



February 25, 2021

Topics in This Report

- Revenue Analysis
- EBIT Analysis
- Income Statement Analysis
- Cash Flow Analysis
- Balance Sheet Analysis
- Guidance
- Management Remarks

IR contact:

Jennifer Yuan
Principal Administrator
Investor Relations
jenniferyuan@taiwanmobile.com

Rosie Yu
CFO
rosieyu@taiwanmobile.com

13F, No. 88, Yan Chang Rd.,
Taipei City 110, Taiwan, ROC
Tel: 8862 6636 3159

ir@taiwanmobile.com
<http://www.taiwanmobile.com>

TWM Consolidated

NT\$bn	4Q20	YoY	FY20	YoY	<u>FY20</u> <u>Achievement</u> <u>Ratio</u>
Revenues	38.42	13%	132.86	7%	99%
Operating Income	3.60	-18%	16.06	-7%	102%
Non-op. Income (Expenses)	(0.41)	17%	(0.60)	-2%	61%
Pre-tax Income	3.19	-21%	15.46	-7%	104%
(Income Tax)	(0.74)	-10%	(3.06)	-7%	109%
(Minority Interest)	(0.35)	42%	(1.11)	37%	134%
Net Income	2.11	-29%	11.29	-10%	101%
EPS (NT\$)	0.74	-30%	4.01	-11%	101%

2020 Highlights of Operating Results4Q20

The upbeat seasonal performance of our e-commerce business underpinned the 13% YoY increase in consolidated revenue. Combined operating income of CATV and momo grew 24% YoY in 4Q20. However, 5G D&A and higher marketing costs resulted in a wider YoY drop in consolidated operating income vs. 3Q20.

FY20

Consolidated revenue was largely in line with Company forecast, supported by our robust e-commerce business. While 4Q20 operating income fell short due to higher-than-expected marketing costs amid faster 5G adoption, FY20 operating income beat forecast thanks to SG&A savings and momo's contribution. Net income reached 101% of our FY20 guidance, aided by lower-than-expected non-operating expenses.

FY20 free cash flow calculated with pre-IFRS 16 operating cash flow was NT\$16.20bn, translating into an annualized FCF yield of 5.8%.

2021 Guidance

Consolidated revenue: up 12~15% YoY

E-commerce, new technology services and other revenue: up 19~23% YoY

Telecom related revenues: up 4~6% YoY

Consolidated EBITDA: flat to slightly down by 2% YoY

Group capex: NT\$11.8bn

Telecom: NT\$8.65bn, mobile roll-out scale to be halved from 2020.

Cable TV: NT\$0.87bn

momo & others: NT\$2.29bn

Key Message

With momo firing on all cylinders and mobile ARPU seeing an uplift from better 5G coverage and more compelling bundles, accelerating top line growth will be our No.1 priority in 2021. We believe that this will translate into greater shareholder value in the long-run.

The information contained in this presentation, including all forward-looking information, is subject to change without notice, whether as a result of new information, future events or otherwise, and Taiwan Mobile Co., Ltd. (the "Company") undertakes no obligation to update or revise the information contained in this presentation. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.

I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	4Q20	QoQ	YoY	2020	YoY
Mobile Service Revenue	11.85	1%	-5%	47.26	-8%
Postpaid ARPU (NT\$)	653	0%	-6%	657	-9%
Blended ARPU (NT\$)	545	0%	-5%	548	-7%

Revenue (NT\$bn)	4Q20	QoQ	YoY	2020	YoY
Telecom	17.12	19%	-1%	61.53	-9%
Service	11.30	1%	-4%	45.01	-7%
Device Sales	5.82	78%	7%	16.53	-13%
CATV revenue	1.55	-1%	5%	6.19	2%
Pay-TV	0.84	-1%	-4%	3.41	-3%
Broadband ¹	0.41	3%	11%	1.56	8%
Content & channel leasing	0.30	-6%	27%	1.23	10%
momo	20.68	33%	30%	67.20	30%
E-commerce	19.21	34%	35%	61.59	35%
Others²	0.13	-12%	-14%	0.55	-7%

1. Cable broadband revenue includes costs borne by TWM for its Double Play customers which is eliminated in consolidated revenue.

2. Other revenue primarily consists of operating revenue from our 49.9%-held Taipei New Horizon Co., Ltd., which became a consolidated entity on Feb 21, 2014.

	4Q20	3Q20	4Q19	QoQ	YoY
Mobile Subscribers (K)	7,264	7,225	7,178	1%	1%
- Postpaid	5,801	5,810	5,687	0%	2%
Monthly Churn	1.1%	1.3%	3.2%		
-Postpaid	1.0%	0.8%	1.2%		
MOU (bn)	0.92	0.96	1.01	-4%	-9%
Pay-TV Subs (K)	548	550	554	0%	-1%
Cable Broadband Subs (K) ¹	266	263	252	1%	5%
DTV Subs (K)	281	276	259	2%	8%

CATV ARPU (NT\$)	4Q20	QoQ	YoY	2020	YoY
Pay-TV	510	-1%	-3%	515	-2%
Broadband	512	2%	5%	500	2%
Blended ²	757	1%	1%	751	1%

1. Cable broadband customers signed via TWM Double Play series are not included.

2. Cable TV & broadband related revenue (excluding content agency) divided by CATV subscriber number.

Telecom

In 4Q20, increased 5G handset options, especially the launch of the iPhone 12 series, served as a strong tailwind for 5G service take-up. As the Big 3 all set their minimum monthly fee for 5G unlimited data plans at \$1399, the faster-than-expected 5G adoption provided solid upselling momentum for operators.

Since 5G service launch in July, ~90% of our 5G sign-ups have opted for \$999 or higher rate plans, with the monthly fee uplift in users upgrading to 5G plans reaching 24%. This resulted in the sequential improvement in postpaid (excluding IoT) monthly fee and mobile service revenue in 4Q20, and narrowed the YoY declines amid still falling 4G revenues.

The QoQ surge in device sales was primarily driven by the iPhone 12 series.

Our Double Play bundle (unlimited mobile data + high speed home broadband) posted further subscriber growth in 4Q20. 24% of new sign-ups opted for 500Mbps and above fixed broadband speeds, which also provides complementary indoor coverage to 5G services.

Cable TV

Supported by the rise in TV content aggregation revenue and climbing broadband momentum, CATV revenue went up by 5% YoY in 4Q20. Meanwhile, demand for faster home broadband access including the Double Play packages continued to swell, lifting cable broadband-related revenue by 11% YoY.

momo

As the leading e-commerce platform, momo outperformed its peers during the annual Double 11 shopping festival and increased its total number of transactions by 34% YoY in 4Q20.

II. EBIT Analysis

Table 2. EBITDA Breakdown

NT\$bn	4Q20	QoQ	YoY	2020	YoY
EBITDA	7.72	-1%	-6%	31.33	-6%
- Telecom	5.93	-5%	-12%	24.87	-10%
- CATV	0.72	-2%	1%	2.93	-5%
- momo	0.96	46%	36%	3.03	30%

NT\$bn	4Q20	QoQ	YoY	2020	YoY
D&A	4.12	4%	6%	15.27	-6%
- Telecom	3.66	4%	6%	13.54	-6%
- CATV	0.18	3%	-8%	0.72	-27%
- momo	0.22	11%	20%	0.82	21%

NT\$bn	4Q20	QoQ	YoY	2020	YoY
EBIT	3.60	-6%	-18%	16.06	-7%
- Telecom	2.27	-17%	-31%	11.32	-15%
- CATV	0.53	-3%	5%	2.21	6%
- momo	0.74	61%	42%	2.22	34%

Table 3. Non-operating Item

NT\$bn	4Q20	QoQ	YoY	2020	YoY
Non-Operating Revenue (Expense)	(0.41)	1056%	17%	(0.60)	-2%
- Net Interest Expense	(0.14)	1%	87%	(0.55)	20%
- Write-off Loss	(0.26)	1300%	13%	(0.31)	8%
- Other Revenue (Expense)	(0.01)	nm	-85%	0.26	97%

EBIT Analysis

Telecom EBITDA's YoY slide in 4Q20 stemmed from 1) higher subsidies from upselling strategies and longer handset bundle contracts, and 2) plummeting roaming business amid COVID-19. Having rolled out 5G infrastructure proactively, D&A turned to YoY rise in 4Q20, resulting in an even sharper decline at the EBIT level.

In 4Q20, CATV EBITDA turned to YoY growth mainly due to a low base a year ago. While 4Q20 EBIT still rose by 5%, the YoY decline in D&A further narrowed in the quarter, with sequential D&A increase since 2Q20 driven by investment in broadband and set-top-box with new feature.

Thanks to scale economies and operating leverage, momo's e-commerce EBITDA soared by 73% YoY in 4Q20. Payment processing fee as a percentage of revenue went down, as its private label credit card already accounted for 27% of B2C sales in 4Q20.

D&A Analysis

Overall D&A turned to YoY rise in 4Q20 on the back of 5G infrastructure roll-out and momo's satellite warehouse additions. Three more satellite warehouses were added in 4Q20, taking the total number of satellite warehouses to 22 (up by 8 YoY).

Non-Operating Item Analysis

4Q20 non-operating expenses surged YoY as a one-off litigation-related interest income set a low base in 4Q19. Meanwhile, the QoQ jump was from equipment write-offs.

III. Income Statement Analysis

Table 4. 4Q20 Consolidated Results vs. Forecast

NT\$bn	4Q20	QoQ	YoY	% of 4Q20 Forecast
Revenue	38.42	23%	13%	101%
Cash Cost & Expense	(30.70)	31%	19%	104%
Operating Income	3.60	-6%	-18%	91%
Non-op. Income (Expense)	(0.41)	1056%	17%	136%
Pre-tax Income	3.19	-16%	-21%	87%
Net Income	2.11	-25%	-29%	77%
EPS (NT\$)	0.74	-27%	-30%	77%
EBITDA	7.72	-1%	-6%	93%

Table 5. 2020 Consolidated Results vs. Forecast

NT\$bn	2020	YoY	% of 2020 Forecast
Revenue	132.86	7%	99%
Cash Cost & Expense	(101.53)	12%	99%
Operating Income	16.06	-7%	102%
Non-op. Income (Expense)	(0.60)	-2%	61%
Pre-tax Income	15.46	-7%	104%
Net Income	11.29	-10%	101%
EPS (NT\$)	4.01	-11%	101%
EBITDA	31.33	-6%	99%

Income Statement Analysis

4Q20

The upbeat performance of our e-commerce business underpinned the 13% YoY increase in consolidated revenue.

Combined operating income of CATV and momo grew 24% YoY in 4Q20. However, 5G D&A along with higher marketing costs resulted in a wider YoY drop in overall operating income vs. the previous quarter.

With a jump in write-off losses, 4Q20 net income slipped 29% YoY and was below our guidance.

FY20

Consolidated revenue was roughly in line with Company forecast, supported by our robust e-commerce business.

While 4Q20 operating income fell short owing to higher-than-expected marketing costs associated with much faster 5G adoption, FY20 operating income beat forecast thanks to SG&A savings and momo's contribution. Combined EBIT contribution of momo and CATV reached 28% of our FY20 consolidated operating income.

FY20 non-operating expenses were significantly below Company projections, due mainly to lower-than-expected financing costs along with higher-than-expected dividend income from investees. Net income reached 101% of our FY20 guidance.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2020	2019	4Q20	4Q19
Operating	31.74	30.22	8.73	2.88
Pre-tax Income	15.46	16.58	3.19	4.02
Non-cash Add-backs	17.18	18.92	4.56	4.47
--Depreciation ¹	7.16	8.85	1.90	2.05
--Amortization	4.17	3.44	1.22	0.86
--Others ¹	5.85	6.63	1.44	1.56
Changes in Working Capital & Income Taxes	(1.52)	(5.97)	0.55	(5.99)
Others	0.63	0.69	0.42	0.38
Investing	(39.32)	(8.37)	(5.40)	(2.88)
Capex ²	(11.55)	(7.14)	(6.35)	(1.62)
Divestment (Acquisition)	1.96	(0.21)	1.00	(0.23)
5G License Fees	(29.66)	0.00	0.00	0.00
Other Financial Assets (Increase)	(0.15)	(0.15)	(0.03)	(0.05)
Refundable Deposits (Increase)	(0.06)	(1.01)	(0.02)	(1.00)
Others	0.14	0.14	0.01	0.02
Financing	9.69	(20.67)	(3.01)	(4.36)
Short-term Borrowings	5.82	6.40	(8.40)	1.30
Proceeds from Issuance of Bonds	19.98	0.00	0.00	0.00
Long-term Bank Loan	2.19	(2.30)	6.40	(0.05)
Repayment of The Principal Portion of Lease Liabilities ³	(3.88)	(3.78)	(0.94)	(0.95)
Dividends Payments	(14.01)	(16.06)	0.00	0.00
Repayments of Bonds Payable	0.00	(4.50)	0.00	(4.50)
Interest (Payment) & Others	(0.41)	(0.43)	(0.07)	(0.15)
Net Cash Position Chg.	2.11	1.16	0.32	(4.36)

1. Depreciation of right-of-use assets shown separately under "Others" instead of "Depreciation" in this table.

2. Inclusive of prepayments for equipment and the acquisition of computer software & other intangible assets

3. An operating cash outflow item prior to 2019

Table 7. Capex & FCF

NT\$bn	2020	2019	4Q20	4Q19
Cash Capex¹	11.55	7.14	6.35	1.62
- Mobile	8.59	4.73	5.51	0.84
- Fixed-line	1.41	1.46	0.55	0.47
- Cable	0.67	0.56	0.17	0.14
- momo & others	0.88	0.39	0.12	0.16
% of Revenue	9%	6%	17%	5%
Free Cash Flow¹	16.20	19.19	1.41	0.28

1. Excluding 5G License Fees. Free cash flow was on pre-IFRS 16 basis.

Cash Flow Analysis

4Q20

The YoY surge in operating cash inflow was attributable mainly to a low base in 4Q19, with massive payments of the iPhone 11, merchandise and tax payments postponed by the typhoon at 3Q19 end.

Apart from the capex growth amid 5G construction, the main investing activity in 4Q20 was the sale of Taiwan High Speed Rail shares.

FY20

Operating cash inflow increased YoY owing to 1) the decline in iPhone inventory as the supply was impacted by the COVID-19 pandemic; 2) the rise in accounts payable following momo's business expansion; and 3) fewer tax payments.

The investing cash outflow and the financing cash inflow mainly reflected our payment and financing, respectively, for 5G network costs.

Capex and Free Cash Flow Analysis

FY20 cash capex hiked YoY on account of momo's logistic capacity scale-up and 5G network rollout. As of end-2020, around 6,000 3.5GHz base stations have been built.

The variance vs. our 2020 capex guidance of NT\$20.4bn was due to the time lag in actual cash payout. The difference will be paid in 2021.

FY20 free cash flow of NT\$16.20bn translates into free cash flow yield of 5.8%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	4Q20	3Q20	4Q19
Total Assets	184.58	180.74	153.92
Current Assets	32.09	32.05	29.91
- Cash & Cash Equivalents	10.78	10.46	8.66
- Receivable & Contract Assets	13.79	13.44	14.07
- Inventories	5.77	4.89	5.67
- Short-term Investment	0.25	1.61	0.25
- Other Current Assets	1.51	1.65	1.26
Non-current Assets	152.49	148.69	124.01
- Long-term Investment	4.26	3.80	6.72
- Property and Equipment	45.11	41.36	39.17
- Right-of-use Assets	9.01	9.01	9.66
- Concession	64.80	65.88	37.71
- Other Non-current & Contract Assets	29.31	28.64	30.76
Liabilities	112.59	111.12	79.74
Current Liabilities	58.53	62.91	44.52
- ST Borrowings	26.93	34.69	18.47
- Accounts & Notes Payable	9.79	8.53	7.80
- Current Lease Liabilities	3.51	3.47	3.53
- Other Current Liabilities	18.31	16.21	14.72
Non-current Liabilities	54.06	48.21	35.22
- Long-term Borrowings	43.75	37.99	24.49
- Non-current Lease Liabilities	5.53	5.52	6.12
- Other Non-current Liabilities	4.78	4.70	4.61
Shareholders' Equity	71.99	69.62	74.18
-Paid-in Capital	35.12	35.12	35.09
-Capital Surplus	18.94	18.94	20.27
-Legal Reserve	30.17	30.17	28.92
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.49
-Non-controlling Interest	6.63	6.27	6.16
-Retained Earnings & Others ¹	10.85	8.83	12.95

1: Including YTD profits and other equity items

Table 9. Ratios

	4Q20	3Q20	4Q19
Current Ratio	55%	51%	67%
Interest Coverage (x)	24.0	29.0	35.2
Net Debt (Cash) to Equity	83%	89%	46%
Net Debt (Cash) to EBITDA (x)	1.91	1.95	1.03
ROE (annualized)¹	15%	17%	18%
ROA (annualized)²	7%	8%	9%

1. ROE = Accumulated Net Income (Annualized) / Average Shareholders' Equity

2. ROA = Accumulated Net Income + Interest Expenses*(1-Tax Rate) (Annualized) / Average Total Assets

Assets

Our THSR shares were reclassified from long-term investment to short-term investment, with realized sales proceeds of NT\$2,964mn from our 90mn shares during FY20. There are no shares left.

Inventories rose YoY owing to momo's business expansion, but was partially offset by the undersupply of the iPhone 12.

Among non-current assets, the YoY growth in PP&E was driven by 5G network rollout and land purchase for momo's new distribution center in southern Taiwan. Concession climbed YoY due to the acquisition of 5G spectrum in 1Q20, which has begun amortization since the commercial launch on July 1, 2020.

Liabilities & Shareholders' Equity

For liabilities, bank borrowing decreased in 4Q20 thanks to the healthy operating cash flow generated in the quarter.

Accounts & notes payable saw a YoY uplift on the back of momo's thriving e-commerce business and the late release of the iPhone 12. Other current liabilities climbed up YoY as a result of the increasing other payable for 5G related cost.

Majority of our NT\$10bn convertible bond to mature in November 2021 had been converted with NT\$0.64bn left at the end of 2020. The YoY swell of non-controlling interest was spurred by momo's robust growth momentum.

Ratio Analysis

The YoY rises in net debt to equity/EBITDA were associated with the incremental debt we took on for 5G spectrum acquisition.

VI. Guidance

2021 Guidance

- Consolidated revenue: up 12~15% YoY
 - E-commerce, new technology services and other revenue: up 19~23% YoY
 - Telecom related revenues: up 4~6% YoY
- Consolidated EBITDA: flat to slightly down by 2% YoY
- Group capex: NT\$11.8bn
 - Telecom: NT\$8.65bn, mobile roll-out scale to be halved from 2020.
 - Cable TV: NT\$0.87bn
 - momo & others: NT\$2.29bn

- Honored with a “Silver Award” in the Environmental Protection Administration (EPA) “National Enterprise Environmental Protection Awards”.
- Won the “Enterprise Project Management Benchmarking Award” of the Project Management Institute (PMI) “2020 PMI Taiwan Grand Awards”.
- Recognized as the “Best Customer Service Management Team” and “Best Customer Service Sales Team” in the Taiwan Contact Center Development Association (TCCDA) “2020 Customer Service Excellence Awards” (CSEA).
- Acknowledged by the Sports Administration in its "Sports Activist Awards" for 4 consecutive years. Recipient of its "Sponsorship Award - Gold Class" and "Long-term Sponsorship Award" in 2020.

VII. Management Remarks

Key Message

With momo firing on all cylinders and mobile ARPU seeing an uplift from better 5G coverage and more compelling bundles, accelerating top line growth will be our No.1 priority in 2021. We believe that this will translate into greater shareholder value in the long-run.

Awards and Recognition

- Selected for the Dow Jones Sustainability Indices (DJSI) “DJSI World” for 4 consecutive years and once again ranked No.1 in its “Global Telecom Industry” segment. Listed in the DJSI “Emerging Markets” for 9 years in a row.
- Recognized as an A-list climate change enterprise by CDP, the world’s largest carbon disclosure organization, for 2 years in a row.
- Received 10 awards at the Taiwan Corporate Sustainability Awards (TCSA), winning “The Most Prestigious Sustainability Awards – Top Ten Domestic Companies” for the 6th time and ranking 1st in the “Service Industry” segment.