

Taiwan Mobile (3045.TW/3045 TT)

Synergies of T-Star acquisition yet to materialize

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Maintained

| | |
|--------------------------------|--------|
| Price as of February 21 (NT\$) | 100.00 |
| 12M target price (NT\$) | 103.0 |
| Previous target price (NT\$) | 92.00 |
| Revised up (%) | 12.0 |
| Upside (%) | 3.0 |

Key message

- 4Q23 net profit jumped 45% YoY on significant non-op income.
- 2024F earnings to fall 6.3% YoY off asset disposal income in 4Q23 and increasing depreciation and amortization expenses following the acquisition of T-Star Mobile.
- Acquisition synergies to materialize in 2025F, which will drive 11% YoY earnings growth.

Trading data

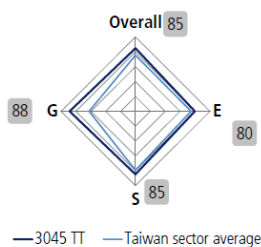
| | | | |
|------------------------------|----------------|--|--|
| Mkt cap (NT\$bn/US\$m) | 372.3 / 11,808 | | |
| Outstanding shares (mn) | 3,723 | | |
| Foreign ownership (mn) | 537 | | |
| 3M avg. daily trading (mn) | 2.36 | | |
| 52-week trading range (NT\$) | 93.20 –105.0 | | |

| Performance | 3M | 6M | 12M |
|--------------|------|------|-------|
| Absolute (%) | 1.7 | 6.4 | 3.3 |
| Relative (%) | -5.5 | -7.6 | -16.7 |

Quarterly EPS

| NT\$ | 1Q | 2Q | 3Q | 4Q |
|------|-------|-------|-------|-------|
| 2022 | 0.97A | 1.06A | 1.01A | 0.88A |
| 2023 | 0.96A | 1.08A | 1.04A | 1.27F |
| 2024 | 0.95F | 1.02F | 0.98F | 0.86F |

ESG score card



Source: TEJ

Event

Taiwan Mobile (TWM) held an analyst meeting on February 21 and announced 5.9% YoY growth in 4Q23 consolidated sales. 4Q23 net profit jumped 45% YoY, for EPS of NT\$1.25, boosted by non-op income.

Impact

4Q23 earnings up substantially on non-op income. 4Q23 consolidated sales grew 5.9% YoY to NT\$53.6bn, mainly as telecom revenue grew 11.5% YoY thanks to contribution from T-Star Mobile in December. E-commerce, which had been the primary sales driver over the past few years, only registered 3.3% YoY sales growth in 4Q23. Despite its sales contribution, T-Star Mobile did not add to TWM earnings, which grew markedly by 45% YoY in 4Q23 on non-op disposal income of NT\$700mn. 2023 consolidated sales arrived at NT\$183.3bn, up 6.5% YoY, while net profit soared 11.3% YoY to NT\$12.27bn, for EPS of NT\$4.33.

Synergies of T-Star acquisition yet to materialize in 2024. Thanks to the acquisition of T-Star Mobile, as of end-January 2024, TWM's mobile subscribership increased 2.61mn to 10.08mn, while ARPU fell 5% YoY to NT\$529. January EBITDA grew NT\$400-500mn MoM. We forecast continued upticks in 5G penetration and contribution from T-Star Mobile will drive 2024 consolidated sales to NT\$206bn, up 12.4% YoY. However, 2024 net profit will likely fall 6.3% YoY to NT\$11.5bn, for EPS of NT\$3.80, due to increased depreciation and amortization expenses following the consolidation of T-Star Mobile, and a high 2023 base pushed up by asset disposal income in 4Q23. Management guides that 2024 consolidated sales will grow 12-14% YoY, with telecom and e-commerce sales likely to rise 18-20% and 9-11% YoY, respectively, and 2024 operating margin to arrive at 7-9%.

Synergies to emerge in 2025F, which will drive 11% YoY earnings growth. We estimate 2025 consolidated sales will grow 8.5% YoY to NT\$223.5bn on further upticks in telecom revenue. Meanwhile, as synergies of the acquisition come to the fore (e.g. base station rental and other expense controls), we forecast 2025 net profit will rise 11% YoY to NT\$12.8bn, for EPS of NT\$4.23.

Valuation & Action

We maintain Neutral on TWM as we do not expect acquisition synergies to emerge before 2025. That said, we raise our 12M target price to NT\$103, implying 24x cash dividend of NT\$4.3 per share.

Risks

Weaker-than-expected e-commerce operations.

Key financials and valuations

| | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|------------------------------|---------|---------|---------|---------|---------|
| Revenue (NT\$m) | 156,110 | 172,206 | 183,348 | 206,021 | 223,511 |
| Gross profit (NT\$m) | 31,375 | 33,225 | 34,877 | 39,020 | 41,938 |
| Operating profit (NT\$m) | 14,685 | 16,893 | 17,545 | 18,320 | 20,203 |
| Net profit (NT\$m) | 10,988 | 11,026 | 12,274 | 11,504 | 12,783 |
| EPS (NT\$) | 3.90 | 3.91 | 4.35 | 3.80 | 4.23 |
| Cash DPS (NT\$) | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 |
| EPS growth (%) | (2.7) | 0.1 | 11.3 | (12.6) | 11.1 |
| PE (x) | 25.6 | 25.6 | 23.0 | 26.3 | 23.7 |
| PB (x) | 5.4 | 5.5 | 5.8 | 5.9 | 5.9 |
| EV/EBITDA (x) | 9.7 | 8.9 | 8.8 | 9.0 | 8.6 |
| Net debt to equity (%) | 76.4 | 77.2 | 84.9 | 78.9 | 70.3 |
| Dividend yield (%) | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Return on average equity (%) | 16.8 | 17.0 | 19.0 | 18.0 | 20.3 |

Source: Company data, KGI Research estimates

4Q23 analyst meeting – key takeaways

- 4Q23 consolidated sales grew 6% YoY to NT\$53.6bn, driven by the mobile service business, which saw sales grow 8% YoY, and by 7% YoY growth in e-commerce sales amid intensifying competition. Operating profit arrived at NT\$4.48bn, up 4% YoY, leading to net profit of NT\$3.59bn, and EPS of NT\$1.25, up 45% YoY and beating our forecast.
- Management guides 12-14% growth in 2024 sales, with e-commerce and project sales to grow 9-11% YoY, and growth in telecom sales of 18-20% YoY. 2024F EBITDA growth may accelerate to 11-13%, from 4% in 2023, and as the negative impact of the T-Star acquisition on depreciation and amortization expenses diminishes over time, we believe TWM will be able to maintain its dividend payout ratio. According to 2024 guidance, gross and operating margins will range between 18-20% and 7-9%, respectively, slightly below 2023's 9.5%.
- 2024F capex is guided to be NT\$8.55bn, down 45% YoY, of which NT\$6.15bn will go to the telecom business, while the remaining NT\$1.45bn is for e-commerce. The YoY decline in 2024 capex is due to a high 2023 base, consolidation of T-Star's network, and spending on Momo.com's central distribution center.

Figure 1: Breakdown of 4Q23 results vs. KGI 1Q24 forecast & revisions

| NT\$m | 4Q23 | | | | | 1Q24F | | | | |
|------------------|--------|--------------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|
| | Actual | KGI forecast | Diff. (%) | QoQ (%) | YoY (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) |
| Sales | 53,599 | 53,629 | (0.1) | 24.1 | 5.9 | 48,530 | 45,798 | 6.0 | (9.5) | 12.8 |
| Gross profits | 9,380 | 9,117 | 2.9 | 11.0 | 4.7 | 9,463 | 8,702 | 8.8 | 0.9 | 12.6 |
| Operating income | 5,755 | 4,728 | 21.7 | 48.6 | 48.0 | 4,525 | 4,380 | 3.3 | (21.4) | 16.0 |
| Net income | 3,586 | 2,655 | 35.1 | 22.0 | 45.2 | 2,863 | 2,845 | 0.7 | (20.2) | 5.5 |
| EPS (NT\$) | 1.27 | 0.94 | 35.1 | 22.1 | 45.2 | 0.95 | 1.01 | (6.2) | (25.6) | (1.6) |
| Gross margin (%) | 17.5 | 17.0 | 0.5 ppts | (2.1)ppts | (0.2)ppts | 19.5 | 19.0 | 0.5 ppts | 2.0 ppts | (0.0)ppts |
| OP margin (%) | 10.7 | 8.8 | 1.9 ppts | 1.8 ppts | 3.1 ppts | 9.3 | 9.6 | (0.2)ppts | (1.4)ppts | 0.3 ppts |
| Net margin (%) | 6.7 | 4.9 | 1.7 ppts | (0.1)ppts | 1.8 ppts | 5.9 | 6.2 | (0.3)ppts | (0.8)ppts | (0.4)ppts |

Source: KGI Research

Figure 2: Breakdown of 2023-25 forecasts & revisions

| NT\$m | 2023 | | | | 2024F | | | | 2025F | |
|------------------|---------|--------------|-----------|-----------|----------|----------|-----------|-----------|--------------|-----------|
| | Actual | KGI forecast | Diff. (%) | YoY (%) | Revision | Previous | Chg. (%) | YoY (%) | KGI forecast | YoY (%) |
| Sales | 183,348 | 182,626 | 0.4 | 6.5 | 206,021 | 195,764 | 5.2 | 12.4 | 223,511 | 8.5 |
| Gross profit | 34,877 | 34,161 | 2.1 | 5.0 | 39,020 | 35,971 | 8.5 | 11.9 | 41,938 | 7.5 |
| Operating income | 17,545 | 17,250 | 1.7 | 3.9 | 18,320 | 18,214 | 0.6 | 4.4 | 20,203 | 10.3 |
| Net income | 12,274 | 11,178 | 9.8 | 11.3 | 11,504 | 11,885 | (3.2) | (6.3) | 12,783 | 11.1 |
| EPS (NT\$) | 4.35 | 3.96 | 9.8 | 11.3 | 3.80 | 4.21 | (9.8) | (12.6) | 4.23 | 11.1 |
| Gross margin (%) | 19.0 | 18.7 | 0.3 ppts | (0.3)ppts | 18.9 | 18.4 | 0.6 ppts | (0.1)ppts | 18.8 | (0.2)ppts |
| OP margin (%) | 9.6 | 9.4 | 0.1 ppts | (0.2)ppts | 8.9 | 9.3 | (0.4)ppts | (0.7)ppts | 9.0 | 0.1 ppts |
| Net margin (%) | 6.7 | 6.1 | 0.6 ppts | 0.3 ppts | 5.6 | 6.1 | (0.5)ppts | (1.1)ppts | 5.7 | 0.1 ppts |

Source: KGI Research

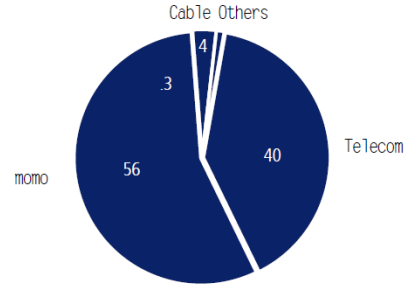
Figure 3: Company profile

As one of the top-three telecom operators in Taiwan, Taiwan Mobile had 7.27mn mobile subscribers as of December 2021. The company is also in the cable TV and fixed-line businesses. Its three major business units are telecom (mobile services, international calls, and the sale of handheld devices), household services (cable TV and fixed-line broadband Internet), and retail (Momo), for a respective 40%, 3%, and 56% of revenue in 2023.

Source: KGI Research

Figure 4: Acquisition drove the Telecom business growth

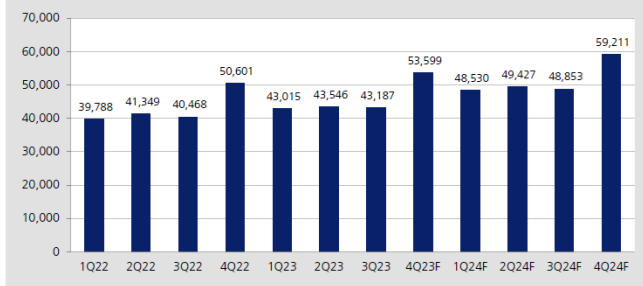
2023 Revenue weighting, percent



Source: KGI Research

Figure 5: Sales

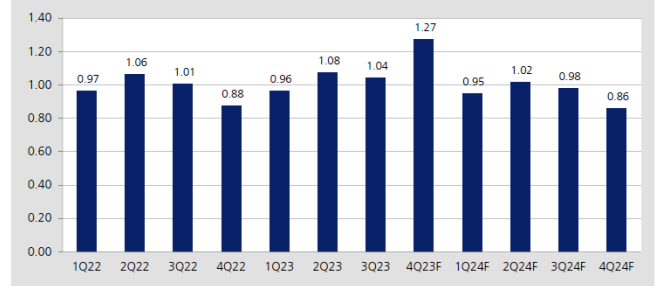
Sales, NT\$m



Source: KGI Research

Figure 6: EPS

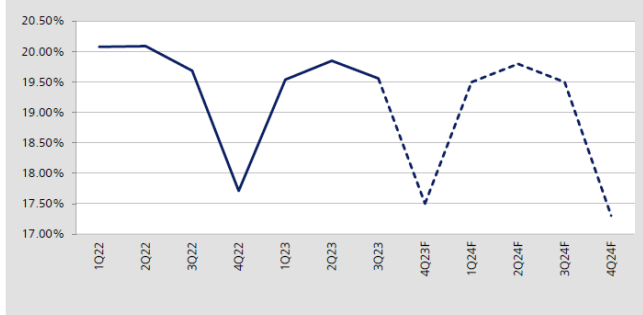
EPS, NT\$



Source: KGI Research

Figure 7: Gross Margin

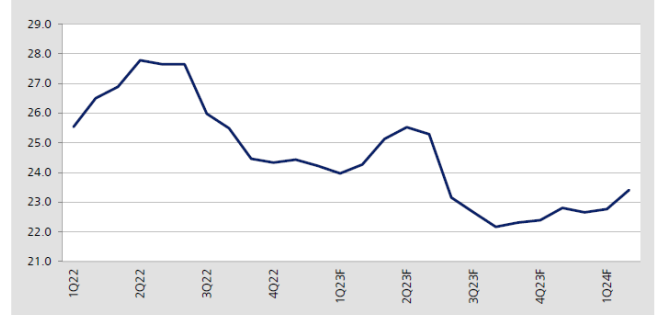
Gross margin, percent



Source: KGI Research

Figure 8: Rolling PE

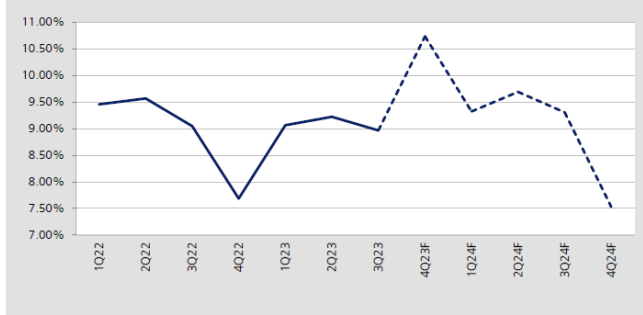
Rolling PE, times



Source: KGI Research

Figure 9: Operating Margin

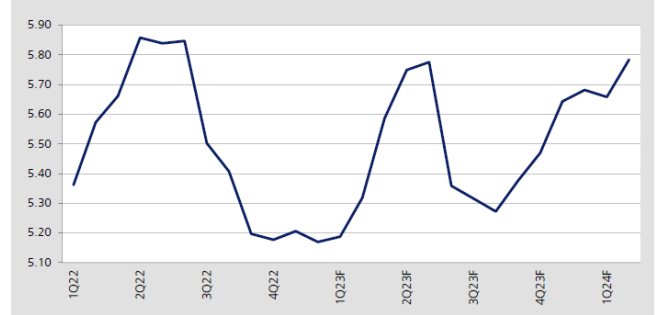
Operating margin, percent



Source: KGI Research

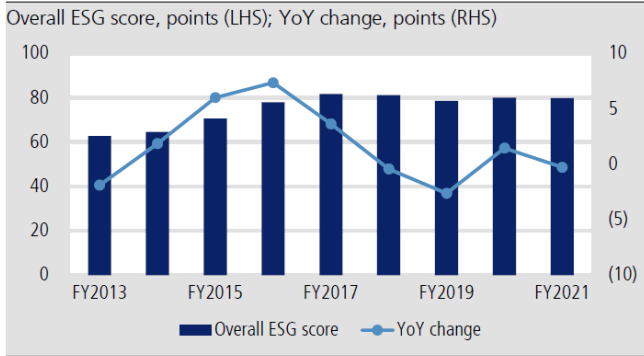
Figure 10: Rolling PB

Rolling PB, times



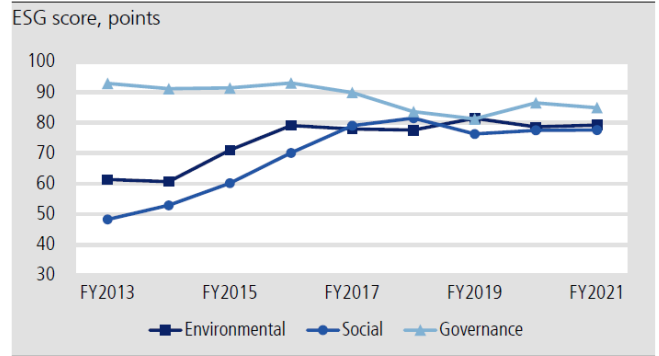
Source: KGI Research

Figure 11: Overall ESG score



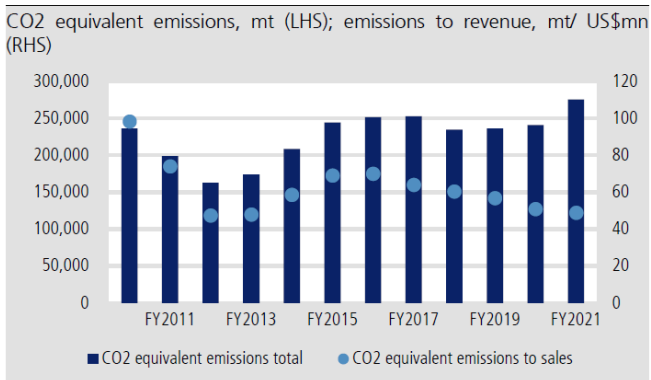
Source: Refinitiv; KGI Research; Company data

Figure 12: ESG score by category



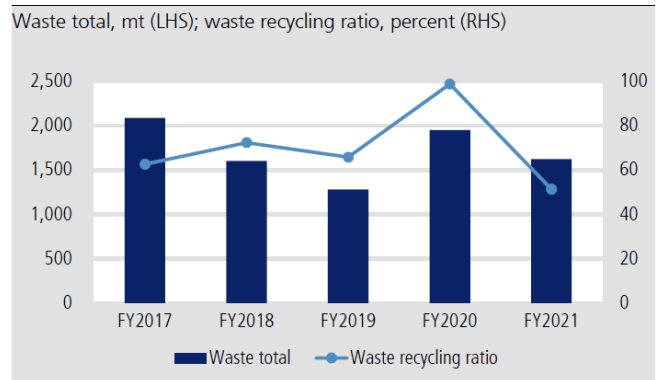
Source: Refinitiv; KGI Research; Company data

Figure 13: CO2 equivalent emissions



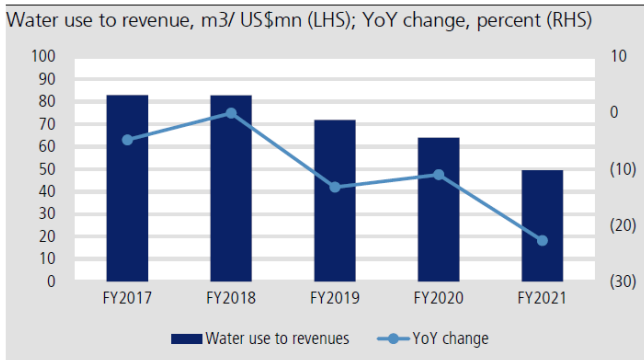
Source: Refinitiv; KGI Research; Company data

Figure 14: Waste total



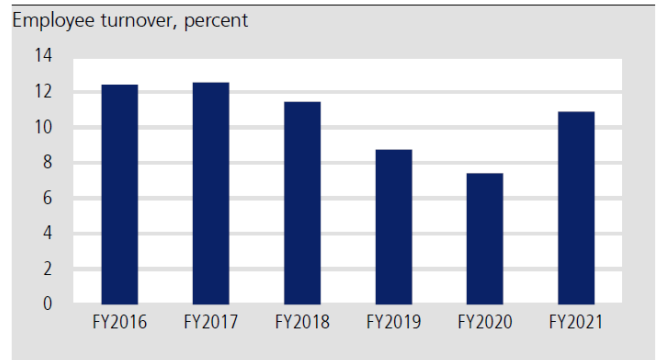
Source: Refinitiv; KGI Research; Company data

Figure 15: Water use to revenue



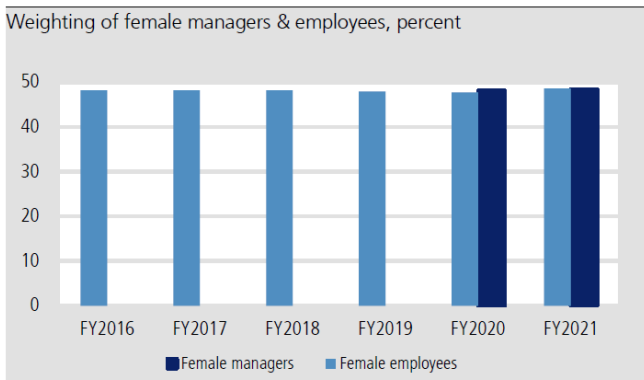
Source: Refinitiv; KGI Research; Company data

Figure 16: Employee turnover



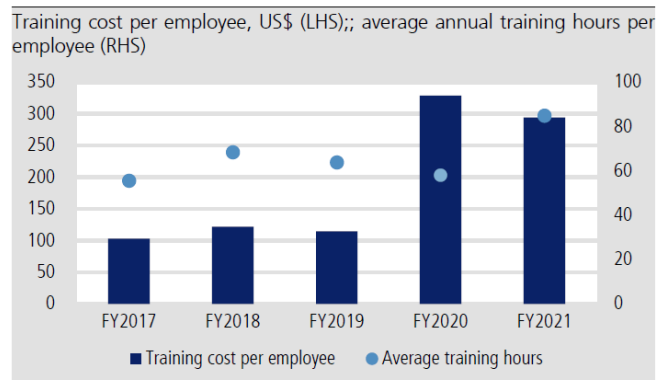
Source: Refinitiv; KGI Research; Company data

Figure 17: Gender diversification



Source: Refinitiv; KGI Research; Company data

Figure 18: Employee training



Source: Refinitiv; KGI Research; Company data

ESG chart definition

| Item | Definition | Remarks |
|-----------------------------------|---|---------|
| Energy use | Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' | |
| Renewable energy purchased | Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased | |
| Renewable energy use ratio | Renewable energy to total energy used | |
| CO2 equivalent emissions | Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) | |
| CO2 equivalent emissions to sales | Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) | |
| Waste total | Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered | |
| Waste recycling ratio | The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste | |
| Water withdrawal total | Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered | |
| Environmental expenditures | Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures | |
| Turnover of employees | Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving | |
| Women managers | Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 | |
| Women employees | Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 | |
| Training hours total | Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked | |
| Training hours per employee | Training hours per employee per year | |

Source: Refinitiv, Company data

Income statement

| | Quarterly | | | | | | | | Annually | | |
|-----------------------------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|---------------|----------------|----------------|----------------|
| | Mar-23A | Jun-23A | Sep-23A | Dec-23F | Mar-24F | Jun-24F | Sep-24F | Dec-24F | Dec-23F | Dec-24F | Dec-25F |
| Income statement (NT\$m) | | | | | | | | | | | |
| Revenue | 43,015 | 43,546 | 43,187 | 53,599 | 48,530 | 49,427 | 48,853 | 59,211 | 183,348 | 206,021 | 223,511 |
| Cost of goods sold | (34,610) | (34,902) | (34,740) | (44,219) | (39,067) | (39,641) | (39,327) | (48,967) | (148,471) | (167,002) | (181,572) |
| Gross profit | 8,405 | 8,644 | 8,447 | 9,380 | 9,463 | 9,787 | 9,526 | 10,243 | 34,877 | 39,020 | 41,938 |
| Operating expenses | (4,505) | (4,627) | (4,574) | (3,625) | (4,939) | (4,997) | (4,979) | (5,785) | (17,332) | (20,700) | (21,735) |
| Operating profit | 3,900 | 4,017 | 3,873 | 5,755 | 4,525 | 4,790 | 4,547 | 4,458 | 17,545 | 18,320 | 20,203 |
| Depreciation of fixed assets | (3,203) | (3,230) | (3,254) | (3,738) | (3,724) | (3,724) | (3,724) | (3,724) | (13,425) | (14,896) | (15,601) |
| Amortisation of intangible assets | (1,522) | (1,534) | (1,545) | (1,982) | (1,646) | (1,646) | (1,646) | (1,646) | (6,583) | (6,583) | (6,583) |
| EBITDA | 8,625 | 8,782 | 8,672 | 11,474 | 9,894 | 10,160 | 9,917 | 9,828 | 37,553 | 39,799 | 42,387 |
| Interest income | 42 | 69 | 42 | 45 | 45 | 45 | 45 | 45 | 198 | 180 | 188 |
| Investment income | - | - | 31 | - | 25 | - | 41 | - | 31 | 66 | 72 |
| Other non-op income | 2 | 9 | (7) | 744 | 7 | 7 | 7 | 7 | 748 | 28 | 24 |
| Non-operating income | 45 | 78 | 66 | 789 | 77 | 52 | 93 | 52 | 977 | 274 | 284 |
| Interest expense | (231) | (228) | (251) | (233) | (350) | (350) | (350) | (350) | (944) | (1,400) | (1,520) |
| Investment loss | (2) | - | - | 0 | - | - | - | - | (2) | - | - |
| Other non-op expenses | (41) | 15 | 21 | (100) | (13) | (13) | (18) | (120) | (105) | (164) | (180) |
| Non-operating expenses | (274) | (214) | (230) | (333) | (363) | (363) | (368) | (470) | (1,050) | (1,564) | (1,700) |
| Pre-tax profit | 3,671 | 3,882 | 3,708 | 6,211 | 4,239 | 4,479 | 4,272 | 4,040 | 17,471 | 17,030 | 18,787 |
| Current taxation | (843) | (831) | (764) | (740) | (848) | (896) | (854) | (808) | (3,179) | (3,406) | (3,757) |
| Minorities | (503) | (478) | (430) | (607) | (528) | (502) | (452) | (637) | (2,018) | (2,119) | (2,247) |
| Normalised net profit | 2,325 | 2,572 | 2,513 | 4,864 | 2,863 | 3,081 | 2,965 | 2,595 | 12,274 | 11,504 | 12,783 |
| Extraordinary items | 390 | 463 | 425 | (1,278) | - | - | - | - | - | - | - |
| Net profit | 2,715 | 3,035 | 2,938 | 3,586 | 2,863 | 3,081 | 2,965 | 2,595 | 12,274 | 11,504 | 12,783 |
| EPS (NT\$) | 0.96 | 1.08 | 1.04 | 1.27 | 0.95 | 1.02 | 0.98 | 0.86 | 4.35 | 3.80 | 4.23 |
| Margins (%) | | | | | | | | | | | |
| Gross profit margin | 19.5 | 19.9 | 19.6 | 17.5 | 19.5 | 19.8 | 19.5 | 17.3 | 19.0 | 18.9 | 18.8 |
| Operating margin | 9.1 | 9.2 | 9.0 | 10.7 | 9.3 | 9.7 | 9.3 | 7.5 | 9.6 | 8.9 | 9.0 |
| EBITDA margin | 20.1 | 20.2 | 20.1 | 21.4 | 20.4 | 20.6 | 20.3 | 16.6 | 20.5 | 19.3 | 19.0 |
| Pretax profit margin | 8.5 | 8.9 | 8.6 | 11.6 | 8.7 | 9.1 | 8.7 | 6.8 | 9.5 | 8.3 | 8.4 |
| Net profit margin | 6.3 | 7.0 | 6.8 | 6.7 | 5.9 | 6.2 | 6.1 | 4.4 | 6.7 | 5.6 | 5.7 |
| Sequential growth (%) | | | | | | | | | | | |
| Revenue growth | (15.0) | 1.2 | (0.8) | 24.1 | (9.5) | 1.8 | (1.2) | 21.2 | | | |
| Gross profit growth | (6.2) | 2.8 | (2.3) | 11.0 | 0.9 | 3.4 | (2.7) | 7.5 | | | |
| Operating profit growth | 0.3 | 3.0 | (3.6) | 48.6 | (21.4) | 5.9 | (5.1) | (2.0) | | | |
| EBITDA growth | 0.4 | 1.8 | (1.3) | 32.3 | (13.8) | 2.7 | (2.4) | (0.9) | | | |
| Pretax profit growth | 7.3 | 5.7 | (4.5) | 67.5 | (31.8) | 5.7 | (4.6) | (5.4) | | | |
| Net profit growth | 9.9 | 11.8 | (3.2) | 22.0 | (20.2) | 7.6 | (3.7) | (12.5) | | | |
| YoY growth (%) | | | | | | | | | | | |
| Revenue growth | 8.1 | 5.3 | 6.7 | 5.9 | 12.8 | 13.5 | 13.1 | 10.5 | 6.5 | 12.4 | 8.5 |
| Gross profit growth | 5.2 | 4.1 | 6.0 | 4.7 | 12.6 | 13.2 | 12.8 | 9.2 | 5.0 | 11.9 | 7.5 |
| Operating profit growth | 3.6 | 1.5 | 5.8 | 48.0 | 16.0 | 19.2 | 17.4 | (22.5) | 3.9 | 4.4 | 10.3 |
| EBITDA growth | 2.1 | 1.2 | 3.8 | 33.6 | 14.7 | 15.7 | 14.4 | (14.4) | 5.2 | 6.0 | 6.5 |
| Pretax profit growth | 0.7 | 1.2 | 1.1 | 81.6 | 15.5 | 15.4 | 15.2 | (34.9) | 7.9 | (2.5) | 10.3 |
| Net profit growth | (0.3) | 1.4 | 3.5 | 45.2 | 5.5 | 1.5 | 0.9 | (27.6) | 11.3 | (6.3) | 11.1 |

Source: Company data, KGI Research estimates

Balance sheet

| NT\$m | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total assets | 190,983 | 193,072 | 219,555 | 221,983 | 224,898 |
| Current assets | 38,652 | 41,439 | 52,842 | 59,155 | 66,483 |
| Cash & ST securities | 15,670 | 15,185 | 25,005 | 28,682 | 33,722 |
| Inventory | 6,440 | 8,101 | 8,655 | 9,708 | 10,584 |
| Accounts receivable | 7,764 | 8,288 | 8,824 | 9,888 | 10,757 |
| Other current assets | 8,777 | 9,865 | 10,359 | 10,877 | 11,420 |
| Non-current assets | 152,330 | 151,633 | 166,713 | 162,828 | 158,415 |
| LT investments | 8,449 | 10,496 | 10,568 | 10,744 | 10,890 |
| Net fixed assets | 43,440 | 44,248 | 57,326 | 50,946 | 43,607 |
| Other assets | 100,442 | 96,888 | 98,820 | 101,137 | 103,918 |
| Total liabilities | 117,706 | 120,221 | 144,540 | 146,349 | 147,240 |
| Current liabilities | 59,487 | 69,568 | 86,434 | 88,392 | 88,722 |
| Accounts payable | 11,957 | 13,981 | 14,936 | 16,754 | 18,265 |
| Interest bearing ST liabilities | 25,381 | 33,415 | 42,908 | 42,406 | 41,453 |
| Other current liabilities | 22,149 | 22,172 | 28,591 | 29,232 | 29,004 |
| Non-current liabilities | 58,219 | 50,653 | 58,106 | 57,958 | 58,518 |
| Long-term debt | 46,032 | 37,764 | 45,554 | 45,726 | 46,590 |
| Other LT liabilities | 6,633 | 6,733 | 6,396 | 6,076 | 5,772 |
| Total equity | 73,277 | 72,851 | 75,015 | 75,634 | 77,658 |
| Share capital | 35,192 | 35,192 | 37,232 | 37,232 | 37,232 |
| Retained earnings reserve | 11,029 | 8,954 | 9,100 | 7,599 | 7,377 |
| Minority interests | 7,743 | 8,380 | 10,398 | 12,518 | 14,764 |
| Preferred shareholders funds | - | - | - | - | - |

Key ratios

| | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|---------------------------------|---------|---------|---------|---------|---------|
| Growth | | | | | |
| Revenue growth | 17.5% | 10.3% | 6.5% | 12.4% | 8.5% |
| Operating profit growth | (4.6%) | 15.0% | 3.9% | 4.4% | 10.3% |
| EBITDA growth | 2.4% | 7.7% | 5.2% | 6.0% | 6.5% |
| Net profit growth | (2.6%) | 0.3% | 11.3% | (6.3%) | 11.1% |
| EPS growth | (2.7%) | 0.1% | 11.3% | (12.6%) | 11.1% |
| Profitability | | | | | |
| Gross profit margin | 20.1% | 19.3% | 19.0% | 18.9% | 18.8% |
| Operating margin | 9.4% | 9.8% | 9.6% | 8.9% | 9.0% |
| EBITDA margin | 21.2% | 20.7% | 20.5% | 19.3% | 19.0% |
| Net profit margin | 7.0% | 6.4% | 6.7% | 5.6% | 5.7% |
| Return on average assets | 5.9% | 5.7% | 5.9% | 5.2% | 5.7% |
| Return on average equity | 16.8% | 17.0% | 19.0% | 18.0% | 20.3% |
| Stability | | | | | |
| Gross debt to equity | 97.5% | 97.7% | 117.9% | 116.5% | 113.4% |
| Net debt to equity | 76.4% | 77.2% | 84.9% | 78.9% | 70.3% |
| Interest coverage (x) | 23.6 | 23.0 | 19.5 | 13.2 | 13.4 |
| Interest & ST debt coverage (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Cash flow interest coverage(x) | 48.1 | 40.1 | 27.5 | 22.8 | 22.3 |
| Cash flow/int. & ST debt (x) | 1.2 | 0.9 | 0.6 | 0.7 | 0.8 |
| Current ratio (x) | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 |
| Quick ratio (x) | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Net debt (NT\$m) | 56,012 | 56,245 | 63,707 | 59,699 | 54,571 |
| Per share data | | | | | |
| EPS (NT\$) | 3.90 | 3.91 | 4.35 | 3.80 | 4.23 |
| CFPS (NT\$) | 10.73 | 10.49 | 9.20 | 10.54 | 11.21 |
| BVPS (NT\$) | 18.62 | 18.32 | 17.36 | 16.95 | 16.89 |
| Adj BVPS (NT\$) | 23.28 | 22.86 | 22.91 | 20.87 | 20.79 |
| SPS (NT\$) | 55.46 | 61.06 | 65.01 | 68.12 | 73.90 |
| EBITDA/share (NT\$) | 11.78 | 12.66 | 13.31 | 13.16 | 14.01 |
| Cash DPS (NT\$) | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 |
| Activity | | | | | |
| Sales / avg assets | 0.83 | 0.90 | 0.89 | 0.93 | 1.00 |
| Days receivable | 18.2 | 17.6 | 17.6 | 17.6 | 17.6 |
| Days inventory | 18.8 | 21.3 | 21.3 | 21.3 | 21.3 |
| Days payable | 35.0 | 36.7 | 36.7 | 36.7 | 36.7 |
| Cash cycle | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 |

Source: Company data, KGI Research estimates

Profit & loss

| NT\$m | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 156,110 | 172,206 | 183,348 | 206,021 | 223,511 |
| Cost of goods sold | (124,735) | (138,981) | (148,471) | (167,002) | (181,572) |
| Gross profit | 31,375 | 33,225 | 34,877 | 39,020 | 41,938 |
| Operating expenses | (16,690) | (16,332) | (17,332) | (20,700) | (21,735) |
| Operating profit | 14,685 | 16,893 | 17,545 | 18,320 | 20,203 |
| Non-operating income | 82 | 176 | 977 | 274 | 284 |
| Interest income | 56 | 110 | 198 | 180 | 188 |
| Investment income | 19 | 30 | 31 | 66 | 72 |
| Other non-op income | 7 | 35 | 748 | 28 | 24 |
| Non-operating expenses | (553) | (878) | (1,050) | (1,564) | (1,700) |
| Interest expense | (628) | (737) | (944) | (1,400) | (1,520) |
| Investment loss | (20) | (10) | (2) | - | - |
| Other non-op expenses | 94 | (130) | (105) | (164) | (180) |
| Pre-tax profit | 14,214 | 16,191 | 17,471 | 17,030 | 18,787 |
| Current taxation | (2,756) | (3,220) | (3,179) | (3,406) | (3,757) |
| Minorities | (1,837) | (1,946) | (2,018) | (2,119) | (2,247) |
| Extraordinary items | 1,368 | 0 | - | - | - |
| Net profit | 10,988 | 11,026 | 12,274 | 11,504 | 12,783 |
| EBITDA | 33,161 | 35,702 | 37,553 | 39,799 | 42,387 |
| EPS (NT\$) | 3.90 | 3.91 | 4.35 | 3.80 | 4.23 |

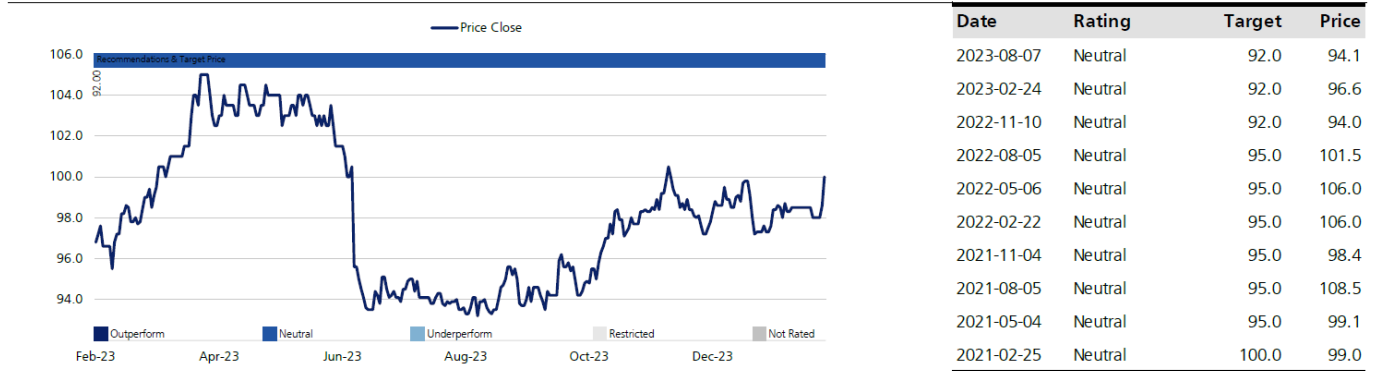
Cash flow

| NT\$m | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operations cash flow | 30,196 | 29,577 | 25,947 | 31,888 | 33,919 |
| Net profit | 10,988 | 11,026 | 12,274 | 11,504 | 12,783 |
| Depreciation & amortisation | 18,476 | 18,810 | 20,008 | 21,479 | 22,184 |
| Decrease in working capital | 877 | (505) | (6,337) | (1,053) | (1,006) |
| Other operating cash flow | (146) | 246 | 2 | (42) | (42) |
| Investing cash flow | (9,638) | (11,632) | (17,745) | (17,552) | (17,729) |
| Sale of ST investment | (865) | (2,143) | - | - | - |
| New investments | 50 | (196) | (73) | (134) | (104) |
| Capital expenditure | (10,875) | (10,175) | (9,158) | (8,517) | (8,261) |
| Others investing cashflow | 2,052 | 882 | (8,514) | (8,901) | (9,364) |
| Free cash flow | 14,126 | 15,565 | 12,283 | 19,982 | 22,496 |
| Financing cash flow | (15,932) | (18,413) | 1,619 | (10,659) | (11,151) |
| Increase in short term debt | 10,710 | 40 | (1,513) | (1,210) | (968) |
| Increase in long term loans | 224 | 1,223 | 1,450 | 880 | 880 |
| New ordinary shares issued | - | - | - | - | - |
| Ordinary dividends paid | (12,869) | (13,430) | - | (12,128) | (13,005) |
| Other financing cashflow | (13,997) | (6,247) | 1,682 | 1,800 | 1,943 |
| Forex effects | (1) | 1 | | | |
| Total cash generated | 4,624 | (467) | 9,820 | 3,677 | 5,039 |

ROIC

| | Dec-21A | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| 1 - COGS/revenue | | | | | |
| - Operating exp./revenue | 10.7% | 9.5% | 9.5% | 10.0% | 9.7% |
| = Operating margin | 9.4% | 9.8% | 9.6% | 8.9% | 9.0% |
| 1 / (Working capital/revenue | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| + Net PPE/revenue | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| + Other assets/revenue) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| = Capital turnover | 3.7 | 3.9 | 3.4 | 4.2 | 4.9 |
| Operating margin | 9.4% | 9.8% | 9.6% | 8.9% | 9.0% |
| x Capital turnover | 3.7 | 3.9 | 3.4 | 4.2 | 4.9 |
| x (1 - tax rate) | 80.6% | 80.1% | 81.8% | 80.0% | 80.0% |
| = After-tax ROIC | 28.4% | 30.8% | 27.0% | 29.7% | 35.3% |

Source: Company data, KGI Research estimates

Taiwan Mobile – Recommendation & target price history


Source: TEJ, KGI Research

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