Taiwan Mobile

4Q24 Results Conference Call

February 27, 2025

Jamie Lin, President: Good afternoon, everyone. Welcome to Taiwan Mobile's 2024 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.

4Q24 Highlights

In 2024, mobile and home broadband—our two main growth engines—delivered robust revenue performance. Mobile service revenue increased by 23%, driven not only by the addition of T Star users, but also by a healthy 7% organic top-line growth from TWM's existing user base, as a result of our sustainable growth foundation strategies. Consolidated revenues rose by 9%, reaching a historic high.

In addition to the top line growth, cost savings from faster-than-expected T Star network integration, which we completed in 3Q, drove significant synergies on profitability. Consolidated EBITDA reached a record high of NT$42.5bn, growing at 19% YoY, which far exceeded our guidance of 11 to 13%. Operating income also reached an 11-year high, while net income achieved over 10% growth for the second consecutive year.

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

Mobile – Growth Engine #1

For our core telecom business, we have focused on building a sustainable growth foundation through long-term ARPU growth and enhanced customer loyalty. On a blended basis, which includes the dilution from T Star users, ARPU has seen sequential rise for 3 consecutive quarters and has turned to YoY growth since December as the team effectively executed our SGF strategies.

In 4Q24, mobile service revenue rose by 16% YoY. On top of revenue contribution from T Star, TWM's existing smartphone postpaid ARPU grew organically by approximately 4% YoY, thanks to continued 5G conversion and solid gaming momentum. 5G's contribution to our mobile service revenue further rose to 64% in the quarter.

5G penetration in our smartphone postpaid user base reached 41% by the end of 2024, 5ppts higher than a year ago. Since 5G service was launched in mid-2020, we've seen continued improvement in the overall monthly fee uplift when users renew their contracts, and this is mainly driven by 4G users upgrading to 5G rate plans. The conversion rate has been stable and the uplift has risen to close to 50% in 2024.

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

Broadband – Growth Engine #2

Our broadband business maintained good momentum, achieving double-digit YoY revenue growth in 4Q24, driven by a 4% increase in subscribers and an 11% ARPU improvement during the quarter. This growth reflects sustained demand for faster connectivity and the popularity of our bundled offerings, which include cable TV, broadband, mobile, and OTT services such as MyVideo, Disney+, Max, and YouTube Premium. Notably, broadband subscribers with speeds of 300Mbps or higher, including Double Play bundle users, rose by 37% YoY this quarter.

The YoY decline in CATV revenue was mainly due to content reduction following Disney's exit from the cable TV channel market in Taiwan early 2024. Overall EBITDA showed solid growth YoY, supported by the strength of our broadband business.

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

momo

In order to accelerate growth as online shopping continues to soften, momo has been boosting its third-party (3P) listings as well as advertising business, with the launch of its own retail media network (so called "RMN"), in 2024. This strategic move resulted in an 11% YoY increase in active users and a healthy growth in gross merchandise value (GMV) in 4Q24.

momo's EBITDA margin slightly increased in 4Q24 thanks to stable 1P take rates and expanding revenue from the new businesses I just mentioned.

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.

For full-year 2024, revenue contribution from telecom business increased to 43% and accounted for the majority of the YoY rise in consolidated revenue. Even without the merger impact, telecom revenue posted decent growth in 2024.

As for profitability, telecom's EBITDA contribution rose to almost 80% for the year. The YoY EBITDA increase of NT$6.7bn was mainly driven by telecom, while CATV and momo also delivered YoY growth. In terms of net income contribution, about 11% was from momo in 2024.

Let's go to Results Summary.

Results Summary

In 4Q24, consolidated revenue and EBITDA both hit record levels, posting 5% and 15% YoY growth respectively, thanks to the merger with T Star and solid telecom performance. Operating income reached an 11-year high, with the growth rate accelerating to 22% YoY, on the back of the rental expense savings from base station consolidation. Excluding the one-off disposal gain booked in 4Q23, net income would have increased by 20% YoY.

For the full year, EBIT contribution from T Star, coupled with our relentless efforts to upsell existing mobile users, drove operating income to an 11-year high. This helped offset higher financing expenses at the non-operating level and EPS dilution from the issuance of new shares to T Star shareholders. As a result, net income and EPS increased by 13% and 6% YoY respectively.

Let's move on to Balance Sheet.

Balance Sheet Analysis

The YoY decrease in cash balance at the end of 2024 was primarily due to momo's allocation of excess cash into money market instruments, which led to an increase in other current assets.

Long-term investments rose YoY, driven primarily by the NT$4bn strategic investment in Systex during 3Q24.

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

Long-term contract assets increased, reflecting the growth in mobile bundle plans extending beyond 30 months.

Our strong free cash flow growth enabled us to reduce gross debt levels QoQ and YoY. For gross debt, the short-term portion increased YoY in 4Q24, as we plan to repay NT$14bn in corporate bonds in 1H25. To maintain the Company's financial stability, we have just successfully raised NT$10.02bn through convertible bond issuances this month.

Net Debt to EBITDA declined to 1.89x. The QoQ change was driven by lower net debt, while the YoY decrease was due to EBITDA growth.

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

Cash Flow Analysis

In 4Q24, operating cash flow rose QoQ and YoY on the back of consolidated EBITDA expansions and stable working capital changes.

Investing cash outflow increased YoY in 4Q24, primarily driven by our investments in network consolidation with T Star to realize cost savings.

Financing cash outflow decreased YoY, mainly due to the repayment of some short-term and long-term borrowings.

For full-year 2024, both the e-commerce and telecom businesses recorded significant increases in free cash flow, driven by momo's NT$2.4bn increase in operating cash flow, and the strong growth in telecom EBITDA from 5G migration and T Star acquisition.

Although cash capex peaked in 2024, our full-year FCF reached NT$19.74bn, marking a 20% YoY growth and a FCF yield of 5.7%.

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

2024 Earnings Distribution

First, let's talk about 2024 earnings distribution.

On February 27, Taiwan Mobile's Board approved the proposal to distribute NT$13.6bn in cash dividends, translating to c.4% yield to shareholders.

Dividend per share increased to NT$4.5 on 3.025bn shares, excluding treasury shares held by 100%-owned subsidiaries.

2025 Guidance

Next let's take a look at our 2025 guidance. For the full year, we are guiding consolidated revenue to grow by 8 to 10%, with telecom-related revenue growing at 5 to 7%. Consolidated operating profit is expected to grow at 7 to 9%.

For 2025 capex budget, a total of NT$8.58bn was approved by the Board, of which NT$6.87bn will be allocated to telecom. The mobile capex for 2025 will mainly focus on further enhancing 5G network download speeds, including putting to use the 40MHz 3.5GHz spectrum we acquired in the T Star merger, with the goal of attracting and better serving high-value 5G users.

Next, let's take a look at Awards and ESG Recognitions on page 16.

Awards and ESG Recognitions

We're excited to share Taiwan Mobile's latest milestones, reflecting our commitment to sustainability, innovation, and operational excellence.

In 2024, TWM's IDC achieved 100% renewable energy—six years ahead of our IDC RE100 commitment. Our partnership with Taijiang National Park and National Chung Hsing University on the "Taiwan Blue Carbon Mangrove Restoration Project" is transforming fish farms into carbon sinks, contributing to carbon reduction and ecosystem health.

For the eighth consecutive year, we ranked among the top three in the telecommunications services industry in the DJSI World Index and maintained our listing in the DJSI Emerging Markets Index for 13 years in a row. Our recent M&A success with T Star was recognized with the "Deal of the Year M&A Award" and "Most Influential M&A Deal Award" at the 2024 Taiwan M&A and Private Equity Council Taiwan M&A Awards,"—the only telecom operator to earn these honors.

Additionally, we were honored with the "Corporate Sustainability Award" and "CEO of the Year" at the "IDC Future Enterprise Awards" for the Taiwan market.

Our commitments to community and service excellence are also recognized in the awards listed here. These achievements highlight our dedication to sustainability, strategic growth, and stakeholder value.

Key Message

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

Taiwan Mobile delivered a record-breaking 2024, achieving all-time highs in consolidated revenues and EBITDA, along with robust growth across all key financial metrics. This success was fueled by our merger with T Star, sustained organic expansion, and our Telco+Tech strategy. Full-year free cash flow increased by 20%, demonstrating our strong financial foundation and commitment to maximizing shareholder returns. Customers are also reaping the benefits of significantly enhanced network quality, driven by a 67% increase in our 5G spectrum holdings following the merger.

Looking forward to 2025, we are confident in achieving our guidance by focusing on three key drivers:

Unlocking Merger Synergies: Continue to drive cost savings through network integration and operational efficiencies, while capitalizing on cross-selling and upselling opportunities to further boost profitability.

Strengthening Our Core: Accelerate ARPU growth and minimize churn through Telco+Tech strategies, unique bundles and superior network quality.

Scaling Enterprise & SMB: Leverage our cutting-edge AI capabilities and strategic partnerships, including Systex, to capture growing demand for our solutions across private and public sectors.

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.

Q&A

Rajesh Panjwani, JP Morgan: ***There was a significant cost reduction in 2024 after the merger. Can you talk about how much more room there is for cost reduction?***

Jamie: In terms of cost reduction, we delivered significant results in 2024. We do foresee 2025 to be a year we continue to reap that benefit, both in network consolidation and other cost savings. If you need a ballpark figure, we are looking at around 60-40 spread between 2024 to 2025.

CHATBOX QUESTION

Tom Tang, Morgan Stanley***: Just one question on the guidance. Can you help us break down the telecom revenue outlook? Especially mobile ARPU outlook. And can you tell us more about the progress in converting T Star users?***

Jamie: In terms of guidance, we're guiding telecom-related revenues to grow at 5% to 7% in 2025 and from this point, it would mostly be organic, meaning it would mostly come from an ARPU lift from our existing customers. The progress of cross selling and upselling T Star users has been rather successful, and about 15% of T Star users have been converted to TWM rate plans, with over 10% monthly fee uplift.