7/'16	21.0
3/'17	21.2
7/'17	20.0
7/'18	10.0
<b>Total</b>	<b>72.2</b>

- ✓ **Issue direct financial instruments** (i.e., corporate bonds, commercial papers) to ensure appropriate L/T & S/T capital allocation and to enhance profitability.



# 3. Corporate Credit Ratings & Market Cap



## 4. Recent Major Events and Activities



Date	Event
Apr, 2018	<ul style="list-style-type: none"><li>✓ Receive approval from the Ministry of Finance for exemption of enterprise income tax over a period of five years started from Jan. 1, 2017.</li><li>✓ Be ranked top 5% in 2018 Corporate Governance Evaluation by Taiwan Stock Exchange</li></ul>
Jul, 2018	<ul style="list-style-type: none"><li>✓ Early retirement of syndicated loans totaling NT\$10 bn.</li><li>✓ Listed on TWSE RA Taiwan Employment Creation 99 Index and TWSE Corporate Governance 100 Index.</li></ul>
Aug, 2018	<ul style="list-style-type: none"><li>✓ The board approved 「 Manufacturing and supply of OCS maintenance vehicles 」 at total transaction price: 1,232 million NTD (Tax inclusive)</li><li>✓ Listed on the FTSE4Good Emerging Index.</li></ul>
Sep, 2018	<ul style="list-style-type: none"><li>✓ On the day of the Mid-Autumn Festival, the number of single-day trip exceeded 291,600 passengers, a record high since operation.</li></ul>



## III 、 MARKET OVERVIEW

1. Inter-city Transportation
2. Domestic Tourism Market



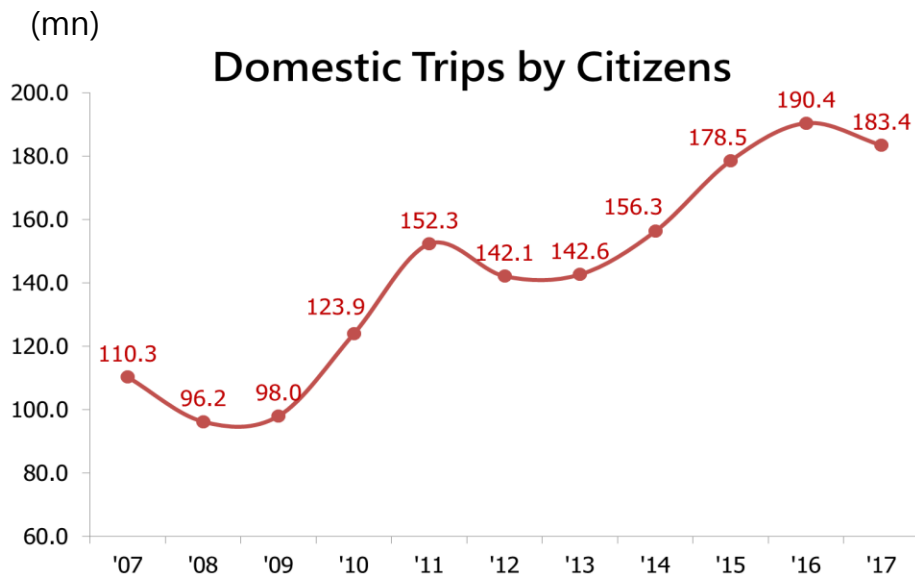
# 1、Inter-city Transportation



2016	Short Distance (20~100km)	Medium Distance (100~200km)	Long Distance (>200km)
Week-day	<p>THSRC 7.1%</p> <p>TRA 55.8%</p> <p>Freeway Bus 37.1%</p>	<p>THSRC 38.1%</p> <p>TRA 41.2%</p> <p>Freeway Bus 20.6%</p>	<p>THSRC 57.7%</p> <p>TRA 22.7%</p> <p>Freeway Bus 19.6%</p>
Week-end	<p>THSRC 6.6%</p> <p>TRA 59.3%</p> <p>Freeway Bus 34.1%</p>	<p>THSRC 28.6%</p> <p>TRA 44.4%</p> <p>Freeway Bus 27.0%</p>	<p>THSRC 54.6%</p> <p>TRA 21.7%</p> <p>Freeway Bus 23.7%</p>

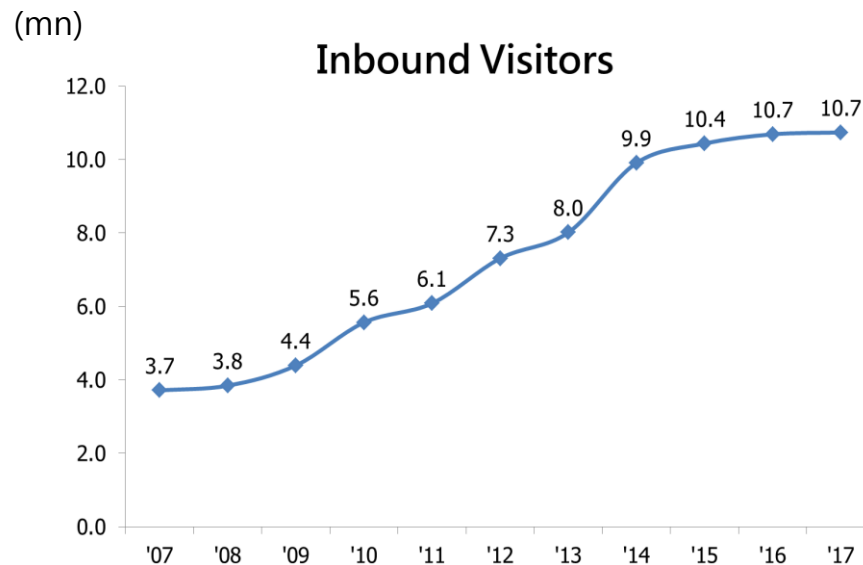
Data Source: Changes in the Market Shares for Intercity Public Transportation after the Operation of High Speed Rail (2016); Institute of Transportation, Ministry of Transportation and Communications; March 2018.

# 2. Domestic Tourism Market



Source: Tourism Bureau, MoTC

- Past 5 years ('13~'17) CAGR: +5.2%
- Year 2017 Growth (YoY): -3.6%



- Past 5 years ('13~'17) CAGR: +6.0%
- Year 2017 Growth (YoY): +0.5%
- 1Q~3Q'18 Growth (YoY): +3.6%

1Q~3Q'18 comparison of passengers coming to Taiwan

■ 1Q~3Q'18 ■ 1Q~3Q'17





## IV 、 PROSPECTS

1. Sustain Revenue Growth
2. Reduce Costs



# 1、Sustain Revenue Growth



## Strategy to Increase Revenues

### ✓ Sustain Revenue Growth Drivers

- Diversify Product Lines to Increase Off-peak Ridership and Revenues. [Appendix1]

e.g. : Periodic Ticket, Multi-ride Ticket, Student Discount, Membership Discount

- Integrate Local Tourism Resources and Create a Mass Transit Tourism Environment Based on High-speed Rail. [Appendix2]

e.g. : Expand seasonal theme tourism of high-speed rail holidays.

Cooperate with hotel groups to stimulate ticket sales.





# Strategy to Increase Revenues



## ✓ Sustain Revenue Growth Drivers

- Analyze Big Data to improve TGo Service and to Offer Value to Our Loyal Customers, so as to Bring in Benefits to the Company.
  - e.g. : Promote sales for college students and members to increase off-peak revenue.
  - Accelerate individual and corporate member designated trips.
  - Enhance membership privileges and increase their circulation rate to bring in non-railway revenue.
- Apply Innovative Technology to Digitize Ticketing Channels and Provide Convenient Ticket Services.
  - e.g. : Integrate intelligent ticketing and payments to optimize the convenience of tickets purchase.

## ✓ Assess the Development of Non-railway Investment Opportunities



## 2、Reduce Costs



### Build Autonomous and Innovative Operational Maintenance Capabilities

#### ✓ Enhance Self-maintenance Capabilities

- Cooperate with domestic universities and research institutions to establish railway equipment laboratories.
- Cooperate with Japan Railways to accelerate technology transfer.
- Set up electronics, machinery, welding and other factories to strengthen THSRC's self-maintenance capabilities.



# Build Autonomous and Innovative Operational Maintenance Capabilities



## ✓ Implement Material Localization

- THSRC works with national top R&D institutes to assist qualified local suppliers in carrying out HSR material development and technology transfers while maintaining standards of traffic safety. To shorten delivery period for materials, and reduce procurement costs.
- 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%).



# Conclusion



**Vision : THSRC seeks to be a platform for progress and life improvement**

**Mission**

**THSRC strives to be a top ten Taiwanese brand**

**Strategy**

**Intelligent Transportation**

Reinforce station and train operating facilities and improve service quality

Medium and long-term train procurement planning and ensure existing operational capacity

Strengthen equipment maintenance to ensure system stability, safety and reliability

**Innovative Technology**

Digitize ticketing channels

Analyze big data to promote membership and company benefit

Use information technology to strengthen operational services and increase efficiency

**Localized in Taiwan**

Improve local development capabilities and equipment/material supply ratio

Promote the localization of the rail industry

Integrate railway technology resources and conduct reinvestment or technology export assessment

**Sustained Social Care**

Build corporate governance culture and responsible for corporate social responsibility

Promote environmental protection, energy conservation and carbon reduction

Support talents cultivation

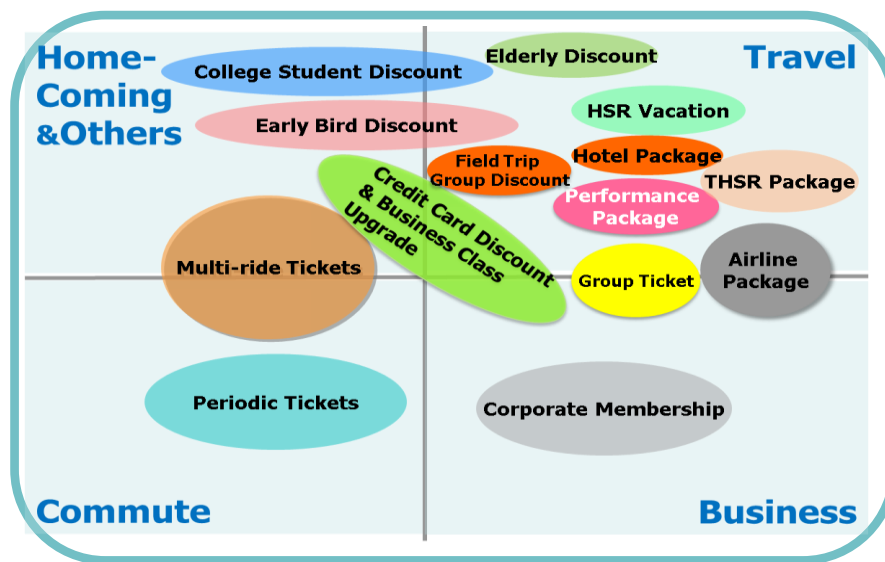
**Transportation**

**Technology**

**Taiwan**

**Touch**

# Appendix 1. Continuously launch multi-products that meet customer needs, increase the output value of the off-peak shift



# Appendix 2. Integrate local tourist networks & make THSR the backbone of transit oriented tourism



Take Dual Rails(THSR & TRA) to Jiji: The Perfect Viewing Angle of the Trip

<https://www.youtube.com/watch?v=JQD2ef8vBAU>



Hakka Romantic Avenue(the Provincial Highway 3): Old Town and New Experience

<https://www.youtube.com/watch?v=-l6ibC0UCok>



High-speed rail holiday takes you to travel  
[ps://www.youtube.com/watch?v=NdlkwjuREus](https://www.youtube.com/watch?v=NdlkwjuREus)





Thank You  
For  
Your Attention

