



# Management Buy-In Via Management Buy-Out

William Yeung, CEO

NiQ Lai, Head of Talent Engagement and CFO

26 July 2012

# Our Talents Advantage - Power in Unity



2012: vv@hkbn.com

Watch Video at:

<http://www.youtube.com/watch?v=ewnxVaHtsUs>



2011: G.E.M. WOWing our Talents



2010: Service with Heart



2009: Call to War



2008: Overcoming Challenges – Mr Chong Chan Yau



2007: Corporate Vision State

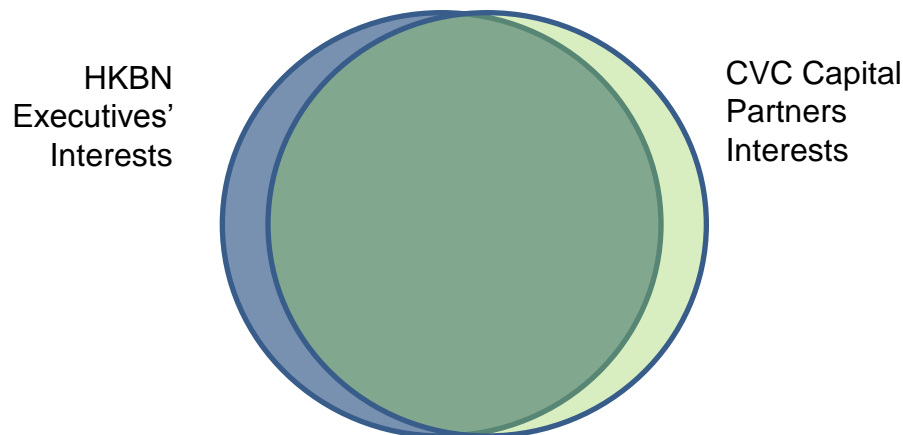
# Chicken or Egg?

“Do Well to Do Good” or “Do Good to Do Well”

	12 months to 31 Aug 2011	12 months to 31 Dec 2011		
HK\$ mn	City Telecom / HKBN	HKT Trust	i-Cable	HTHK
Revenue	1,681	19,825	2,110	13,407
EBITDA	593	7,411	78	2,611
Net Profit after minority	314	1,271	(182)	1,020
Total Assets	2,265	65,038	2,175	20,086
Equity (exclude minority)	1,797	30,756	1,563	10,585
EBITDA Margin	<b>35.3%</b>	37.4%	3.7%	19.5%
Net Margin	<b>18.7%</b>	6.4%	-8.6%	7.6%
Return on Total Assets	<b>13.9%</b>	2.0%	-8.4%	5.1%
Return on Equity	<b>17.5%</b>	4.1%	-11.6%	9.6%
Source: Interim Reports by PCCW, HKT Trust, i-Cable, Hutchison Telecom Hong Kong				

# Management Buy Out

- Proud Co-owners: 63 executives have committed ~HK\$165 million to acquire 14% of ordinary shares company.
- Invitation NOT obligation to invest: In fact we had to limit exposure to 1-2 years salary.
- Long term commitment with CVC: Investment is locked-up until liquidity event in 3-5 years time.
- Real Cash: Real Pain, Real Gains.



# Everyone on the Same Boat





# Finding LUCA

(Legal Unfair Competitive Advantage)



# About HKBN Telecom Group



1993: Ice House Street Office, Central

## 1992

- Co-founded by cousins Ricky & Paul with 10 Talents and start-up capital of less than HK\$1 million
- 1<sup>st</sup> company to shatter the International Direct Dial (IDD) monopoly in Hong Kong



2012: All-Talent Meeting – KITEC,  
Kowloon Tong x 4 meetings

## 2012

- Hong Kong's largest alternative and fastest growing residential broadband service provider with over 3,000 Talents
- Pending Management Buy Out backed by CVC Capital Partners

# People Wrongly Think of us as a Technology Company ...



**Cross Harbour Tunnel & Star Ferry, Central Billboards**

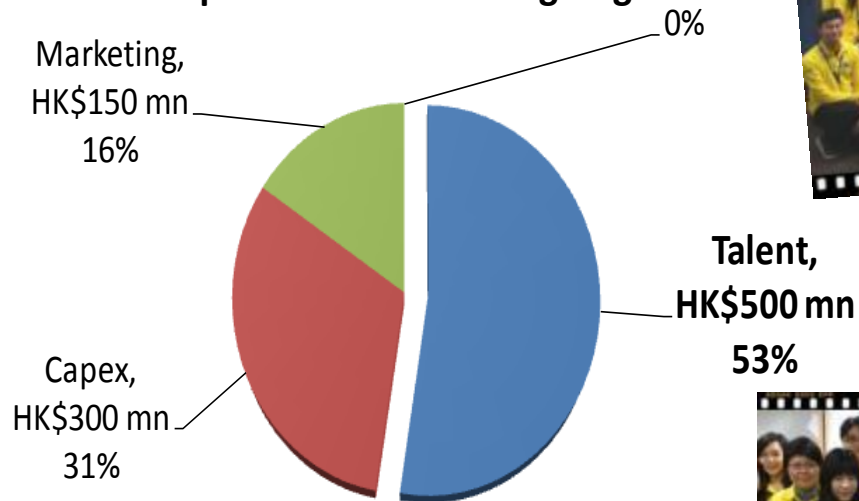


**Best Fixed-Line and Broadband Provider in Asia**



# ... We are in fact, a Talent (People) Company

**Top 3 Annual Cash Outgoings**



**... People are PEOPLE,  
not ASSETS!**

# Our Priorities

- 1. Our Talents**
- 2. Our Customers**
- 3. Our Shareholders**

... If we get 1 right, 1 will take care of 2 and then 1&2 will naturally take care of 3. shareholders.

# Doing Nothing! HKBN Executive Workshop with Prof J. Keith Murnighan Kellogg-HKUST Campus, 16 July 2012



LEADERSHIP THINKING, OUT OF THE BOX  
A WORKSHOP  
FOR  
HONG KONG BROADBAND NETWORK (HKBN)  
PRESENTED BY  
J. KEITH MURNIGHAN  
DISTINGUISHED PROFESSOR,  
KELLOGG SCHOOL OF MANAGEMENT  
NORTHEASTERN UNIVERSITY

July 16, 2012

Effective leadership has never been more critical. Today's business challenges push companies and their people to achieve more and more, even as competitors continuously innovate and contend. Today's workshop is based on an award-winning course from the Executive MBA program that the Financial Times has repeatedly ranked as the world's "very best" – the Kellogg-HKUST Executive MBA program. Professor J. Keith Murnighan has taught this course since the beginning of the program. Today's workshop distills the best elements of his course into a single, power-packed day. We look forward to your commitment to the experience, as we hope that everyone will actively participate.

#### Our Schedule

First Session, 9:30 – 10:30 am

#### Topics:

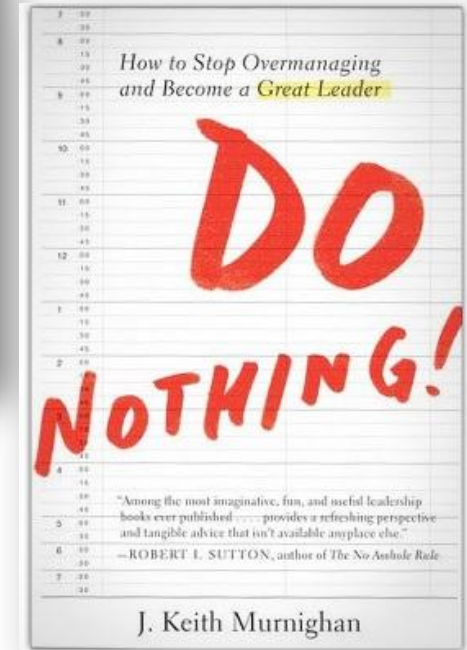
- Introduction
- Leadership in Action
- A Team Exercise

10:10-10:15 am Break

Second session, 10:15 – 12:15 pm

#### Topics:

- Thinking outside the box
- A Management/Production exercise



*Thinking Out of the Box. “Top Professor” x “Top Business School” x “Top 50 executives” is an excellent demonstration on “Thinking Out of the Box”. I never thought of having a chance to study in a class of Kellogg-HKUST EMBA. It wins in all aspects, including PR, staff, partners.... And even as a good ice breaking topic in external meetings.*

Elinor Shui, Associate Director, Customer Relations



# Talent Development – Life Learning Rather Than Training

Corporate Sales  
Incentive Trip to US



Management Annual Trip –  
Germany Experience



Customer Engagement  
Singapore Reward Trip



Residential Customer Engagement  
Incentive Trip to Macau



Standard Chartered  
Marathon



Annual X'mas Dinner  
Party

# Past Management Trip Locations

Year	Location
2009	Japan
2010	Germany
2011	Cambodia





# Upcoming Experiential Trip



Helicopter Trip @  
Grand Canyon



Fishing @  
Fishermen Wharf



Golf @  
National Park in  
San Francisco



Magic Show @  
Las Vegas

## Life-Changing Experience @ West Coast USA

This year the Management Trip is scheduled in early November, the above could all possibly happen, if you will be there...

We have invited Dr. Srikumar Rao, a renowned and powerful speaker, to conduct a workshop in our trip that sparks your thinking on how to live your life in fulfilling way. To know more about Dr. Rao, please refer to the attached Bio or take a look at the following video clip.

Dr. Rao shared in the Leading@Google series:  
<http://www.youtube.com/watch?v=u20vVbhpM50>

**All Pt.4x up are cordially invited and please pencil down Nov 3 to Nov 10, 2012 in your diary for this potentially Life-Changing Trip**

Details to follow...

Learning & Development

“Follow Srikumar Rao’s instructions, and you will enjoy the journey to having more happiness and meaning in your life, no matter what!”

—From the Foreword by **MARSHALL GOLDSMITH**, author of *What Got You Here Won't Get You There*

## happiness at work



Be Resilient, Motivated, and  
Successful—No Matter What

Srikumar S. Rao, Ph.D.

# Enjoying Your Life



Monthly Friday-off  
at 4.00pm



Early Friday Event – Talent Management Team KOK outing

# Flexi-Hour



Get a six pack



Learn Tennis



Learn Piano



More Family time

You pick the 9 hour work window

8.30-9.30am

5.30-6.30pm



Take your kids to school



Get more ZZZs



Learn a language



Get a haircut

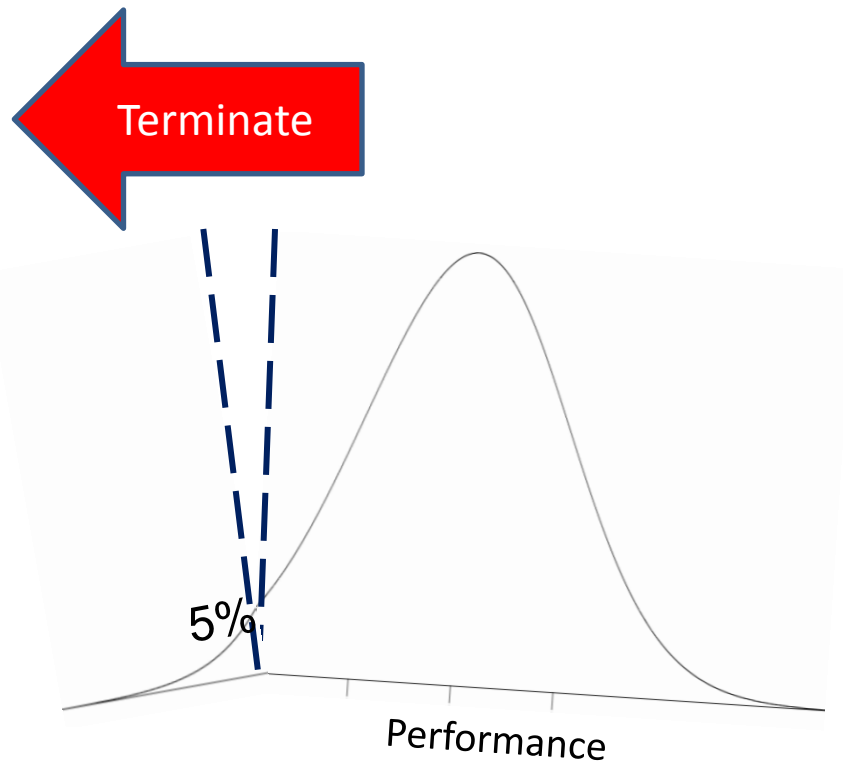


## What is the ROI on Talent?

*0% or  $\infty$ %? ... this is why we need “smart managers” rather than computers to run companies.*

Sometimes we do things because it's the right thing to do rather than specific ROI

# We Terminate Bottom 5% Yearly



- “Do Nothing” implies that our hiring process is 100% right and that our Talent profile remains perfect over time ... we know we are not that good.
- Limited development resources... we prefer to invest in our Top 95% than bottom 5%.

# Inspiration > Motivation

Inspiration	Motivation
2-3x productivity gain	20-30% efficiency gain
Mindset-upgrade	Skillset-upgrade
Talent-OUT	Company-IN

## Challenge to High Potentials

*“How can you help the company double your pay in next 2-3 years?”*

Hint: Working harder is NOT the answer

# Thank You

June 2012

HKBN

All-Talent Meeting,  
KITEC, Kowloon Tong

