

Taiwan Mobile
1Q25 Results Conference Call
May 13, 2025

Jamie Lin, President: Good afternoon, everyone. Welcome to Taiwan Mobile's 1st quarter 2025 results conference call. Before I start our presentation, please do refer to our safe harbor notice on this page.

Now let's take a look at our business overview. Please turn to page 4 for highlights of the quarter.

1Q25 Highlights

In 1Q25, mobile and home broadband — our two main growth engines — delivered solid top line performances. Mobile service revenue increased by 2% on the back of a normalized comparison base, as 1Q24 was the first complete quarter after the merger with T Star.

In addition to top line growth, cost savings from faster-than-expected network integration, which we completed in 3Q last year, drove significant synergies in profitability. This was reflected in the 30% YoY increase in our telecom EBIT. As a result, consolidated operating income grew by 11% YoY, while net income increased by 23% YoY.

Now, let's take a closer look at our mobile business on the next page.

Mobile – Growth Engine #1

In 1Q25, our smartphone postpaid ARPU increased YoY, as we continued to execute our sustainable growth foundation strategies.

5G penetration in our smartphone postpaid user base increased to 42%, 5ppts higher than a year ago, as we continued to upsell via our unique bundles. For contract renewals, we saw a 6% overall uplift in monthly fees. The conversion from 4G to 5G has been stable, with a 45% uplift in monthly fees. As a result, 5G revenue grew by 12% YoY, lifting its contribution to mobile service revenue to 65% in the quarter.

Also, as a result of our focus on unique bundles under SGF strategies, the monthly churn rate of our postpaid users fell to a record low of 0.6% in the quarter.

Next, let's turn to page 6 for updates on our home broadband business.

Broadband – Growth Engine #2

Our broadband business sustained its healthy momentum, delivering 8% YoY revenue growth in 1Q25, driven by a 4% increase in both subscribers and ARPU. This performance reflects continued demand for faster connectivity, especially at our competitive rates. For example, for a 1Gbps home broadband product, consumers enjoy 23–42% savings with us compared to the market leader. The increasing adoption of our bundled offerings, which cover cable TV, broadband, mobile, and OTT services such as MyVideo, Disney+, Max, and YouTube Premium, also provided healthy tailwind. Notably, the number of broadband subscribers on speeds of 300Mbps or higher, including Double Play bundle users, grew by 34% YoY during the quarter.

Overall EBITDA remained stable compared with the prior year, as the strength of our broadband business offset softness in the cable TV segment.

Next, let's take a look at our e-commerce business on the next page.

momo

A more muted retail environment along with broader economic uncertainty weighed on momo's top line performance in 1Q25. Nevertheless, customer engagement remained strong, with active users growing by 7.5% YoY. Its GMV also continued to rise YoY, outperforming the greater online retail industry, fueled by the increased listings under its new third party (3P) business.

momo's take rate was largely flat YoY, while the decline in its EBITDA margin mainly stemmed from more investments in marketing, technology, and new initiatives such as mo-shop+, the name of its 3P business, and momoAds, its RMN business.

Now, let me pass the virtual mic over to our CFO, George Chang, for Financial Overview.

Performance by Business

George Chang, CFO & Spokesperson:

Good afternoon. Let's start with Performance by Business.

In 1Q25, telecom stood out with 4% revenue growth and accounted for 45% of consolidated revenue.

As for profitability, telecom EBITDA grew by 5% YoY and its contribution exceeded 80% for the quarter. Hindered by lower revenue and margins, momo's EBITDA and net profit contribution fell to 11% in 1Q25.

Let's go to Results Summary.

Results Summary

Consolidated operating income grew by double digits YoY, as the robust 30% growth in our telecom EBIT helped offset softer performance at momo, which reflected its increased investments in new business areas. Coupled with lower non-op expenses, net income and EPS rose by 23% YoY.

Let's move on to Balance Sheet.

Balance Sheet Analysis

The YoY decrease in cash balance was primarily due to momo's allocation of excess cash into money market instruments, which led to an increase in other current assets in 1Q25.

Long-term investments rose YoY, driven primarily by the NT\$4bn strategic investment in Systex during 2H24.

The completion of network integration and the subsequent termination of T Star base station leases led to YoY decrease in right-of-use assets.

Long-term contract assets increased, reflecting the growth in mobile bundle plans.

Our disciplined capital allocation and healthy free cash flow generation enabled us to reduce gross debt QoQ and YoY. Supported by healthy cash flows, our net debt to EBITDA also declined on a yearly and quarterly basis, while solid profitability sustained our ROE at 15% in 1Q25.

Lastly, let's look at Cash Flow on the next slide.

Cash Flow Analysis

While operating cash flow fell YoY in 1Q25, cash earnings increased slightly as telecom EBITDA growth more than offset the decline in momo's EBITDA.

Investing cash outflow increased YoY, primarily driven by our investments in mobile infrastructure aimed at the needs of high-value customers.

Financing cash outflow decreased YoY, partially due to lower lease payment following our base station consolidation.

While operating cash flow was stable, continued capex payment for network consolidation brought pre-IFRS 16 free cash flow to NT\$4.41bn in 1Q25, translating to an annualized FCF yield of 5%.

Let me turn the presentation back to Jamie for event updates and Key Message.

Awards and ESG Recognitions

On this page, I am pleased to share some of our ESG achievements this quarter.

Taiwan Mobile was included in the CDP's Climate Change "A List" for the 5th time. We were also selected for the S&P Global Sustainability Yearbook for the 8th consecutive year, ranking in the top 5% of companies worldwide and being the most frequently recognized Taiwanese telecom operator in this ranking.

We also passed the "SGS Service Quality Certification" — one of the world's most trusted service quality evaluations — for 13 years in a row.

Last but not least, we received the Gold Medal Award at the Yourator Employer Brand Awards, making us the only telecom operator and one of just three companies in Taiwan to receive this distinction.

Key Message

Finally, to wrap up our presentation for today, here is the key message we would like for you to take away with.

In the first quarter of 2025, our core Telco and Telco+ businesses delivered a 7-year high in telecom EBIT. Looking ahead, our Telco+Tech strategies remain central to our growth agenda. Our new telco powered tech businesses are expected to unlock additional growth opportunities and drive near-term business expansion.

With that, let's open the floor for questions. If you are participating online, you are welcome to send your questions via the chat box. We will begin by addressing the telephone line questions before moving on to the web. Operator, please go ahead.