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TWM Consolidated

NT\$bn	<u>1Q23</u>	<u>1Q22</u>	<u>YoY</u>
Revenues	43.02	39.79	8%
Operating Income	4.29	4.10	5%
Non-op. Income (Expenses)	(0.23)	(0.12)	92%
Pre-tax Income	4.06	3.98	2%
(Income Tax)	(0.84)	(0.79)	6%
(Minority Interest)	(0.50)	(0.47)	8%
Net Income	2.71	2.72	0%
EPS (NT\$)	0.96	0.97	-1%

Highlights of Operating Results
1Q23

Consolidated revenue rose by 8% YoY, fueled by a 10% YoY rise in momo's revenue and faster telecom revenue growth. Coupled with healthy EBITDA growth and muted D&A increase, consolidated operating income rose by 5% YoY. Net income was flat YoY, as non-operating expenses increased due to higher financing costs amid rising interest rates. As net debt and EBITDA both rose YoY, net debt to EBITDA was stable.

2022 Earnings Distribution

On May 3rd, 2023, TWM's Board approved the proposal to distribute NT\$12.1bn in cash dividends, translating to c.4.2% yield to shareholders. Dividend per share is NT\$4.30 on 2.82bn shares, excluding treasury shares held by 100%-owned subsidiaries. Post earnings distribution, there will be NT\$37.2bn excess reserves available for future dividend distribution.

Key Message

We are confident that our three primary growth engines: 5G, momo, and home broadband, will continue to strengthen our market position and enhance group synergies. TWM is dedicated to maximizing shareholder value through two key initiatives: 1) seamlessly integrating with T-Star following approvals from the FTC and TWSE, and 2) executing our Telco+ strategies to provide meaningful applications, including e-sports games and "TelcoFin" services, while capitalizing on our expanding customer base, data and AI capabilities.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	1Q23	4Q22	1Q22	QoQ	YoY
Mobile Service Revenue	12.56	12.32	11.92	2%	5%
Postpaid ARPU (NT\$)	664	659	652	1%	2%
09x Postpaid ARPU (NT\$)	697	689	675	1%	3%
Blended ARPU (NT\$)	560	553	545	1%	3%

Revenue (NT\$bn)	1Q23	4Q22	1Q22	QoQ	YoY
Telecom	17.23	18.50	15.95	-7%	8%
Service	12.10	11.85	11.39	2%	6%
Device Sales	5.13	6.64	4.56	-23%	12%
momo	25.12	31.80	22.94	-21%	10%
E-commerce	24.08	30.61	21.63	-21%	11%
CATV revenue	1.56	1.66	1.55	-6%	1%
Pay-TV	0.77	0.78	0.80	-1%	-3%
Broadband ¹	0.50	0.50	0.47	0%	7%
Content & channel leasing	0.28	0.38	0.29	-25%	-1%
Others²	0.15	0.15	0.14	0%	2%

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.

	1Q23	4Q22	1Q22	QoQ	YoY
Mobile Subscribers (K)	7,517	7,482	7,324	0%	3%
- Postpaid	6,107	6,036	5,906	1%	3%
Monthly Churn	1.6%	1.2%	1.1%		
-Postpaid	0.7%	0.9%	0.9%		
MOU (bn)	0.68	0.74	0.77	-8%	-12%
Pay-TV Subs (K)	523	527	534	-1%	-2%
Cable Broadband Subs (K) ¹	297	294	283	1%	5%
DTV Subs (K)	301	301	297	0%	1%

CATV ARPU (NT\$)	1Q23	4Q22	1Q22	QoQ	YoY
Pay-TV	491	491	495	0%	-1%
Broadband	567	575	556	-1%	2%
Blended ²	810	810	788	0%	3%

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

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

Telecom

In 1Q23, mobile service revenue YoY growth accelerated to 5.4%, the highest quarterly YoY increase since 5G service launch in 3Q20. This was driven by continued 5G conversion, improving 4G pricing environment, and robust growth in game publishing and roaming revenues. Coupled with healthy expansion of fixed-line service revenue, telecom service revenue reached the highest level since 2Q19.

Smartphone postpaid ARPU increase accelerated to 3.3% YoY in 1Q23, as our unique bundles (momobile, Double Play, Disney+ and OP Life) remained a driving factor for rate plan mix improvement. Accumulated users of these unique bundles rose further and accounted for 19% of our smartphone postpaid user base in 1Q23. momobile users' contribution to momo's e-commerce revenue grew to 9.7% by the end of March, up from merely 3.5% a year ago. Close to 60% of the Double Play user base are on for \$999 or higher rate plans, notably higher than company average.

These bundles also helped enhance our customer stickiness, evidenced by a record-low postpaid monthly churn rate of 0.71% in 1Q23.

On the enterprise side, data & access and IoT services maintained healthy growths in 1Q23.

momo

momo's e-commerce revenue continued to post double-digit YoY growth in 1Q23. On the logistics side, momo expanded its warehouses by 7 YoY, to 55, and its warehouse space by 31% YoY.

Cable TV

Broadband subs (Double Play included) on speeds of 300Mbps or higher surged by 72% YoY, contributing to the 7% YoY increase in broadband revenue in 1Q23. Moreover, aided by Double Play bundles, TWM's market share in the cable broadband industry crossed the 22% mark.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	1Q23	4Q22	1Q22	QoQ	YoY
EBITDA	8.68	8.70	8.46	0%	3%
- Telecom	6.45	6.22	6.28	4%	3%
- momo	1.38	1.62	1.30	-15%	6%
- CATV	0.74	0.74	0.75	1%	-1%

NT\$bn	1Q23	4Q22	1Q22	QoQ	YoY
D&A	4.39	4.37	4.35	0%	1%
- Telecom	3.87	3.86	3.84	0%	1%
- momo	0.28	0.27	0.26	6%	8%
- CATV	0.19	0.20	0.20	-3%	-4%

NT\$bn	1Q23	4Q22	1Q22	QoQ	YoY
EBIT	4.29	4.32	4.10	-1%	5%
- Telecom	2.58	2.36	2.44	9%	6%
- momo	1.09	1.35	1.04	-19%	5%
- CATV	0.55	0.54	0.55	2%	1%

EBITDA Analysis

In 1Q23, telecom service revenue recorded its highest YoY growth since turning positive in 2Q21, hitting 6% and resulting in a 3% YoY increase in telecom EBITDA.

momo's EBITDA fell QoQ due to a seasonally high 4Q amid the Double 11 shopping festival, as well as the declines in its legacy businesses. However, looking at its core e-commerce business, both take rates and EBITDA margin were stable YoY in 1Q23.

Broadband growth compensated for the drop in pay-TV subscriptions and kept CATV EBITDA steady YoY in 1Q23. Lower depreciation costs also contributed to CATV EBIT growth in the same period.

D&A Analysis

momo's D&A rose by 8% YoY, in tandem with the expansion of its warehouses. That said, overall D&A was stable.

Table 3. Non-operating Items

NT\$bn	1Q23	4Q22	1Q22	QoQ	YoY
Non-Operating Income (Expense)	(0.23)	(0.47)	(0.12)	-51%	92%
- Net Interest Expense	(0.19)	(0.17)	(0.14)	11%	33%
- Write-off Loss	(0.03)	(0.08)	(0.06)	-62%	-48%
- Other Income (Expense)	(0.01)	(0.22)	0.08	-95%	nm

Non-Operating Item Analysis

Non-operating expenses increased YoY in 1Q23 due to higher financing costs from rising interest rates.

III. Income Statement Analysis

Table 4. 1Q23 Consolidated Results

NT\$bn	1Q23	QoQ	YoY
Revenue	43.02	-15%	8%
Cash Cost & Expense	(34.33)	-18%	10%
Operating Income	4.29	-1%	5%
Non-op. Income (Expense)	(0.23)	-51%	92%
Pre-tax Income	4.06	5%	2%
Net Income	2.71	10%	0%
EPS (NT\$)	0.96	9%	-1%
EBITDA	8.68	0%	3%

Income Statement Analysis

We delivered strong revenue performance in 1Q23, fueled by an 11% YoY rise in e-commerce sales and a faster growth rate in the telecom business.

Our cash costs and expenses rose YoY in 1Q23, due to high demand for our unique bundle plans, which made up 19% of our post-paid smartphone subscribers at the end of the quarter.

Consolidated operating income recorded a 5% YoY uptick in 1Q23, driven by healthy EBITDA growth and a muted rise in D&A expenses.

Net income remained stable YoY as higher interest rates drove up our interest expenses.

IV. Cash Flow Analysis

Table 5. Cash Flow

NT\$bn	1Q23	4Q22	1Q22
Operating	4.81	8.20	6.62
Pre-tax Income	4.06	3.85	3.98
Non-cash Add-backs	4.79	4.77	4.74
--Depreciation ¹	2.15	2.15	2.13
--Amortization	1.19	1.20	1.19
--Others ¹	1.44	1.43	1.42
Changes in Working Capital & Income Taxes	(4.14)	(0.76)	(2.15)
Others	0.10	0.33	0.04
Investing	(2.61)	(2.06)	(3.02)
Capex ²	(2.37)	(1.79)	(2.30)
Divestment (Acquisition)	(0.01)	(0.52)	(0.62)
Other Financial Assets (Increase)	(0.05)	0.09	(0.03)
Refundable Deposits (Increase)	(0.02)	(0.05)	(0.06)
Others	(0.15)	0.21	(0.02)
Financing	(2.88)	(3.00)	(4.35)
Short-term Borrowings	(2.05)	(1.83)	(3.04)
Proceeds from Issuance of Bonds	0.00	0.00	0.00
Long-term Bank Loan	0.45	(0.07)	(0.05)
Repayment of The Principal Portion of Lease Liabilities ³	(1.11)	(1.00)	(1.04)
Dividends Payments	0.00	0.00	0.00
Repayments of Bonds Payable	0.00	0.00	0.00
Interest (Payment) & Others	(0.17)	(0.10)	(0.22)
Net Cash Position Chg.	(0.67)	3.14	(0.75)

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

2. Inclusive of prepayments for equipment, the acquisition of computer software & other intangible assets, cash capex is net of government subsidies.

3. An operating cash outflow item prior to 2019.

Table 6. Capex & FCF

NT\$bn	1Q23	4Q22	1Q22
Cash Capex	2.37	1.79	2.30
- Mobile	1.53	0.93	1.20
- Fixed-line	0.38	0.36	0.24
- Cable	0.17	0.21	0.18
- momo & others	0.30	0.29	0.68
% of Revenue	6%	4%	6%
Free Cash Flow¹	1.29	5.39	3.25

1. Free cash flow was on a pre-IFRS 16 basis.

Cash Flow Analysis

Despite a 1.4% YoY rise in cash earnings, operating cash inflow did not increase in the quarter. This is because momo had larger decreases in payables in 1Q23 than a year ago.

In comparison to 1Q22, we scaled back on acquisitions in 1Q23, resulting in a YoY decrease in investing cash outflow.

As for financing activity in 1Q23, our sufficient free cash flow allowed us to repay short-term borrowings by \$2bn. In addition, the company will issue a five-year unsecured corporate straight bond of NT\$6.5bn in 2Q23, which will allow us to lift the proportion of our long-term borrowing.

Capex and Free Cash Flow Analysis

As majority of the expenditures for the construction of momo's southern distribution center had occurred, its cash capex was stable for the past 3 quarters. Telecom capex edged higher, as we build 3000 more 5G base stations on the 700MHz band over the past year, where capex efficiency is superior.

V. Balance Sheet Analysis

Table 7. Balance Sheet

NT\$bn	1Q23	4Q22	1Q22
Total Assets	191.46	193.07	189.42
Current Assets	40.43	41.44	37.42
- Cash & Cash Equivalents	14.26	14.93	14.65
- Receivable & Contract Assets	16.37	16.74	14.91
- Inventories	7.89	8.10	6.02
- Short-term Investment	0.26	0.25	0.29
- Other Current Assets	1.65	1.41	1.55
Non-current Assets	151.03	151.63	152.00
- Long-term Investment	7.83	7.76	6.41
- Property and Equipment	46.76	46.98	45.79
- Right-of-use Assets	9.76	9.78	9.30
- Concession	55.10	56.18	59.41
- Other Non-current & Contract Assets	31.59	30.93	31.09
Liabilities	115.34	120.22	113.08
Current Liabilities	64.24	69.57	54.89
- ST Borrowings	31.37	33.42	22.34
- Accounts & Notes Payable	12.48	13.98	11.54
- Current Lease Liabilities	3.66	3.69	3.63
- Other Current Liabilities	16.72	18.48	17.38
Non-current Liabilities	51.10	50.65	58.19
- Long-term Borrowings	38.21	37.76	45.98
- Non-current Lease Liabilities	6.08	6.16	5.68
- Other Non-current Liabilities	6.81	6.73	6.53
Shareholders' Equity	76.13	72.85	76.34
-Paid-in Capital	35.19	35.19	35.19
-Capital Surplus	15.37	15.33	16.90
-Legal Reserve	32.60	32.60	31.50
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	8.85	8.38	8.22
-Retained Earnings & Others ¹	13.82	11.07	14.24

1: Including YTD profits and other equity items

Table 8. Ratios

	1Q23	4Q22	1Q22
Current Ratio	63%	60%	68%
Interest Coverage (x)	20.2	19.8	29.7
Net Debt (Cash) to Equity	73%	77%	70%
Net Debt (Cash) to EBITDA (x)	1.57	1.64	1.56
ROE (annualized)¹	15%	15%	15%
ROA (annualized)²	6%	6%	6%

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

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

Assets

Receivables rose YoY, owing to an increase in postpaid subscribers and monthly fee contributions from our mobile bundle plans, as well as a climb in game publishing revenue. Inventories grew in a similar manner, driven by momo's business expansion and sufficient supply in smartphones.

Our long-term investment balance increased YoY, thanks to our strategic investments in cloud services, sharing economy and food delivery platforms during 2Q22-4Q22. However, it remained flat QoQ as we adopted a more prudent approach to investing this quarter.

Non-current contract assets also increased due to more adoptions of 48-month premium handset bundle contracts.

PP&E recorded a mild increase YoY related to land procurement in 2Q22 for momo's new distribution center in central Taiwan.

Liabilities & Shareholders' Equity

Although payables plunged QoQ, it climbed YoY mainly due to the growth in momo's e-commerce business, as well as an expansion in our game publishing business.

Gross debt saw a mild uptick YoY to NT\$69.6bn in 1Q23 but decreased from 4Q22. As for our long-term borrowings due in one year, about 70% of them will be re-financed by a five-year bond issuance in 2Q23.

Government 5G subsidies we received in 3Q22 and 1Q23 led to a YoY increase in other non-current liabilities, as subsidy income is recognized over the remaining useful life of equipment.

Ratio Analysis

Despite net debt increased YoY, EBITDA rose in a similar manner, resulting in a stable net debt to EBITDA.

VI. Management Remarks

Key Message

We are confident that our three primary growth engines: 5G, momo, and home broadband, will continue to strengthen our market position and enhance group synergies. TWM is dedicated to maximizing shareholder value through two key initiatives: 1) seamlessly integrating with T-Star following approvals from the FTC and TWSE, and 2) executing our Telco+ strategies to provide meaningful applications, including e-sports games and “TelcoFin” services, while capitalizing on our expanding customer base, data and AI capabilities.

2022 Earnings Distribution

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Awards and Recognition

- Among the top 5% in S&P Global’s “The Sustainability Yearbook 2023” and ranked 3rd in the telecommunication services industry.
- Obtained the SGS Qualicert global service quality certificate for 11 consecutive years.
- Earned the highest score, an “A” rating, in CDP’s Supplier Engagement Rating, and is one of the top 8% of companies evaluated.