



November 10th, 2022

TWM Consolidated

NT\$bn	<u>3Q22</u>	<u>YoY</u>	<u>1~3Q22</u>	<u>YoY</u>
Revenues	40.47	8%	121.60	9%
Operating Income	4.08	-3%	12.57	4%
Non-op. Income (Expenses)	0.01	nm	(0.23)	-20%
Pre-tax Income	4.08	1%	12.34	4%
(Income Tax)	(0.81)	-2%	(2.41)	21%
(Minority Interest)	(0.43)	10%	(1.37)	3%
Net Income	2.84	0%	8.56	1%
EPS (NT\$)	1.00	0%	3.03	0%

Topics in This Report

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- Income Statement Analysis
- Cash Flow Analysis
- Balance Sheet Analysis
- Management Remarks

Highlights of Operating Results

3Q22

With healthy momentum from our three main growth engines – mobile, e-commerce and home broadband, consolidated revenue rose by 8% YoY in 3Q22. This offset the higher subsidies associated with an earlier release of the new iPhone vs. 3Q21 and resulted in a flat consolidated EBITDA YoY. Benefiting from decent free cash flow generations, our net debt to EBITDA declined YoY to 1.77x in 3Q22.

1~3Q22

YTD EBITDA improved by 3.45% YoY, thanks to well-managed subscriber acquisition costs and income from 5G government subsidies, in addition to revenue growth. Non-operating expenses decreased YoY on the back of larger foreign exchange revaluation gains amid USD appreciation. Excluding the one-time tax credits we received in 1Q21, YTD net income would have increased by 5% YoY. Free cash flow calculated on a pre-IFRS 16 basis was stable at NT\$10.35bn YTD, translating into an annualized FCF yield of 5.1%.

Key Message

Seeing dependable increase in 5G penetration, solid traction of our unique bundles and growing group synergies, we will keep our full-year EBITDA growth guidance unchanged. Looking ahead, we will maintain a disciplined approach while we broaden our high-value customer base and maintain our growth momentum.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	3Q22	2Q22	3Q21	QoQ	YoY
Mobile Service Revenue	12.13	12.07	11.90	1%	2%
Postpaid ARPU (NT\$)	654	655	655	0%	0%
09x Postpaid ARPU (NT\$)	682	681	674	0%	1%
Blended ARPU (NT\$)	549	548	545	0%	1%

Revenue (NT\$bn)	3Q22	2Q22	3Q21	QoQ	YoY
Telecom	15.88	15.36	15.51	3%	2%
Service	11.69	11.57	11.38	1%	3%
Device Sales	4.19	3.79	4.13	11%	2%
momo	23.56	25.14	20.91	-6%	13%
E-commerce	22.47	23.89	19.68	-6%	14%
CATV revenue	1.55	1.57	1.56	-1%	-1%
Pay-TV	0.78	0.80	0.81	-2%	-4%
Broadband ¹	0.49	0.48	0.45	2%	9%
Content & channel leasing	0.28	0.29	0.30	-3%	-7%
Others²	0.15	0.14	0.13	9%	14%

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.

	3Q22	2Q22	3Q21	QoQ	YoY
Mobile Subscribers (K)	7,388	7,348	7,285	1%	1%
- Postpaid	5,985	5,934	5,842	1%	2%
Monthly Churn	1.3%	1.1%	1.2%		
-Postpaid	0.8%	0.8%	0.9%		
MOU (bn)	0.79	0.83	0.90	-5%	-13%
Pay-TV Subs (K)	529	532	540	-1%	-2%
Cable Broadband Subs (K) ¹	291	287	277	1%	5%
DTV Subs (K)	301	299	294	0%	2%

CATV ARPU (NT\$)	3Q22	2Q22	3Q21	QoQ	YoY
Pay-TV	491	501	499	-2%	-2%
Broadband	563	560	543	1%	4%
Blended ²	799	801	776	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 3Q22, mobile service revenue grew YoY for the 6th consecutive quarter, driven by the continuous YoY rise in smartphone postpaid ARPU thanks to further 5G conversion and improving 4G pricing environment. 5G smartphone postpaid penetration reached 25% in 3Q22, with 24% monthly fee uplift from the renewals.

Our unique bundles accounted for about 15% of our smartphone postpaid subscriber base as of 3Q22 and remained instrumental to ARPU improvement. momobile users' contribution to momo's e-commerce revenue continued to expand, reaching 6.7% in September. The ratio of Double Play subs on \$999 or higher rate plans climbed sequentially to close to 60%. Disney+ saw a double-digit QoQ jump in subs, boding well for customer engagement and stickiness.

Thanks to a benign pricing environment and a wide variety of rate plans and services, the sign-ups of our non-handset bundle/SIM-only plans recorded a 5% YoY monthly fee uplift, while postpaid monthly churn rate remained at a low level of 0.85% in 3Q22.

Our game publishing business had another strong quarter, with its revenue rising 64% YoY. Roaming business also recovered nicely, albeit off a low base. On the enterprise side, data & access, cloud and IoT services maintained healthy growths in 3Q22.

momo

momo outgrew its peers again and delivered 14% YoY e-commerce revenue growth in 3Q22, despite short-term post-pandemic spending sprees at physical stores.

Cable TV

Steady demand for faster home broadband led to sequential increases in broadband subs and ARPU. Broadband subs (including Double Play) that are on speeds of 500Mbps or higher rose by 38% YoY. As a result, broadband revenue grew by 9% YoY in 3Q22.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	3Q22	2Q22	3Q21	QoQ	YoY
EBITDA	8.44	8.79	8.49	-4%	0%
- Telecom	6.43	6.61	6.44	-3%	0%
- momo	1.16	1.31	1.20	-12%	-3%
- CATV	0.74	0.74	0.74	-1%	-1%

NT\$bn	3Q22	2Q22	3Q21	QoQ	YoY
D&A	4.37	4.39	4.27	-1%	2%
- Telecom	3.85	3.86	3.77	0%	2%
- momo	0.28	0.30	0.24	-5%	18%
- CATV	0.19	0.20	0.19	-2%	0%

NT\$bn	3Q22	2Q22	3Q21	QoQ	YoY
EBIT	4.08	4.39	4.22	-7%	-3%
- Telecom	2.58	2.75	2.67	-6%	-3%
- momo	0.88	1.02	0.96	-14%	-8%
- CATV	0.54	0.55	0.55	-1%	-1%

Table 3. Non-operating Items

NT\$bn	3Q22	2Q22	3Q21	QoQ	YoY
Non-Operating Income (Expense)	0.01	(0.12)	(0.16)	nm	nm
- Net Interest Expense	(0.17)	(0.14)	(0.14)	25%	24%
- Write-off Loss	(0.03)	(0.05)	(0.04)	-39%	-13%
- Other Income (Expense)	0.22	0.07	0.02	196%	1087%

EBITDA Analysis

Telecom EBITDA declined slightly YoY in 3Q22, mainly due to higher subsidies associated with an earlier release of the new iPhone vs. 3Q21.

momo's muted profit performance in 3Q22 reflected the fact that it is in the process of reaching the optimal level of logistics efficiency. That said, momo's pricing power remained strong, with a B2C take rate of 13.15% in 3Q22, higher than the FY21 average of 12.77%.

CATV EBITDA continued to be resilient as broadband momentum offset pay-TV weakness.

D&A Analysis

Overall D&A rose YoY in 3Q22 because of 5G infrastructure roll-out, followed by momo's additional satellite warehouse rentals (7 more YoY to 32). That said, with its revised year-end target of 35 satellite warehouses (vs. 50 previously), momo's D&A rise should moderate in the coming quarters.

Non-Operating Item Analysis

The YoY change in 3Q22 non-operating expense was mainly driven by momo's overseas investment disposal gains and foreign exchange revaluation gains, reported under other income.

III. Income Statement Analysis

Table 4. 3Q22 Consolidated Results

NT\$bn	3Q22	QoQ	YoY
Revenue	40.47	-2%	8%
Cash Cost & Expense	(32.02)	-2%	11%
Operating Income	4.08	-7%	-3%
Non-op. Income (Expense)	0.01	nm	nm
Pre-tax Income	4.08	-4%	1%
Net Income	2.84	-5%	0%
EPS (NT\$)	1.00	-6%	0%
EBITDA	8.44	-4%	0%

Table 5. 1-3Q22 Consolidated Results

NT\$bn	1-3Q22	1-3Q21	YoY
Revenue	121.60	111.12	9%
Cash Cost & Expense	(95.92)	(86.30)	11%
Operating Income	12.57	12.12	4%
Non-op. Income (Expense)	(0.23)	(0.29)	-20%
Pre-tax Income	12.34	11.83	4%
Net Income	8.56	8.51	1%
EPS (NT\$)	3.03	3.02	0%
EBITDA	25.69	24.83	3%

Income Statement Analysis

3Q22

With healthy momentum from our three main growth engines – mobile, e-commerce and home broadband, consolidated revenue rose by 8% YoY in 3Q22. This offset the aforementioned subsidies for the early iPhone release and resulted in a flat consolidated EBITDA YoY.

1-3Q22

1-3Q22 EBITDA improved by 3.45% YoY, thanks to well-managed subscriber acquisition costs and income from 5G government subsidies, in addition to revenue growth. Our FY22 EBITDA guidance is 1-3% growth YoY.

Non-operating expenses decreased YoY on the back of larger foreign exchange revaluation gains amid USD appreciation. Excluding the one-time tax credits we received in 1Q21, 1-3Q22 net income would have increased by 5% YoY.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	1-3Q22	YoY	3Q22	2Q22	3Q21
Operating	21.38	-6%	7.03	7.73	6.66
Pre-tax Income	12.34	4%	4.08	4.27	4.06
Non-cash Add-backs	14.30	2%	4.75	4.81	4.67
--Depreciation ¹	6.41	5%	2.13	2.15	2.07
--Amortization	3.58	0%	1.20	1.19	1.20
--Others ¹	4.31	1%	1.42	1.47	1.40
Changes in Working Capital & Income Taxes	(5.25)	54%	(1.71)	(1.38)	(2.24)
Others	(0.01)	nm	(0.09)	0.04	0.18
Investing	(9.58)	1%	(1.89)	(4.67)	(3.76)
Capex ²	(7.84)	-16%	(1.81)	(3.73)	(2.98)
Divestment (Acquisition)	(1.80)	1168%	(0.20)	(0.98)	(0.73)
Other Financial Assets (Increase)	(0.08)	nm	0.09	(0.14)	0.00
Refundable Deposits (Increase)	(0.06)	48%	(0.02)	0.02	(0.03)
Others	0.20	nm	0.06	0.16	(0.02)
Financing	(15.42)	36%	(8.62)	(2.44)	(5.99)
Short-term Borrowings	0.36	-92%	6.07	(2.66)	7.45
Proceeds from Issuance of Bonds	0.00	-100%	0.00	0.00	2.50
Long-term Bank Loan	1.30	nm	(0.10)	1.45	(2.05)
Repayment of The Principal Portion of Lease Liabilities ³	(3.11)	4%	(1.06)	(1.01)	(1.00)
Dividends Payments	(13.43)	4%	(13.43)	(0.00)	(12.87)
Repayments of Bonds Payable	0.00	nm	0.00	0.00	0.00
Interest (Payment) & Others	(0.53)	21%	(0.10)	(0.21)	(0.02)
Net Cash Position Chg.	(3.61)	nm	(3.48)	0.63	(3.09)

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 7. Capex & FCF

NT\$bn	1-3Q22	YoY	3Q22	2Q22	3Q21
Cash Capex¹	7.84	-16%	1.81	3.73	2.98
- Mobile	3.98	-43%	0.96	1.82	2.19
- Fixed-line	0.90	-36%	0.33	0.33	0.39
- Cable	0.50	5%	0.21	0.10	0.18
- momo & others	2.47	500%	0.31	1.48	0.23
% of Revenue	6%		4%	9%	8%
Free Cash Flow¹	10.35	0%	4.14	2.97	2.65

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

Cash Flow Analysis

3Q22

5G government subsidies were classified under OCF in 3Q21 but under investing cash flow from 4Q21 onwards. Therefore, 3Q22 OCF would have increased by 16% YoY on a like-for-like basis, thanks to telecom business strength.

Cash capex shrank since majority of our 5G network had been deployed, resulting in a drop in investing cash outflow YoY in 3Q22.

On the financing front, net cash outflow grew YoY, due to 1) momo's higher cash dividends, and 2) lower cash inflow from borrowings given diminishing capex.

1-3Q22

The boost in telecom operating cash inflow in 1-3Q22 helped mitigate momo's dip.

In 1-3Q22, investing cash outflow rose YoY, as the increase in long-term investment more than offset the decrease in cash capex.

On the financing front, we managed to reduce our dependence on short-term borrowings. Total dividend payments jumped YoY, reflecting momo's growing cash dividends.

Capex and Free Cash Flow Analysis

In 3Q22, cash capex declined by 39%, as the decrease in telecom capex more than offset the increase in momo's capex.

1-3Q22 cash capex fell by 16% YoY and only reached 51% of our full-year guidance. This is within our expectations as payments for T-Star network consolidation and part of momo's new distribution centers will not be made in 2022.

1-3Q22 free cash flow calculated on a pre-IFRS 16 basis was stable at NT\$10.35bn, translating into an annualized FCF yield of 5.1%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	3Q22	2Q22	3Q21
Total Assets	189.03	191.30	187.50
Current Assets	36.43	38.95	34.65
- Cash & Cash Equivalents	11.79	15.28	12.67
- Receivable & Contract Assets	15.23	16.00	13.90
- Inventories	7.45	5.60	6.27
- Short-term Investment	0.25	0.27	0.26
- Other Current Assets	1.71	1.80	1.55
Non-current Assets	152.60	152.34	152.85
- Long-term Investment	7.15	6.08	5.29
- Property and Equipment	47.00	47.14	46.29
- Right-of-use Assets	10.22	9.98	9.15
- Concession	57.26	58.34	61.57
- Other Non-current & Contract Assets	30.98	30.81	30.55
Liabilities	119.73	125.35	117.94
Current Liabilities	64.77	71.16	61.27
- ST Borrowings	31.72	25.67	29.49
- Accounts & Notes Payable	13.97	12.43	12.20
- Current Lease Liabilities	3.74	3.72	3.59
- Other Current Liabilities	15.33	29.33	16.00
Non-current Liabilities	54.96	54.20	56.67
- Long-term Borrowings	41.35	41.43	46.10
- Non-current Lease Liabilities	6.51	6.31	5.59
- Other Non-current Liabilities	7.09	6.45	4.98
Shareholders' Equity	69.31	65.95	69.56
-Paid-in Capital	35.19	35.19	35.14
-Capital Surplus	15.32	15.33	16.43
-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	7.81	7.38	7.17
-Retained Earnings & Others ¹	8.09	5.16	9.04

1: Including YTD profits and other equity items

Table 9. Ratios

	3Q22	2Q22	3Q21
Current Ratio	56%	55%	57%
Interest Coverage (x)	24.1	30.8	30.8
Net Debt (Cash) to Equity	88%	79%	90%
Net Debt (Cash) to EBITDA (x)	1.77	1.49	1.92
ROE (annualized)¹	16%	16%	16%
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 grew YoY in 3Q22 owing to momo's business expansion, along with higher monthly fees from our unique bundles and further 5G conversion.

Long-term investment climbed YoY, due to our ventures into cloud services, food delivery platforms, etc.

Right-of-use assets rose YoY, along with momo's warehouse expansions throughout the year. Non-current contract assets also jumped QoQ and YoY as 48-month high-end phone bundle contracts continued to grow. Our strategy to increase the proportion of 48-month or longer contracts should cushion the impact from potential pricing changes down the road.

Liabilities & Shareholders' Equity

The YoY climb in payables was driven by momo's business growth, as well as the sales from the new iPhone and Google phones.

Gross debt rose QoQ on account of bank borrowings to fund our dividend payment in the quarter.

The cash receipt of government subsidies for 5G capex led to a YoY rise in other non-current liabilities as subsidy income is recognized over the remaining useful life of equipment.

Ratio Analysis

Net debt decreased by NT\$1.6bn YoY, on the back of decent free cash flow generation, resulting in a YoY improvement in net debt to EBITDA.



VI. Management Remarks

Key Message

Seeing dependable increase in 5G penetration, solid traction of our unique bundles and growing group synergies, we will keep our full-year EBITDA growth guidance unchanged. Looking ahead, we will maintain a disciplined approach while we broaden our high-value customer base and maintain our growth momentum.

Awards and Recognition

- Honored with Commonwealth Magazine's "Excellence in Corporate Social Responsibility Award" for the fifteenth time and ranked 1st in the telecom industry for the seventh time.
- MyVideo co-productions were nominated for a total of 12 awards in the 57th Golden Bell Awards.