

**Taiwan Mobile**  
**2Q24 Results Conference Call**  
**August 6, 2024**

**Jamie Lin, President:** Good afternoon, everyone. Welcome to Taiwan Mobile's 2<sup>nd</sup> quarter 2024 results conference call. As per usual, let's first read through the disclaimer:

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Now let's start our presentation. Please turn to page 4 for highlights of the quarter.

**2Q24 Highlights**

As Taiwan Mobile merged with Taiwan Star on the 1<sup>st</sup> of last December, we are now two quarters into the integration process. I am happy to report that: we are ahead of the game and doing much better than expected. Our mobile service revenue came in strong again, growing by 26% YoY during the quarter, boosted by the addition and upselling of 2 million T Star postpaid users, as well as continued organic growth from our existing customer base.

Meanwhile, momo revenue growth continued - albeit at a decelerated momentum - rising 2% as Taiwan goes through a post-COVID leisure boom cycle.

Our home broadband engine grew by 4% YoY in subs, on the back of effective cross-selling toward our mobile and pay-TV customers.

In 2Q24, consolidated EBITDA went up by 19% YoY, primarily driven by our mobile business. Thanks to the merger synergies from faster-than-expected integration, consolidated operating income increased by 11% YoY, reaching a 7-year high.

**Significant Merger Synergies**

Before diving into the specifics of our mobile business, let me share some figures related to our merger synergies with you on page 5.

We are approximately three months ahead of our most optimistic projection for base station consolidation. This has resulted in significant savings in network costs and site rental expenses. Subsidies, direct store, and personnel costs have also come in lower than our projections.

As a result, our telecom EBIT on a pro forma basis increased from approximately NT\$4bn in 1H23 to NT\$6.23bn in 1H24, reflecting an impressive 53% YoY growth.

At the beginning of the year, we guided a consolidated EBITDA growth of 11% to 13% YoY for the full year. We are pleased to report that we have delivered a 20% growth in 1H24 on that regard. In absolute terms, our 1H consolidated EBITDA came in at NT\$21bn, setting a new record for the company!

Now, let's take a closer look at our mobile business on the next page.

### **Mobile – Growth Engine #1**

The smartphone postpaid ARPU of our existing TWM users grew more than 6% YoY in 2Q24 thanks to continued tailwinds from our unique bundles, further 5G upselling and benign 4G pricing. In terms of contract renewals, monthly fee uplift was 47% for 4G to 5G upgrade and 8% for overall, maintaining the healthy momentum seen in recent quarters.

On a sequential basis, ARPU and mobile service revenue already started to edge higher, as a result of our successful upselling efforts and strong revenue momentum in our gaming business.

Postpaid monthly churn rate remained at only 0.7%, reflecting a rational competitive environment and effective promotion of our bundles. With 5G penetration in our smartphone postpaid user base currently at 38%, or 40% excluding T Star users, a long runway lies ahead for further ARPU and mobile service revenue upside.

Next let's turn to page 7 for updates on our e-commerce business.

### **momo – Growth Engine #2**

In 2Q24, momo's revenue grew by 2% YoY, with healthy increases in active users and total number of orders. EBITDA margin fell slightly YoY mainly due to lower take rates in a slower demand environment. Other than our existing B2C 1P business, momo will also scale up 3P, advertising and live commerce businesses in the coming quarters.

Next, let's take a look at our broadband business on the next page.

### **Broadband – Growth Engine #3**

Our broadband business continued to grow in 2Q24, with the number of subscribers rising by 4% on the back of steady demand for faster connectivity and our bundles which include cable TV, broadband, mobile and/or our unique OTT services, such as MyVideo, Disney+, HBO GO and YouTube Premium. Broadband subs including Double Play bundle users who are on speeds of 300Mbps or higher increased by 46% YoY during the quarter.

The YoY decline in overall CATV revenue was primarily caused by the discontinued content distribution deal as Disney exited its TV channel business in Taiwan earlier this year. Overall EBITDA grew YoY, driven by broadband strength.

Now, let me pass the virtual mic over to our CFO, George Chang, for Financial Overview.

### **Performance by Business**

#### **George Chang, CFO & Spokesperson:**

Good afternoon. Let's start with Performance by Business.

In the 2<sup>nd</sup> quarter of 2024, consolidated revenue reached NT\$47.74bn. With the help of the T Star merger, telecom business contributed majority of the YoY revenue growth and accounted for 43% of consolidated revenue. Decent growth was seen even if we strip out the merger impact.

As for profitability, consolidated EBITDA exceeded NT\$10bn for two quarters in a row and remained around record levels. The YoY increase of NT\$1.7bn was mainly driven by telecom, while CATV also delivered YoY growth.

Let's go to Results Summary.

### **Results Summary**

In addition to double-digit expansions in revenue and EBITDA, consolidated operating income rose by 11% YoY to a 7-year high in 2Q24, as telecom EBIT growth accelerated to 17% YoY during the quarter. On a pro-forma basis (or taking T star into consideration), the growth rate of EBIT vs. last year is even higher.

Despite larger non-op expenses due to higher financing costs, net profit grew by 8% YoY in 1H24. With dilution from new share issuance to T Star shareholders, 1H24 EPS was flattish YoY.

Let's move on to Balance Sheet.

### **Balance Sheet Analysis**

Receivables and contract assets rose YoY, driven by the growth in postpaid subscribers (including T Star users) and monthly fee contributions from our mobile bundle plans.

PP&E and concession also increased YoY, which was attributable to T Star's mobile equipment and spectrum, as well as momo's distribution center.

Right-of-use assets saw another QoQ decline thanks to further consolidation of T Star's base stations.

Gross debt went up YoY to NT\$86.2bn, owing to borrowings inherited from T Star. However, this decreased QoQ as we paid down some bank borrowings since the merger.

Benefiting from the incremental EBITDA, Net Debt to EBITDA declined sequentially to 1.7x in 2Q24. In fact, this is already back to the pre-merger level in 2023.

Lastly, let's look at Cash Flow on the next slide.

### **Cash Flow Analysis**

In 2Q24, cash earnings rose by 17% YoY on the back of solid growth in telecom EBITDA. Although operating cash flow fell slightly YoY during the quarter due to changes in working capital, for the first half of the year, operating cash flow still increased by 39% YoY.

Despite a decrease in our 2024 capex plan, 1H24 investing cash outflow increased, reflecting payments associated with network consolidation following the merger and momo's logistics capacity expansions.

Financing cash outflow plummeted due to a high base of debt repayments and the timing difference in momo's dividend payments vs. a year ago.

Free cash flow calculated on a recurring pre-IFRS 16 basis was NT\$4.5bn in 2Q24, translating into an annualized free cash flow yield of 5.5%.

Let me turn the presentation back to Jamie for event updates and Key Message.

### **Awards and ESG Recognitions**

We are glad to share with you that Taiwan Mobile was once again recognized in Institutional Investor's 2024 Asia Executive Team rankings. In the highly competitive overall Asia region, which include much larger Chinese peers, we are honored to have placed first in Best CEO, Best CFO, and Best ESG categories for two consecutive years. We are also the only telecom company from Taiwan to be recognized as a Most Honored Company, and we've done this for three years

in a row. In the Rest of Asia (ex-China) region, Taiwan Mobile was voted the No. 1 telecom company for the 3<sup>rd</sup> consecutive year, while receiving first-place rankings in 5 categories.

I would like to express our most sincere gratitude to our investors and covering analysts. We could not have achieved this without your trust and support, and we remain committed to further improvement. Thank you all; we truly appreciate every single one of your votes.

In terms of ESG recognitions, Taiwan Mobile was ranked in the top 5% in the “Corporate Governance Evaluation” by the Taiwan Stock Exchange for the 10<sup>th</sup> consecutive year. We have been a constituent of the Taiwan Sustainability Index for 7 consecutive years and have won a total of 14 top prizes in Global Views Magazine’s 2024 ESG Awards, the most among our telecom peers.

### **Key Message**

Finally, to wrap up our presentation for today, here is the key message we would like for you to take away with.

Taiwan Mobile delivered exceptional top-line and EBITDA performance in our core telecom business during the first half of 2024, driven by robust organic growth and seamless post-merger integration.

Building on this success, we are confident in our ability to unlock the full potential of the merger, introducing innovative products and services tailored to our broader customer base. Through this strategic approach, we will strive to further accelerate our growth trajectory in the years to come.

With that, let’s open the floor for questions. If you are participating online, you are welcome to send your questions via the chat box. We will begin by addressing the telephone line questions before moving on to the web. Operator, please go ahead.

### **Q&A**

***Neale Anderson, HSBC: I would like to ask about page 5, consolidated EBITDA. You are up 20% YoY, but guided for 11 to 13%. Can you give more details on where that is coming from? I assume it is from the quicker-than-expected synergies from the T Star merger. If that is the case, you are bringing those forward. Does that change how you are thinking about the next 18 months, is it going to slow down or can you maintain a similar growth rate in EBITDA?***

**Jamie:** Thank you Neale. The vast majority is coming from the fact that we are 3 months ahead of the game in terms of integrating the base stations. For every base station we turn off from the T Star side, we can save on associated network, electricity and rental costs. So, when you are 1 month ahead of schedule, you time the number of base stations by the cost you can save per base station; that is the extra saving you can generate from good execution. That makes up the majority. The other big one would be the subsidies we save. T Star subscribers have good response to our unique bundles, which works well for us, as we are upselling users in an economical manner in terms of subsidy spending. Those are the two big ticket items and we do foresee that as we further consolidate networks, savings will continue to realize. We also expect that we will be able to enjoy the savings for the full year next year. In terms of savings in subsidies, I think it should be recurring as long as our unique bundles continue to attract T Star users.