

I. Revenue Analysis

Table 1. Key Operational Data

Residual Value (NT\$bn)	3Q21	2Q21	3Q20	QoQ	YoY
Mobile Service Revenue	11.90	11.78	11.73	1%	1%
Postpaid ARPU (NT\$)	655	650	650	1%	1%
090 Postpaid ARPU (NT\$)	674	667	662	1%	2%
Blended ARPU (NT\$)	545	540	543	1%	0%

Revenue (NT\$bn)	3Q21	2Q21	3Q20	QoQ	YoY
Telecom	15.51	15.06	14.44	3%	7%
Service	11.38	11.23	11.16	1%	2%
Device Sales	4.13	3.84	3.28	8%	26%
CATV revenue	1.56	1.55	1.56	1%	0%
Pay-TV	0.81	0.82	0.85	-1%	-4%
Broadband ¹	0.45	0.43	0.39	4%	14%
Content & channel leasing	0.30	0.30	0.32	1%	-5%
momo	20.91	22.26	15.58	-6%	34%
E-commerce	19.68	20.90	14.29	-6%	38%
Others²	0.13	0.13	0.15	-1%	-12%

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.

	3Q21	2Q21	3Q20	QoQ	YoY
Mobile Subscribers (K)	7,285	7,293	7,225	0%	1%
- Postpaid	5,842	5,819	5,810	0%	1%
Monthly Churn	1.2%	1.0%	1.3%		
-Postpaid	0.9%	0.8%	0.8%		
MOU (bn)	0.90	0.90	0.96	0%	-6%
Pay-TV Subs (K)	540	542	550	0%	-2%
Cable Broadband Subs (K) ¹	277	272	263	2%	5%
DTV Subs (K)	294	290	276	1%	6%

CATV ARPU (NT\$)	3Q21	2Q21	3Q20	QoQ	YoY
Pay-TV	499	504	513	-1%	-3%
Broadband	543	532	501	2%	8%
Blended ²	776	769	752	1%	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 3Q21, mobile service revenue's YoY growth expanded with steady ARPU improvement. This was primarily driven by 5G upselling as the monthly fee uplift from customers upgrading to 5G remained at about 26% in the quarter.

Our Double Play and momobile packages continued to see healthy take-ups. After adding Taiwan Optical Platform (TOP) to our list of MSO partners, our Double Play's footprint expanded to over 70% of the island by end of 3Q21.

The launch of the iPhone 13 series on September 24 (vs. iPhone 12 in October a year ago) caused the YoY hike in device sales and provided more fuel to our upselling momentum, as majority of the sign-ups opted for \$1399 or higher 5G rate plans.

Looking at the enterprise side, data & access, remote solutions and cloud services all continued to grow YoY in 3Q21.

momo

Despite a sequential decline in e-commerce revenue due to a COVID-related high base in 2Q21, momo's e-commerce revenue still surged by 38% YoY in 3Q21, with the total number of transactions increasing by 44% YoY.

Cable TV

As demand for faster home broadband continued even after the alert level was lowered late July, subs and ARPU both saw sequential increases. This resulted in an expansion of broadband revenue growth to 14% YoY in 3Q21, where Double Play remained a significant contributor to growth.

II. EBITDA Analysis

Table 2. EBITDA Breakdown

NT\$bn	3Q21	2Q21	3Q20	QoQ	YoY
EBITDA	8.49	8.49	7.80	0%	9%
- Telecom	6.44	6.31	6.30	2%	2%
- CATV	0.74	0.73	0.73	1%	1%
- momo	1.20	1.34	0.66	-10%	81%

NT\$bn	3Q21	2Q21	3Q20	QoQ	YoY
D&A	4.27	4.24	3.95	1%	8%
- Telecom	3.77	3.75	3.53	0%	7%
- CATV	0.19	0.19	0.18	3%	9%
- momo	0.24	0.23	0.20	3%	18%

NT\$bn	3Q21	2Q21	3Q20	QoQ	YoY
EBIT	4.22	4.26	3.84	-1%	10%
- Telecom	2.67	2.56	2.78	4%	-4%
- CATV	0.55	0.54	0.55	0%	-1%
- momo	0.96	1.10	0.46	-13%	109%

EBITDA Analysis

Our improving top-line performance and the government subsidies TWM started recognizing in August helped telecom EBITDA's YoY growth further expand in 3Q21. While telecom D&A continued to post YoY growth given our 5G investment, the sequential hike further diminished thanks to our front-loaded roll-out strategy. As a result, telecom EBIT's YoY decline narrowed significantly to 4% in 3Q21.

Underpinned by accelerating broadband revenue momentum, CATV EBITDA recorded a YoY increase in 3Q21.

Bolstered by scale economies and operating leverage, momo's e-commerce EBITDA soared by 102% YoY, and its consolidated EBITDA margin expanded by 149 bps YoY to 5.73% in 3Q21.

D&A Analysis

Overall D&A swelled YoY in 3Q21 as a result of 5G infrastructure roll-out, followed by an increase in momo's satellite warehouse rentals (2 more QoQ and 6 more YoY to 25) and investments in broadband.

Table 3. Non-operating Item

NT\$bn	3Q21	2Q21	3Q20	QoQ	YoY
Non-Operating Revenue (Expense)	(0.16)	(0.14)	(0.04)	17%	357%
- Net Interest Expense	(0.14)	(0.14)	(0.14)	3%	-1%
- Write-off Loss	(0.04)	(0.03)	(0.02)	32%	107%
- Other Revenue (Expense)	0.02	0.03	0.13	-38%	-86%

Non-Operating Item Analysis

The YoY surge in 3Q21 non-operating expenses was mainly attributable to a high base of dividend income in 3Q20, from Taiwan High Speed Rail's shares which we fully disposed of in 4Q20.

III. Income Statement Analysis

Table 4. 3Q21 Consolidated Results

NT\$bn	3Q21	QoQ	YoY
Revenue	37.39	-3%	20%
Cash Cost & Expense	(28.90)	-3%	23%
Operating Income	4.22	-1%	10%
Non-op. Income (Expense)	(0.16)	17%	357%
Pre-tax Income	4.06	-2%	7%
Net Income	2.84	0%	1%
EPS (NT\$)	1.00	-1%	-1%
EBITDA	8.49	0%	9%

Table 5. 1-3Q21 Consolidated Results

NT\$bn	1~3Q21	1~3Q20	YoY
Revenue	111.12	94.44	18%
Cash Cost & Expense	(86.30)	(70.83)	22%
Operating Income	12.12	12.46	-3%
Non-op. Income (Expense)	(0.29)	(0.19)	50%
Pre-tax Income	11.83	12.27	-4%
Net Income	8.51	9.18	-7%
EPS (NT\$)	3.02	3.27	-8%
EBITDA	24.83	23.61	5%

Income Statement Analysis

3Q21

Supported by robust e-commerce momentum and improving telecom business, our YoY growths in consolidated revenue/EBITDA/EBIT were the highest among the Big 3.

In addition to solid top-line growth, telecom/CATV EBITDA saw expanded YoY growths in 3Q21. Unlike telecom and CATV, momo EBITDA fell QoQ due to a high base. That said, momo was still a key contributor to the YoY increase in 3Q21 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 growth expand to 10% YoY in 3Q21. Net income also turned to 1% YoY growth, the first time since 1Q20.

The difference in the YoY trends of pre-tax income and net income was mainly due to a YoY climb in net income attributable to minority interest.

1-3Q21

1-3Q21 consolidated revenue and EBITDA were both ahead of our FY21 guidance released earlier this year.

IV. Cash Flow Analysis

Table 6. Cash Flow

NT\$bn	1-3Q21	YoY	3Q21	2Q21	3Q20
Operating	22.68	-1%	6.66	10.03	6.31
Pre-tax Income	11.83	-4%	4.06	4.12	3.81
Non-cash Add-backs	13.96	11%	4.67	4.65	4.41
--Depreciation ¹	6.13	16%	2.07	2.04	1.75
--Amortization	3.58	21%	1.20	1.19	1.22
--Others ¹	4.26	-3%	1.40	1.42	1.44
Changes in Working Capital & Income Taxes	(3.41)	65%	(2.24)	1.11	(1.95)
Others	0.31	51%	0.18	0.14	0.04
Investing	(9.49)	-72%	(3.76)	(3.40)	(0.59)
Capex ²	(9.30)	79%	(2.98)	(3.39)	(1.65)
Divestment (Acquisition)	(0.14)	nm	(0.73)	(0.01)	0.94
5G License Fees	0.00	nm	0.00	0.00	0.00
Other Financial Assets (Increase)	0.00	nm	0.00	(0.00)	(0.03)
Refundable Deposits (Increase)	(0.04)	14%	(0.03)	0.00	(0.00)
Others	(0.01)	nm	(0.02)	0.01	0.16
Financing	(11.30)	nm	(5.99)	(2.23)	(3.50)
Short-term Borrowings	4.66	-67%	7.45	(1.00)	11.00
Proceeds from Issuance of Bonds	2.50	-88%	2.50	0.00	0.00
Long-term Bank Loan	(2.16)	-49%	(2.05)	(0.05)	(0.10)
Repayment of The Principal Portion of Lease Liabilities ³	(2.99)	2%	(1.00)	(0.97)	(1.00)
Dividends Payments	(12.87)	-8%	(12.87)	(0.00)	(13.35)
Repayments of Bonds Payable	0.00	nm	0.00	0.00	0.00
Interest (Payment) & Others	(0.44)	28%	(0.02)	(0.21)	(0.05)
Net Cash Position Chg.	1.89	5%	(3.09)	4.40	2.22

1. Depreciation of right-of-use assets shown separately under "Others" instead of "Depreciation" in this table.

2. Inclusive of prepayments for equipment and the acquisition of computer software & other intangible assets

3. An operating cash outflow item prior to 2019

Table 7. Capex & FCF

NT\$bn	1-3Q21	YoY	3Q21	2Q21	3Q20
Cash Capex¹	9.30	79%	2.98	3.39	1.65
- Mobile	7.02	128%	2.19	2.75	1.17
- Fixed-line	1.41	64%	0.39	0.45	0.29
- Cable	0.47	-5%	0.18	0.15	0.17
- momo & others	0.41	-46%	0.23	0.04	0.02
% of Revenue	8%		8%	9%	5%
Free Cash Flow¹	10.31	-30%	2.65	5.65	3.63

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

Cash Flow Analysis

3Q21

3Q21 operating cash inflow increased YoY on the back of growing cash earnings from our telecom business. Compared to 2Q21, the QoQ decrease in operating cash flow mainly reflected the sequential change in momo's revenue.

In 3Q21, the YoY rise in investing cash outflow came from 1) the YoY climb in capex owing to a low base in 3Q20 - to be elaborated in the capex analysis, 2) investment in Vietnamese e-commerce player TIKI, and 3) the disposal of Taiwan High Speed Rail shares in 3Q20.

On the financing front, NT\$12.1bn and NT\$770mn cash dividends were paid to TWM and momo shareholders, respectively in 3Q21. As a result, short-term bank borrowings increased QoQ.

1-3Q21

Handset subsidies rose YoY as we focused on bundle plans with longer contract periods after the 5G launch in 3Q20. Despite this, operating cash flow only declined by NT\$0.3bn YoY, thanks to the top-line growths in momo and mobile services.

Investing cash outflow slumped by NT\$24.4bn YoY, resulting in a YoY decrease in the amount of bank borrowings raised during 1-3Q21.

Capex and Free Cash Flow Analysis

The YoY rise in 3Q21 cash capex was due to a low base a year ago as the majority of our 5G capex was made in 4Q20. Compared to 4Q20 cash capex of NT\$6.35bn, 3Q21 cash capex already more than halved, given our front-loaded roll-out strategy.

momo's capex rose YoY in 3Q21 as it bought land for its central Taiwan distribution center, aiming to further expand market share.

1-3Q21 free cash flow calculated with pre-IFRS 16 operating cash flow reached NT\$10.31bn, translating into an annualized FCF yield of 4.9%.

V. Balance Sheet Analysis

Table 8. Balance Sheet

NT\$bn	3Q21	2Q21	3Q20
Total Assets	187.50	188.93	180.74
Current Assets	34.65	35.79	32.05
- Cash & Cash Equivalents	12.67	15.75	10.46
- Receivable & Contract Assets	13.90	14.28	13.44
- Inventories	6.27	3.92	4.89
- Short-term Investment	0.26	0.27	1.61
- Other Current Assets	1.55	1.56	1.65
Non-current Assets	152.85	153.14	148.69
- Long-term Investment	5.29	4.61	3.80
- Property and Equipment	46.29	46.36	41.36
- Right-of-use Assets	9.15	9.39	9.01
- Concession	61.57	62.65	65.88
- Other Non-current & Contract Assets	30.55	30.13	28.64
Liabilities	117.94	122.63	111.12
Current Liabilities	61.27	68.35	62.91
- ST Borrowings	29.49	24.14	34.69
- Accounts & Notes Payable	12.20	11.64	8.53
- Current Lease Liabilities	3.59	3.65	3.47
- Other Current Liabilities	16.00	28.93	16.21
Non-current Liabilities	56.67	54.28	48.21
- Long-term Borrowings	46.10	43.65	37.99
- Non-current Lease Liabilities	5.59	5.77	5.52
- Other Non-current Liabilities	4.98	4.85	4.70
Shareholders' Equity	69.56	66.30	69.62
-Paid-in Capital	35.14	35.12	35.12
-Capital Surplus	16.43	16.34	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	7.17	6.77	6.27
-Retained Earnings & Others ¹	9.04	6.28	8.83

1: Including YTD profits and other equity items

Table 9. Ratios

	3Q21	2Q21	3Q20
Current Ratio	57%	52%	51%
Interest Coverage (x)	30.8	32.2	29.0
Net Debt (Cash) to Equity	90%	78%	89%
Net Debt (Cash) to EBITDA (x)	1.92	1.62	1.95
ROE (annualized)¹	16%	16%	17%
ROA (annualized)²	6%	6%	8%

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 increased YoY thanks to 1-3Q21's stable operating cash inflow and much lower capex - inclusive of 5G license payment.

Inventories rose YoY owing to momo's e-commerce expansion and a low base from the late release of the iPhone 12 series last year.

The YoY decline in short-term investment was attributable to the divestment of Taiwan High Speed Rail shares in 2020.

For non-current assets, PP&E grew YoY following our 5G network roll-out since 2H20. Our investment of a 3% stake in TIKI in 3Q21 was the main reason for the YoY climb in long-term investment. Non-current contract assets also increased YoY as we featured 48-month high-end phone bundle contracts.

Liabilities & Shareholders' Equity

The YoY climb in payables was driven by the release of the iPhone 13 series and momo's business growth.

Gross debt rose QoQ owing to an increase in bank borrowings to fund our dividend payment. Other current liabilities went down QoQ in tandem.

Capital surplus slightly rose QoQ due to the conversion of our convertible bond. Majority of our NT\$10bn convertible bond set to mature in November 2021 had been converted, with NT\$0.54bn left at the end of 3Q21.

Ratio Analysis

Net debt to EBITDA saw a sequential uptick as we increased bank borrowings to pay for dividends in 3Q21.

VI. Management Remarks

Key Message

With our strong market positioning and growing intra-group synergies, we expect our three main growth engines, namely 5G, momo and home broadband, to continue firing on all cylinders. Recent 4G price rationalization will provide additional tailwind to the continued expansion of our EBITDA. With cash flow compression from 5G capex behind us, sequentially lower cash capex and improving consolidated EBITDA should help strengthen our free cash flow. Looking ahead, TWM will accelerate our strategies to plant ourselves in emerging paradigm shifts, such as metaverse, in order to capture more growth opportunities in the 5G era for our shareholders.

Awards and Recognition

- Fourteen-time winner of CommonWealth Magazine's "Excellence in Corporate Social Responsibility Award".
- Honored with the 2021 "Smart Innovation Contribution" award from Taiwan Smart City Association.