

November 15th, 2023**Topics in This Report**

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TWM Consolidated

NT\$bn	3Q23	YoY	1~3Q23	YoY
Revenues	43.19	7%	129.75	7%
Operating Income	4.30	5%	13.07	4%
Non-op. Income (Expenses)	(0.16)	nm	(0.53)	128%
Pre-tax Income	4.13	1%	12.54	2%
(Income Tax)	(0.76)	-6%	(2.44)	1%
(Minority Interest)	(0.43)	0%	(1.41)	3%
Net Income	2.94	3%	8.69	2%
EPS (NT\$)	1.04	4%	3.08	2%

Highlights of Operating Results3Q23

With healthy performances in our three main growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 7% YoY in 3Q23. Consolidated operating income grew by 5% YoY, thanks to an 8% growth in telecom EBIT. The YoY increase in non-operating expense was driven by higher interest rates, lower exchange gains in USD assets, as well as momo's disposal gain from its overseas equity investment a year ago. Benefiting from decent free cash flow generations and growing EBITDA, our net debt to EBITDA fell YoY to 1.71x in 3Q23.

1~3Q23

Consolidated operating income recorded a 4% YoY uptick in 1-3Q23, driven by healthy EBITDA growth and a muted rise in D&A expenses. Net income grew by 2% YoY, as non-operating expenses shot up on the back of higher interest expenses and a high base in disposal gain from momo's investment. On the back of stable operating cash flow and 21% fall in investing cash outflow, 1-3Q23 free cash flow calculated on a pre-IFRS 16 basis increased by 10% YoY to NT\$11.42bn, translating into an annualized FCF yield of 5.7%.

TWM - TST Merger Update

The Fair Trade Commission conditionally approved the merger of Taiwan Star into Taiwan Mobile on October 11th 2023. As announced on November 8th, the effective date of the merger is set for December 1st, 2023.

Key Message

As our flywheel continued to pick up speed, Taiwan Mobile delivered a solid set of operating results in the third quarter, with growth acceleration seen in our core business. Steady rise in 5G penetration, our unique bundles and Telco+Tech strategies, win-win collaborations with group companies, as well as our integration with Taiwan Star will continue to provide a tailwind to our longer-term performance.

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I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	3Q23	2Q23	3Q22	QoQ	YoY
Mobile Service Revenue	12.97	12.73	12.13	2%	7%
Postpaid ARPU (NT\$)	672	665	654	1%	3%
09x Postpaid ARPU (NT\$)	715	700	682	2%	5%
Blended ARPU (NT\$)	569	563	549	1%	4%

Revenue (NT\$bn)	3Q23	2Q23	3Q22	QoQ	YoY
Telecom	17.22	16.41	15.88	5%	8%
Service	12.49	12.29	11.69	2%	7%
Device Sales	4.73	4.12	4.19	15%	13%
momo	25.07	26.21	23.56	-4%	6%
E-commerce	24.10	25.23	22.47	-4%	7%
CATV revenue	1.56	1.57	1.55	-1%	1%
Others²	0.16	0.15	0.15	3%	3%

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.

	3Q23	2Q23	3Q22	QoQ	YoY
Mobile Subscribers (K)	7,653	7,554	7,388	1%	4%
- Postpaid	6,241	6,161	5,985	1%	4%
Monthly Churn	1.7%	1.7%	1.3%		
-Postpaid	0.8%	0.8%	0.8%		
MOU (bn)	0.67	0.66	0.79	1%	-15%
Pay-TV Subs (K)	513	519	529	-1%	-3%
Cable Broadband Subs (K) ¹	304	301	291	1%	5%
DTV Subs (K)	299	300	301	-1%	-1%

CATV ARPU (NT\$)	3Q23	2Q23	3Q22	QoQ	YoY
Blended	827	826	799	0%	3%

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

Telecom

In 3Q23, mobile service revenue growth accelerated to 7% YoY, the highest quarterly YoY increase since 5G service launch 3 years ago. This was driven by continued 5G conversion aided by the new iPhone launch, improving 4G pricing environment, and robust momentum in roaming and gaming-related revenues. Coupled with a healthy expansion of fixed-line service revenue, telecom service revenue growth went up to 7%, reaching the highest level since 4Q18.

Smartphone postpaid ARPU increased by 5% YoY in 3Q23 and hit NT\$715, as our unique bundles (momobile, Double Play, Disney+ and OP Life) continued to drive rate plan mix improvement. Accumulated users of these unique bundles also rose further and accounted for 24% of our smartphone postpaid user base in 3Q23. For contract renewals, we saw a 10% overall uplift in monthly tariffs, with an over 40% boost in 4G to 5G renewals and no downtrading in 4G to 4G renewals.

As a result of a rational competitive environment and the promotion of our bundles, our postpaid monthly churn rate remained low at 0.81% in 3Q23.

On the enterprise side, data & access and IoT services maintained healthy growths in 3Q23.

momo

momo continued to see middling growth in its e-commerce revenue in 3Q23 as consumers allocate their discretionary spending toward leisure activities, especially during summer months. That said, its e-commerce EBITDA margin was resilient.

Cable TV

Broadband subs rose by 5% on the back of steady demand for faster connectivity and our cross-selling bundles including cable TV, broadband, and OTT services. Broadband subs (Double Play included) on speeds of 300Mbps or higher surged by 57% YoY.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	3Q23	2Q23	3Q22	QoQ	YoY
EBITDA	8.75	8.91	8.44	-2%	4%
- Telecom	6.69	6.75	6.43	-1%	4%
- momo	1.22	1.29	1.16	-5%	5%
- CATV	0.74	0.75	0.74	-1%	1%

NT\$bn	3Q23	2Q23	3Q22	QoQ	YoY
D&A	4.45	4.43	4.37	1%	2%
- Telecom	3.90	3.89	3.85	0%	1%
- momo	0.31	0.29	0.28	6%	9%
- CATV	0.20	0.20	0.19	0%	1%

NT\$bn	3Q23	2Q23	3Q22	QoQ	YoY
EBIT	4.30	4.48	4.08	-4%	5%
- Telecom	2.79	2.85	2.58	-2%	8%
- momo	0.91	1.00	0.88	-9%	4%
- CATV	0.55	0.56	0.54	-2%	1%

EBITDA Analysis

With telecom service revenue growing another 7% YoY, telecom EBITDA and consolidated EBITDA both went up by 4% YoY in 3Q23.

momo's EBITDA rose YoY, due 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

Total D&A remained stable. That said, momo's D&A grew YoY in 3Q23 as it added another warehouse, taking the total number of warehouses to 56, 5 more YoY.

Table 3. Non-operating Items

NT\$bn	3Q23	2Q23	3Q22	QoQ	YoY
Non-Operating Income (Expense)	(0.16)	(0.14)	0.01	21%	nm
- Net Interest Expense	(0.21)	(0.16)	(0.17)	31%	20%
- Write-off Loss	(0.03)	(0.02)	(0.03)	21%	-23%
- Other Income (Expense)	0.07	0.05	0.22	56%	-67%

Non-Operating Item Analysis

The YoY increase in non-operating expense was driven by higher interest rates, lower exchange gains in USD assets, as well as momo's disposal gain from its overseas equity investment a year ago.

III. Income Statement Analysis

Table 4. 3Q23 Consolidated Results

NT\$bn	3Q23	QoQ	YoY
Revenue	43.19	-1%	7%
Cash Cost & Expense	(34.44)	-1%	8%
Operating Income	4.30	-4%	5%
Non-op. Income (Expense)	(0.16)	21%	nm
Pre-tax Income	4.13	-5%	1%
Net Income	2.94	-3%	3%
EPS (NT\$)	1.04	-4%	4%
EBITDA	8.75	-2%	4%

Income Statement Analysis

3Q23

With healthy performances in our three main growth engines – 5G, e-commerce and home broadband, consolidated revenue rose by 7% YoY in 3Q23. Consolidated operating income grew by 5% YoY, thanks to an 8% growth or NT\$210mn in telecom EBIT, higher than Big 3 average of a NT\$29mn dip.

Table 5. 1~3Q23 Consolidated Results

NT\$bn	1~3Q23	1~3Q22	YoY
Revenue	129.75	121.60	7%
Cash Cost & Expense	(103.41)	(95.92)	8%
Operating Income	13.07	12.57	4%
Non-op. Income (Expense)	(0.53)	(0.23)	128%
Pre-tax Income	12.54	12.34	2%
Net Income	8.69	8.56	2%
EPS (NT\$)	3.08	3.03	2%
EBITDA	26.34	25.69	3%

1~3Q23

Consolidated operating income recorded a 4% YoY uptick in 1-3Q23, driven by healthy EBITDA growth and a muted rise in D&A expenses.

Net income grew by 2% YoY, as non-operating expenses shot up on the back of higher interest expenses and a high base in disposal gain from momo's investment.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	3Q23	2Q23	3Q22
Operating	7.85	8.71	7.03
Pre-tax Income	4.13	4.34	4.08
Non-cash Add-backs	4.88	4.81	4.75
--Depreciation ¹	2.19	2.18	2.13
--Amortization	1.20	1.20	1.20
--Others ¹	1.49	1.43	1.42
Changes in Working Capital & Income Taxes	(1.19)	(0.44)	(1.71)
Others	0.04	0.00	(0.09)
Investing	(2.91)	(2.06)	(1.89)
Capex ²	(2.17)	(2.12)	(1.81)
Divestment (Acquisition)	(0.03)	(0.23)	(0.20)
Other Financial Assets (Increase)	(0.03)	0.04	0.09
Refundable Deposits (Increase)	0.02	0.04	(0.02)
Others	(0.70)	0.22	0.06
Financing	(4.99)	(9.67)	(8.62)
Short-term Borrowings	8.43	(6.82)	6.07
Proceeds from Issuance of Bonds	0.00	6.49	0.00
Long-term Bank Loan	(0.08)	(0.05)	(0.10)
Repayment of The Principal Portion of Lease Liabilities ³	(1.05)	(1.04)	(1.06)
Dividends Payments	(12.13)	(1.84)	(13.43)
Repayments of Bonds Payable	0.00	(6.00)	0.00
Interest (Payment) & Others	(0.16)	(0.42)	(0.10)
Net Cash Position Chg.	(0.04)	(3.03)	(3.48)

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	3Q23	2Q23	3Q22
Cash Capex¹	2.17	2.12	1.81
- Mobile	1.44	1.40	0.96
- Fixed-line	0.27	0.31	0.33
- Cable	0.14	0.17	0.21
- momo & others	0.33	0.24	0.31
% of Revenue	5%	5%	4%
Free Cash Flow¹	4.61	5.52	4.13

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

Cash Flow Analysis

Operating cash inflow increased by 12% YoY in 3Q23, thanks to steady telecom EBITDA growth, good handset inventory turnover and cash receipts from SI projects. 1-3Q operating cash flow came in stable YoY.

Investing cash outflow rose YoY in 3Q23, mainly attributable to higher 5G government subsidies received a year ago. Year to date, both capex and other investing cash outflow decreased YoY, leading to a NT\$2bn drop in overall investing cash outflow.

On the financing front, 3Q23 cash outflow declined YoY, reflecting momo dividend payment timing difference (2Q in 2023 vs. 3Q in 2022).

Capex and Free Cash Flow Analysis

Excluding the 5G government subsidies received in 3Q22 & 3Q23, both telecom capex and total capex came off by 11% YoY in 3Q23.

On the back of a stable operating cash flow and 21% fall in investing cash outflow, 1-3Q23 free cash flow calculated on a pre-IFRS 16 basis increased by 10% YoY to NT\$11.42bn, translating into an annualized FCF yield of 5.7%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	3Q23	2Q23	3Q22
Total Assets	187.56	186.39	189.03
Current Assets	37.95	36.29	36.43
- Cash & Cash Equivalents	11.02	11.23	11.79
- Receivable & Contract Assets	17.30	16.56	15.23
- Inventories	7.44	6.63	7.45
- Short-term Investment	0.25	0.25	0.25
- Other Current Assets	1.95	1.61	1.71
Non-current Assets	149.61	150.11	152.60
- Long-term Investment	7.61	8.38	7.15
- Property and Equipment	45.93	46.54	47.00
- Right-of-use Assets	10.95	9.72	10.22
- Concession	52.94	54.02	57.26
- Other Non-current & Contract Assets	32.18	31.44	30.98
Liabilities	118.97	120.51	119.73
Current Liabilities	60.56	63.15	64.77
- ST Borrowings	27.02	18.55	31.72
- Accounts & Notes Payable	14.16	12.87	13.97
- Current Lease Liabilities	3.81	3.64	3.74
- Other Current Liabilities	15.58	28.10	15.33
Non-current Liabilities	58.41	57.36	54.96
- Long-term Borrowings	44.55	44.66	41.35
- Non-current Lease Liabilities	7.16	6.08	6.51
- Other Non-current Liabilities	6.71	6.61	7.09
Shareholders' Equity	68.59	65.89	69.31
-Paid-in Capital	35.19	35.19	35.19
-Capital Surplus	13.11	13.11	15.32
-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	7.90	7.49	7.81
-Retained Earnings & Others ¹	8.60	6.32	8.09

1: Including YTD profits and other equity items

Table 9. Ratios

	3Q23	2Q23	3Q22
Current Ratio	63%	57%	56%
Interest Coverage (x)	19.1	21.8	24.1
Net Debt (Cash) to Equity	88%	79%	88%
Net Debt (Cash) to EBITDA (x)	1.71	1.47	1.77
ROE (annualized)¹	16%	17%	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 3Q23 owing to higher monthly fees and more postpaid subscribers from our unique bundles, a thriving game publishing business, and momo's growth.

Long-term investment went up YoY, on the back of value accretions in our investments and ventures into cloud services and new economy businesses.

Right-of-use assets rose YoY, along with momo's warehouse additions.

The YoY increase in other non-current assets mainly resulted from our recent fixed-line contract wins.

Liabilities & Shareholders' Equity

The YoY climb in payables was driven by the launch of new iPhone and Google Pixel phones, as well as momo's business expansion.

Gross debt rose QoQ to \$71.6bn on account of bank borrowings to fund our dividend payment in the quarter.

A NT\$37.2bn legal reserve and capital surplus is available for future dividend top up.

Ratio Analysis

Benefiting from decent free cash flow generations and growing EBITDA, our net debt to EBITDA fell YoY to 1.71x in 3Q23.

VI. Merger Update

TWM - TST Merger Update

The Fair Trade Commission conditionally approved the merger of Taiwan Star into Taiwan Mobile on October 11th 2023. As announced on November 8th, the effective date of the merger is set for December 1st, 2023.

VII. Management Remarks

Key Message

As our flywheel continued to pick up speed, Taiwan Mobile delivered a solid set of operating results in the third quarter, with growth acceleration seen in our core business. Steady rise in 5G penetration, our unique bundles and Telco+Tech strategies, win-win collaborations with group companies, as well as our integration with Taiwan Star will continue to provide a tailwind to our longer-term performance.

Awards and ESG Recognitions

- The first telecom company in Asia to have its 1.5°C-aligned science-based targets to reach Net Zero emissions by 2050 validated by SBTi.
- Published the Company's first Task Force on Climate-Related Financial Disclosures (TCFD) Report.
- Honored with the Financial Times and Statista's "Climate Leaders Asia-Pacific 2023"; ranked 2nd in the Asia Pacific region and was the only Taiwan telecom company to receive this honor.
- Ranked Top 10 in Commonwealth Magazine's "Excellence in Corporate Social Responsibility Award" for the 16th time.
- Awarded the 3rd place in the large enterprise category of the Commonwealth Talent Sustainability Award.
- A constituent of the FTSE4Good TIP Taiwan ESG Index for the 6th consecutive year.
- Honored with the Special Award for Digital Resiliency at IDC Future Enterprise Awards 2023.