

Aug 05, 2024

Operational Highlights

- P&L Analysis
- Revenue Analysis
- EBITDA Analysis
- Balance Sheet Analysis
- Cashflow Analysis

IR contact:

Gina Lu
VP of Finance Dept.
yplu@fmt.com.tw

Terrisa Liu
Head of Investor Relations
hyliu@fmt.com.tw

Consolidated P&L

P&L (NT\$ mn)	2Q24	2Q23	YoY	1H24	1H23	YoY
Revenue **	26,656.9	26,212.4	1.7%	53,534.8	51,332.5	4.3%
Gross profit	3,572.6	3,769.9	(5.2%)	7,215.1	7,424.2	(2.8%)
Operating costs	(1,145.4)	(1,162.2)	(1.4%)	(2,250.6)	(2,260.7)	(0.4%)
Gross profit from operations	2,427.2	2,607.7	(6.9%)	4,964.5	5,163.5	(3.9%)
EBITDA	1,260.6	1,290.5	(2.3%)	2,716.5	2,667.3	1.8%
OPEX **	(1,540.5)	(1,641.4)	(6.1%)	(2,990.6)	(3,158.3)	(5.3%)
Net other income and expenses	37.5	34.2	9.6%	67.6	87.5	(22.7%)
Operating profit	924.2	1,000.5	(7.6%)	2,041.5	2,092.6	(2.4%)
Income from LT investments	1.9	5.0	(62.0%)	0.9	1.1	(18.2%)
Other non-op income >>	33.0	33.6	(1.8%)	53.9	57.4	(6.1%)
Pretax profit	959.0	1,039.1	(7.7%)	2,096.4	2,151.1	(2.5%)
Tax	191.0	196.6	(2.8%)	418.6	419.9	(0.3%)
Net income	768.1	842.5	(8.8%)	1,677.9	1,731.2	(3.1%)
Less minorities	(0.2)	(0.3)	33.3%	0.6	(0.1)	700.0%
Net income to parent	768.3	842.8	(8.8%)	1,677.3	1,731.3	(3.1%)
Adjustments	0.0	0.0		0.0	0.0	
Recurring net income to parent	768.3	842.8	(8.8%)	1,677.3	1,731.3	(3.1%)
Basic EPS	3.20	3.51	(8.8%)	6.98	7.20	(3.1%)
Recurring basic EPS	3.20	3.51	(8.8%)	6.98	7.20	(3.1%)
Take rate **	13.4%	14.4%	-1.0%	13.5%	14.5%	-1.0%
Gross margin from operations	9.1%	9.9%	-0.8%	9.3%	10.1%	-0.7%
EBITDA margin	4.7%	4.9%	-0.2%	5.1%	5.2%	-0.1%
Operating margin	3.5%	3.8%	-0.3%	3.8%	4.1%	-0.3%
Pretax margin	3.6%	4.0%	-0.4%	3.9%	4.2%	-0.3%
Net margin	2.9%	3.2%	-0.3%	3.1%	3.4%	-0.2%

**Starting from 3Q23, adjustments were made to account for mo-coins due to tax considerations. The changes have no material impact on the overall profits and the impact on 2Q24 revenue was less than 0.8%. Using the same accounting treatment as 1H23, 2Q24 company revenue growth YoY would be higher at 2.5%, company take rate would be higher at 14.1% vs. 14.4% in 2Q23. Consequently, OPEX YoY would be at 7.85%.

Quarterly Performance Overview

- The company's revenues for 2Q24 reached NT\$26.7 billion, marking a 1.7% increase over the same period in 2023. E-commerce, representing 97% of our total revenue, demonstrated a year-over-year growth of 2.2% as high-priced durable goods, including PC, NB, smartphone and home appliances, experienced tepid demand, leading to second quarter company revenue falling below expectation.
- Our leading product categories showed consistent market share gains, with Beauty & Healthcare leading at 8.3% year-over-year growth, followed by Sports & Leisure at 7.1%. However, Fashion & Luxury and 3C & Home Appliances categories experienced more modest growth, affected by increased discretionary spending on leisure activities such as travels and vacations. Customer engagement remained strong in EC, with a 15% year-over-year increase in cumulative APP downloads and a 12% rise in order volumes.
- The number of quarterly active users grew by 8% compared to last year, marking the strongest increase in the past six quarters. This growth is attributed to an increase in male and young customers, as well as an expansion in product assortments and SKUs.

Financial Metrics and Profitability

- EC muted revenue growth, increased promotional discounts & marketing expenses, an unfavorable product mix and a slowdown in Media business led to a decline in GM to 9.1% vs. 9.9% in 2Q23. Despite these challenges, improvements in operational efficiency drove our EBITDA to 4.7%, a slight decrease from 4.9% in 2Q23. Net income to parent was NT\$768.3 million, with basic earnings per share of NT\$3.20 based on 240.3 million outstanding shares.
- We generated NT\$1.1 billion in free cash flow for the quarter, driven by an increase in our operating cash flow to NT\$1.4 billion. Our net cash position stood at NT\$7.6 billion, which provides us with a solid foundation to support future growth and strategic investments.

Half-Year Performance Overview: 1H24

- For the first half of 2024, the company's revenue totaled NT\$53.5 billion, up 4.3% from the first half of 2023. EBITDA margin help up well at 5.1% vs. 5.2% during the same period of 2023. Net income to parent was NT\$1.7 billion and basic EPS came in at NT\$6.98 based on 240.3 million outstanding shares.

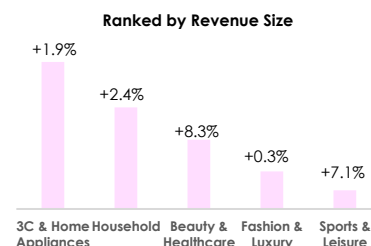


I. Revenue Analysis

Figure 1 – Consolidated Revenue Breakdown

(NT\$ mn)	2Q24	2Q23	YoY	1H24	1H23	YoY
EC	25,788.4	25,229.3	2.2%	51,591.5	49,306.5	4.6%
Media	857.0	973.9	(12.0%)	1,921.7	2,008.0	(4.3%)
Others	11.5	9.2	25.0%	21.6	18.0	20.0%
Total Revenue	26,656.9	26,212.4	1.7%	53,534.8	51,332.5	4.3%

Other revenue consists of revenue from 76.7%-held Fubon Gehua (Beijing), 94.25%-held BÉBÉ POSHÉ, 73.62%-held Prosperous Living, and 100%-held supporting business units (travel agency, insurance distribution agent, logistics, and wholesaler subsidiary).



EC

E-commerce, representing 97% of our total revenue, exhibited a year-over-year growth of 2.2% as high-priced durable goods, including PC, NB, smartphone and home appliances, experienced weak sales, leading to second quarter company revenue falling below expectation. Using the same accounting treatment with mo-coins adjustment as in 1H23, EC revenue growth was higher at 3% year-over-year.

Category Performance

Our leading product categories showed consistent market share gains, with Beauty & Healthcare leading at 8.3% year-over-year growth, followed by Sports & Leisure at 7.1%. However, Fashion & Luxury and 3C & Home Appliances categories experienced more modest growth, affected by increased discretionary spending on leisure activities such as travels and vacations.

Customer Metrics

Key customer metrics indicated positive trends, with a 15% year-over-year increase in cumulative APP downloads and a 12% rise in order volumes. The number of quarterly active users grew by 8% compared to last year. This represented the strongest growth in the past six quarters, driven particularly gains among male and young users, as well as the expansion of our product assortment and SKUs. Moreover, momo/Fubon co-branded credit card has shown the active card users increasing by 11% year-over-year, reflecting growing customer loyalty and retention.

Media

The Media business declined by 12% year-over-year, contrasting with a 3% year-over-year increase in the previous quarter. This weak performance was primarily due to the declining trend in the TV shopping industry. Give the higher take rate of TV shopping products, Media sales decline also negatively impacted the company's gross margin in 2Q24.

New Businesses

Our new business initiatives are progressing according to plan, although their current contribution is not significant.



II. EBITDA Analysis

Figure 3 – EBITDA Breakdown

EBITDA (NT\$ mn)	2Q24	2Q23	YoY	1H24	1H23	YoY
EC	1,187.6	1,173.0	1.2%	2,491.2	2,420.0	2.9%
Media	57.7	84.5	(31.7%)	186.3	180.9	3.0%
Others ¹	15.3	33.0	(53.6%)	39.0	66.4	(41.3%)
Total EBITDA	1,260.6	1,290.5	(2.3%)	2,716.5	2,667.3	1.8%
EBITDA margin	2Q24	2Q23	YoY	1H24	1H23	YoY
EC	4.6%	4.6%	(0.0%)	4.8%	4.9%	(0.1%)
Media	6.7%	8.7%	(1.9%)	9.7%	9.0%	0.7%
Others ¹	133.0%	358.7%	(225.7%)	180.6%	368.9%	(188.3%)
EBITDA margin	4.7%	4.9%	(0.2%)	5.1%	5.2%	(0.1%)

Others EBITDA includes 76.7%-held Fubon Gehua (Beijing), 94.25%-held BÉBÉ POSHÉ, 73.62%-held Prosperous Living, and 100%-held supporting business units (travel agency, insurance distribution agent, logistics, and wholesaler subsidiary).

EC muted revenue growth, increased promotional discounts & marketing expenses, an unfavorable product mix and a slowdown in Media business led to a decline in GM to 9.1% vs. 9.9% in 2Q23. Despite these challenges, improvements in operational efficiency drove our EBITDA to 4.7%, a slight decrease from 4.9% in 2Q23.

III. Balance Sheet Analysis

Figure 4 – Balance Sheet

NT\$ mn	2Q24	2Q23	YoY%	1Q24	QoQ%
Cash & cash equivalents	7,605.4	5,214.4	45.9%	6,925.8	9.8%
Accounts receivables	525.3	380.5	38.1%	522.3	0.6%
Other receivables	2,481.0	1,801.1	37.7%	2,349.1	5.6%
Inventories	4,112.5	4,389.3	(6.3%)	3,778.6	8.8%
Other current assets	606.8	438.1	38.5%	546.5	11.0%
Current assets	15,331.0	12,223.4	25.4%	14,122.3	8.6%
Long term investments	617.0	471.3	30.9%	408.8	50.9%
PP&E	8,608.6	7,534.8	14.3%	8,427.9	2.1%
Other non-current assets	4,980.3	2,708.4	83.9%	5,160.7	-3.5%
Total non-current assets	14,205.9	10,714.5	32.6%	13,997.4	1.5%
Total Assets	29,536.9	22,937.9	28.8%	28,119.7	5.0%
Short term borrowings	0.0	0.0		0.0	
Accounts payable	10,590.9	10,038.3	5.5%	9,866.0	7.3%
Other payables	4,699.5	1,031.5	355.6%	952.6	393.3%
Other current liabilities	2,814.4	2,297.7	22.5%	2,868.2	(1.9%)
Non-current liabilities	3,012.8	1,275.3	136.2%	3,190.1	(5.6%)
Total Liabilities	21,117.6	14,642.8	44.2%	16,876.9	25.1%
Common stock	2,403.4	2,403.4	0.0%	2,403.4	0.0%
Capital surplus	1,849.8	1,969.9	(6.1%)	1,969.9	(6.1%)
Retained earnings	3,966.3	3,950.0	0.4%	6,755.7	(41.3%)
Other equity items	199.7	(28.2)	n.m.	113.8	n.m.
Shareholders' equity	8,419.2	8,295.1	1.5%	11,242.8	(25.1%)

*The net cash position increased by 45.9% year-over-year to NT\$7,605.4mn, primarily due to a low base from the cash dividend distribution in 2Q23.

*Other receivables reached to NT\$2,481.0mn, an increase of 37.7% year-over-year. This increase can be attributed to higher purchases of mo-coins for marketing purposes compared to 2Q23

*Long-term investments increased by 30.9% year-over-year primarily due to participation in the new shares issuance of Fubon Green Power Co., Ltd.

*Other non-current assets increased by 83.9% year-over-year, primarily owing to an increase in prepayments of warehousing facilities and equipment.

*Other payables increased to NT\$4,699.5 million in preparation for the cash dividends distribution in 3Q24.

IV. Cashflow Analysis

Figure 5 – Cashflow

NT\$ mn	2Q24	2Q23	YoY	1H24	1H23	YoY
(+) Pretax profit	959.0	1,039.1	(7.7%)	2,096.4	2,151.1	(2.5%)
(+) D&A	336.5	290.0	16.0%	674.9	574.6	17.5%
ΔWC * (-1) (during the period)	3,985.6	340.5	1070.5%	4,073.7	(809.2)	(603.4%)
Others	(3,868.2)	(295.2)	1210.4%	(4,142.7)	(638.7)	548.6%
Operating cashflow	1,412.9	1,374.4	2.8%	2,702.3	1,277.8	111.5%
Capex [*]	(352.1)	(240.1)	46.6%	(779.1)	(474.4)	64.2%
FCF[*]	1,060.8	1,134.4	(6.5%)	1,923.1	803.4	139.4%
Investing cashflow^{**}	(497.0)	(213.1)	133.2%	(909.3)	(460.0)	97.7%
Financing cashflow^{***}	(236.3)	(3,455.5)	(93.2%)	(465.5)	(3,647.8)	(87.2%)
Change in cash	679.6	(2,294.2)	(129.6%)	1,327.4	(2,830.0)	(146.9%)

^{*}1H24 cash capex included NT\$300mn for SDC construction and equipment expenditure; NT\$203mn for CDC construction expenditure; NT\$136mn for warehousing facilities; NT\$105mn for IT equipment expenditure.

^{**}2Q24 D&A increased by 16.0% year-over-year NT\$336.5 million owing to warehouse additions.

^{**}2Q24 Investing cashflow increased by 133.2% year-over-year, primarily due to increased warehousing facilities & equipment expenditure and prepayments of warehousing facilities & equipment.

^{**}2Q24 Financing cashflow decreased by 93.2% year-over-year, primarily due to the timing difference of cash dividend distribution, 3Q24 vs. 2Q23.

WC (NT\$mn)	2Q24	2Q23	YoY	1Q24	QoQ
Accounts Receivables + Other Receivables **	3,006.4	2,181.6	37.8%	2,871.4	4.7%
Inventories	4,112.5	4,389.3	(6.3%)	3,778.6	8.8%
Accounts Payables + Other Payables*	15,261.9	11,069.5	37.9%	10,807.4	41.2%
Working Capital	(8,143.0)	(4,498.6)	81.0%	(4,157.4)	95.9%
ΔWC (YoY)	(3,644.4)	3,157.2	n.m.	0.7	n.m.
ΔWC (QoQ)	(3,985.6)	(340.5)	n.m.	(88.1)	n.m.

CCC	2Q24	2Q23	YoY	1H24	1H23	YoY
AR Days	9.9	7.3	2.7	10.7	8.7	2.0
Inventory Days	14.7	16.3	(1.7)	16.4	17.5	(1.1)
AP Days	48.4	40.9	7.5	51.1	46.5	4.6
CCC(days)	(23.8)	(17.3)	(6.5)	(24.0)	(20.3)	(3.7)

^{*}2Q24 Accounts Receivables + Other Receivables increased by 37.8%YoY, primarily due to an increase in other receivables.

This increase can be attributed to higher purchases of mo-coins for marketing purposes compared to 2Q23.

2023 Earnings Distribution

On Jun 19, 2024, momo's Board approved the proposal to distribute cash dividends of NT\$14.8 per share, totaling NT\$35.6 billion, and capital reserve which converted into a capital increase of \$0.5 per share. Cash dividend payout ratio is 98.01%.

Awards and ESG Recognitions

- momo continues to advance its corporate governance to enhance sustainable development and strengthen its competitive edge.
- Recently, it received the "10th Corporate Governance Evaluation Award," maintaining its position in the top 5% for eight consecutive years and the top 10% among non-financial electronic companies with a market value exceeding NT\$10 billion.
- In 2023, momo also earned several prestigious international awards, including recognition on the "FTSE4Good Taiwan Sustainability Index" four times, achieving an "MSCI ESG Rating: AA" for the first time, winning the "AREA Asian Corporate Social Responsibility Award," and placing second in the "Institutional Investor Asia Internet Best ESG Category."

For more information, please visit <https://corp.momo.com.tw/en/CSR/esg>