Taiwan Mobile

2Q26 Results Conference Call

August 14, 2026

Jamie Lin, President: Good afternoon, everyone. Welcome to Taiwan Mobile's 2nd quarter 2026 results conference call. We are reporting a record quarter in revenue and profitability outperformance. But before I share more details, please refer to our safe harbor notice on this page.

Now let's start with our business overview. Please turn to page 4 for Q2 highlights.

2Q26 Highlights

In Q2, our 3-tier flywheel demonstrated remarkable momentum. Our core growth engines — Telco, Telco+, and Telco+Tech — all delivered robust YoY top-line growth, reinforcing our position as the market leader as an AI-powered ICT company, or an "AICT company" as we call it.

On the profitability front, Q2 proved to be a landmark quarter as we continue to embark on our golden decade journey. Consolidated EBITDA and EBIT rose by 9% and 18% YoY respectively, with EBIT reaching a two-decade high and showcasing powerful operating leverage. Coupled with significantly enhanced non-operating performance, net income surged by 38% YoY, with EPS reaching NT$1.49, delivering the highest EPS in the sector for three quarters in a row.

This standout profitability was underpinned by our proactive integration of AI to drive operational efficiencies, optimized subsidy and commission structures, and disciplined capex management, which led to lower D&A expenses. George, our CFO, will explain our structural cost optimization in more detail later.

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

Telco Core – Growth Engine #1

Telco Core includes our Mobile and Home businesses. The "Sustainable Growth Foundation" strategy continues to yield excellent results, reflected in our record-low postpaid churn rate of 0.5% — a 9 basis point improvement YoY — and the 3% YoY increase in smartphone ARPU to NT$689 in Q2. As a result, our Q2 mobile service revenue grew 3% YoY, hitting an all-time high.

5G penetration came in at 45%, up 3ppts YoY, leaving us ample runway to upsell going forward. For contract renewals, we delivered a 6% overall monthly tariff uplift, driven by a 46% bump-up in 4G-to-5G upgrades. As a result, 5G revenue grew by 8% YoY, lifting its contribution to mobile service revenue to 69%. This commercial success is firmly backed by our leading network quality. In Opensignal's H1 2026 report, Taiwan Mobile ranked #1 across six key categories, taking sole ownership of the top spot and placed in the global top 3 in both "Network Reliability" and "Consistent Quality," while leading in Video and Voice App experiences.

Our unique bundles serve as a strong moat, consistently driving upselling and customer loyalty. In Q2, we introduced a new high-value, multi-platform OTT bundle that combines mobile data with a 2-year subscription to Netflix, Prime Video, HBO Max, and our own MyVideo. Similar to our existing Double Play and OP bundles, the vast majority of subscribers opted for NT$999 or higher rate plans, driving sustained subscriber and ARPU expansion.

Moving to the Home Business segment, our broadband business recorded a solid 5% YoY revenue growth in Q2. Including Double Play users, broadband users on speeds of 300Mbps or higher surged by 22% YoY, greatly outperforming the incumbent player.

Next, let's turn to page 6 for our growth engine #2.

Telco+ – Growth Engine #2

In the Telco+ segment, we continue to unleash the potential of our "Gift-as-a-Service" model, providing integrated AICT solutions for enterprise, AI data center, and cybersecurity services to our enterprise clients, including high-potential SMEs.

Growth in this segment has been stellar, with revenue surging 19% YoY in Q2. This performance was driven by key government SI projects and steady contributions from our AI Data Center. Notably, our data center revenue soared 89% YoY in Q2, while our AICT for enterprise business also expanded significantly. As enterprises accelerate their AI-led transformations, Taiwan Mobile is uniquely positioned as the premier partner of choice, backed by our robust infrastructure and telecom-grade reliability. This provides a powerful, long-term tailwind for our telecom service revenue.

Next, let's turn to our New Telco+Tech Businesses

New Telco+Tech – Growth Engine #3

Our third growth engine, Telco+Tech businesses, delivered a 4% revenue growth in Q2, while New Telco+Tech businesses, which exclude momo, grew by a robust 18% driven by strong execution across three key businesses.

First, our Direct Carrier Billing business (大哥付隨帳收) continued to expand steadily as we broadened our service offerings to drive recurring usage. Leveraging proprietary AI algorithms for precision targeting and risk management, we are seeing accelerated adoption of carrier-based payments across our user base.

Second, our E-commerce Services for Brands (品牌電商) grew exponentially, with revenue more than doubling YoY. This was driven by strong sales performance from key anchor brand clients such as Royal Canin and Philips, alongside the addition of a new channel partner in Q2. Furthermore, the upcoming launch of Japan's iconic lifestyle brand, 3COINS, across key channels — especially momo — will help fuel our top-line momentum as we head into the second half of the year.

Third, our proprietary OTT brand MyVideo delivered solid top-line revenue growth through both platform subscriptions and content investments, boosted by the strong box office performances of several key titles.

Finally, let's look at momo.

momo

momo's GMV growth accelerated to 7% YoY in Q2. Since March, momo has delivered four consecutive months of YoY revenue growth, driving a 4% YoY revenue increase in Q2. Take Rate saw a modest YoY expansion, while EBITDA margin remained resilient despite market competition. Combined with reduced D&A expenses, momo's operating income grew by 3% YoY in Q2. On the cash front, its negative cash conversion cycle provided a powerful working capital tailwind, driving an even more pronounced increase in operating cash flow.

The key growth initiatives, mo-shop+ and Retail Media Network (RMN), continued to expand rapidly. Our 3P marketplace, mo-shop+, now features over 3.7 million SKUs and more than 10,000 selected merchants, delivering double-digit YoY GMV growth in H1. Simultaneously, the RMN initiative gained further traction, with merchant penetration reaching approximately 50% as of quarter-end and revenue surging by double digits YoY.

With that overview of our strategic progress, I'll now turn the floor over to our CFO, George Chang, for a detailed look at the financials.

Performance by Business

George Chang, CFO & Spokesperson:

Good afternoon. Let's begin with our Performance by Business Segment.

In Q2 2026, our Telecom revenue delivered a solid 4% YoY growth, with fixed-line business contributing about half of this revenue expansion.

Telecom EBIT rose by 25% YoY, representing 77% of our consolidated EBITDA. This massive margin expansion highlights our operating leverage, driven by strong growth across all 3 engines and prudent cost discipline in customer acquisition and retention.

Accompanied by a gradual revenue recovery over the past two quarters, momo's EBITDA has stabilized YoY, while its EBIT grew 3% YoY thanks to a decline in D&A, as momo strategically reduced its reliance on third-party logistics facilities and enhanced fulfillment efficiency. Accounting for our equity stake, momo contributed roughly 6% to TWM's net income in Q2.

Finally, CATV EBIT dipped YoY, but this was mainly due to a high base in the pay-TV business. Broadband profitability remained robust with double-digit YoY growth.

Cost Discipline Accelerates Profit Growth

To further elaborate on the powerful operating leverage in our telecom business, as you can see, telecom revenue grew by 4% in Q2, but telecom EBIT grew by 25% YoY, expanding at more than 6 times the rate of revenue growth.

Within this YoY EBIT growth, more than half stemmed from AI-aided structural efficiency gains in subscriber acquisition and retention costs. As mobile capex continued to trend down, lower telecom D&A expenses contributed another 16% to the EBIT increase.

Let's go to Results Summary.

Results Summary

Consolidated revenue rose by 4% YoY, as telecom, momo and CATV all delivered revenue growth for two quarters in a row. Operating income went up by 18% YoY, setting a new quarterly high in over two decades.

On the non-operating front, expenses dropped significantly YoY, mainly driven by lower financing costs, higher equity-method income led by Systex, mark-to-market gains on our investment holdings, and favorable base effects from 2Q25 asset write-offs and FX translation losses. As a result, 2Q26 net income surged 38% YoY to a 20-year high.

For the first half of 2026, EPS reached NT$2.86, the highest among our peers.

Let's move on to Balance Sheet.

Balance Sheet Analysis

We continue to drive improvements in our asset efficiency and balance sheet strength. Within current assets, accounts receivable and contract assets grew 11% YoY, in line with top-line expansion across our mobile and fixed-line businesses. In non-current assets, PP&E declined as capital additions stayed below depreciation, with 5G rollout and network consolidation capex now behind us.

On the liabilities and equity side, our disciplined capital management and steady cash flow generation allowed us to reduce gross debt by NT$8.5 billion QoQ and NT$10.9 billion YoY. During the quarter, we also successfully monetized a portion of our treasury shares, adding NT$4 billion to both our cash balance and total shareholders' equity.

Notably, at the end of Q2, our legal reserve balance has reached the statutory threshold of our paid-in capital. As a result, we are no longer required to set aside earnings for legal reserves, providing us with greater flexibility for future profit distribution.

Finally, driven by ongoing debt reduction and earnings growth, our net debt-to-EBITDA ratio dropped to 1.33x, while ROE expanded to 19%, underscoring our sharp focus on sustained capital efficiency.

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

Cash Flow Analysis

Moving to cash flow and capital allocation. In Q2, we delivered robust operating cash flow growth YoY, driven by expanding telecom EBITDA and favorable working capital dynamics at momo.

Investing cash outflows decreased both sequentially and YoY. The QoQ drop reflects a high comparison base from our strategic media investment in Q1, while the YoY decline was primarily driven by reduced capex in mobile and momo.

Backed by strong cash generation, we accelerated debt repayment during the quarter, well exceeding both Q1 and prior-year levels. Consequently, Q2 pre-IFRS 16 free cash flow surged to NT$7.45 billion, delivering an annualized free cash flow yield of 8.4%, further strengthening our foundation for sustainable shareholder returns.

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

2026 Guidance Update

Our strong performance in the first half, driven by greater operating leverage from AI-led structural cost savings, gives us high confidence heading into the second half of the year. As a result, we are raising our full-year 2026 profit guidance. We are maintaining our revenue growth target of 5-7%, while upgrading our outlook for full-year telecom operating profit growth to 13-15%, and consolidated operating profit growth to 7-9%. Please note that this guidance is presented on a standalone basis and does not incorporate any financial or operational impact from the proposed tender offer for Systex.

Alongside our raised guidance, let's also look at our recent achievements in ESG and corporate recognition.

Awards and ESG Recognitions

I'm proud to share that Taiwan Mobile has once again achieved top honors in Extel's All-Asia Executive Team Survey. For the fourth consecutive year, we have been named a "Most Honored Company" in the Overall Asia region — remaining the only Taiwanese telco to consistently hold this distinction. Furthermore, in the Rest of Asia region, we secured the #1 Overall ranking for the fifth year in a row, with our CEO, CFO, IR team, Board, and ESG all placing in the Top 3 in their respective categories. On behalf of our leadership team, I thank you for your trust, your continued partnership, and your recognition of our team's pursuit of strategic excellence and commitment to world-class execution with strong corporate governance.

Speaking of which, we ranked in the Top 5% of Taiwan's Corporate Governance Evaluation for the 12th consecutive year — one of only seven companies in Taiwan to achieve this track record.

On environmental leadership, we earned the highest "A" rating in CDP's Supplier Engagement Assessment for the 5th straight year, alongside continued inclusion in the DJSI World Index and the FTSE4Good TIP Taiwan ESG Index.

On the technology front, our next-generation non-terrestrial network (NTN) solutions won the Gold Award in the inaugural Satellite Digital Applications Innovation Competition organized by the Ministry of Digital Affairs. Furthermore, our in-house developed AI solution — VotexAI (AI 聽寫大哥) — received the Taiwan AI Award and the Silver Award for Product Innovation at the AI Taiwan Future Commerce Expo. This highlights our leadership as one of the few telecom operators in the world to successfully achieve the productization of in-house AI capabilities.

Key Message

To conclude our Q2 presentation, here is the key message we would like you to take away:

First, regarding our Key Growth Drivers — we are driving sustained momentum across our mature core telecom operations and momo businesses, while expanding rapidly in our Telco+ and New Telco+Tech businesses.

Second, on Capturing Alpha in the Agentic Era — we are pioneering AI-driven structural cost reductions and productizing the platforms we have built, which in turn accelerates growth of our Enterprise Business.

Finally, for our Future Outlook — we are fully confident in our ability to meet our updated full-year financial guidance, and we remain firmly committed to maximizing long-term structural increase in shareholder returns, thereby delivering a golden decade.

To further accelerate this next phase of growth, we have also taken a major strategic step forward on the M&A front.

Subsequent Event: Proposed Tender Offer for Systex (6214.TW)

As you've seen in our material information announcement from August 12, we are launching a tender offer through our wholly-owned subsidiary TCC or 台信電訊 to acquire up to a 58% stake in Systex, on top of the 11.86% we already owned since September 2024.

Here is a summary of our deal terms and timeline. As shown on the slide, the offer features a 50/50 cash-and-stock split, with the cash portion fully supported by TCC's own capital and group borrowings.

The transaction is subject to Taiwan Fair Trade Commission approval, with the tender period running from August 18 through October 6. All detailed figures are on the screen for your reference.

Now, let me walk you through the three major synergies of this transaction, which will allow us to double our enterprise ICT market share and drive bottom-line growth.

Synergies

First, Cross-selling & Broadened Market Reach. By combining Taiwan Mobile's CT leadership with Systex's IT capabilities, we are aligning our software R&D and salesforce across cloud, network, software, hardware, and cybersecurity. With nearly 4,500 software engineers and a thousand sales professionals across two groups, we will offer comprehensive, one-stop AI and ICT solutions, unlocking massive cross-selling opportunities across Enterprise (To B) and Government (To G) markets. Financially, as Systex is a profitable business, recognizing investment returns alongside these synergies will be immediately accretive to our EPS in year one.

Second, AI. To fully capitalize on the enterprise AI transition, we are matching our AIDC infrastructure—already at 25MW and growing—with Systex's Ai4iA industry solutions. This synergy ensures seamless AI application deployment for enterprises, powered by our high-performance AIDC and high-speed network assets.

Third, Regional Opportunities. Taiwan Mobile and Systex share highly overlapping regional development strategies in Asia, with both companies already expanding into Japan and Greater Southeast Asia. Through this deep strategic alliance, we will join forces to accelerate our expansion in these regional markets and capture larger international opportunities.

In summary, this strategic investment bridges IT and CT, paving the way for sustainable growth and enhanced long-term shareholder value.

Pro Forma Net Income Contribution

Finally, here is a pro forma net income contribution analysis under different ownership scenarios for your reference.

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

Q&A

Sigrid Qiu, JP Morgan: ***My first question is on Systex acquisition. You mentioned that after the acquisition, you will double your enterprise ICT market share. What is your current ICT market share?***

Jamie: The combined market share would be around 7%. We're shooting to double that number in the next five to six years.

Sigrid: I understand. For the AIDC opportunity that you mentioned on the synergies slide, will we look to expand our AIDC revenue opportunities beyond what we have at the moment ? I understand the current arrangement with GMI Cloud. If we're going to do that, what is the capital needed to expand that part of the business?

Jamie: Yes, we are proactively talking to many partners to secure AIDC computing capabilities. The bottleneck for enterprises deploying AI applications is securing enough data center computing power. So, our pipeline of AIDCs coming online in the next 12 to 24 months will allow Systex to be much more aggressive in securing AI applications business across their customer base. Our strategy here is to work with infrastructure developers, so it is more like an asset-light model for us.

Sigrid: ***My next question is on group CAPEX. I noticed that group CAPEX has been coming down. Would you just remind us what is the main component of our CAPEX at the moment? And our peers are spending more CAPEX on network upgrades. Do you see a similar need at Taiwan Mobile's side? Could you give us a sense of how we're going to fund CAPEX going forward.***

Jamie: Like we said during the presentation, the 5G rollout is behind us. Going forward we will use AI-driven strategies to spend CAPEX in a wise way to make our network perform better, but we don't foresee a huge capital demand going forward.

Sigrid: ***My last question is about guidance. I'm looking at the updated guidance of consolidated operating profit growing at 7% to 9% year-on-year. Our first-half growth rate well exceeded the upgraded guidance. So, are we baking in some form of conservatism for the second half? I just want to understand why the guidance is much lower than the first-half growth rate?***

George: If you look at the second half, let's not forget the seasonal factor from the Apple launch, for instance. So, whether that will have any impact on retention and acquisition cost is a little bit less certain than in the first half. However, as we explained earlier, if you look at the operating leverage, the D&A was actually a big portion, and you can pretty much assume that it's going to be sustained in the second half at least. So yes, the guidance implied for the second half is definitely on the conservative side.

Sigrid: ***I just have a follow-up on the Neocloud question. Could you elaborate more on what makes the hyperscale business model less attractive compared with NeoClouds?***

Jamie: As you can observe from Nvidia's latest reporting structural change, they're breaking out public cloud business and other cloud business. The reason they're doing that is because the three hyperscalers are getting so big that they have a lot of leverage against their suppliers. So, doing business with them at this point is not as attractive as working with emerging players at Neocloud and corporate customers. Granted, with corporate customers, their per-order demand is a bit less, so it'll take Systex and us working together to secure several orders to fill a data center. That's also why we see the synergy win-win for both sides.

Charlie Bai, HSBC: ***I have two questions regarding the proposed tender offer for Systex. First, as you just mentioned, you are targeting to double your IT service market share from 7% to 14%. What is the action path to achieve that? Is that organic or cross-sell?***

Jamie: Yes, like we mentioned during our presentation, the three main strategies are cross-selling, AI-driven growth, and regional expansion acceleration. So, we plan to execute those three strategies diligently so that the combined group can grow at a much faster pace after the tender offer is completed.

Charlie: ***My next question is a follow-up on AIDC. After your merger, what would be your combined total current AIDC capacity — assuming you acquire Systex — and how much is your future planned AIDC capacity? I know that your peer, Chunghwa Telecom, just announced a big AIDC kickoff recently. How do you see the competitive dynamics in Taiwan's AIDC market?***

Jamie: Right now, Systex doesn't really own any AI-grade DC properties. If you combine our more traditional DC and AIDC, we're standing at a little bit above 30 megawatts, and we are looking to grow this portfolio quite proactively in the next 12 to 24 months. Like we expressed earlier, we will be growing this mostly through an asset-light model.

Charlie: Got you. So, will you first secure clients and then kick off the projects? What's the dynamic? What clients do you have in mind? Global CSPs or local Taiwan tech companies? Any color would be really appreciated.

Jamie: Right now, we have a pipeline of projects that we're evaluating together with multiple developer partners both in Taiwan and outside of Taiwan regionally. In terms of the customer base, right now we're receiving very strong demand from corporates and also Neoclouds. We will be under-indexing the three hyperscalers as the business model there is less attractive.

CHATBOX QUESTIONS

Kirk Boodry, Bloomberg Intelligence: ***How long does it take to deploy data center capacity from contract signing to opening? Also, you mentioned neoclouds, what is the relationship you have with companies like this?***

Jamie: We're taking an asset-light approach, so we're mainly working with newly built greenfields or brownfields that can be quickly deployed into AIDC, usually within six to 18 months. That's why I said that in our pipeline, we have multiple locations that we're looking to light up in the next 12 to 24 months. Like we communicated before in our press releases, for TAIDC01, we're working with one of the Neoclouds called GMI, and we have a very close relationship with them. We are actively engaged in discussions with a few other Neoclouds, so it's been a win-win partnership for us and GMI, and we would like to replicate this type of partnership with GMI and other Neocloud providers.