



Taiwan Mobile  
台湾大哥大

# Taiwan Mobile Co., Ltd.

## 2Q14 Results Summary

July 28, 2014

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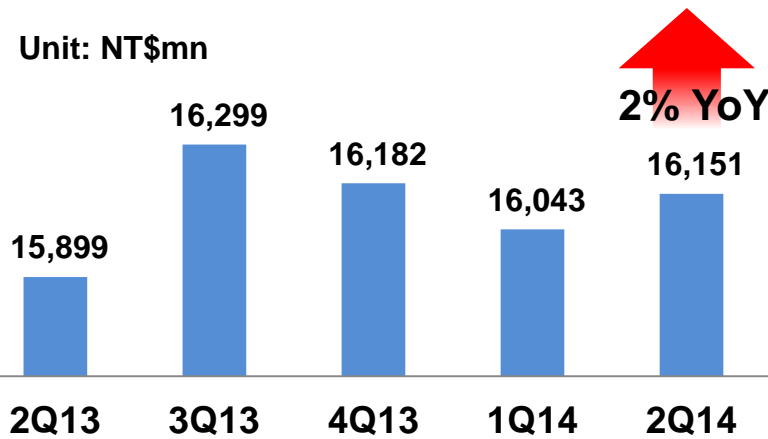
# Business Overview

# Steady Mobile Revenue Growth

## TWM's Performance

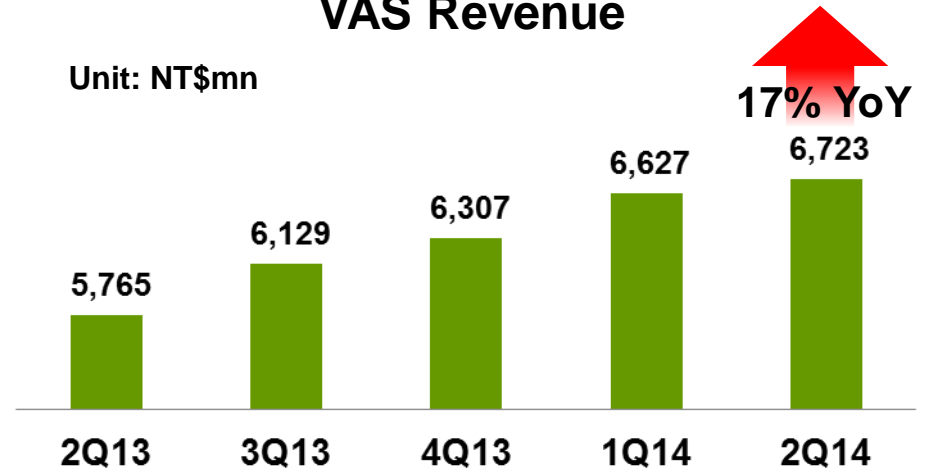
### Mobile Service Revenue

Unit: NT\$m



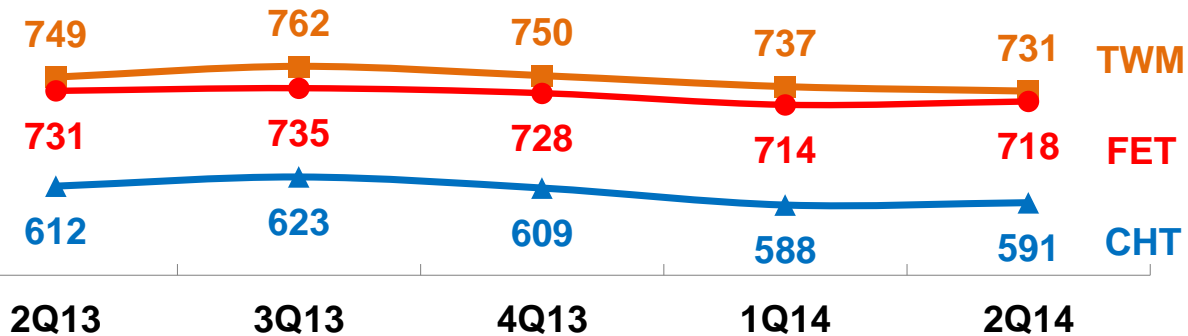
### VAS Revenue

Unit: NT\$m



## Peer Comparison - ARPU

Unit: NT\$

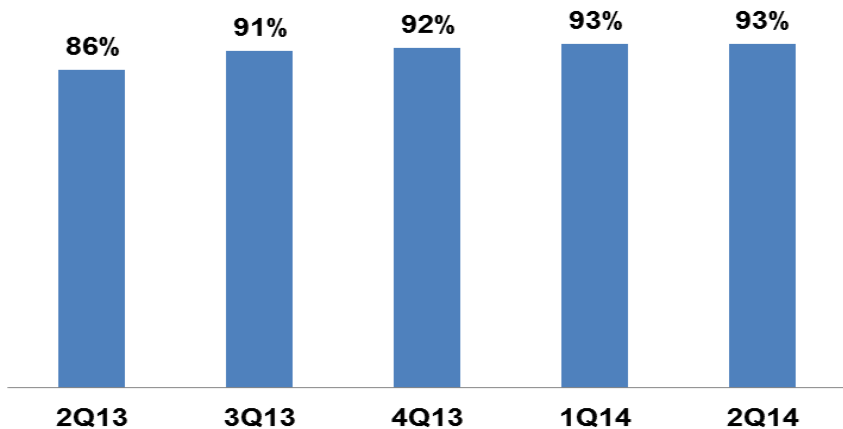


\* Based on IFRS – Residual Value Method, i.e. excluding revenue adjustments under the current bundle sales accounting policy.

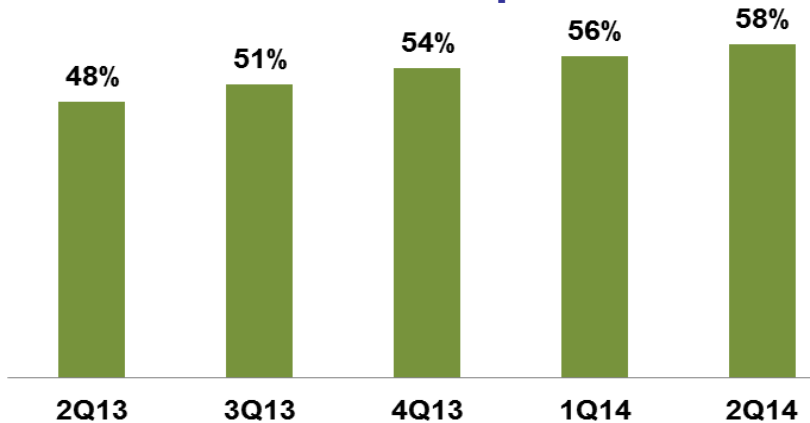


# Our Smartphone Strategy

### Smartphone as % of total handsets sold



### Mobile data adoption rate



### 700 LTE enabled devices



# Steady CATV Operation

2Q14	Sub base YoY growth	ARPU
Analogue TV	1%	\$494
Cable Internet	5%	\$546
DTV	55%	\$133
<b>Blended ARPU *</b>	<b>\$796</b>	<b>+2% YoY</b>

\* Calculation based on total cable TV revenue excluding content agency revenue

# Growing Online Shopping Business

<b>momo</b> (Unit: NT\$bn)	<b>2Q14</b>	<b>2Q13</b>	<b>YoY</b>
<b>Total Revenue</b>	<b>5.62</b>	<b>4.89</b>	<b>15%</b>
<b>- Online Shopping</b>	<b>3.52</b>	<b>2.66</b>	<b>32%</b>
<b>- TV Home Shopping &amp; Other</b>	<b>2.10</b>	<b>2.23</b>	<b>-6%</b>
<b>EBITDA</b>	<b>0.39</b>	<b>0.28</b>	<b>43%</b>
<b>EBITDA margin</b>	<b>7.0%</b>	<b>5.6%</b>	

Note: momo announced the sale of its cosmetics stores and department store operations on March 28, 2014 and August 30, 2013, respectively. The related operating results of the aforementioned business lines were reclassified retroactively as discontinued operations and thus were not included in the table above.



# Financial Overview



# Performance by Business

NT\$bn	Revenue				EBITDA			
	Telecom	CATV	momo	Total	Telecom	CATV	momo	Total
<b>2Q14</b>	<b>19.73</b>	<b>1.58</b>	<b>5.62</b>	<b>26.94</b>	<b>6.85</b>	<b>0.86</b>	<b>0.39</b>	<b>8.16</b>
<b>% of total</b>	<b>73%</b>	<b>6%</b>	<b>21%</b>	<b>100%</b>	<b>84%</b>	<b>11%</b>	<b>5%</b>	<b>100%</b>
<b>2Q14 YoY</b>	<b>-2%</b>	<b>2%</b>	<b>15%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>43%</b>	<b>4%</b>
<b>1Q14 YoY</b>	<b>3%</b>	<b>3%</b>	<b>15%</b>	<b>5%</b>	<b>2%</b>	<b>5%</b>	<b>35%</b>	<b>3%</b>

Note: The combined total of telecom, CATV and momo does not equal the consolidated total of each account due to other revenue and minor adjustments / eliminations.

# Results Summary

NT\$m	2Q14	YoY	as % of 2Q14 Guidance	1H14
Revenue	26,936	1%	95%	54,663
Cost	(17,333)	3%	92%	(35,323)
Operating expenses	(4,210)	-4%	92%	(8,835)
Operating income	5,394	0%	112%	10,505
Net non-operating items	(199)	-57%	45%	(231)
Income before tax	5,195	5%	118%	10,274
Net income	4,137	5%	116%	8,221
EPS (NT\$)	1.54	5%	116%	3.06
EBITDA	8,164	4%	105%	15,936
EBITDA margin	30.31%			29.15%

# Balance Sheet Analysis

NT\$bn	2Q14	1Q14	2Q13		2Q14	1Q14	2Q13
<b>Total Assets</b>	<b>143.08</b>	<b>142.93</b>	<b>111.81</b>	<b>Liabilities</b>	<b>89.70</b>	<b>78.51</b>	<b>61.36</b>
Current Assets	26.81	28.54	31.74	Current Liabilities	55.39	49.62	42.31
- Cash & Cash Equivalents	6.00	8.18	11.28	- ST Debts	15.88	25.55	4.77
- Accounts Receivable	14.33	14.15	13.00	- Other Current Liabilities	39.51	24.07	37.54
- Inventories	3.06	2.94	3.18	Non-Current Liabilities	34.31	28.89	19.05
- Other Current Assets	3.42	3.27	4.28	- Long-Term Borrowings	29.08	23.08	14.79
Non-current Assets	116.27	114.39	80.08	- Deferred Income Tax Liability	2.44	2.66	2.48
- Long-term Investment	2.57	2.47	3.27	- Other Non-current Liabilities	2.79	3.15	1.78
- Property and Equipment	45.27	42.81	42.38	<b>Shareholders' Equity</b>	<b>53.38</b>	<b>64.42</b>	<b>50.46</b>
- Concession	39.70	40.02	4.11	- Paid-in Capital	34.21	34.21	34.21
- Other Non-current Assets	28.73	29.09	30.32	- Capital Surplus	12.48	12.48	12.43
				- Legal Reserve	21.54	19.26	19.26
				- Un-appropriated Earnings	4.83	6.61	6.61
<b>Current Ratio</b>	<b>48%</b>	<b>58%</b>	<b>75%</b>	- Treasury Shares	(31.08)	(31.08)	(31.08)
<b>Net Debt to Equity</b>	<b>73%</b>	<b>63%</b>	<b>16%</b>	- Retained Earnings & Others*	11.40	22.94	9.02
<b>Net Debt to EBITDA (x)</b>	<b>1.22</b>	<b>1.30</b>	<b>0.27</b>				
<b>ROE (annualized)</b>	<b>33%</b>	<b>27%</b>	<b>32%</b>				

\* Including accumulated profits, minority interest and other equity items

# Cash Flow Analysis

NT\$bn	2Q14	1Q14	2Q13
Operating Cash Flow	6.68	6.84	7.42
Investing Cash Flow	(4.79)	(0.99)	(5.12)
Financing Cash Flow	(4.07)	(5.63)	2.90

NT\$bn	2Q14	1Q14	2Q13
Cash CAPEX	(4.78)	(2.27)	(2.71)
Free Cash Flow	1.90	4.57	4.70



# 3Q14 Guidance & Board Resolutions

NT\$bn	3Q14F	3Q13	YoY
Revenue	28.30	27.08	5%
EBITDA	7.89	8.02	-2%
Operating Income	4.72	5.54	-15%
Non-operating Expense	0.62	0.29	115%
Net Income	3.44	4.27	-19%
EPS (NT\$)	1.28	1.58	-19%

## **ECB Issuance**

The board today (July 28, 2014) approved the issuance of a 5-year Euro-Convertible Bond of no more than US\$500mn with a zero coupon, zero yield to maturity, conversion premium of 20% to 32.5%, and no conversion price adjustment for dividend yield below 5.8%.

## **Capex Guidance Revision**

The board today (July 28, 2014) approved an additional NT\$1.82bn capex budget for 2014 mainly to reflect momo's investment of its logistics and warehousing center. Thus, 2014 capex is revised to be NT\$15.4bn: NT\$9.8bn for mobile, NT\$2.1bn for fixed-line, NT\$1bn for cable TV, and NT\$2.5bn for momo and other subsidiaries.

## Regulatory Update

NCC approved TWM and FET returning their respective 5MHz 2G spectrums on the 1800MHz band on July 16, 2014. Accordingly, TWM will be able to launch 1800 LTE service by the end of September.

## Awards and Recognition

- Won the “Trusted Brand Gold Award” by *Reader’s Digest* for the eleventh consecutive year.
- Received the highest “A++” rating among listed companies in “Transparency and Information Disclosure” from Taiwan’s Securities and Futures Institute for the ninth year in a row.
- For the eighth time, winner of the “Corporate Social Responsibility Award” by *Global Views Monthly*.



**Acceleration in the deployment of the 4G network, growing number and greater variety of LTE devices and the earlier-than-expected availability of the 1800MHz LTE spectrum will propel customers' migration to 4G services. TWM is best positioned to capture the business upside of the LTE services.**



# Q & A