First Quarter 2022 Results

for the period ending March 31, 2022

May 6th, 2022

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TWM Consolidated

NT$bn	1Q22	1Q21	YoY
Revenues	39.79	35.31	13%
Operating Income	4.10	3.64	13%
Non-op. Income (Expenses)	(0.12)	0.01	nm
Pre-tax Income	3.98	3.65	9%
(Income Tax)	(0.79)	(0.38)	108%
(Minority Interest)	(0.47)	(0.43)	7%
Net Income	2.72	2.83	-4%
EPS (NT$)	0.97	1.01	-4%

1Q22 Highlights of Operating Results

Thanks to solid e-commerce momentum and improving telecom performance, consolidated revenue and EBITDA rose by 13% and 8% respectively in 1Q22. Coupled with diminishing impact from 5G D&A, EBIT growth reached 13% YoY. Due to effective telecom opex control, overall EBITDA and margins in 1Q22 were notably ahead of our FY22 guidance. The YoY drop in net income was primarily due to a high base in non-operating income and tax benefits. Excluding the one-off factors, 1Q22 net income would have increased by about 15% YoY. Benefiting from improving operating cash inflow and decreasing telecom cash capex, 1Q22 free cash flow calculated on a pre-IFRS 16 basis increased by 61% YoY to NT$3.25bn, translating into an annualized FCF yield of 4.4%.

2021 Earnings Distribution

On May 6th, 2022, TWM's Board approved the proposal to distribute NT$12.1bn in cash dividends, translating to c.4% yield to shareholders. Dividend per share is NT$4.30 on 2.82bn shares, excluding treasury shares held by 100%-owned subsidiaries. Post earnings distribution, there will be NT$38.6bn excess reserves available for future dividend distribution.

Key Message

Entering 2022, as demand for faster connectivity, e-commerce and digital entertainment continues to swell, TWM with our 3 growth engines is well-positioned to thrive in this new normal and has been taking advantage by playing a leading role in creating innovative product offerings that meet market needs. Our efforts in winning the hearts of our customers have in turn allowed us to deliver healthier returns and cash flows. Looking beyond, TWM aims to achieve sustained shareholder value creation by 1) sealing the T-Star deal, and 2) executing our strategies in metaverse, web3, cloud, and green transformation.

I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT$bn)	1Q22	4Q21	1Q21	QoQ	YoY
Mobile Service Revenue	11.92	12.02	11.76	-1%	1%
Postpaid ARPU (NT$)	652	660	649	-1%	0%
09x Postpaid ARPU (NT$)	675	680	665	-1%	1%
Blended ARPU (NT$)	545	550	541	-1%	1%

Revenue (NT$bn)	1Q22	4Q21	1Q21	QoQ	YoY
Telecom	**15.95**	**17.54**	**15.90**	**-9%**	**0%**
Service	11.39	11.46	11.16	-1%	2%
Device Sales	4.56	6.07	4.75	-25%	-4%
momo	**22.94**	**26.87**	**18.36**	**-15%**	**25%**
E-commerce	21.63	25.53	16.96	-15%	28%
CATV revenue	**1.55**	**1.57**	**1.55**	**-2%**	**0%**
Pay-TV	0.80	0.81	0.83	-2%	-4%
Broadband[1]	0.47	0.46	0.42	2%	12%
Content & channel leasing	0.29	0.30	0.30	-6%	-6%
Others[2]	**0.14**	**0.13**	**0.14**	**11%**	**2%**

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.

	1Q22	4Q21	1Q21	QoQ	YoY
Mobile Subscribers (K)	**7,324**	**7,270**	**7,239**	**1%**	**1%**
- Postpaid	5,906	5,838	5,797	1%	2%
Monthly Churn	**1.1%**	**1.2%**	**1.2%**		
-Postpaid	0.9%	1.0%	0.9%		
MOU (bn)	**0.77**	**0.85**	**0.87**	**-9%**	**-12%**
Pay-TV Subs (K)	**534**	**537**	**545**	**0%**	**-2%**
Cable Broadband Subs (K)[1]	283	280	269	1%	5%
DTV Subs (K)	297	295	286	1%	4%

CATV ARPU (NT$)	1Q22	4Q21	1Q21	QoQ	YoY
Pay-TV	495	502	506	-1%	-2%
Broadband	556	549	522	1%	6%
Blended[2]	788	786	762	0%	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

1Q22 marked the 4th consecutive quarter of YoY growth in mobile service revenue, thanks to steady ARPU improvement via 5G upselling, as well as a more benign 4G pricing environment. The sequential decrease in mobile service revenue is within the seasonal pattern. Our 5G postpaid penetration rate further advanced with a 27% monthly fee uplift from the renewals in the quarter, while overall churn rates remained low. The QoQ and YoY slips in device sales stemmed from waning iPhone 13 momentum and a high base due to the iPhone 12 delay, respectively.

Our unique bundles – momobile, Double Play and Disney+, continued to play a key role in driving ARPU improvement. momobile users' contribution to momo's e-commerce revenue rose to 3.5% by the end of 1Q22. Close to 60% of Double Play subs signed up for $999 or higher rate plans.

On the enterprise side, data & access, cloud and ICT services all saw solid YoY growths in the quarter.

momo

momo continued to outperform its peers and posted a 28% YoY growth in e-commerce revenue in 1Q22. Logistics remained a focus for momo. It grew its total warehouse floorspace by 20% YoY and raised the ratio of its in-house delivery fleet to 21% in 1Q22.

Cable TV

Sustained demand for faster home broadband led to sequential increases in broadband subs and ARPU. This resulted in a 12% YoY growth in broadband revenue in 1Q22, where Double Play remained a significant contributor to growth.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT$bn	1Q22	4Q21	1Q21	QoQ	YoY
EBITDA	**8.46**	**8.29**	**7.85**	**2%**	**8%**
- Telecom	6.28	6.03	5.93	4%	6%
- momo	1.30	1.39	1.07	-6%	21%
- CATV	0.75	0.74	0.74	1%	1%

NT$bn	1Q22	4Q21	1Q21	QoQ	YoY
D&A	**4.35**	**4.35**	**4.21**	**0%**	**3%**
- Telecom	3.84	3.85	3.74	0%	3%
- momo	0.26	0.25	0.23	6%	16%
- CATV	0.20	0.20	0.19	0%	8%

NT$bn	1Q22	4Q21	1Q21	QoQ	YoY
EBIT	**4.10**	**3.94**	**3.64**	**4%**	**13%**
- Telecom	2.44	2.18	2.19	12%	11%
- momo	1.04	1.14	0.85	-9%	23%
- CATV	0.55	0.54	0.55	2%	-1%

EBITDA Analysis

Improving revenues, savings in subscriber acquisition costs and 5G government subsidies helped telecom EBITDA grow by 6% YoY in 1Q22, the 4th consecutive quarter of increase. The notable improvement from 1% YoY growth in the previous quarter was attributable to SG&A savings and a high base in subscriber acquisition costs. In addition, as 5G investment had peaked, decreasing YoY rise in telecom D&A helped telecom EBIT growth expand to 11% YoY in 1Q22, the first growing quarter since 1Q20.

While momo’s EBITDA and EBIT continued to grow healthily YoY, the growth rates decelerated in 1Q22 as COVID was relatively contained in Taiwan.

Underpinned by solid broadband revenue momentum, CATV EBITDA grew by 1% YoY in 1Q22.

D&A Analysis

Overall D&A rose YoY in 1Q22 because of 5G infrastructure roll-out, followed by the increase in momo’s satellite warehouse rentals (1 more QoQ and 8 more YoY to 31) and further investments in broadband.

Table 3. Non-operating Items

NT$bn	1Q22	4Q21	1Q21	QoQ	YoY
Non-Operating Income (Expense)	**(0.12)**	**(0.18)**	**0.01**	**-35%**	**nm**
- Net Interest Expense	(0.14)	(0.15)	(0.14)	-5%	-1%
- Write-off Loss	(0.06)	(0.01)	(0.03)	351%	69%
- Other Income (Expense)	0.08	(0.02)	0.19	nm	-56%

Non-Operating Item Analysis

The YoY fluctuation in 1Q22 non-operating income/expense was mainly driven by the YoY plunge in other income, given a high base in momo’s equity investment disposal gain a year ago.

Taiwan Mobile

III. Income Statement Analysis

Table 4. 1Q22 Consolidated Results

NT$bn	1Q22	QoQ	YoY
Revenue	**39.79**	**-12%**	**13%**
Cash Cost & Expense	(31.33)	**-15%**	**14%**
Operating Income	**4.10**	**4%**	**13%**
Non-op. Income (Expense)	(0.12)	-35%	nm
Pre-tax Income	3.98	6%	9%
Net Income	**2.72**	**10%**	**-4%**
EPS (NT$)	0.97	10%	-4%
EBITDA	**8.46**	**2%**	**8%**

Income Statement Analysis

Thanks to solid e-commerce momentum and improving telecom performance, consolidated revenue and EBITDA rose by 13% and 8% respectively in 1Q22. Coupled with diminishing impact from 5G D&A, EBIT growth reached 13% YoY.

In addition to healthy top line increases, our 3 main businesses all continued to post YoY EBITDA growths in 1Q22. Telecom was the largest contributor to the YoY $ increases in EBITDA and EBIT, followed by momo.

Due to effective telecom opex control, overall EBITDA and margins in 1Q22 were notably ahead of our FY22 guidance.

The YoY drop in net income was primarily due to a high base in non-operating income and tax benefits. Excluding the one-off factors, 1Q22 net income would have increased by about 15% YoY.

Taiwan Mobile

IV. Cash Flow Analysis

Table 5. Cash Flow

NT$bn	1Q22	4Q21	1Q21
Operating	**6.62**	**7.51**	**6.00**
Pre-tax Income	3.98	3.76	3.65
Non-cash Add-backs	4.74	4.74	4.64
--Depreciation[1]	2.13	2.14	2.02
--Amortization	1.19	1.20	1.19
--Others[1]	1.42	1.40	1.44
Changes in Working Capital & Income Taxes	(2.15)	(0.93)	(2.28)
Others	0.04	(0.05)	(0.01)
Investing	**(3.02)**	**(0.15)**	**(2.33)**
Capex[2]	(2.30)	0.28	(2.93)
Divestment (Acquisition)	(0.62)	(0.48)	0.59
5G License Fees	0.00	0.00	0.00
Other Financial Assets (Increase)	(0.03)	(0.00)	0.01
Refundable Deposits (Increase)	(0.06)	(0.02)	(0.01)
Others	(0.02)	0.08	0.01
Financing	**(4.35)**	**(4.63)**	**(3.08)**
Short-term Borrowings	(3.04)	(3.54)	(1.80)
Proceeds from Issuance of Bonds	0.00	0.00	0.00
Long-term Bank Loan	(0.05)	(0.10)	(0.06)
Repayment of The Principal Portion of Lease Liabilities[3]	(1.04)	(1.01)	(1.02)
Dividends Payments	0.00	0.00	0.00
Repayments of Bonds Payable	0.00	(0.01)	0.00
Interest (Payment) & Others	(0.22)	0.03	(0.21)
Net Cash Position Chg.	**(0.75)**	**2.74**	**0.58**

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, 4Q21's cash capex was net of government subsidies.
3. An operating cash outflow item prior to 2019.

Table 6. Capex & FCF

NT$bn	1Q22	4Q21	1Q21
Cash Capex[1]	**2.30**	**(0.28)**	**2.93**
- Mobile	1.20	(1.13)	2.08
- Fixed-line	0.24	0.43	0.56
- Cable	0.18	0.14	0.15
- momo & others	0.68	0.29	0.14
% of Revenue	**6%**	**-1%**	**8%**
Free Cash Flow[1]	**3.25**	**6.77**	**2.01**

1. Excluding 5G License Fees. Free cash flow was on pre-IFRS 16 basis.

Cash Flow Analysis

Thanks to improving YoY EBITDA in all 3 of our businesses, operating cash inflow increased by 10% YoY in 1Q22. However, operating cash inflow dropped QoQ, following a seasonally strong 4Q for momo.

Investing cash outflow rose YoY despite lower cash capex, attributable to 1) the sale of momo's Taiwan Pelican Express shares in 1Q21, and 2) investments in areas such as cloud services and used car marketplaces in 1Q22.

On the financing front, we managed to reduce our reliance on short-term borrowings.

Capex and Free Cash Flow Analysis

Telecom capex declined YoY in 1Q22, while the QoQ and YoY growth in momo's cash capex was due to the construction of its southern distribution center, which is expected to start operations in 2023.

Benefiting from improving operating cash inflow and decreasing telecom cash capex, 1Q22 free cash flow calculated on a pre-IFRS 16 basis increased by 61% YoY to NT$3.25bn, translating into an annualized FCF yield of 4.4%.

Taiwan Mobile

V. Balance Sheet Analysis

Table 7. Balance Sheet

NT$bn	1Q22	4Q21	1Q21
Total Assets	**189.42**	**190.98**	**185.00**
Current Assets	37.42	38.65	31.69
- Cash & Cash Equivalents	14.65	15.40	11.36
- Receivable & Contract Assets	14.91	15.17	13.97
- Inventories	6.02	6.44	4.66
- Short-term Investment	0.29	0.27	0.26
- Other Current Assets	1.55	1.38	1.44
Non-current Assets	152.00	152.33	153.31
- Long-term Investment	6.41	5.86	4.05
- Property and Equipment	45.79	46.03	46.32
- Right-of-use Assets	9.30	9.06	9.42
- Concession	59.41	60.49	63.73
- Other Non-current & Contract Assets	31.09	30.89	29.80
Liabilities	**113.08**	**117.71**	**109.61**
Current Liabilities	54.89	59.49	55.35
- ST Borrowings	22.34	25.38	25.13
- Accounts & Notes Payable	11.54	11.96	8.48
- Current Lease Liabilities	3.63	3.54	3.64
- Other Current Liabilities	17.38	18.61	18.10
Non-current Liabilities	58.19	58.22	54.26
- Long-term Borrowings	45.98	46.03	43.70
- Non-current Lease Liabilities	5.68	5.55	5.79
- Other Non-current Liabilities	6.53	6.63	4.77
Shareholders' Equity	**76.34**	**73.28**	**75.39**
-Paid-in Capital	35.19	35.19	35.12
-Capital Surplus	16.90	16.90	18.91
-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	8.22	7.74	7.04
-Retained Earnings & Others[1]	14.24	11.66	13.85

1: Including YTD profits and other equity items

Assets

momo's business expansion led to YoY increases in receivables and inventories in 1Q22. In addition, receivables rose in tandem with improving mobile & ICT revenues.

For non-current assets, long-term investment climbed YoY, owing to 1) value accretions in our investments, and 2) ventures into e-commerce, marketplace, media, AI, and cloud services. The YoY increase in non-current contract assets narrowed due to lower adoptions of 48-month premium handset bundle contracts.

PP&E saw a sequential decline for three quarters in a row and turned to a YoY decrease in 1Q22, as 5G capex cycle had already peaked.

Liabilities & Shareholders' Equity

Gross debt was NT$68bn in 1Q22, down NT$3.1bn QoQ, aided by our healthy operating cash flow.

The YoY climb in payables was driven mainly by momo's e-commerce business growth.

Other current liabilities declined YoY, due to diminishing 5G equipment payables. On the other hand, government 5G subsidies we received in 2H21 led to a YoY increase in other non-current liabilities.

Table 8. Ratios

	1Q22	4Q21	1Q21
Current Ratio	68%	65%	57%
Interest Coverage (x)	29.7	26.7	27.9
Net Debt (Cash) to Equity	70%	76%	76%
Net Debt (Cash) to EBITDA (x)	1.56	1.69	1.83
ROE (annualized)[1]	15%	15%	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

Ratio Analysis

Both current ratio and gearing improved in 1Q22 for two quarters in a row, on the back of decent free cash flow generations.

VI. Management Remarks

Key Message

Entering 2022, as demand for faster connectivity, e-commerce and digital entertainment continues to swell, TWM with our 3 growth engines is well-positioned to thrive in this new normal and has been taking advantage by playing a leading role in creating innovative product offerings that meet market needs. Our efforts in winning the hearts of our customers have in turn allowed us to deliver healthier returns and cash flows. Looking beyond, TWM aims to achieve sustained shareholder value creation by 1) sealing the T-Star deal, and 2) executing our strategies in metaverse, web3, cloud, and green transformation.

2021 Earnings Distribution

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Awards and Recognition

- Honored with a "Silver Class Sustainability Award" in S&P Global's "The Sustainability Yearbook 2022".
- Formally joined the RE100 and committed to 100% renewable electricity by 2040.
- Received an SGS Qualicert Certification for our direct stores, myfone stores and customer service for the 10th time in a row.