

**Taiwan Mobile**  
**3Q24 Results Conference Call**  
**November 19, 2024**

**Jamie Lin, President:** Good afternoon, everyone. Welcome to Taiwan Mobile's third quarter 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.

**3Q24 Highlights**

It has been 3 full quarters since our merger with Taiwan Star last December, and I'm proud to share that we have completed the consolidation of all 9,000+ base stations in September – almost 3 months ahead of our initial timeline. I'll talk about the benefits of this accelerated completion in more detail when we get to the next slide. Before that, as highlighted here, our mobile business continued to build on its strong momentum, with revenue growing at 26% YoY. While a large part of this growth has been driven by the addition of Taiwan Star users, the organic growth from our existing user base also reached 8% YoY, driven by our sustainable growth foundation strategies.

Our home broadband business reported a robust 18% YoY revenue growth during the quarter, thanks to upselling of faster speeds and effective cross-selling toward our mobile and pay-TV customers, through offerings such as Double Play or 好速成雙 in Mandarin.

In 3Q24, consolidated EBITDA went up by 20% YoY, primarily driven by our mobile business. Excluding the T Star contribution, EBITDA still grew by 4% YoY, thanks to our Telco+Tech strategies. Consolidated operating income also increased by 20% YoY, reaching an 8-year high, on the back of faster-than-expected network integrations.

**Merger Synergies Ahead of Schedule**

Now let's take look at our merger synergies on page 5.

Base station consolidation has led to significant savings in site rental and related expenses. As you can see, lease payment excluding momo has declined steadily and already returned to pre-merger level by the end of 3Q24. We include T Star's lease payment on a pro-forma basis for 4Q23 for comparison purpose. As a result, accumulated EBIT and pre-tax income from T Star turned around in May and September respectively.

At the beginning of the year, we guided a consolidated EBITDA YoY growth of 11% to 13% for the full year. We are glad to report that we have delivered a 20% growth in the first 3 quarters, with accumulated consolidated EBITDA reaching NT\$31.7 billion, a new record for the company! This is once again driven by merger synergies that were realized ahead of schedule and our Telco+Tech strategies.

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

### **Mobile – Growth Engine #1**

In our core telecom business, we have focused on building a sustainable growth foundation through long-term organic ARPU growth and enhanced customer loyalty. Maximizing each 5G conversion, supported by the new iPhone launch, along with capturing every roaming opportunity, have been the key drivers for our smartphone postpaid ARPU momentum. As a result, monthly fees for contract renewals increased by 49% for 4G-to-5G upgrades and by 8% for overall during the quarter.

Sequentially, ARPU and mobile service revenue continued to rise as the team effectively executed our SGF strategies. Revenue momentum from our Telco+Tech businesses—including game publishing, DCB, and A2P—also contributed significantly.

Postpaid monthly churn rate remained low at only 0.8%, reflecting effective promotion of our unique bundles, including Double Play, momobile and OP Life. With 5G penetration in our smartphone postpaid user base currently at 39%, a long runway lies ahead for further ARPU and mobile service revenue upside.

Next let's turn to page 7 for updates on our home broadband business.

### **Broadband – Growth Engine #2**

Our broadband business maintained strong momentum, achieving double-digit YoY revenue growth, driven by a 3% increase in subscribers and a 14% ARPU improvement. 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+, HBO GO, YouTube Premium, and HBO Max, which just launched today. Notably, broadband subscribers with speeds of 300Mbps or higher, including Double Play bundle users, rose by 42% YoY this quarter.

The YoY decline in CATV revenue was mainly due to content reductions following Disney's exit from the cable TV channel market in Taiwan earlier this year. 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 3Q24, momo's revenue growth remained subdued given a softer demand environment as consumers shifted their spending toward travel and leisure activities, especially during the summer months. However, active users increased by 10% YoY—the highest growth rate in six quarters—indicating strong customer engagement. A new subscription-based membership program—mo Plus—launched in September is expected to further enhance engagement and loyalty.

Gross margin remained stable this quarter, supported by operational efficiencies, while the YoY decline in EBITDA margin was primarily due to investments in new businesses and associated marketing expenses. momo is actively scaling its 3P, advertising, and live commerce businesses. On the logistics side, its southern distribution center is now operational and is well-positioned to support business growth during the 4Q high season.

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 the 3<sup>rd</sup> quarter of 2024, consolidated revenue reached NT\$47.2bn. With the help of the T Star merger, telecom business contributed majority of the YoY consolidated revenue growth. Decent telecom revenue growth was seen even if we strip out the merger impact.

As for profitability, consolidated EBITDA exceeded NT\$10bn for 3 quarters in a row. The YoY increase of NT\$1.8bn was mainly driven by telecom, while CATV also delivered YoY growth. Speaking of net income contribution, only 7% was from momo in the quarter.

Let's go to Results Summary.

### **Results Summary**

Consolidated revenue and EBITDA recorded 9% and 20% YoY growths respectively, mainly driven by T Star merger synergies and 5G service adoption. Operating income hit an 8-year high, with growth accelerating to 20% YoY, supported by rental expense savings from base station consolidation.

Although financing costs increased as we inherited and refinanced T Star's debt, non-operating income was boosted by a one-off gain from an overseas investment. Even excluding this one-time gain in July, EPS would still rise 4% year-to-date, despite the dilution from new share issuance to T Star shareholders.

Let's move on to Balance Sheet.

### **Balance Sheet Analysis**

Receivables and contract assets rose YoY, driven by the growth in postpaid subscribers (including T Star users) and monthly fee contributions from our mobile bundle plans.

The QoQ decline in cash and cash equivalents was primarily due to momo's dividend payout this quarter.

Over the past twelve months, our long-term investment portfolio has grown, with notable additions such as Systex, Fubon Green Power, and KKCompany.

Right-of-use assets saw another QoQ decline with the benefits from mobile network consolidation.

Gross debt increased YoY as we inherited T Star's borrowings, while the QoQ rise had to do with our dividend payments and the purchase of Systex shares in 3Q24.

During the quarter, we issued a NT\$2bn straight corporate bond with a five-year tenure and an annual coupon rate of 1.89%. The board also approved a NT\$10bn convertible bond issuance, aimed at refinancing the NT\$14bn corporate bond maturing in 2025.

Net debt to EBITDA rose to 2x in 3Q24 owing to the aforementioned investment.

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

### **Cash Flow Analysis**

In 3Q24, cash earnings rose by 29% YoY on the back of solid growth in telecom EBITDA and higher investment gains.

The increase in investing cash outflow YTD reflected payments associated with network consolidation capex and our strategic investment in Systex, a leading listed ICT company in Taiwan. We acquired an 11.86% stake for NT\$4bn and have begun recognizing investment income under the equity method from mid-September.

Year-to-date financing cash outflow increased due to increases in dividends paid by TWM and momo.

With higher cash capex, 3Q24 free cash flow came in at NT\$3.42bn. That said, for the first 3 quarters of the year, free cash flow reached NT\$13.86bn, representing a 21% YoY increase and translating into an annualized free cash flow yield of 5.3%.

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 from this quarter.

Taiwan Mobile has joined the Global Enabling Sustainability Initiative (GeSI) as a corporate member and is actively participating in the Digital with Purpose Movement. In July, our electric vehicle project "My Charge" received the "Smart Cities Award" at the DwP Global Summit, showcasing our innovative digital solutions to sustainability challenges.

Moreover, we are the first telecom company in Taiwan to publish a Taskforce on Nature-related Financial Disclosures (TNFD) Report. We also made the Top 10 list for the 17<sup>th</sup> time in the large enterprise category of the Commonwealth Excellence Award, the best among Taiwan telcos.

Last but not the least, our IR team has been recognized by IR Magazine as a nominee for Best in Communications Sector in the Greater China region.

### **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 has executed effectively and delivered outsized merger synergies ahead of schedule. Looking ahead, we aim to strengthen our Sustainable Growth Foundation in the core telco business, focusing on long-term organic ARPU lift and churn reduction. Building on this foundation, we are enhancing our Telco+ offerings while working with Systex, CloudMile, AppWorks, and other strategic partners to bring smart solutions to large enterprises, SMEs, and government clients to accelerate our enterprise business in the AI era. Finally, by uniting Telco+Tech, we are deploying our Gift-as-a-Service offerings to empower momo, Game Publishing, OP Pay Later, and our other Tech ventures, driving greater competitiveness and stronger results.

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.