

# Top APAC telcos to ace beyond connectivity revenue

H1-2024



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## Key Takeaways

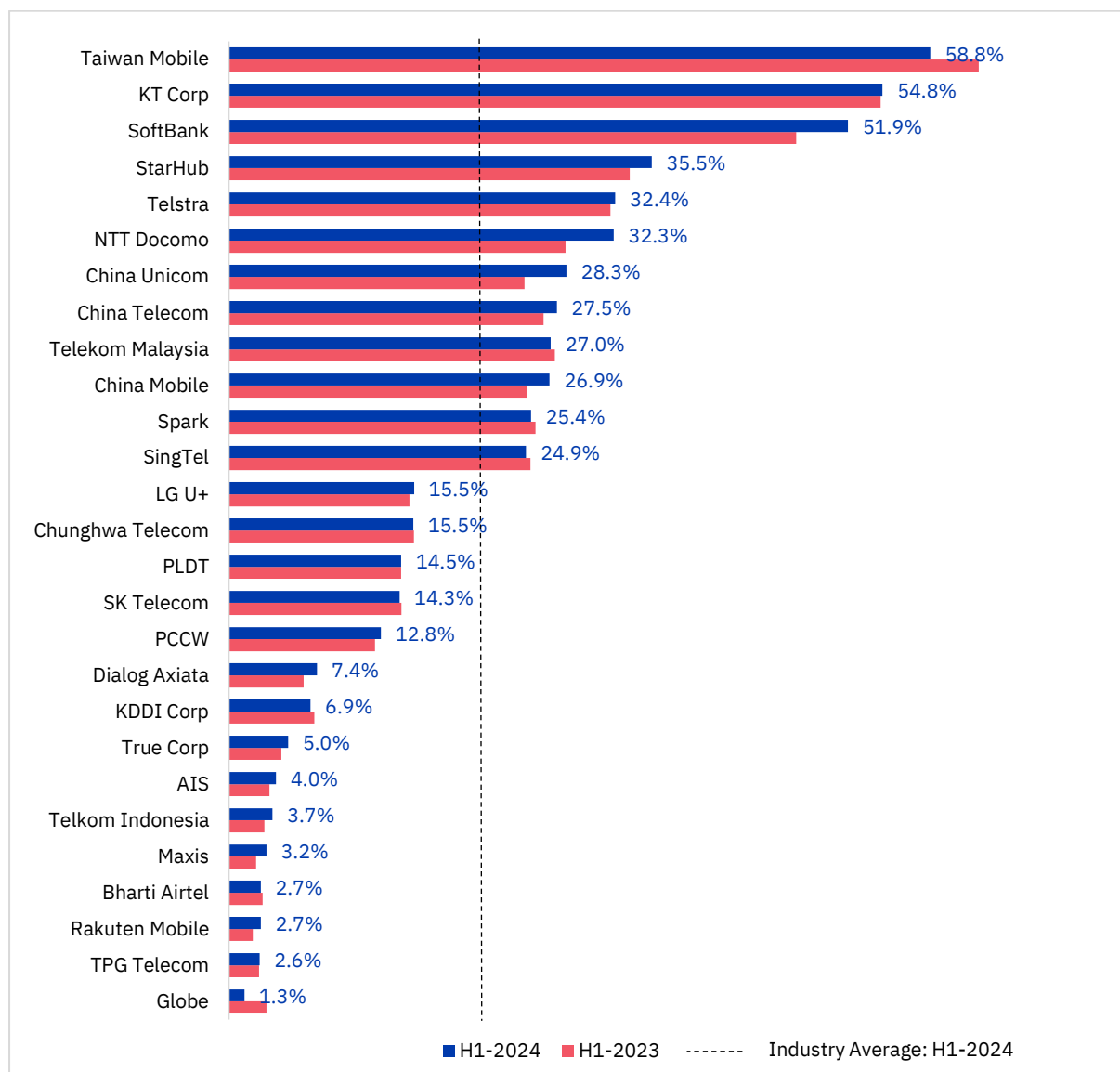
- Beyond connectivity revenue for APAC telcos increased YoY, reaching 19.9% of total revenue in H1-2024. This is a marginal increase compared to the 19.3% and 19.4% recorded in the corresponding periods of H1-2022 and H1-2023, respectively.
- Within the Asia-Pacific region, beyond connectivity segment revenue experienced a robust 10.6% YoY growth in H1-2024 to reach ~USD 73.4 billion.
- Nearly 44% of Asia-Pacific telcos demonstrated significant beyond connectivity revenue contributions, exceeding the average threshold of 19.9%. Taiwan Mobile, KT Corp, SoftBank, StarHub, and Telstra are front-runners in driving the industry transformation.
- Enterprise non-connectivity continued to be a key growth driver and a major contributor of the overall beyond connectivity revenue for most of the APAC based telcos. For instance, digital transformation services continue to be the growth driver of beyond connectivity revenue for Chinese telcos (China Mobile, China Telecom and China Unicom).
- Content and media, along with payments and e-commerce, also emerged as notable growth contributors for telcos like True Corp, NTT Docomo, SoftBank, and Bharti Airtel. Financial services fuelled SoftBank's revenue expansion in the Japanese market, whereas enriched content offerings facilitated the growth of media segment for PCCW and Bharti Airtel.

## Beyond connectivity revenue analysis of APAC telcos: H1-2024

Within the Asia-Pacific region, beyond-connectivity segment revenue experienced a robust 10.6% YoY growth in H1-2024. The growth significantly outpaced the telcos' overall revenue growth of 2.4% for these companies during the same period. (This list excludes several companies who are not covered in this analysis as they do not disclose their beyond connectivity revenues).

Enterprise solutions in conjunction with content and entertainment services, remain the most popular avenues for diversification, with enterprise solutions serving as the primary revenue contributor.

### Exhibit 1: Beyond connectivity revenue as a % of total revenue: H1-2024



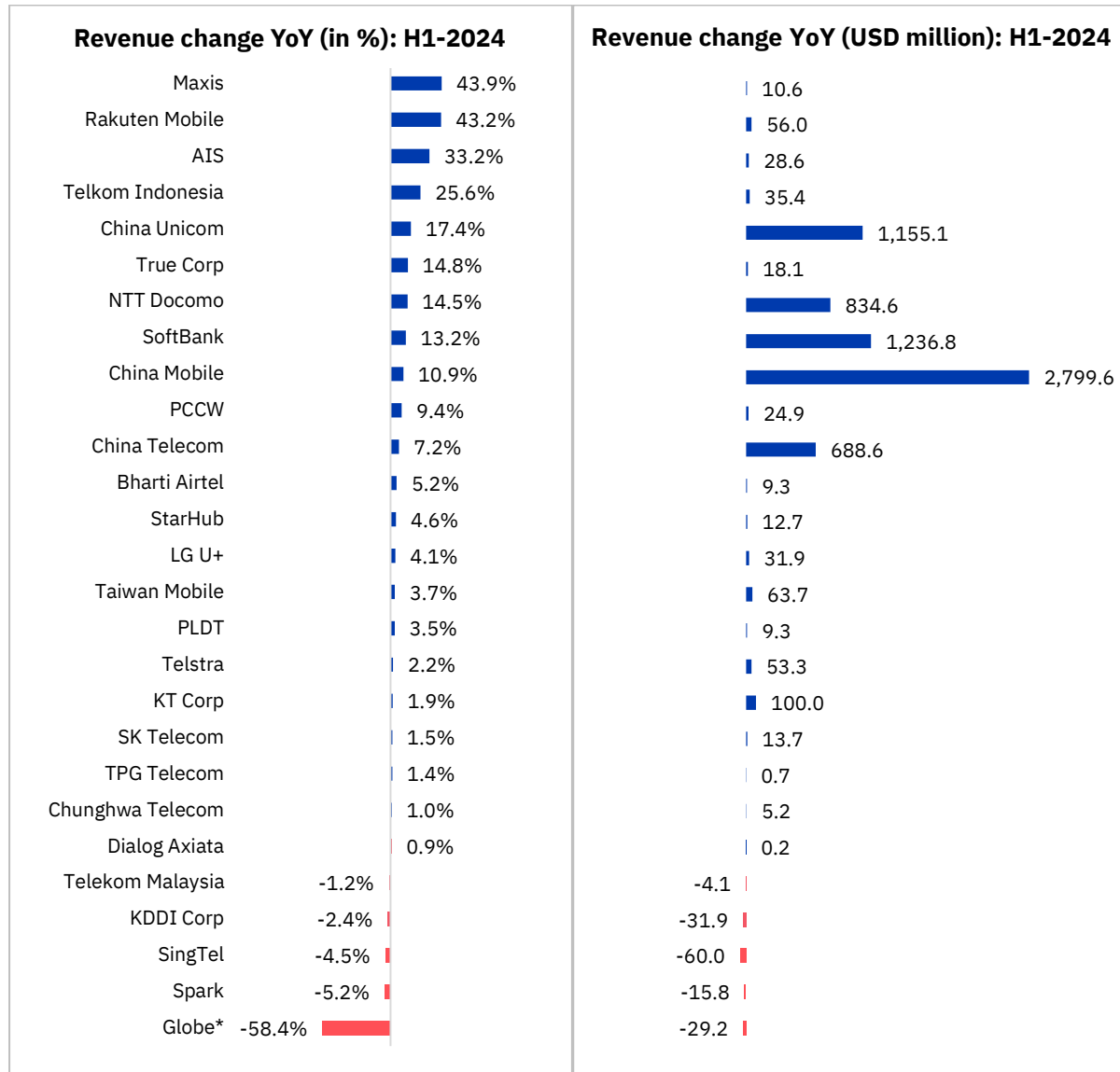
Note: KT Corp's Beyond connectivity calculation methodology has been realigned from H1 2024 onwards and includes KT Cloud from H1-2024. Prior to H1-2024, Enterprise beyond connectivity was calculated using a combination of Corporate Data and Corporate Telephony revenue.

Source: Telco financials, Twimbit analysis



- Enterprise non-connectivity continued to be a key growth driver for leading telcos such as Maxis, Rakuten, and AIS. However, content and media, along with payments and e-commerce, also emerged as notable growth contributors for telcos like True Corp, NTT Docomo, SoftBank, and Bharti Airtel.

## Exhibit 2: Beyond connectivity revenue trends: H1-2024



\*Globe revenues have declined due to the deconsolidation of ECPay from Globe's books, following the sale of its 77% stake to Mynt in September 2023.

Source: Telco financials, Twimbit analysis

## Beyond connectivity performance of APAC telcos: H1-2024

### Taiwan Mobile is regional leader for beyond connectivity, but telecom generates the most EBITDA

- Taiwan Mobile emerged as a leader among Asia-Pacific telcos in terms of the proportion of beyond connectivity revenue to overall revenue in H1-2024, reaching 58.8%, despite a YoY decline in its overall contribution. The YoY decline in overall contribution was because of the merger of Taiwan Mobile's with T Star. The revenue growth was relatively stronger during this period, primarily owing to the merger synergies benefits led by completion of its merger with Taiwan Star Telecom (T Star) in December 2023.
- A 4.3% YoY growth in the momo segment offset a decline in the CATV segment. Within the beyond connectivity segment, momo and "pay TV, content, and channel leasing" accounted for 55.8% and 3.1% of the revenue, respectively, in H1-2024.
- Strategic partnerships played a crucial role in driving user stickiness. Taiwan Mobile partnered with Moonbug, a children's entertainment company, to offer users diverse film and television content. Additionally, its partnership with Warner Bros. Discovery aimed to promote the growth of Taiwanese content in the international market.
- The telco's bundling strategy, including momobile and Double Play, facilitated revenue upselling and enhanced customer stickiness. This resulted in an 8% YoY increase in the active user base during H1-2024.

#### Exhibit 3: Taiwan Mobile's performance by business unit

NT\$ billion	Revenue				EBITDA			
	Telecom	momo	CATV	Total <sup>1</sup>	Telecom	momo	CATV	Total <sup>1</sup>
<b>Q2-2024</b>	20.43	26.66	1.48	47.74	8.35	1.26	0.79	10.59
<b>% of total</b>	43%	56%	3%	100%	79%	12%	7%	100%
<b>Q2-2024 (YoY)</b>	25%	2%	-6%	10%	24%	-2%	4%	19%
<b>Q1-2024 (YoY)</b>	20%	7%	-6%	12%	27%	6%	5%	22%

<sup>1</sup> The sum of each account of telecom, CATV and momo does not equal to the consolidated total number due to other revenue and intercompany eliminations.

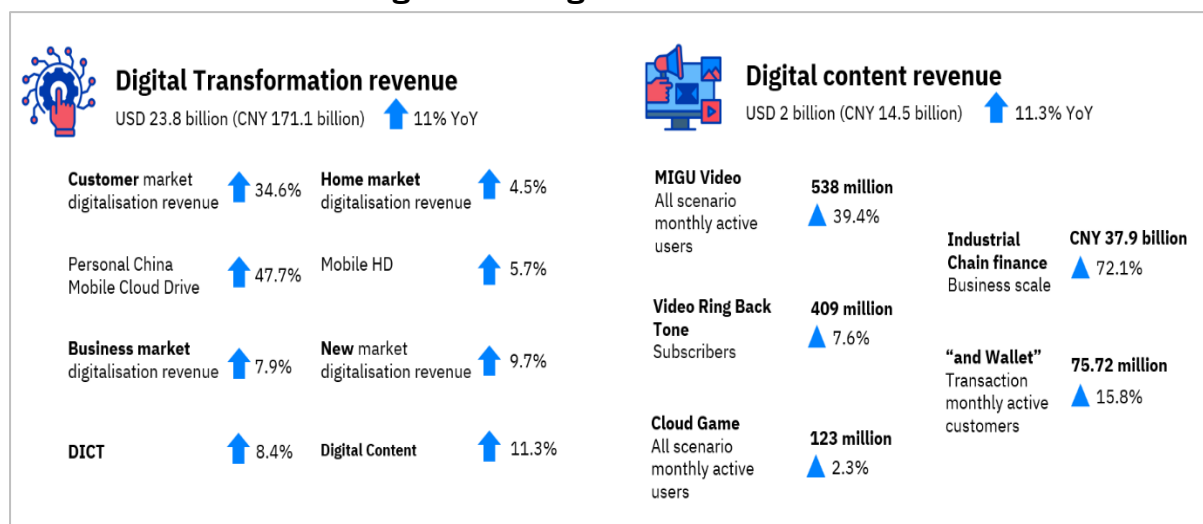
Source: Company reports

## Digital transformation offerings drive the expansion of beyond connectivity revenue for Chinese telcos

Enterprise segment constitute the primary source of non-connectivity revenue for the three major telcos in China. These providers are strategically investing in digital capabilities, encompassing cloud services, artificial intelligence, digital smart applications and digital content.

- **China Unicom** experienced a notable 17.5% YoY growth in its beyond connectivity revenue during H1-2024. This growth was primarily driven by the expansion of China Unicom Cloud, which achieved a revenue increase of 24.3% to reach USD 4.4 billion (CNY 31.7 billion). The telco has successfully established a series of benchmark (marquee) projects in vertical industry segments such as government cloud, enterprise cloud, and medical cloud. Additionally, it has initiated an AI-focused upgrade of its data centres to accelerate the growth of its Artificial Intelligence Data Center (AIDC) business.
- **China Mobile** also demonstrated strong growth in its beyond connectivity revenue, with a 10.9% YoY increase in H1-2024. Data, information, and communications technology (DICT) played a significant role in driving this growth. Mobile Cloud revenue was another key growth area, increasing by 19.3% YoY to USD 7 billion (CNY 50.4 billion). China Mobile is committed to maintaining its growth momentum and establishing a competitive advantage in digital-intelligent operations.

### Exhibit 4: China Mobile Digital offerings KPIs: H1-2024



Note: Digital transformation revenue includes the revenues from new businesses from the "Customer" market (China Mobile Cloud Drive and others); the revenues from smart home businesses from the "Home" market; the revenues from DICT, IoT and dedicated lines businesses from the "Business" market; and the revenue from the "New" market (excluding revenue from international basic business)

Source: Company reports, Twimbit analysis

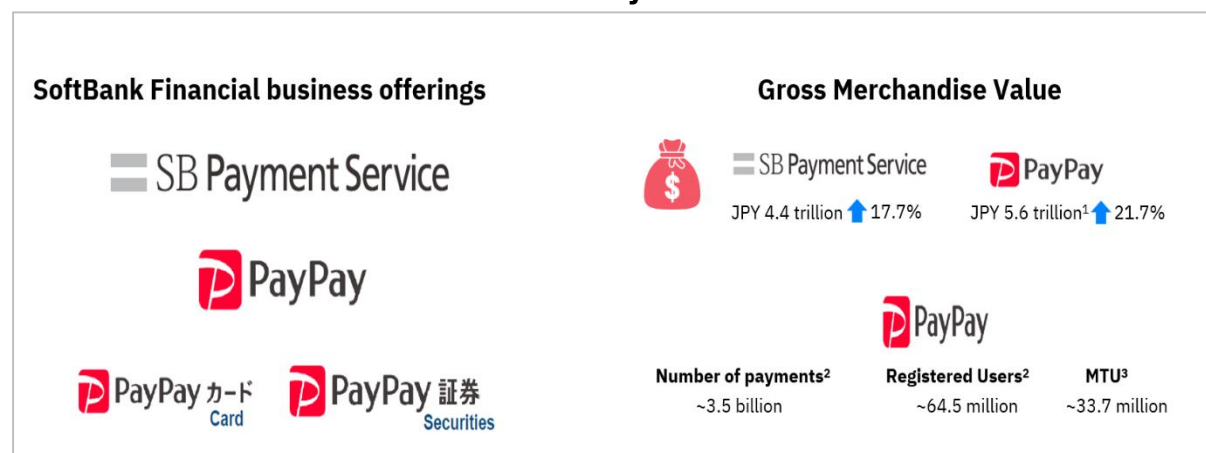


- **China Telecom** reported a 7.2% YoY increase in its beyond connectivity revenue during the same period. This growth was attributed to the telco's aggressive pursuit of digital transformation for its enterprise and government clients through its cloud, big data, and AI offerings. China Telecom Cloud emerged as the primary growth driver, experiencing a substantial 20.4% YoY increase in revenue to reach USD 7.7 billion (CNY 55.2 billion).

## Financial services fuel SoftBank's revenue expansion in Japan

- Softbank's Media and EC segment along with Financial Services collectively accounted for ~29.9% of SoftBank's overall revenue in H1-2024, as compared to 28% in H1-2023.
- While the financial business, including the commerce segment and financial services (SB Payment Service and PayPay) grew by 9.8% YoY to ~USD 3.6 billion (JPY 541.4 trillion).
  - Sales promotion efforts for point rewards and an expansion in gross merchandise value (GMV) by PayPay Corporation were key contributors to this growth.
  - A notable increase in standalone PayPay payments (up by 19.1%), along with a rise in standalone monthly transaction users (MTU) by 19.1% and 10.6%, respectively, were primary drivers of this growth.
  - PayPay's standalone MTU reached 33.7 million in H1- 2024, and its ratio to mobile subscribers increased from ~76% in H1-2023 to 83.6% in H1-2024.
- SoftBank's enterprise segment played a significant role in driving beyond connectivity revenue growth during the H1-2024, experiencing a YoY increase of ~23%.

### Exhibit 5: Softbank Financial business key indicators: H1-2024



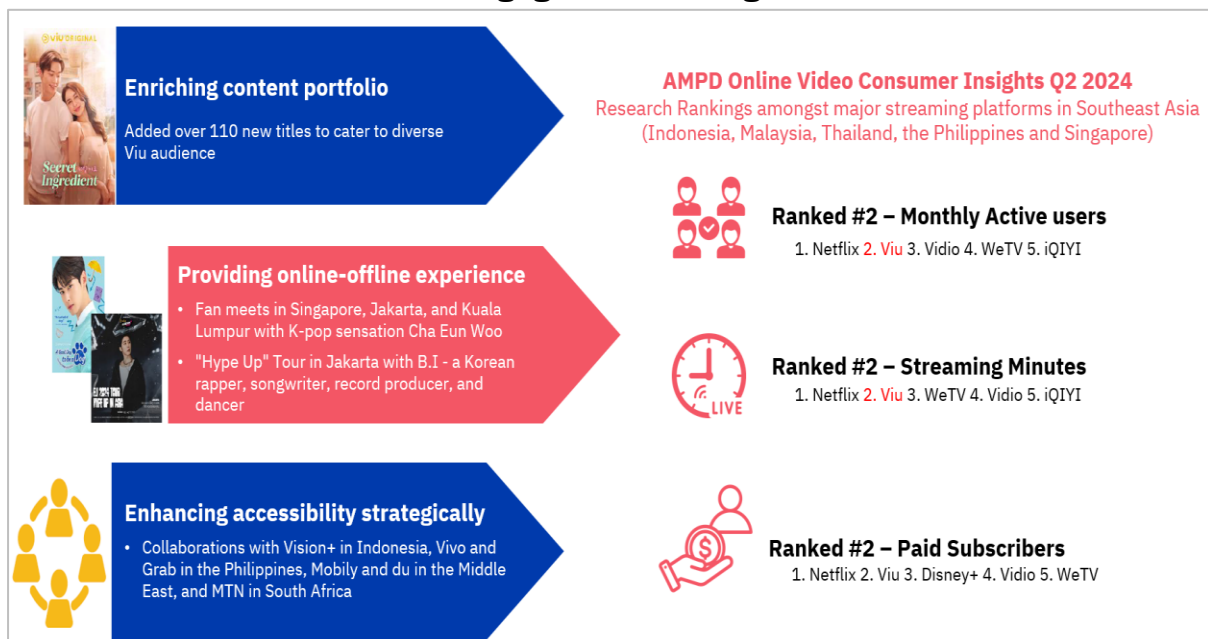
<sup>1</sup> Standalone GMV    <sup>2</sup> Standalone number of payments    <sup>3</sup> Standalone Registered users    <sup>4</sup> Standalone MTU

Source: Company reports, Twimbit analysis

## Viu's subscriber surge propels PCCW's media business growth

- **PCCW's** content and media revenue experienced a 17.5% YoY growth in H1-2024, primarily driven by its over-the-top (OTT) platform, Viu. This growth outpaced the company's overall revenue growth of approximately 5% during the same period.
  - Viu, PCCW's video streaming service, witnessed a notable increase in subscription revenue, driven by 11.2% growth in paid subscribers, reaching 11.6 million subscribers in H1-2024. This growth was further supported by increased advertising, sponsorship, and event-related revenues.
  - Viu focuses on offering a diversified content portfolio for fostering strong online-offline engagement with viewers and expanding its partner ecosystem.
  - Additionally, Viu TV revenue reported a 23% YoY growth in H1-2024, primarily led by the strong performance of its artist and event management business segment. A 6% increase in digital membership and a 7% increase in unique viewers during key weeknight timeslots also contributed to the overall revenue growth.
  - Viu aims to sustain its growth by broadening opportunities for its artists through live events and movies.

### Exhibit 6: PCCW's Viu content engagement strategies



Source: Company reports

## Korean telcos' non-connectivity revenue surge is fuelled by the expansion of enterprise services and pay-TV

- **KT Corp:** KT Cloud revenue experienced a 17.5% YoY growth to reach USD 263.2 million (KRW 355.3 billion) in H1-2024. This growth was primarily driven by increasing demand for data centres (IDC colocation) and the expansion of design-build-operated (DBO) services.
  - KT continues to leverage its partnership with Microsoft to jointly develop artificial intelligence (AI), cloud computing, and IT services, including building AI graphics processing unit (GPU) farms and data centres for the Korean market.
  - In Sep-2024, the two companies signed a multibillion-dollar five-year AI partnership, where KT will provide USD 450 million worth of network and data centre infrastructure to Microsoft over the next 15 years.
  - In the realm of financial services, BC Card, a leading South Korean financial services company under the KT Corp umbrella, recorded revenue of approximately USD 1.4 billion (KRW 1.9 trillion) in the first half of 2024.
  - KT Corp's extensive list of subsidiaries distinguishes it from its competitors. The company has successfully created an ecosystem where each component complements the other, reflecting its vision of holistic growth.
- **SK Telecom's** beyond connectivity revenue growth was primarily driven by the enterprise segment and pay-TV segment, which reported YoY increase of 19.6% and 0.7%, respectively, in H1-2024.
  - The telco continues to pursue AI-related investments under its "AI Pyramid Strategy" through strategic investments and partnerships. In line with this strategy, SK Broadband launched AI-based IPTV services in December 2023, aiming to provide more personalized content to users by analysing and predicting their lifestyles.
  - SK's AI B tv offers personalized menus, including viewing history, recommended content, favourite video-on-demand services, and optimized content in partnership with various online video streaming services, such as YouTube.
  - The IPTV platform also features an AI human service for older adults, providing information such as weather and job services through videos.
  - An English free-talking service, allowing children to freely communicate with native-speaking AI characters, is also available.

- In September 2024, SK Broadband applied its parent company, SK Telecom's AI service A. (A Dot), to its voice-enabled IPTV search engine, launching an upgraded version named "B tv A." This AI voice command service not only searches for content upon voice commands through its on-demand video service but also delivers rich and informative answers to questions.

#### Exhibit 7: SK Telcom Pay-TV subscriber growth trends: Q1-2023 - Q2-2024

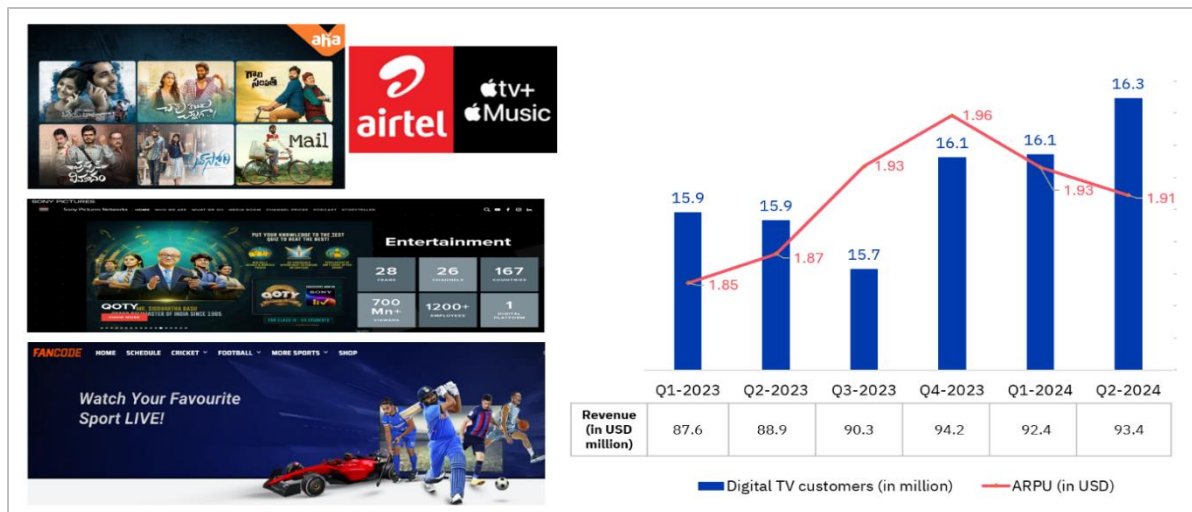


Source: Company reports, Industry reporting, Twimbit analysis

#### Bharti Airtel's content partnerships fuel Digital TV revenue growth

Digital TV revenue witnessed a growth of 5.2% YoY in H1-2024 reaching ~USD 186 million (INR 15.5 billion). This represented ~2.7% of the company's overall revenue. The growth was primarily driven by an increase in customer base and content rationalization initiatives to boost adoption.

Strategic content partnerships with Fancode, Culver Max Entertainment (CMEPL-operating as Sony Pictures Networks India), and aha played a crucial role in driving revenue through the promotion of regional and theme-specific content. The increased adoption of Wynk music, which achieved an industry-leading milestone of 1.7+ billion streams for songs by independent Wynk Studio artists, further underscored this growth.

**Exhibit 8: Bharti Airtel Digital TV revenue trends: Q1-2023 - Q2-2024**

Source: Company reports, Industry reporting, Twimbit analysis

However, the telco announced plans to discontinue its Wynk music business as part of a strategic development. Airtel's Xstream platform will now feature Apple TV+ and integrate Airtel's Wynk music service with Apple Music.

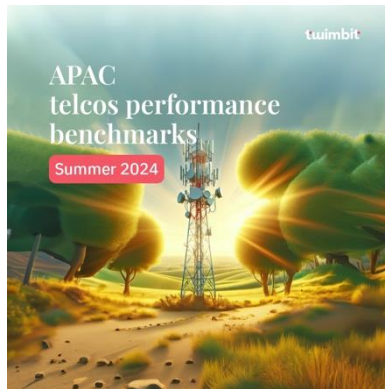
Industry reports suggest that Airtel is in discussions to acquire Tata Play from the Tata Group. This acquisition will help to consolidate Airtel's presence in the digital TV segment, which is facing growth challenges. By acquiring Tata Play, Airtel can further enhance its bundled offerings and shore up its non-mobile revenues through convergence.

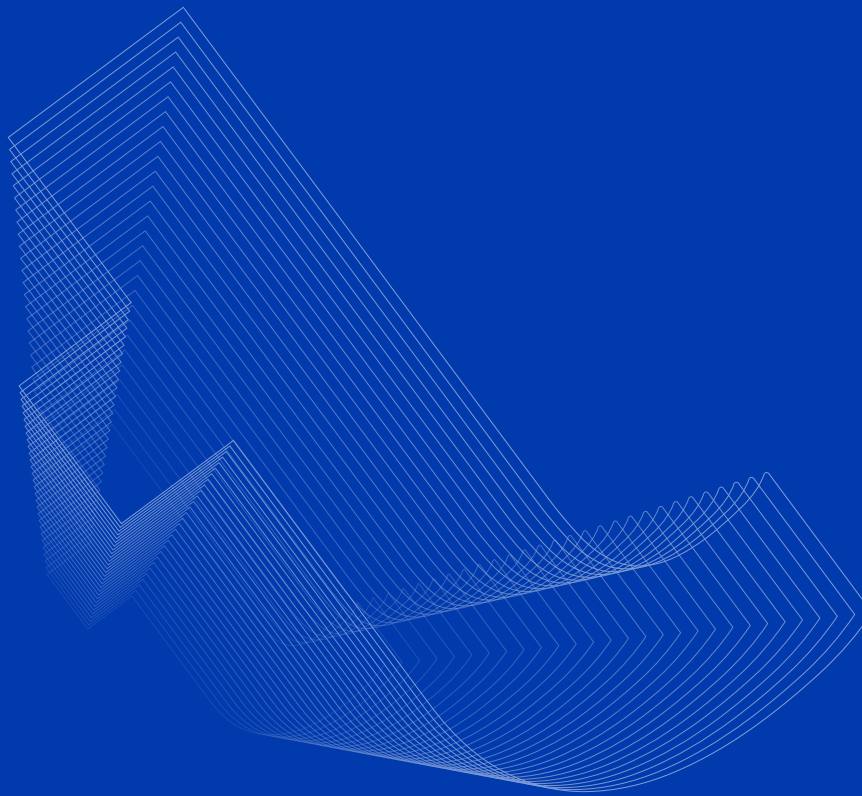
## Research Methodology and Assumptions

- “Top APAC telcos to ace beyond connectivity revenue: H1-2024” report provides a summarized view of Beyond connectivity (non-connectivity) revenue performance of leading telcos in the APAC region for the period Jan-June 2024.
- This report leverages secondary research methodologies and data provided by telecommunication companies (telcos) themselves. Twimbit employs a calendar year approach (January- December) for all telcos to ensure consistent comparison, regardless of their individual fiscal year ending periods.
- The research examined ~49 telcos across 20 Asia Pacific countries. Selection criteria included economic significance and reliable data availability. The research is based on the Beyond Connectivity segments revenues available for 27 telcos analysed.
- For consistent analysis, a constant exchange rate (average for Jan - June 2024) has been applied when converting local currencies to USD.
- Beyond connectivity services in this report exclude traditional voice, data, fixed-line, broadband, and enterprise connectivity services (e.g., IP-VPN, SD-WAN). These services are categorized into four primary buckets, which include, but are not limited to:
  - Enterprise Non-connectivity: Managed services, Cloud, Cybersecurity, IoT.
  - Content and Media: Pay TV, IPTV, OTT services, Content leasing, entertainment services.
  - Payments and E-commerce: Financial services (wallet, banking, insurance, investing), Retail business.
  - Others: Any service beyond the above categories deemed as beyond connectivity (e.g., Digital marketing, Analytics, Tele-Health).
- The data from prior reports may exhibit variances when compared to the figures presented in this report. This discrepancy arises from meticulous approach, which excludes all previous assumptions and estimations when calculating beyond connectivity revenue.
- The data provided in the report are as reported by the respective telcos or on a calculated basis wherever feasible. These may or may not align with the exact numbers in case the respective telcos have either not disclosed or provided any reference for the above segments (or further sub-segment details).
- The data collected may be subject to reporting inconsistencies inherent to various telcos and hence can be leveraged for reference and guidance purpose. The analysis is based on publicly available information.



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