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**TWM Consolidated**

NT\$bn	4Q19	YoY	FY19	YoY	<u>FY19</u> <u>Achievement</u> <u>Ratio</u>
Revenues	34.11	8%	124.42	5%	100%
Operating Income	4.36	2%	17.19	-5%	101%
Non-op. Income (Expenses)	(0.35)	236%	(0.61)	29%	86%
Pre-tax Income	4.02	-4%	16.58	-6%	102%
(Income Tax)	(0.82)	-2%	(3.29)	3%	101%
(Minority Interest)	(0.24)	2%	(0.81)	-4%	112%
Net Income	2.95	-5%	12.48	-9%	101%
EPS (NT\$)	1.05	-7%	4.51	-10%	100%

**2019 Highlights of Operating Results**

Consolidated revenue increased by 5% YoY as robust e-commerce performance more than offset the softness in telecom and CATV revenue. Reduced dealer commissions, lower interconnecting costs and spectrum usage fees helped contain the YoY decline in pre-IFRS 16 telecom EBITDA at 7% in FY19, while telecom EBIT turned positive YoY in 4Q19 as D&A tapered off. FY19 telecom EBIT came in ahead of expectations, while the combined EBIT of cable TV and momo also surpassed our expectations, accounting for 22% of our consolidated EBIT. FY19 free cash flow of NT\$19.19bn translates into free cash flow yield of c.6%. Net debt to pre-IFRS 16 EBITDA remained at a low level of 1.16x.

**2020 Guidance**

- 5G, cloud gaming, streaming content revenue, enterprise cloud and enterprise connectivity solutions will be the growing areas among telecom business in 2020. Taken into account the legacy revenue decline and conservative estimate of 5G service adoption for the first year, telecom revenue inclusive of device sales will increase 2% YoY in 2020.
- In 2020, momo top-line is expected to grow 18% YoY underpinned by expanding e-commerce business. Pay-TV revenue will turn into a growth trajectory, aided by premium fixed broadband bundle services.
- The combined EBIT of the cable TV business and momo will grow 4% YoY and make up 25% of our total EBIT in 2020. That said, consolidated EBIT is forecast to decrease. This is because profitability for 5G, cloud gaming, streaming content investments, etc. takes time to kick in.

**Capex Guidance**

The board approved a NT\$14.5bn capex for 2020, that includes NT\$11bn for mobile, NT\$1.8bn for fixed-line, NT\$0.8bn for cable TV and NT\$0.9bn for momo and other affiliates.

**Key Message**

Taiwan Mobile will be the only telco among the big three in Taiwan to be able to have partnerships on 5G network/spectrum sharing and create incremental benefits. 60MHz of spectrum in the 3.5GHz frequency band is sufficient for Taiwan Mobile's 5G business in the next ten years. In due course, we won't have capex inefficiency issues that others may encounter. We believe we have a sensible 5G winning strategy in view that our total 5G spectrum and capex spend in the 20-year spectrum concession period may be the least among the big three without sacrificing 5G network quality. Progressing on the 5G journey, our overarching goal is to maximize related investment returns.

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