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TWM Consolidated

NT\$bn	<u>4Q22</u>	<u>YoY</u>	<u>FY22</u>	<u>YoY</u>
Revenues	50.60	12%	172.21	10%
Operating Income	4.32	10%	16.89	5%
Non-op. Income (Expenses)	(0.47)	157%	(0.70)	49%
Pre-tax Income	3.85	3%	16.19	4%
(Income Tax)	(0.81)	6%	(3.22)	17%
(Minority Interest)	(0.58)	12%	(1.95)	6%
Net Income	2.47	0%	11.03	0%
EPS (NT\$)	0.88	0%	3.91	0%

Highlights of Operating Results
4Q22

Underpinned by solid momentum from our three growth engines – mobile, e-commerce and home broadband, consolidated revenue rose by 12% YoY in 4Q22. In addition to the top-line growth, accelerated EBITDA YoY growths in telecom and momo along with muted D&A increase led to a 10% YoY rise in consolidated operating income in 4Q22. Benefiting from our EBITDA growth, the net debt to EBITDA decreased YoY and QoQ.

FY22

Consolidated revenue reached a historical high, despite falling short of our guidance, given more moderated e-commerce momentum as the pandemic eased off. That said, consolidated EBITDA also set an all-time high, growing 4% YoY and beating our guidance of 1-3%, thanks to better-than-expected telecom performance.

As telecom capex fell YoY on the back of further deceleration of 5G-related capex, 2022 total capex only increased by \$0.6bn YoY despite momo's higher investment on its new distribution centers. 2022 free cash flow calculated with pre-IFRS 16 operating cash flow reached NT\$15.74bn, translating into a free cash flow yield of 5.9%.

2023 Capex Guidance

Consolidated capex: NT\$12.8bn

Telecom: NT\$5.03bn, with 5G capex decreasing YoY

Cable TV: NT\$0.92bn

momo & others: NT\$6.83bn, mainly for momo's distribution center expansions

Key Message

In 2022, Taiwan Mobile delivered resilient results, with best-in-class top-line performance and 5% operating income growth. Telecom free cash flow expanded, alongside momo's rising profits and strong cash position. Looking into 2023, we expect revenue growth momentum similar to recent levels to trickle down to our consolidated EBITDA amid favorable market dynamics, on a pre-merger basis.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	4Q22	QoQ	YoY	2022	YoY
Mobile Service Revenue	12.32	2%	2%	48.44	2%
Postpaid ARPU (NT\$)	659	1%	0%	655	0%
09x Postpaid ARPU (NT\$)	689	1%	1%	682	2%
Blended ARPU (NT\$)	553	1%	0%	549	1%

Revenue (NT\$bn)	4Q22	QoQ	YoY	2022	YoY
Telecom	18.50	16%	5%	65.69	3%
Service	11.85	1%	3%	46.51	3%
Device Sales	6.64	59%	9%	19.18	2%
momo	31.80	35%	18%	103.44	17%
E-commerce	30.61	36%	20%	98.61	19%
CATV revenue	1.66	7%	6%	6.33	2%
Pay-TV	0.78	0%	-4%	3.15	-3%
Broadband ¹	0.50	3%	10%	1.94	10%
Content & channel leasing	0.38	35%	25%	1.23	2%
Others²	0.15	-3%	13%	0.58	8%

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.

	4Q22	3Q22	4Q21	QoQ	YoY
Mobile Subscribers (K)	7,482	7,388	7,270	1%	3%
- Postpaid	6,036	5,985	5,838	1%	3%
Monthly Churn	1.2%	1.3%	1.2%		
-Postpaid	0.9%	0.8%	1.0%		
MOU (bn)	0.74	0.79	0.85	-7%	-13%
Pay-TV Subs (K)	527	529	537	0%	-2%
Cable Broadband Subs (K) ¹	294	291	280	1%	5%
DTV Subs (K)	301	301	295	0%	2%

CATV ARPU (NT\$)	4Q22	QoQ	YoY	2022	YoY
Pay-TV	491	0%	-2%	495	-2%
Broadband	575	2%	5%	563	5%
Blended ²	810	1%	3%	799	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 4Q22, mobile service revenue grew YoY for the 7th consecutive quarter as 09x postpaid ARPU also improved for 7 quarters in a row. This was driven by accelerated 5G conversion aided by the new iPhone, as well as stable 4G pricing. Meanwhile, the monthly fee uplift from the renewals to 5G remained steady at 24% in the quarter.

ARPU recovery continued thanks to iPhone 14 bundles, which fueled a QoQ surge in device sales, and our unique bundles - momobile, Double Play, Disney+ and OP Life. 17% of our smartphone users were on one of these bundles as of 4Q22, up from 15% in 3Q22. Moreover, momobile users' contribution to momo's e-commerce revenue further rose, reaching 8.4% in December.

Due to a benign pricing environment and a wide variety of rate plans and services, our postpaid monthly churn rate remained at a low level of 0.87% in 4Q22.

The game publishing business had another solid quarter, with its revenue rising 43% YoY. Roaming business also saw a 38% QoQ revenue boost, given the gradual recovery in international travel. On the enterprise side, data & access, cloud and IoT services maintained healthy growths in 4Q22.

momo

E-commerce revenue growth accelerated to 20% YoY in 4Q22, outgrowing peers again, as momo started to roll off the COVID-induced tough base. It also jumped 36% QoQ amid the Double 11 shopping festival, pushing FY22 total revenue beyond the NT\$100bn milestone.

Cable TV

Sequential increases in broadband subs and ARPU reflected consistent demand for faster home broadband, with broadband subs (Double Play included) on speeds of 500Mbps or higher rising by 31% YoY. As a result, broadband revenue grew by 10% YoY in 4Q22.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	4Q22	QoQ	YoY	2022	YoY
EBITDA	8.70	3%	5%	34.38	4%
- Telecom	6.22	-3%	3%	25.54	3%
- momo	1.62	39%	17%	5.39	8%
- CATV	0.74	0%	0%	2.96	0%

NT\$bn	4Q22	QoQ	YoY	2022	YoY
D&A	4.37	0%	0%	17.49	2%
- Telecom	3.86	0%	0%	15.41	2%
- momo	0.27	-5%	7%	1.11	17%
- CATV	0.20	3%	-2%	0.79	3%

NT\$bn	4Q22	QoQ	YoY	2022	YoY
EBIT	4.32	6%	10%	16.89	5%
- Telecom	2.36	-9%	8%	10.13	6%
- momo	1.35	54%	19%	4.28	6%
- CATV	0.54	-1%	0%	2.17	0%

Table 3. Non-operating Item

NT\$bn	4Q22	QoQ	YoY	2022	YoY
Non-Operating Revenue (Expense)	(0.47)	nm	157%	(0.70)	49%
- Net Interest Expense	(0.17)	-3%	14%	(0.63)	10%
- Write-off Loss	(0.08)	143%	514%	(0.23)	97%
- Other Revenue (Expense)	(0.22)	nm	988%	0.15	-30%

EBITDA Analysis

With telecom service revenue's YoY growth reaching a 7-quarter high, telecom EBITDA saw a 3.1% YoY uptick in 4Q22. Its QoQ drop is in-line with the seasonal pattern, given higher subscriber acquisition costs associated with premium smartphones.

Telecom D&A growth decelerated and recorded its lowest YoY rise since turning positive in 4Q20, as our 5G investment had already peaked. Consequently, telecom EBIT grew by 8% YoY in 4Q22.

In 4Q22, momo had a notable sequential boost in EBITDA, benefiting from operating leverage.

Broadband momentum compensated for pay-TV decline, resulting in stable CATV EBITDA.

D&A Analysis

Telecom D&A YoY increase fell from 12% in 2021 to 2% in 2022, as 5G capex tapered off. Meanwhile, momo's full-year D&A rose by 17% YoY, in tandem with the expansion of its warehouses (+10 YoY to 54).

Non-Operating Item Analysis

In 2022, the YoY increase mainly stemmed from a high base of disposal gain and higher financing costs amid rising interest rates.

III. Income Statement Analysis

Table 4. 4Q22 Consolidated Results

NT\$bn	4Q22	QoQ	YoY
Revenue	50.60	25%	12%
Cash Cost & Expense	(41.91)	31%	14%
Operating Income	4.32	6%	10%
Non-op. Income (Expense)	(0.47)	nm	157%
Pre-tax Income	3.85	-6%	3%
Net Income	2.47	-13%	0%
EPS (NT\$)	0.88	-12%	0%
EBITDA	8.70	3%	5%

Table 5. 2022 Consolidated Results

NT\$bn	2022	2021	YoY
Revenue	172.21	156.11	10%
Cash Cost & Expense	(137.83)	(122.99)	12%
Operating Income	16.89	16.05	5%
Non-op. Income (Expense)	(0.70)	(0.47)	49%
Pre-tax Income	16.19	15.58	4%
Net Income	11.03	10.99	0%
EPS (NT\$)	3.91	3.90	0%
EBITDA	34.38	33.12	4%

Income Statement Analysis

4Q22

Supported by solid momentum from our three growth engines – mobile, e-commerce and home broadband, consolidated revenue rose by 12% YoY in 4Q22.

In addition to the top-line growth, accelerated EBITDA YoY growths in telecom and momo along with muted D&A increase led to a 10% YoY rise in consolidated operating income in 4Q22.

2022

Consolidated revenue reached a historical high, despite falling short of our guidance, as e-commerce momentum moderated off a high base with the pandemic easing off. That said, consolidated EBITDA also set an all-time high, growing 4% YoY and beating our guidance of 1-3%, thanks to better-than-expected telecom performance.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2022	2021	4Q22	4Q21
Operating	29.58	30.20	8.20	7.51
Pre-tax Income	16.19	15.58	3.85	3.76
Non-cash Add-backs	19.07	18.70	4.77	4.74
--Depreciation ¹	8.56	8.27	2.15	2.14
--Amortization	4.78	4.78	1.20	1.20
--Others ¹	5.73	5.65	1.43	1.40
Changes in Working Capital & Income Taxes	(6.00)	(4.34)	(0.76)	(0.93)
Others	0.32	0.26	0.33	(0.05)
Investing	(11.63)	(9.64)	(2.06)	(0.15)
Capex (net of Government Subsidies) ²	(9.63)	(9.02)	(1.79)	0.28
Divestment (Acquisition)	(2.32)	(0.63)	(0.52)	(0.48)
Other Financial Assets (Increase)	0.01	0.00	0.09	(0.00)
Refundable Deposits (Increase)	(0.10)	(0.06)	(0.05)	(0.02)
Others	0.41	0.06	0.21	0.08
Financing	(18.41)	(15.93)	(3.00)	(4.63)
Short-term Borrowings	(1.47)	1.12	(1.83)	(3.54)
Proceeds from Issuance of Bonds	0.00	2.50	0.00	0.00
Long-term Bank Loan	1.22	(2.26)	(0.07)	(0.10)
Repayment of The Principal Portion of Lease Liabilities ³	(4.11)	(3.99)	(1.00)	(1.01)
Dividends Payments	(13.43)	(12.87)	0.00	0.00
Repayments of Bonds Payable	0.00	(0.01)	0.00	(0.01)
Interest (Payment) & Others	(0.63)	(0.41)	(0.10)	0.03
Net Cash Position Chg.	(0.47)	4.62	3.14	2.74

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	2022	2021	4Q22	4Q21
Cash Capex¹	9.63	9.02	1.79	(0.28)
- Mobile	4.91	5.88	0.93	(1.13)
- Fixed-line	1.26	1.84	0.36	0.43
- Cable	0.70	0.61	0.21	0.14
- momo & others	2.76	0.70	0.29	0.29
% of Revenue	6%	7%	4%	4%
Free Cash Flow¹	15.74	17.08	5.39	6.77

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

Cash Flow Analysis

4Q22

Thanks to improving EBITDA YoY growth in our telecom and e-commerce businesses, operating cash inflow increased by 9% YoY in 4Q22.

Investing cash outflow saw an uptick in 4Q22 due to a high base in 5G government subsidies. Excluding subsidies, investing cash outflow would have decreased by 9%.

2022

Cash earnings in 2022 showed steady YoY growth, while operating cash flow declined owing to more handset and accessory payments made over the year.

The rise in 2022 investing cash outflow reflected the NT\$2bn YoY rise in momo's capex payments and a hike in long-term investment.

Financing activity had more outflows in 2022 as we paid off some bank borrowings in contrast to inflows from more borrowings a year ago. In addition, momo bumped up its dividend payments in 2022.

Capex and Free Cash Flow Analysis

As telecom capex fell YoY on the back of further deceleration of 5G-related capex, 2022 total capex only increased by NT\$0.6bn YoY despite momo's higher investment on its new distribution centers.

Full-year FCF reached NT\$15.74bn, translating into a FCF yield of 5.9%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	4Q22	3Q22	4Q21
Total Assets	193.07	189.03	190.98
Current Assets	41.44	36.43	38.65
- Cash & Cash Equivalents	14.93	11.79	15.40
- Receivable & Contract Assets	16.74	15.23	15.17
- Inventories	8.10	7.45	6.44
- Short-term Investment	0.25	0.25	0.27
- Other Current Assets	1.41	1.71	1.38
Non-current Assets	151.63	152.60	152.33
- Long-term Investment	7.76	7.15	5.86
- Property, Plant and Equipment	46.98	47.00	46.03
- Right-of-use Assets	9.78	10.22	9.06
- Concession	56.18	57.26	60.49
- Other Non-current & Contract Assets	30.93	30.98	30.89
Liabilities	120.22	119.73	117.71
Current Liabilities	69.57	64.77	59.49
- ST Borrowings	33.42	31.72	25.38
- Accounts & Notes Payable	13.98	13.97	11.96
- Current Lease Liabilities	3.69	3.74	3.54
- Other Current Liabilities	18.48	15.33	18.61
Non-current Liabilities	50.65	54.96	58.22
- Long-term Borrowings	37.76	41.35	46.03
- Non-current Lease Liabilities	6.16	6.51	5.55
- Other Non-current Liabilities	6.73	7.09	6.63
Shareholders' Equity	72.85	69.31	73.28
-Paid-in Capital	35.19	35.19	35.19
-Capital Surplus	15.33	15.32	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	8.38	7.81	7.74
-Retained Earnings & Others ¹	11.07	8.09	11.66

1: Including YTD profits and other equity items

Table 9. Ratios

	4Q22	3Q22	4Q21
Current Ratio	60%	56%	65%
Interest Coverage (x)	19.8	24.1	26.7
Net Debt (Cash) to Equity	77%	88%	76%
Net Debt (Cash) to EBITDA (x)	1.64	1.77	1.69
ROE (annualized)¹	15%	16%	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 Asset

Assets

Receivables as of end-2022 rose QoQ and YoY owing to higher monthly fee contributions from our mobile bundle plans. Inventories grew in a similar manner, driven by the new iPhone and Google smartphones and related accessories, along with momo's business expansion.

Long-term investment climbed YoY, due to our ventures into sharing economy, cloud services, etc.

PP&E remained stable, with a mild increase from the land procurement for momo's new distribution center in central Taiwan. Meanwhile, non-current contract assets remained elevated on the back of our continuous investments in 48-month premium handset bundle contracts since 5G service launch.

Liabilities & Shareholders' Equity

The YoY jump in payables was attributable to momo's e-commerce business growth.

Long-term borrowings due in one year swelled from a year ago. That said, we are in the process of issuing new straight bond and will seek new funding facilities, in order to lift the proportion of our long-term borrowing.

Ratio Analysis

Benefiting from EBITDA growth, our Net debt to EBITDA ratio decreased YoY and QoQ.

VI. Capex Guidance

2023 Capex Guidance

- Consolidated capex: NT\$12.8bn
 - ✓ Telecom: NT\$5.03bn, with 5G capex decreasing YoY
 - ✓ Cable TV: NT\$0.92bn
 - ✓ momo & others: NT\$6.83bn, mainly for momo's distribution center expansions

- Obtained the SGS Qualicert global service quality certificate for 11 consecutive years.
- Included in the “Sports Activist Awards” by the Ministry of Education for 6 consecutive years and won “Sponsorship Award - Gold Class” and “Sponsorship Award - Long-Term Sponsorship Award.”
- Won a “National Innovation Award” for our Sensory Integration Smart Cloud for Children service.

VII. Major Events

Board Resolution on Straight Bond Issuance

On February 24, 2023, the Board resolved to issue an unsecured corporate straight bond with a total amount no larger than NT\$6.5bn and a tenure of no longer than 10 years.

VIII. Management Remarks

In 2022, Taiwan Mobile delivered resilient results, with best-in-class top-line performance and 5% operating income growth. Telecom free cash flow expanded, alongside momo's rising profits and strong cash position. Looking into 2023, we expect revenue growth momentum similar to recent levels to trickle down to our consolidated EBITDA amid favorable market dynamics, on a pre-merger basis.

Awards and Recognition

- The first domestic telecom company to make it to the “Climate Change A List” by CDP for the 3rd time.
- Selected for the “Dow Jones Sustainability Indices (DJSI) World” for 6 consecutive years. Ranked top 3 in the telecommunication services industry in the “DJSI World Index” and received full marks on 10 items. Also listed in the “DJSI Emerging Markets Index” for 11 years in a row.
- Won “The Most Prestigious Sustainability Awards – Top Ten Domestic Companies” for the 8th time. Honored with 7 awards at the “2022 Taiwan Corporate Sustainability Awards.”