

Chapter 4 Operational Highlights

Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by macroeconomic factors. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), despite a persistent softness in external demand due to a sluggish global economy, private consumption grew a stable 2.28% in 2015, supported by the government's launch of short-term economic stimulus measures in 4Q15. For 2016, with volatile financial markets and non-economic risks likely affecting the global economy, domestic private consumption growth is expected to decelerate to 1.36%.

Overall Operating Results

The Company's consolidated revenue expanded 3% YoY in 2015 as result of the following: telecom service revenue rose due to increasing 4G adoption; cable broadband and digital TV revenues climbed 5% and 19%, respectively; and online shopping subsidiary momo's revenue surged 15%. Its EBITDA likewise grew 3% from a year ago, as the Company benefitted from 4G's expanding economies of scale, an improving operating leverage and steady profit increase from its cable TV business. Despite rising depreciation and amortization expenses because of intensive 4G network roll-out and more LTE spectrum deployment to provide the best mobile internet services for consumers, TWM's net income still increased 5% YoY in 2015 due to lower non-operating expenses and an additional one-off gain. TWM's EPS of NT\$5.76 was, once again, the highest among its peers.

Performance by division

	Consumer Business Group	Enterprise Business Group	Home Business Group	Retail Business
Brand name	Taiwan Mobile	TWM Business Solution	TWM Broadband	momo
Services	<ul style="list-style-type: none"> ● Voice and data mobile services for consumers ● Mobile to international direct dialing (IDD) services 	<ul style="list-style-type: none"> ● Voice and data mobile services for enterprises ● Fixed-line services ● International simple resale (ISR) services ● IDC and cloud (IaaS) 	<ul style="list-style-type: none"> ● Pay TV services ● Cable broadband services ● Others 	<ul style="list-style-type: none"> ● Online shopping ● TV home shopping ● Mail order

	Telecom business		Cable business	Retail business
	Mobile business	Fixed-line business		
Market position	Second-largest mobile operator in a five-player market, with a market share of around 29% in terms of mobile service revenue	A market share of around 1.3% for ADSL/FTTx business. One of the top three internet service providers (ISP), with a market share of 4.5% (including 199K cable broadband subscribers from its cable business)	Fourth-largest multisystem operator (MSO), covering about 11% of households in Taiwan	Ranked among the top three in both online shopping and TV home shopping businesses
Subscriber base	● 7,453K mobile subscribers	● Around 60K ADSL/FTTx internet access users	● 589K CATV subscribers ● 199K cable broadband subscribers	Not applicable
2015 revenue*	83,781		6,555	25,640
As a % of group revenue	72%		6%	22%
2015 EBITDA*	27,229		3,564	1,191
As a % of group EBITDA	84%		11%	4%

* Source: 2015 financial reports. The difference between the sum of each division and consolidated numbers was due to inter-division adjustments and eliminations.

Operating Results Review

Telecom Business

4G service take-up rate reached 43% of the Company's postpaid installed base as of the end of 2015, up from 16% a year ago. Given 4G postpaid's higher ARPU compared with 2G/3G, the increase in 4G subscribers boosted TWM's mobile postpaid ARPU by 3% YoY in 2015. Total telecom revenue, including handset sales, rose 2% YoY. Telecom EBITDA turned positive, growing 4% YoY, as a result of its solid 4G strategy and improved operating leverage.

Cable Business

Revenue in 2015 rose 3% from a year ago, driven by growth in digital TV and cable broadband businesses. Growth was attributed to a successful bundling strategy, which lifted the Company's digital TV penetration rate and cable broadband service adoption rate. Accordingly, EBITDA from the cable TV business rose 4% YoY.