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TWM Consolidated

NT\$bn	4Q21	YoY	FY21	YoY
Revenues	44.99	17%	156.11	17%
Operating Income	3.94	9%	16.05	0%
Non-op. Income (Expenses)	(0.18)	-55%	(0.47)	-21%
Pre-tax Income	3.76	18%	15.58	1%
(Income Tax)	(0.76)	3%	(2.76)	-10%
(Minority Interest)	(0.51)	49%	(1.84)	66%
Net Income	2.48	18%	10.99	-3%
EPS (NT\$)	0.88	19%	3.90	-3%

2021 Highlights of Operating Results**4Q21**

Supported by robust e-commerce momentum and improving telecom business, consolidated revenue and EBITDA increased by 17% and 7% respectively on a YoY basis. As 5G D&A's impact on telecom profitability started to subside, effective upselling and momo's upbeat performance helped consolidated operating income grow 9% YoY in 4Q21. Aided by stronger free cash flow and conversions of our convertible bond which matured in November, both current ratio and gearing improved in 4Q21.

FY21

With YoY growth in mobile service revenue, sustained e-commerce momentum, and rising home broadband demand, consolidated revenue grew 17% and consolidated EBITDA turned to 6% growth in 2021, both exceeding our full-year guidance. Free cash flow calculated with pre-IFRS 16 operating cash flow inclusive of government subsidies reached NT\$17.08bn, translating into a free cash flow yield of 6.1%.

2022 Guidance (without taking T-Star into account)

Consolidated revenue: up 15~17% YoY

E-commerce, new technology services and other revenue: up 22~25% YoY

Telecom related revenues: up 3~5% YoY

Consolidated EBITDA: up 1~3% YoY

Gross profit margin: between 17% and 19%

Operating profit margin: between 8% and 10%

Group capex: NT\$11.2bn

Telecom: NT\$6.43bn, where 5G capex will decline YoY.

Cable TV: NT\$0.92bn

momo & others: NT\$3.87bn, mainly from momo's logistic center expansions

Key Message

In 2021, TWM delivered better-than-expected results and demonstrated our special ability to go to the market with unique offerings that cater to the needs of our customers. Going forward, we expect to continue to allocate capital to growth areas, including the acquisition of Taiwan Star and synergy creation post merger, as well as emerging opportunities in smart logistics, web3, metaverse and Southeast Asia, in order to grow our customer base, meet their growing digital demands and gain a greater share of their overall spending.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	4Q21	QoQ	YoY	2021	YoY
Mobile Service Revenue	12.02	1%	1%	47.47	0%
Postpaid ARPU (NT\$)	660	1%	1%	653	-1%
09x Postpaid ARPU (NT\$)	680	1%	2%	671	1%
Blended ARPU (NT\$)	550	1%	1%	544	-1%

Revenue (NT\$bn)	4Q21	QoQ	YoY	2021	YoY
Telecom	17.54	13%	2%	64.01	4%
Service	11.46	1%	1%	45.18	0%
Device Sales	6.07	47%	4%	18.78	14%
momo	26.87	29%	30%	88.40	32%
E-commerce	25.53	30%	33%	83.07	35%
CATV revenue	1.57	1%	2%	6.24	1%
Pay-TV	0.81	0%	-3%	3.27	-4%
Broadband ¹	0.46	2%	13%	1.76	13%
Content & channel leasing	0.30	0%	1%	1.21	-1%
Others²	0.13	-3%	-3%	0.54	-3%

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.

	4Q21	3Q21	4Q20	QoQ	YoY
Mobile Subscribers (K)	7,270	7,285	7,264	0%	0%
- Postpaid	5,838	5,842	5,801	0%	1%
Monthly Churn	1.2%	1.2%	1.1%		
-Postpaid	1.0%	0.9%	1.0%		
MOU (bn)	0.85	0.90	0.92	-6%	-8%
Pay-TV Subs (K)	537	540	548	-1%	-2%
Cable Broadband Subs (K) ¹	280	277	266	1%	5%
DTV Subs (K)	295	294	281	1%	5%

CATV ARPU (NT\$)	4Q21	QoQ	YoY	2021	YoY
Pay-TV	502	0%	-2%	503	-2%
Broadband	549	1%	7%	537	7%
Blended ²	786	1%	4%	773	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 4Q21, mobile service revenue continued to grow YoY thanks to steady ARPU improvement. This was primarily driven by effective 5G upselling, with our postpaid user penetration rate rising to about 18% and monthly fee uplift from customers upgrading to 5G reaching 28% in the quarter. 4G pricing environment also improved as the Big 3 all rationalized their rate plans. For the full year, mobile and telecom service revenues have both turned to YoY growths.

The upselling was achieved through premium handset bundles including iPhone 13 and Google Pixel 6 series (which caused the QoQ surge in device sales), and our unique Double Play and momobile packages. Close to 60% of our Double Play subs were for \$999 or higher rate plans by end of 4Q21. Meanwhile, Disney+ has gained solid traction since its launch in mid-November and is expected to help promote premium rate plans, increase customer stickiness, and create cross-selling opportunities.

On the enterprise side, data & access, remote solutions and cloud services all continued to grow YoY in the quarter.

momo

As the leading e-commerce platform in Taiwan, momo delivered stellar results during the annual Double 11 shopping festival, with its e-commerce revenue reaching a historical high and total number of transactions rising by 35% in 4Q21. For the full year, revenue grew 35% for the second year in a row, as customer number and stickiness continued to increase.

Cable TV

Sustained demand for faster home broadband led to sequential increases in broadband subs and ARPU. This resulted in a 13% YoY growth in broadband revenue in 4Q21, where Double Play remained a significant contributor to growth. Broadband strength also helped CATV revenue turn to YoY growth for the full year.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	4Q21	QoQ	YoY	2021	YoY
EBITDA	8.29	-2%	7%	33.12	6%
- Telecom	6.03	-6%	1%	24.71	-1%
- momo	1.39	16%	44%	4.99	65%
- CATV	0.74	0%	3%	2.95	1%

NT\$bn	4Q21	QoQ	YoY	2021	YoY
D&A	4.35	2%	6%	17.07	12%
- Telecom	3.85	2%	5%	15.11	12%
- momo	0.25	4%	11%	0.95	17%
- CATV	0.20	4%	11%	0.77	7%

NT\$bn	4Q21	QoQ	YoY	2021	YoY
EBIT	3.94	-7%	9%	16.05	0%
- Telecom	2.18	-18%	-5%	9.60	-16%
- momo	1.14	19%	54%	4.04	82%
- CATV	0.54	-1%	0%	2.18	-1%

EBITDA Analysis

Thanks to improving revenues, well-managed marketing costs, and the government subsidies for 5G network construction, telecom EBITDA grew YoY in 4Q21, marking the third consecutive quarter of YoY growth. The seasonal QoQ drop stemmed from higher subscriber acquisition costs as premium smartphones are typically released in 4Q.

Telecom D&A increased due to our 5G investment, resulting in a YoY decline in EBIT. That said, D&A's YoY hike further narrowed vs. the previous quarter as 5G investments had peaked out.

Despite higher marketing expenses associated with the Double 11 shopping festival, momo's EBITDA surged by 44% YoY in 4Q21, thanks to economies of scale and operating leverage. Its consolidated EBITDA margin expanded by 50 bps YoY to 5.16% in the quarter.

Underpinned by solid broadband revenue momentum, CATV EBITDA grew by 3% YoY in 4Q21.

D&A Analysis

Overall D&A rose YoY in 4Q21 because of 5G infrastructure roll-out, followed by the increase in momo's satellite warehouse rentals (5 more QoQ and 8 more YoY to 30) and investments in broadband.

Non-Operating Item Analysis

Table 3. Non-operating Item

NT\$bn	4Q21	QoQ	YoY	2021	YoY
Non-Operating Revenue (Expense)	(0.18)	14%	-55%	(0.47)	-21%
- Net Interest Expense	(0.15)	6%	4%	(0.57)	3%
- Write-off Loss	(0.01)	-65%	-95%	(0.11)	-63%
- Other Revenue (Expense)	(0.02)	nm	197%	0.21	-18%

4Q21 non-operating expenses fell YoY mainly due to a high base a year ago from telecom equipment write-offs. FY21 other revenue decreased YoY partially due to 3Q20 dividend income from Taiwan High Speed Rail's shares, which we fully disposed of in 4Q20.

III. Income Statement Analysis

Table 4. 4Q21 Consolidated Results

NT\$bn	4Q21	QoQ	YoY
Revenue	44.99	20%	17%
Cash Cost & Expense	(36.69)	27%	20%
Operating Income	3.94	-7%	9%
Non-op. Income (Expense)	(0.18)	14%	-55%
Pre-tax Income	3.76	-7%	18%
Net Income	2.48	-13%	18%
EPS (NT\$)	0.88	-12%	19%
EBITDA	8.29	-2%	7%

Table 5. 2021 Consolidated Results

NT\$bn	2021	2020	YoY
Revenue	156.11	132.86	17%
Cash Cost & Expense	(122.99)	(101.53)	21%
Operating Income	16.05	16.06	0%
Non-op. Income (Expense)	(0.47)	(0.60)	-21%
Pre-tax Income	15.58	15.46	1%
Net Income	10.99	11.29	-3%
EPS (NT\$)	3.90	4.01	-3%
EBITDA	33.12	31.33	6%

Income Statement Analysis

4Q21

Supported by robust e-commerce momentum and improving telecom business, consolidated revenue and EBITDA increased by 17% and 7% respectively, the highest YoY growths among the Big 3.

In addition to solid top-line growth, telecom and CATV EBITDA saw continued YoY hikes in 4Q21 while momo remained a key contributor to the YoY rise in 4Q21 consolidated EBITDA.

As 5G D&A's impact on telecom profitability started to subside, effective 5G upselling and momo's upbeat performance helped consolidated operating income grow 9% YoY in 4Q21.

The YoY jump in net income was mainly due to a high base from the aforementioned write-offs. Excluding the write-offs, net income still increased YoY.

2021

With YoY growth in mobile service revenue, sustained e-commerce momentum, and rising home broadband demand, consolidated revenue grew 17% and consolidated EBITDA turned to 6% growth in FY21, both exceeding our full year guidance released in the beginning of the year.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	2021	2020	4Q21	4Q20
Operating	30.20	31.74	7.51	8.73
Pre-tax Income	15.58	15.46	3.76	3.19
Non-cash Add-backs	18.70	17.18	4.74	4.56
--Depreciation ¹	8.27	7.16	2.14	1.90
--Amortization	4.78	4.17	1.20	1.22
--Others ¹	5.65	5.85	1.40	1.44
Changes in Working Capital & Income Taxes	(4.34)	(1.52)	(0.93)	0.55
Others	0.26	0.63	(0.05)	0.42
Investing	(9.64)	(39.32)	(0.15)	(5.40)
Capex (net of Government Subsidies) ²	(9.02)	(11.55)	0.28	(6.35)
Divestment (Acquisition)	(0.63)	1.96	(0.48)	1.00
5G License Fees	0.00	(29.66)	0.00	0.00
Other Financial Assets (Increase)	0.00	(0.15)	(0.00)	(0.03)
Refundable Deposits (Increase)	(0.06)	(0.06)	(0.02)	(0.02)
Others	0.06	0.14	0.08	0.01
Financing	(15.93)	9.69	(4.63)	(3.01)
Short-term Borrowings	1.12	5.82	(3.54)	(8.40)
Proceeds from Issuance of Bonds	2.50	19.98	0.00	0.00
Long-term Bank Loan	(2.26)	2.19	(0.10)	6.40
Repayment of The Principal Portion of Lease Liabilities ³	(3.99)	(3.88)	(1.01)	(0.94)
Dividends Payments	(12.87)	(14.01)	0.00	0.00
Repayments of Bonds Payable	(0.01)	0.00	(0.01)	0.00
Interest (Payment) & Others	(0.41)	(0.41)	0.03	(0.07)
Net Cash Position Chg.	4.62	2.11	2.74	0.32

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, 2021's cash capex was net of government subsidies.

3. An operating cash outflow item prior to 2019.

Table 7. Capex & FCF

NT\$bn	2021	2020	4Q21	4Q20
Cash Capex¹	9.02	11.55	(0.28)	6.35
- Mobile	5.88	8.59	(1.13)	5.51
- Fixed-line	1.84	1.41	0.43	0.55
- Cable	0.61	0.67	0.14	0.17
- momo & others	0.70	0.88	0.29	0.12
% of Revenue	7%	9%	4%	17%
Free Cash Flow¹	17.08	16.20	6.77	1.41

1. Excluding 5G License Fees while including 2021's government subsidies. Free cash flow was on pre-IFRS 16 basis & including 2021's government subsidies.

Cash Flow Analysis

Despite a YoY increase in EBITDA in 4Q21, higher iPhone payables a year ago resulted in a YoY decrease in operating cash inflow.

Operating cash inflow edged down by 5% YoY in 2021, driven by the rise in contract assets brought about by our 36/48-month handset bundle plans, together with a low inventory base from the undersupply of the iPhone 12 series in 2020.

In 2021, the YoY changes in investing and financing cash flows mainly reflected a lower cash capex (net of government subsidies) in 2021, and 5G license payment in 2020, respectively.

Capex and Free Cash Flow Analysis

5G roll-out and telecom capex payment in 2021 was largely in-line with expectations. However, momo's capex was lower than guidance as the payments for the new logistics centers will be made along with the construction progress.

Free cash flow generated in 2021 calculated with pre-IFRS 16 operating cash flow reached NT\$17.08bn, translating into an FCF yield of 6.1%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	4Q21	3Q21	4Q20
Total Assets	190.98	187.50	184.58
Current Assets	38.65	34.65	32.09
- Cash & Cash Equivalents	15.40	12.67	10.78
- Receivable & Contract Assets	15.17	13.90	13.79
- Inventories	6.44	6.27	5.77
- Short-term Investment	0.27	0.26	0.25
- Other Current Assets	1.38	1.55	1.51
Non-current Assets	152.33	152.85	152.49
- Long-term Investment	5.86	5.29	4.26
- Property, Plant and Equipment	46.03	46.29	45.11
- Right-of-use Assets	9.06	9.15	9.01
- Concession	60.49	61.57	64.80
- Other Non-current & Contract Assets	30.89	30.55	29.31
Liabilities	117.71	117.94	112.59
Current Liabilities	59.49	61.27	58.53
- ST Borrowings	25.38	29.49	26.93
- Accounts & Notes Payable	11.96	12.20	9.79
- Current Lease Liabilities	3.54	3.59	3.51
- Other Current Liabilities	18.61	16.00	18.31
Non-current Liabilities	58.22	56.67	54.06
- Long-term Borrowings	46.03	46.10	43.75
- Non-current Lease Liabilities	5.55	5.59	5.53
- Other Non-current Liabilities	6.63	4.98	4.78
Shareholders' Equity	73.28	69.56	71.99
-Paid-in Capital	35.19	35.14	35.12
-Capital Surplus	16.90	16.43	18.94
-Legal Reserve	31.50	31.50	30.17
-Treasury Shares	(29.72)	(29.72)	(29.72)
-Un-appropriated Earnings	0.00	0.00	0.00
-Non-controlling Interest	7.74	7.17	6.63
-Retained Earnings & Others ¹	11.66	9.04	10.85

1: Including YTD profits and other equity items

Table 9. Ratios

	4Q21	3Q21	4Q20
Current Ratio	65%	57%	55%
Interest Coverage (x)	26.7	30.8	24.0
Net Debt (Cash) to Equity	76%	90%	83%
Net Debt (Cash) to EBITDA (x)	1.69	1.92	1.91
ROE (annualized)¹	15%	16%	15%
ROA (annualized)²	6%	6%	7%

1. ROE = Accumulated Net Income (Annualized) / Average Shareholders' Equity

2. ROA = Accumulated Net Income + Interest Expenses*(1-Tax Rate) (Annualized) / Average Total Assets

Assets

Cash balance as of end-2021 rose both QoQ and YoY, on the back of higher FCF, inclusive of 5G subsidies from the government. Receivables also grew YoY due to the increase in momo's revenue and the expansion of TWM's direct carrier billing services.

PP&E remained stable as 5G capex cycle had already peaked, while non-current contract assets increased YoY as we featured 48-month premium handset bundle contracts.

Liabilities & Shareholders' Equity

The YoY climb in payables was driven mainly by momo's e-commerce business growth. Government 5G subsidies we received in 2H21 led to a YoY increase in other non-current liabilities as well.

Net debt was NT\$56bn in 4Q21, down NT\$6.9bn QoQ and NT\$3.9bn YoY, aided by stronger FCF and the conversion of our convertible bond, which matured in November. We also managed to reduce our reliance on short-term borrowings.

Ratio Analysis

Better cash flow generation resulted in higher current ratio and lower gearing in 4Q21.

VI. Guidance

2022 Guidance (without taking T-Star into account)

- Consolidated revenue: up 15~17% YoY
 - ✓ E-commerce, new technology services and other revenue: up 22~25% YoY
 - ✓ Telecom related revenues: up 3~5% YoY
- Consolidated EBITDA: up by 1~3% YoY
 - ✓ Gross profit margin: between 17% and 19%
 - ✓ Operating profit margin: between 8% and 10%
- Group capex: NT\$11.2bn
 - ✓ Telecom: NT\$6.43bn, where 5G capex will decline YoY
 - ✓ Cable TV: NT\$0.92bn
 - ✓ momo & others: NT\$3.87bn, mainly from momo's logistic center expansions

“The Most Prestigious Sustainability Awards – Top Ten Domestic Companies” for the 7th time and scored the highest among awardees of the “Growth Through Innovation Leadership Award” under the Service and Information Communication Industry segment.

- Received ISO 27701 Privacy Information Management System certification.
- Honored with Sports Activist Awards by the Ministry of Education for 5 consecutive years and won “Sponsorship Award Gold Class” and “Sponsorship Award Long-Term Sponsorship Award”.

VII. Management Remarks

In 2021, TWM delivered better-than-expected results and demonstrated our special ability to go to the market with unique offerings that cater to the needs of our customers. Going forward, we expect to continue to allocate capital to growth areas, including the acquisition of Taiwan Star and synergy creation post merger, as well as emerging opportunities in smart logistics, web3, metaverse and Southeast Asia, in order to grow our customer base, meet their growing digital demands and gain a greater share of their overall spending.

Awards and Recognition

- Achieved “Leadership band” in CDP Climate Change for 3 years in a row.
- Selected for the “Dow Jones Sustainability Indices (DJSI) World” for 5 consecutive years and once again ranked No.1 in its “Global Telecom Industry” segment. Included in the “DJSI Emerging Markets” for 10 years in a row.
- Honored with 8 awards at the 2021 Taiwan Corporate Sustainability Awards (TCSA). Won