Fourth Quarter 2023 Results

for the period ending December 31, 2023

February 21, 2024

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TWM Consolidated

NT$bn	4Q23	YoY	FY23	YoY
Revenues	**53.60**	**6%**	**183.35**	**6%**
Operating Income	**4.48**	**4%**	**17.54**	**4%**
Non-op. Income (Expenses)	**0.46**	**nm**	**(0.07)**	**-90%**
Pre-tax Income	**4.93**	**28%**	**17.47**	**8%**
(Income Tax)	**(0.70)**	**-13%**	**(3.14)**	**-3%**
(Minority Interest)	**(0.65)**	**12%**	**(2.06)**	**6%**
Net Income	**3.59**	**45%**	**12.27**	**11%**
EPS (NT$)	**1.25**	**42%**	**4.33**	**11%**

Highlights of Operating Results

4Q23

With healthy performances in our three core engines – 5G, e-commerce and home broadband, along with T Star's contribution in December, consolidated revenue rose by 6% YoY in 4Q23. Consolidated operating income went up by 4% YoY, while net income surged by 45% YoY on the back of merger-related tax benefits, disposal gains from the sale of our music streaming business and valuation gains from our investments. Net Debt to EBITDA rose to 2.23x as we took on T Star's debt.

FY23

Consolidated operating income recorded a 4% YoY uptick, driven by healthy EBITDA growth. Net income grew by 11% YoY, as above-mentioned tax benefits and gains more than offset the negative impact from higher financing costs. With stable telecom capex and much lower momo capex, 2023 cash capex decreased by 16% YoY. 2023 free cash flow rose to NT$16.43bn, translating into an annualized FCF yield of 5.5%.

2024 Guidance

Consolidated revenue: up 12~14% YoY
  Telecom-related revenues: up 18~20% YoY
  E-commerce, new technology services and other revenue: up 9~11% YoY
Consolidated EBITDA: up 11~13% YoY
  Gross profit margin: between 18% and 20%
  Operating profit margin: between 7% and 9%
Group capex: NT$8.55bn
  Telecom: NT$6.15bn
  Cable TV: NT$0.95bn
  momo & others: NT$1.45bn

2023 Earnings Distribution

On Feb 21, 2024, TWM's Board approved the proposal to distribute NT$13bn in cash dividends, translating to c.4.4% yield to shareholders. Dividend per share is NT$4.3 on 3.025bn shares, excluding treasury shares held by 100%-owned subsidiaries.

Key Message

Taiwan Mobile delivered strong top-line and EBITDA growth in our core telecom business throughout 2023, underscored by the successful completion of the T Star merger. Now, as the clear #2 player with a robust 10 million user base, we are poised to maximize shareholder value. Our strategic focus centers on:
1) Synergy Capture: Vigorously realizing the full potential of our merger.
2) Accelerated Growth: Propelling our SGF flywheel by fully leveraging our expanded scale.
3) Business Expansion: Capitalizing on our Telco+Tech capabilities to serve our larger customer base and seizing new business opportunities in AI and ESG.
We are confident this strategy will power the next wave of TWM's growth and value creation.

I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT$bn)	4Q23	QoQ	YoY	2023	YoY
Mobile Service Revenue	14.12	9%	15%	52.38	8%
Postpaid ARPU (NT$)	653	-3%	-1%	663	1%
09x Postpaid ARPU (NT$)	700	-2%	2%	703	3%
Blended ARPU (NT$)	556	-2%	0%	562	2%

Revenue (NT$bn)	4Q23	QoQ	YoY	2023	YoY
Telecom	**20.63**	**20%**	**12%**	**71.49**	**9%**
Service	13.52	8%	14%	50.40	8%
Device Sales	7.11	50%	7%	21.09	10%
momo	**32.84**	**31%**	**3%**	**109.24**	**6%**
E-commerce	31.73	32%	4%	105.14	7%
CATV revenue	**1.57**	**0%**	**-6%**	**6.26**	**-1%**
Others[2]	**0.16**	**2%**	**8%**	**0.61**	**6%**

1. CATV revenue includes broadband 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.

	4Q23	3Q23	4Q22	QoQ	YoY
Mobile Subscribers (K)	**10,132**	**7,653**	**7,482**	**32%**	**35%**
- Postpaid	8,420	6,241	6,036	35%	39%
Monthly Churn	**1.9%**	**1.7%**	**1.2%**		
-Postpaid	1.0%	0.8%	0.9%		
MOU (bn)	**0.70**	**0.67**	**0.74**	**5%**	**-5%**
Pay-TV Subs (K)	**507**	**513**	**527**	**-1%**	**-4%**
Cable Broadband Subs (K)[1]	305	304	294	1%	4%
DTV Subs (K)	297	299	301	-1%	-2%

CATV ARPU (NT$)	4Q23	QoQ	YoY	2023	YoY
Blended	848	3%	5%	828	4%

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

Telecom

TWM and T Star's merger was effective on December 1, 2023, resulting in a combined subscriber base exceeding 10 million. Propelled by a 6% YoY growth in TWM's existing smartphone postpaid ARPU and one month's revenue contribution from T Star, 4Q23 mobile service revenue increased by 9% QoQ and 15% YoY.

For the full year, mobile service revenue YoY growth reached 8%, driven by continuous 5G conversion, improving 4G pricing environment, and robust momentum in roaming and gaming-related revenues. Coupled with a healthy expansion in fixed-line service revenue, telecom service revenue growth reached 8% YoY.

Our unique bundles (momobile, Double Play, Disney+ and OP Life) continued to drive rate plan mix improvement. For contract renewals in 4Q23, we saw a 10% overall uplift in monthly tariffs, with over 40% boost in 4G to 5G renewals and no downtrading in 4G to 4G renewals.

Excluding the one-off churn from cleaning up dormant SIMs in December, our postpaid monthly churn rate remained low at 0.71% in 4Q23. This reflects a rational competitive environment and the successful promotion of our bundles.

On the enterprise side, data & access and IoT services maintained healthy growths in 4Q23.

momo

In 4Q23, momo saw moderate growth in its e-commerce revenue but outperformed local peers. Besides a high base, Taiwanese consumers continued to shift spending toward offline activities. That said, its e-commerce EBITDA margin was stable.

Cable TV

Broadband subs rose by 4% on the back of steady demand for faster connectivity and our cross-selling bundles which include cable TV, broadband, and OTT services. Broadband subs (inc. Double Play) on speeds of 300Mbps or higher surged by 55% YoY.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT$bn	4Q23	QoQ	YoY	2023	YoY
EBITDA	**9.45**	**8%**	**9%**	**35.79**	**4%**
- Telecom	6.90	3%	11%	26.79	5%
- momo	1.70	40%	5%	5.59	4%
- CATV	0.73	-2%	-1%	2.97	0%

NT$bn	4Q23	QoQ	YoY	2023	YoY
D&A	**4.97**	**12%**	**14%**	**18.24**	**4%**
- Telecom	4.41	13%	14%	16.08	4%
- momo	0.33	6%	22%	1.21	9%
- CATV	0.20	1%	-1%	0.78	-1%

NT$bn	4Q23	QoQ	YoY	2023	YoY
EBIT	**4.48**	**4%**	**4%**	**17.54**	**4%**
- Telecom	2.49	-11%	6%	10.71	6%
- momo	1.38	51%	2%	4.38	2%
- CATV	0.53	-3%	-1%	2.19	1%

EBITDA Analysis

With telecom service revenue growing 14% YoY, telecom EBITDA and consolidated EBITDA went up by 11% and 9% YoY respectively in 4Q23.

momo’s EBITDA rose YoY thanks to improved efficiency in its logistics network.

Growing broadband subs and good traction in our service bundles kept CATV EBITDA steady YoY during the quarter.

D&A Analysis

In 4Q23, the inclusion of T Star’s PP&E, spectrum holdings, and site rentals led to a sequential increase in telecom D&A. However, ongoing network consolidation with T Star will gradually reduce amortization expenses (i.e. base station rental expenses) over time.

momo's D&A also grew YoY as it added 3 warehouses during the quarter, taking the total number of warehouses to 59, 5 more YoY.

Table 3. Non-operating Items

NT$bn	4Q23	QoQ	YoY	2023	YoY
Non-Operating Income (Expense)	**0.46**	**nm**	**nm**	**(0.07)**	**-90%**
- Net Interest Expense	(0.24)	16%	43%	(0.80)	28%
- Write-off Loss	(0.06)	142%	-23%	(0.14)	-38%
- Other Income (Expense)	0.76	986%	nm	0.87	474%

Non-Operating Item Analysis

Despite the YoY increase in financing costs, disposal gains from the sale of our music streaming business and valuation gains from our investments led to a significant improvement in non-operating income for both 4Q23 and FY23.

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III. Income Statement Analysis

Table 4. 4Q23 Consolidated Results

NT$bn	4Q23	QoQ	YoY
Revenue	**53.60**	**24%**	**6%**
Cash Cost & Expense	(44.15)	28%	5%
Operating Income	**4.48**	**4%**	**4%**
Non-op. Income (Expense)	0.46	nm	nm
Pre-tax Income	4.93	19%	28%
Net Income	**3.59**	**22%**	**45%**
EPS (NT$)	1.25	20%	42%
EBITDA	**9.45**	**8%**	**9%**

Table 5. 2023 Consolidated Results

NT$bn	2023	2022	YoY
Revenue	**183.35**	**172.21**	**6%**
Cash Cost & Expense	(147.56)	(137.83)	7%
Operating Income	**17.54**	**16.89**	**4%**
Non-op. Income (Expense)	(0.07)	(0.70)	-90%
Pre-tax Income	17.47	16.19	8%
Net Income	**12.27**	**11.03**	**11%**
EPS (NT$)	4.33	3.91	11%
EBITDA	**35.79**	**34.38**	**4%**

Income Statement Analysis

4Q23

With healthy performances in our three main growth engines – 5G, e-commerce and home broadband, as well as T Star's contribution in December, consolidated revenue rose by 6% YoY in 4Q23. Consolidated operating income went up by 4% YoY, while net income surged by 45% YoY on the back of merger-related tax benefits and aforementioned disposal and valuation gains.

2023

Consolidated operating income recorded a 4% YoY uptick, driven by healthy EBITDA growth.

Net income grew by 11% YoY, as above-mentioned tax benefits and gains more than offset the negative impact from higher financing costs.

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IV. Cash Flow Analysis

Table 6. Cash Flow

NT$bn	2023	2022	4Q23	4Q22
Operating	**29.06**	**29.58**	**7.69**	**8.20**
Pre-tax Income	17.47	16.19	4.93	3.85
Non-cash Add-backs	19.93	19.07	5.46	4.77
--Depreciation[1]	8.88	8.56	2.36	2.15
--Amortization	4.92	4.78	1.34	1.20
--Others[1]	6.13	5.73	1.77	1.43
Changes in Working Capital & Income Taxes	(7.84)	(6.00)	(2.07)	(0.76)
Others	(0.50)	0.32	(0.64)	0.33
Investing	**(7.07)**	**(11.63)**	**0.51**	**(2.06)**
Capex[2]	(8.10)	(9.63)	(1.43)	(1.79)
Divestment (Acquisition)	(0.89)	(2.12)	(0.62)	(0.52)
5G License Fees	0.00	0.00	0.00	0.00
Other Financial Assets (Increase)	(0.15)	0.01	(0.10)	0.09
Refundable Deposits (Increase)	0.11	(0.10)	0.07	(0.05)
Others	1.96	0.21	2.59	0.21
Financing	**(23.67)**	**(18.41)**	**(6.14)**	**(3.00)**
Short-term Borrowings	(12.81)	(1.47)	(12.38)	(1.83)
Bond Issuance & Repayment	0.49	0.00	0.00	0.00
Long-term Bank Loan	7.93	1.22	7.62	(0.07)
Repayment of The Principal Portion of Lease Liabilities[3]	(4.41)	(4.11)	(1.21)	(1.00)
Dividends Payments	(13.97)	(13.43)	0.00	0.00
Interest (Payment) & Others	(0.91)	(0.63)	(0.17)	(0.10)
Net Cash Position Chg.	**(1.69)**	**(0.47)**	**2.05**	**3.14**

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	2023	2022	4Q23	4Q22
Cash Capex[1]	**8.10**	**9.63**	**1.43**	**1.79**
- Mobile	4.75	4.91	0.38	0.93
- Fixed-line	1.33	1.26	0.37	0.36
- Cable	0.64	0.70	0.16	0.21
- momo & others	1.39	2.76	0.52	0.29
% of Revenue	**4%**	**6%**	**3%**	**4%**
Free Cash Flow[1]	**16.43**	**15.74**	**5.01**	**5.39**

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

<u>Cash Flow Analysis</u>

<u>4Q23</u>

Cash earnings jumped by 21% YoY on the back of solid EBITDA growths in our telecom and e-commerce businesses, along with a positive contribution from T Star.

Investing cash flow turned to inflow in 4Q23 mainly due to a NT$1.7bn cash influx resulting from the merger with T Star, which was booked under other investing cash flow.

Financing cash outflow increased YoY as we paid off more short-term borrowings.

<u>2023</u>

2023 cash earnings showed steady YoY growth, while operating cash flow declined, mainly owing to e-commerce related working capital change.

The drop in 2023 investing cash outflow reflected the NT$2bn YoY decrease in momo's capex payments, as well as a reduction in investments.

<u>Capex and Free Cash Flow Analysis</u>

With stable telecom capex and much lower momo capex (construction for the southern distribution center and land for the central distribution center were already paid in 2022), 2023 cash capex decreased by 16% YoY. 2023 free cash flow rose to NT$16.43bn, translating into an annualized FCF yield of 5.5%.

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V. Balance Sheet Analysis

Table 8. Balance Sheet

NT$bn	4Q23	3Q23	4Q22
Total Assets	**242.96**	**187.56**	**193.07**
Current Assets	44.16	37.95	41.44
- Cash & Cash Equivalents	13.24	11.02	14.93
- Receivable & Contract Assets	20.28	17.30	16.74
- Inventories	8.19	7.44	8.10
- Short-term Investment	0.27	0.25	0.25
- Other Current Assets	2.17	1.95	1.41
Non-current Assets	198.81	149.61	151.63
- Long-term Investment	9.38	7.61	7.76
- Property and Equipment	52.86	45.93	46.98
- Right-of-use Assets	13.75	10.95	9.78
- Concession	72.24	52.94	56.18
- Other Non-current & Contract Assets	50.58	32.18	30.93
Liabilities	**149.58**	**118.97**	**120.22**
Current Liabilities	75.73	60.56	69.57
- ST Borrowings	35.05	27.02	33.42
- Accounts & Notes Payable	13.61	14.16	13.98
- Current Lease Liabilities	5.79	3.81	3.69
- Other Current Liabilities	21.28	15.58	18.48
Non-current Liabilities	73.85	58.41	50.65
- Long-term Borrowings	58.10	44.55	37.76
- Non-current Lease Liabilities	7.98	7.16	6.16
- Other Non-current Liabilities	7.77	6.71	6.73
Shareholders' Equity	**93.38**	**68.59**	**72.85**
-Paid-in Capital	37.23	35.19	35.19
-Capital Surplus	31.30	13.11	15.33
-Legal Reserve	33.50	33.50	32.60
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	8.56	7.90	8.38
-Retained Earnings & Others[1]	12.51	8.60	11.07

1: Including YTD profits and other equity items

Table 9. Ratios

	4Q23	3Q23	4Q22
Current Ratio	58%	63%	60%
Interest Coverage (x)	18.0	19.1	19.8
Net Debt (Cash) to Equity	86%	88%	77%
Net Debt (Cash) to EBITDA (x)	2.23	1.71	1.64
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 Assets

Assets

Both long and short-term contract assets increased, driven by higher monthly fee contributions from our mobile bundle plans and the addition of T Star users. Similarly, PP&E increased due to the acquisition of mobile equipment from T Star.

Concessions surged as we took on T Star’s spectrum holdings, the 3.5GHz band in particular for 5G services.

Right-of-use assets grew on the back of momo’s warehouse additions and the merger with T Star.

Long-term investment climbed QoQ and YoY, mainly due to investments in new economy businesses and KKCompany.

Liabilities & Shareholders’ Equity

Gross debt rose QoQ to NT$93.2bn from NT$71.6bn on account of borrowings inherited from T Star.

Long-term borrowings increased as we completed a syndicated loan by the end of 2023 to reduce the reliance on short-term borrowings.

The hikes in paid-in capital and capital surplus resulted from the issuance of 204mn common shares to T Star shareholders.

Ratio Analysis

Net Debt to EBITDA rose to 2.23x as we took on T Star’s debt. Considering the incremental EBITDA to be generated from the merger, gearing ratio should stabilize before tapering off at a healthy pace.

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VI. Guidance

2024 Guidance

- Consolidated revenue: up 12~14% YoY
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  - ✓ E-commerce, new technology services and other revenue: up 9~11% YoY
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Awards and ESG Recognitions

- Selected for the "Dow Jones Sustainability Indices (DJSI) World" for 7 consecutive years. Ranked top 3 in the telecommunication services industry in the "DJSI World Index". Also listed in the "DJSI Emerging Markets Index" for 12 years in a row.
- Received the "Carbon Management Award" in SGS' 2023 "ESG Awards".
- Won the "Top 10 Sustainable Taiwanese Service Businesses Award" for 9 consecutive years, ranking the highest among telecom operators. A total of 7 awards were received.
- Received the "National Sustainable Development Awards" organized by the NCSD, National Council for Sustainable Development of the Executive Yuan.
- 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."