

# SK Telecom Corporate Value-Up Plan

---

2024. 10.

# Disclaimer

---

This document has been prepared by SK Telecom Co., Ltd. (the "Company") for the purpose of providing information relating to the Company's corporate value enhancement plan to investors. The information contained in this document has not undergone any separate independent external review or verification. The Company does not make any express or implied representation and/or warranty as to the fairness, accuracy or completeness of any information or opinion contained herein. In addition, this document contains information on the Company's estimated preliminary financial performance and results of operations prior to completion of an audit or review by the Company's external auditors, and therefore, such information is subject to change during the external audit or review process.

The information contained in this document speaks only as of the date such information is being presented, and should be considered in the context of the circumstances prevailing at the time. The information contained in this document may be subject to change without separate notice, and even when there are such changes, this document may not be further revised or updated to reflect material developments that may occur after the date of the presentation of such information.

Neither the Company nor any of its affiliates, officers, directors or advisors shall have any civil, criminal or administrative liability whatsoever, whether willful or negligent, for any loss arising from the use of this document or its contents by the Company's shareholders or investors, or for any other loss related to this document.

This document may contain forward-looking statements, reflecting the Company's expectations and/or certain target goals the Company intends to achieve in the future, which are inherently subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement and target-related information. The Company assumes no duty, and does not undertake any obligation, to revise or update any forward-looking statements and target-related information to reflect changes in assumptions, circumstances or actual results that arise after the date of the presentation.

Unless expressly stated otherwise, all financial information contained herein is presented on a consolidated basis in accordance with the International Financial Reporting Standards Adopted for use in Korea ("K-IFRS"), which differ in certain respects from generally accepted accounting principles ("GAAP") adopted for use in the United States and certain other countries. The Company has made no attempt to identify, quantify or adjust the impact of these differences in accounting standards in this document, and is not responsible for any losses incurred by investors due to such differences.

This document does not constitute an offer or a solicitation of any offer to purchase, sell or engage in other investments relating to the Company's securities. No part of this document shall form the basis or foundation for any contracts, agreements or investment decisions.

# | Contents |

1. Value-Up Summary

2. Company Overview

3. Current Status Analysis

4. Targets

5. Planning

6. IR Activities

7. ESG

# Value-Up Summary

## | Capital Efficiency |

**ROE 10%+**

(2026)

Maintain industry-leading  
profitability level

AI & O/I\* strategies to increase profitability  
\* Operational Improvement

Improve financial soundness  
based on asset efficiency

## | Shareholder Return |

**Adjusted\*  
consolidated profit  
50%+**

(FY2024 ~ 2026)

\* Based on attribution to controlling shareholders,  
excluding one-off, non-recurring profit and loss

Shareholder return based on  
total consolidated profit

Share profit from growth by removing the  
upper limit on shareholder return

Shareholder return ratio  
exceeding the industry average

## | AI Vision 2030 |

**Total revenue  
KRW 30 trillion  
AI portion 35%**

(2030)

Materialize tangible  
AI business performances

Secure AI leadership based on  
self-reliance and cooperation

Further develop "profit-generating AI"  
(AI DC + AI B2B + AI B2C)

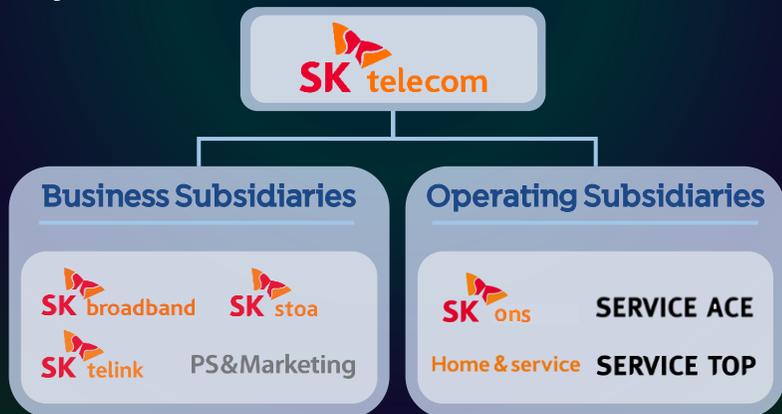
※ The above description or indications represent the Company's expectations or targets, which may differ from the actual results.  
Please note that the expectations or targets are based on the assumptions and judgments contained in this material. The same applies hereinafter.

# Company Overview

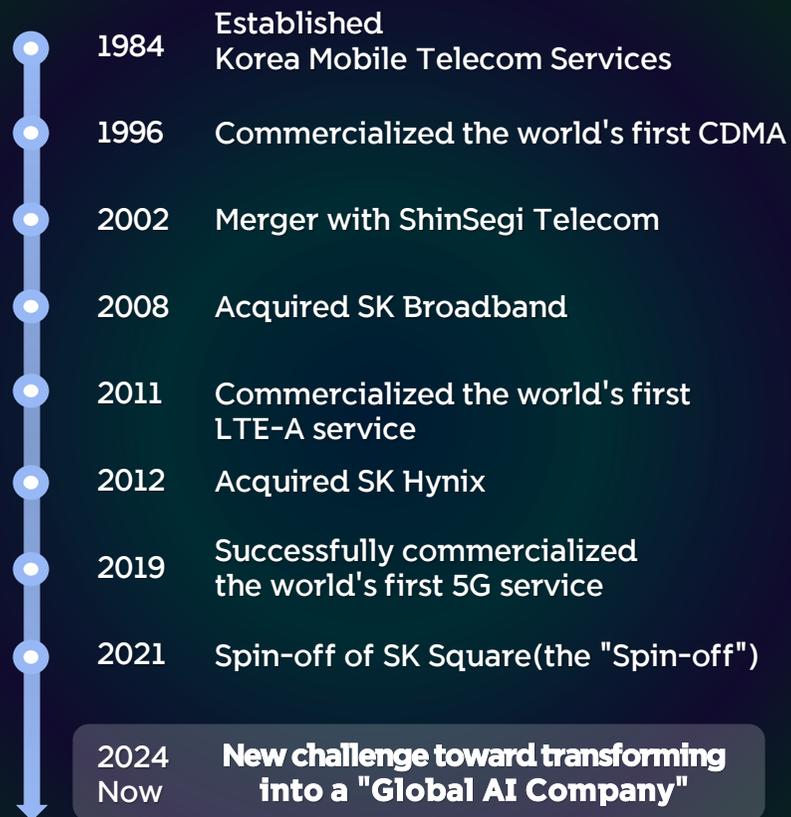
## Company Overview

Company Name	SK Telecom Co.,Ltd.
CEO	Young Sang Ryu
Date of Establishment	March 29, 1984
Head Office	65, Eulji-ro, Jung-gu, Seoul
No. of Employees	5,741 (as of June 30, 2024)
Business Area	Wireless and fixed-line telecommunications business, etc.

## Major Subsidiaries

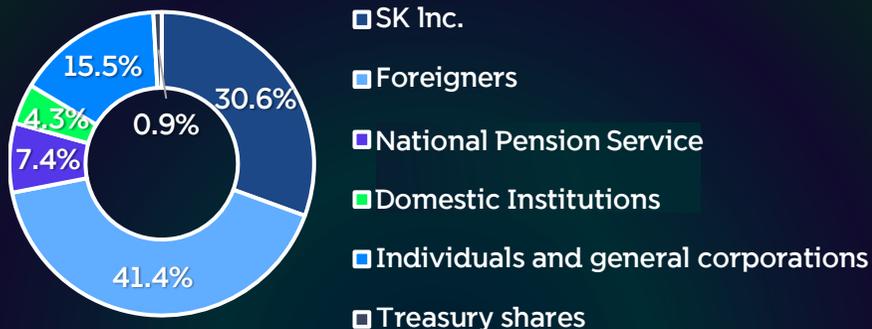


## History



# Company Overview

## Composition of Shareholders (as of June 2024)



## Composition of Board of Directors

(5 outside, 3 inside, and 1 non-executive directors)



## Key Performance

Unit : KRW

	2023	1H 2024
Operating revenue	17.6 trillion	8.9 trillion
Operating profit	1.8 trillion	1.0 trillion
EBITDA	5.5 trillion	2.9 trillion
Profit	1.1 trillion	0.7 trillion
Dividend per share	3,540	1,660

## Credit Ratings

Domestic		Overseas	
Korea Investors Service	AAA	Moody's	A3
Korea Ratings	AAA	S&P	A-
Nice Investors Service	AAA	Fitch	A-

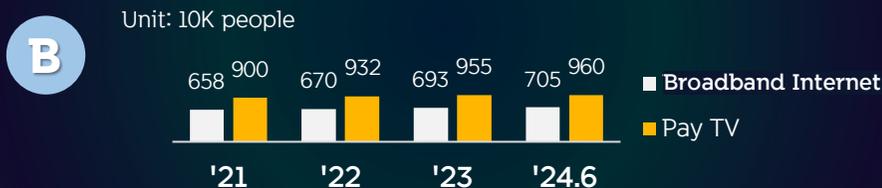
# Company Overview – Business Status

## Stable Telecommunications Business based on Top Quality

- Market leader in 5G subscribers\*(M/S 48%)



- Continued Net Increase in Broadband Internet and Pay TV Subscribers



- Stable Growth of Enterprise Business and AI Transition



## Transforming into a "Global AI Company" with Future Growth Engines

- Formation of Global Telco AI Alliance and Securing AI Leadership

1.3 billion subscribers in 50 countries



- Development of the World's First Telco LLM based on Self-reliance and Cooperation



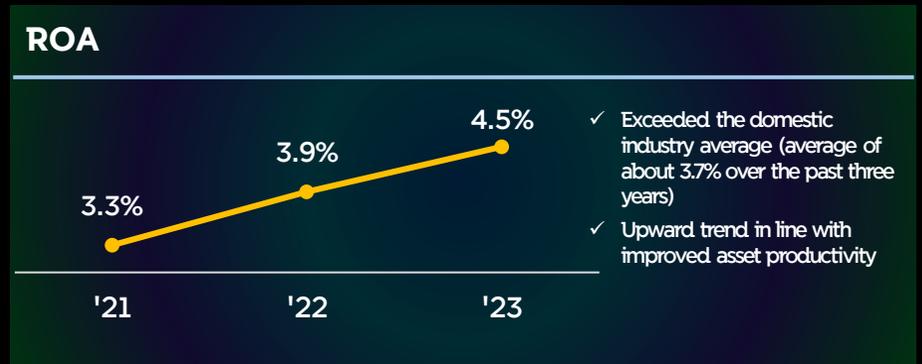
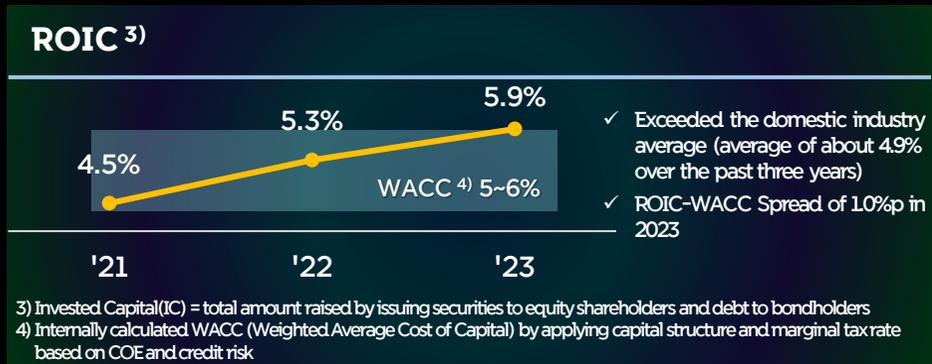
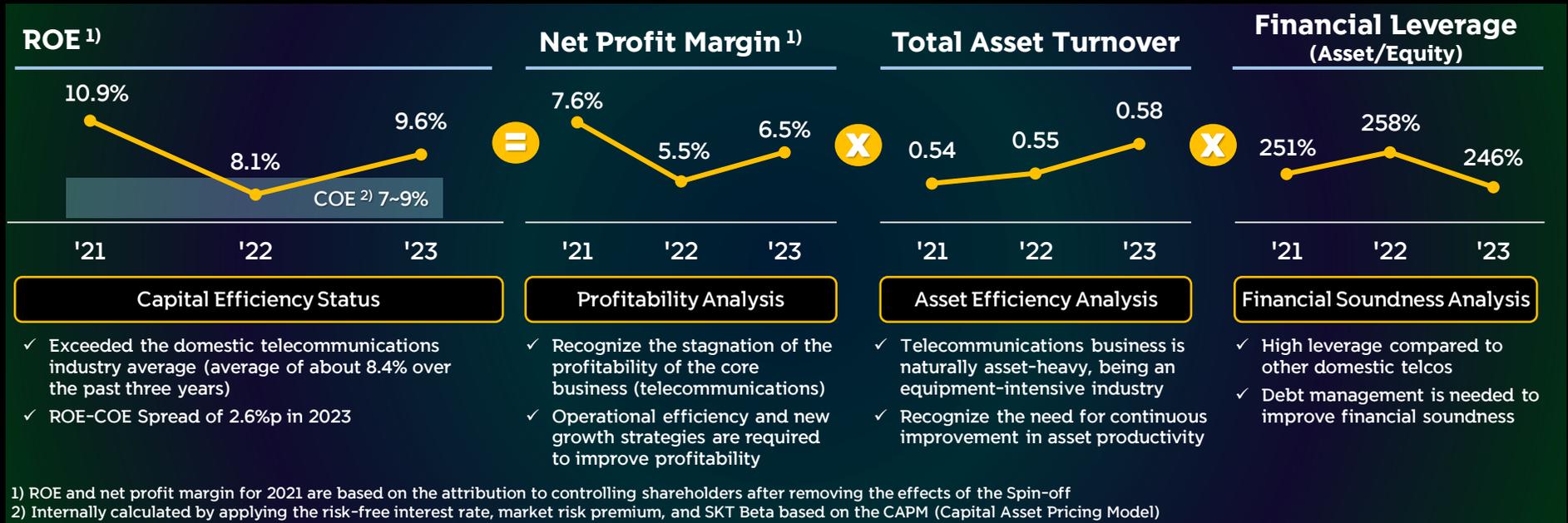
- Securing AI Technology/Service Capabilities through Strategic Investment and Alliance

Cumulative Equity Investments in AI KRW 500 billion

18 Promising AI startups\* join K-AI Alliance

\* Moloco, Allganize, etc.

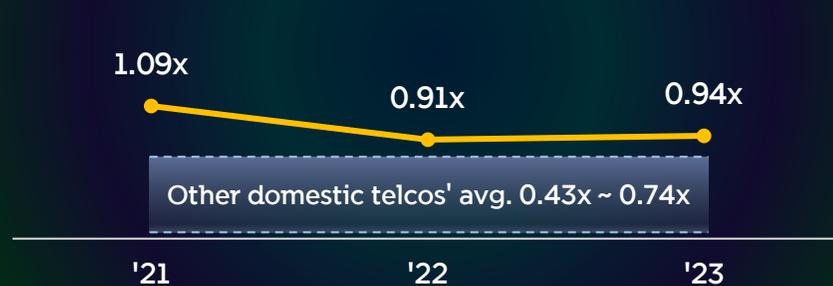
# Current Status Analysis - Capital Efficiency



# Current Status Analysis - Market Evaluation

## PBR

- ✓ PBR is close to 1, above the average of other domestic telcos
- ✓ Despite ROE improvement since 2022, PBR has been stagnant at around 0.9x, due to the decline in PER



## PER

- ✓ Above the average of other domestic telcos, yet has been declining since 2022 amidst the overall undervaluation of the Korean stock market
- ✓ Need to improve PER through operational efficiency (increasing profitability)



## PSR

- ✓ While exceeding those of other domestic telcos, the multiples fall short of 2021 level despite continued sales growth
- ✓ Need to improve PSR by materializing future growth potential



## EV/EBITDA

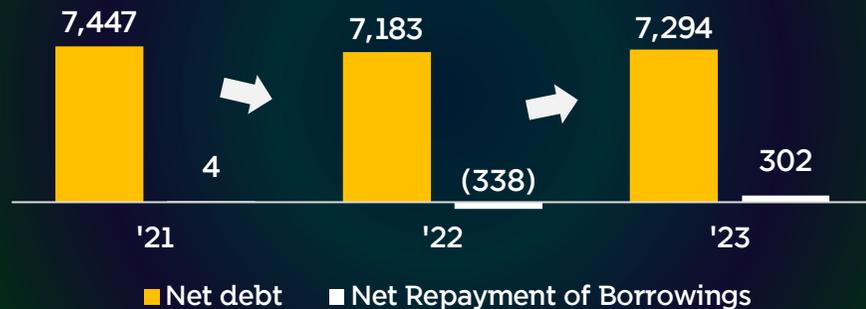
- ✓ While we have exceeded the average of other domestic telcos, the multiple of the telecommunications industry is generally low
- ✓ Need to improve market evaluation by applying separate multiple to our new growth businesses



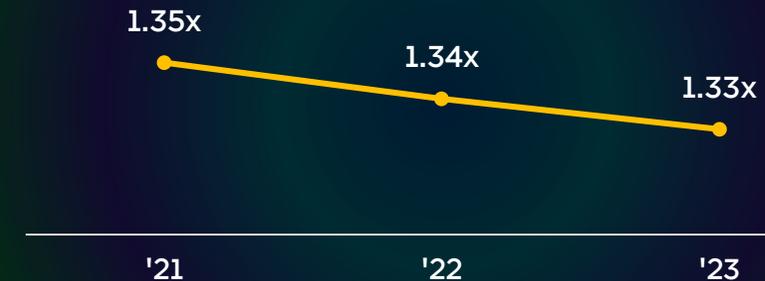
# Current Status Analysis – Financial Soundness

## Net Debt & Net Repayment of Borrowings

Unit: KRW billion

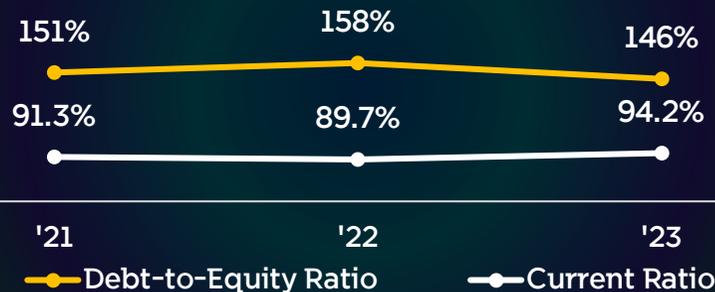


## Net debt/EBITDA Multiple



## Debt-to-Equity Ratio <sup>1)</sup> & Current Ratio <sup>2)</sup>

1) Debt ratio = Total liabilities/Total equity  
2) Current ratio = Current assets/Current liabilities



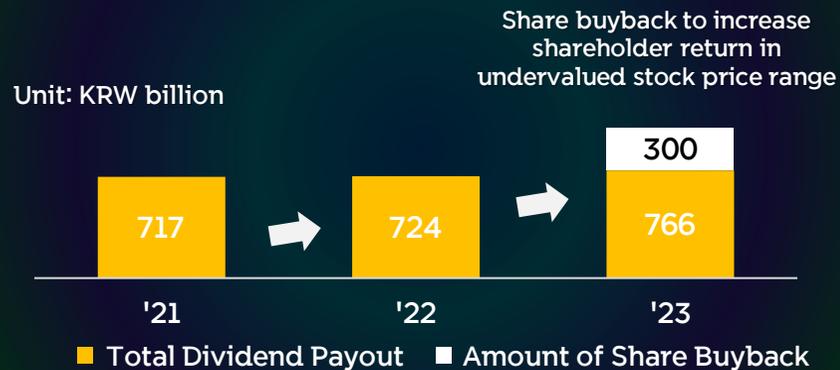
## Financial Soundness Analysis

- ✓ The net increase in borrowings between 2021 and 2023 is approximately KRW 32 billion, while maintaining the net debt level at approximately KRW 7~7.5 trillion
- ✓ Net debt decreased to KRW 7.1 trillion as of June 30, 2024
- ✓ As a result of repayment of borrowings in 2023, debt-to-equity ratio decreased, current ratio increased, and net debt/EBITDA multiple decreased
- ✓ In order to maintain sustainable high profitability, financial soundness is continually monitored from various perspectives and managed at a stable level within the business strategy

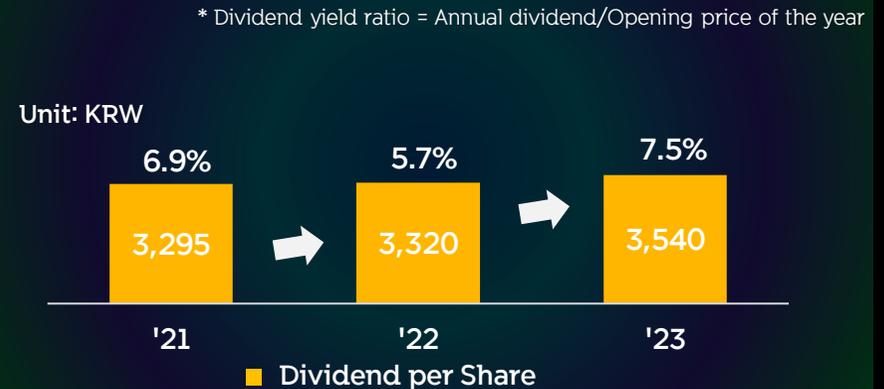
※ Net debt and repayment of borrowings exclude lease liabilities

# Current Status Analysis – Shareholder Return

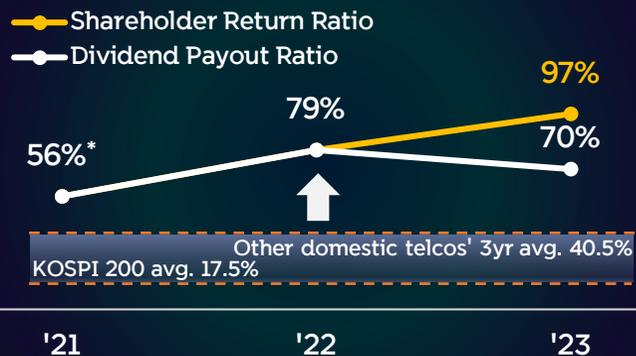
## Scale of Shareholder Return



## Dividend Per Share & Dividend Yield Ratio\*



## Shareholder Return Ratio & Dividend Payout Ratio



\* Excludes profit from discontinued operations relating to the Spin-off

## Shareholder Return Analysis

- ✓ Implemented shareholder return of over KRW 1 trillion including share buyback in 2023
- ✓ Continual efforts to increase total shareholder return and dividend per share
- ✓ Superior shareholder return payout ratio compared to those of the average of KOSPI 200 and other domestic telcos
- ✓ Growing importance in maintaining stable policies amid the trend of increasing shareholder return scale

# Targets

## Analysis Result

Profitability of the telecommunications business is stable, but stagnant

Importance of increasing efficiency of heavy asset in the industry

Need to establish a strategy to secure future new growth engines

Improving financial soundness through management of financial leverage

Maintaining a stable shareholder return scale and actively striving for enhancement

***"Strengthening the efficiency of stable telecommunications business and pursuing the optimal balance between future growth and shareholder return"***

## Targets

### | Capital Efficiency |

**ROE 10%+**

(2026)

### | Shareholder Return |

**Adjusted consolidated profit 50%+**

(FY2024 ~ 2026)

### | AI Vision 2030 |

**Total revenue KRW 30 trillion**  
**AI portion 35%**

(2030)

## Rationale

- ✓ Set ROE, which is a key index of capital efficiency from the investor's perspective, as target
- ✓ Aim to improve quality of ROE through securing new growth engines and enhancing asset productivity/financial soundness
- ✓ Maintain surpassing COE(7-9%) level and make efforts to expand the spread(ROE-COE)

- ✓ Strategic shareholder return amidst strengthening core competitiveness of telecommunications business and materialization of new business growth
- ✓ Share the performance of subsidiaries through shareholder return policy on a consolidated basis
- ✓ Set a symbolic bottom line of 50% based on analysis of past shareholder return ratio

- ✓ Overcome stagnation in the industry through business reform and discovering new growth engines
- ✓ Materialize "profit-generating AI (DC, B2B, B2C)"
- ✓ Set a vision for Global AI Company and present specific goals

# Planning

## | Capital Efficiency |

**ROE 10%+**

## | Shareholder Return |

**Adjusted consolidated profit 50%+**

## | AI Vision 2030 |

**Total revenue KRW 30 trillion  
AI portion 35%**

### Plan 1. Improve capital efficiency

- ✓ Strengthen the fundamental competitiveness of core businesses through operational improvement
- ✓ Focus on two portfolios: telecommunications and AI
- ✓ Improve productivity through paradigm shift

### Plan 3. Enhance financial soundness

- ✓ Pursue active repayment of borrowings between 2024 and 2026
- ✓ Review securitization of non-core/inefficient assets
- ✓ Promote robust and sustainable ROE enhancement based on debt-to-equity ratio reduction/asset turnover improvement

### Plan 2. AI-centered new growth engine

- ✓ Set AI VISION 2030
- ✓ Develop AI Pyramid strategy and monetization plan
- ✓ Expand cooperation in AI businesses and continue investments

### Plan 4. Stable shareholder return

- ✓ Actively reflect shareholders' demand to remove the upper limit on dividend payout
- ✓ Promote a stable, predictable, and sustainable shareholder return policy



# Planning - Capital Efficiency (Fundamental Competitiveness)

## ROE Breakdown

### Net Profit Margin



### Total Asset Turnover



### Financial Leverage (Asset/Equity)



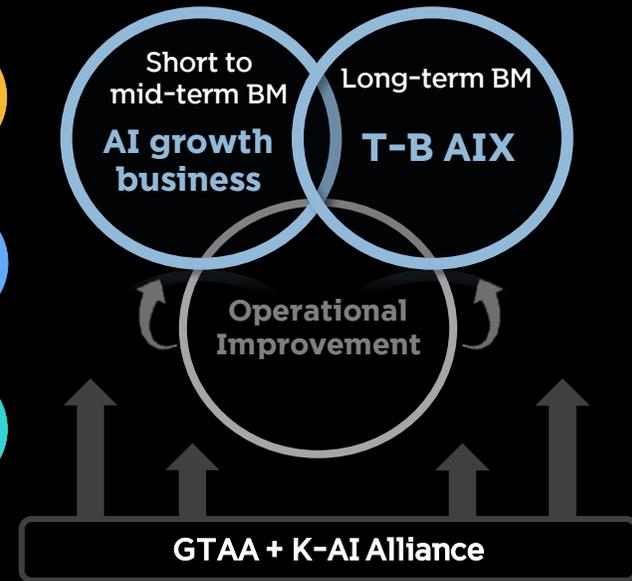
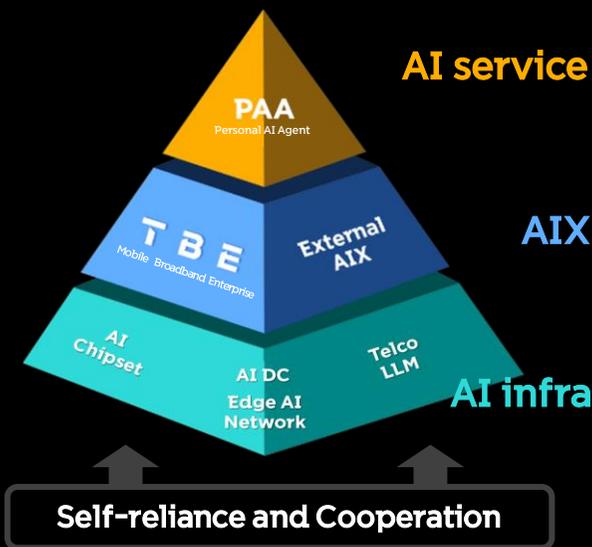
## O/I (Operational Improvement) Strategy for Enhancing Capital Efficiency

- ✓ Business reform of the telecommunications business through operational reinforcement and improvement
- ✓ Strengthen the synergy between the telecommunications business and the growth of new businesses
- ✓ Review the necessity of holding investment stakes and dispose non-core/low-efficiency assets
- ✓ Optimize operating costs for tangible and intangible assets and actively review securitization
- ✓ Reserve capacities and consider repayment of borrowings for future growth engines
- ✓ Implement a strategy to minimize operating cash outflow based on asset efficiency

**Pursue qualitative and quantitative improvement of ROE by enhancing fundamental competitiveness**

# Planning - New Growth Engines (AI Business System)

## Specification of AI Pyramid Strategy



### Formation of GTAA

#### Global Telco AI Alliance

- Secured 1.3 billion subscriber base in 50 countries\*
- Cooperate with 4 major global telcos
- Plan to continuously expand member companies
- Plan to co-develop and advance Telco LLM

### Strategic Investment

#### Secure AI technology/service capabilities

- Executed strategic equity investment in AI of KRW 500 billion\* on a cumulative basis
- Plan to continue investment in AI
- Strategic investment in progress at each Pyramid level

### K-AI Alliance

#### Collaboration with promising AI startups

- Secured 18 promising startup members\*
- Plan to continuously expand the Korean AI ecosystem
- Plan to expand customer gateways through AI business cooperation

\* Number of subscribers/investment amount/number of member companies as of June 30, 2024

# Planning – New Growth Engines (Profit-generating AI)

## AI Pyramid 1st level – AI infra

### AI DC

#### Demand continues to exceed supply\*

- ✓ 80% of DCs are leased out before construction is completed
- ✓ Lowest vacancy rate to date (2.8%)

\* CBRE report : North America Data Center Trends H1 2024

#### Need for a new type of DC with a completely different structure

- ✓ Strong AI computing power
- ✓ Require massive electricity and cooling solutions

#### Why SKT can excel in AI DC well



Know-how in operating 100MW capacity DC domestically



Possess nationwide base stations that can be utilized as AI infrastructure



Building AI DC solution through SK Group synergy & global anchor

## AI Pyramid 2nd level – AIX

### AI B2B

#### Market is leaping from cloud to AI stage

- ✓ B2B growth is expected due to the growing use of AI by domestic companies
- ✓ External solutions are continually expanding

#### Market Size of Generative AI for Global Enterprises |



#### SKT's AI B2B Market Growth Strategy

##### Self-reliance and Cooperation



##### Group Synergy (Enterprise AIX TF)



#### Discover grand use cases and lead to contracts



## AI Pyramid 3rd level – AI service

### AI B2C

#### Transforming business models

Platform Service

Advertising BM

AI Service

Subscription BM

AI infra cost requires revenue beyond advertising BM  
Opportunity factor for telcos with subscription BM

#### SKT's AI B2C Diversification Strategy

AI personal agent for everyday life

Subscription marketplace



Global Personal AI Agent (GPAA)  
Beta service planned for the end of 2024

# Planning – Financial Soundness

## | Debt-to-Equity Ratio Reduction |

- ✓ Plan to actively repay borrowing until 2026
- ✓ Reserve capacities for future growth under O/I strategy
- ✓ Plan to gradually reduce debt-to-equity ratio by 2026 (134% as of June 30, 2024)



## | Net debt/EBITDA Reduction |

- ✓ Net debt reduction plan through active repayment of borrowings
- ✓ Net debt/EBITDA to be gradually reduced by 2026 (1.28x as of June 30, 2024)



※ Net debt is based on the exclusion of lease liabilities

## | Expected Results |

Reduced interest burden and improved financial structure

Reserve capacity for long-term growth investment

Improved return on capital/asset efficiency

**Business reform to a Global AI Company**

# Planning – Shareholder Return

## New Shareholder Return Policy (FY2024 ~ 2026)

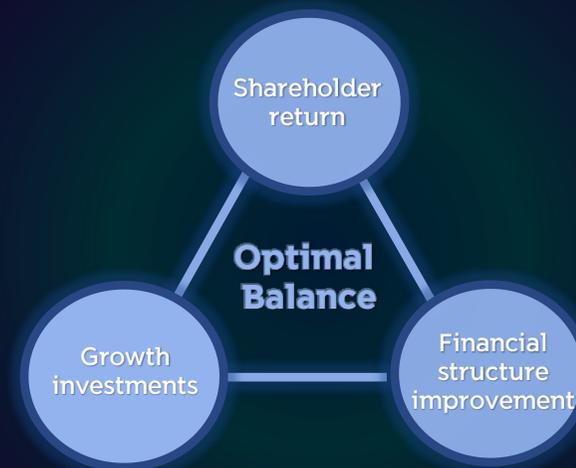
"At least 50% of the adjusted profit on a consolidated basis for shareholder return"

- ✓ Reflects performance of subsidiaries and growth investments on a consolidated basis
- ✓ Excludes consolidated one-off, non-recurring profit and loss
- ✓ Removes the upper limit on shareholder return
- ✓ Includes cash dividends and share buyback and cancellation
- ✓ Continue quarterly dividends



## Capital Allocation Strategy

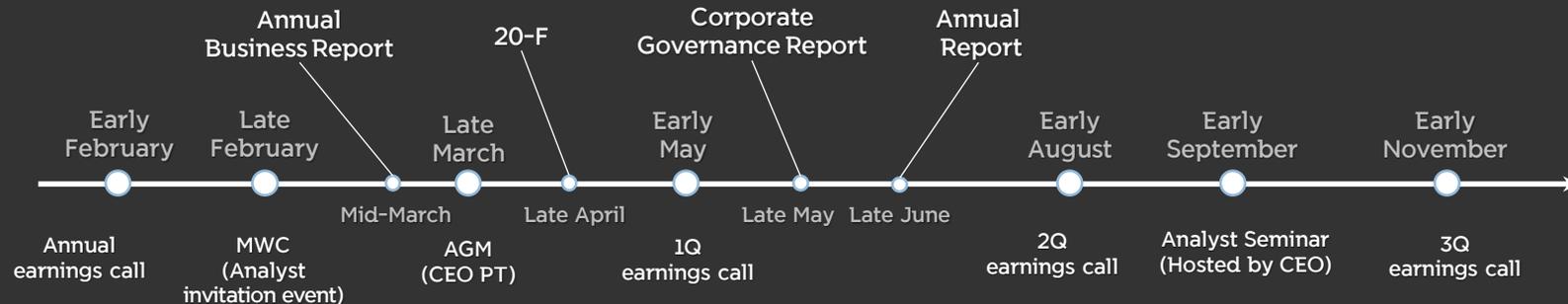
"Utilize additional FCF generated through performance improvement and O/I in a balanced manner for shareholder return, growth investments, and financial structure improvement"



- ① Operation of a stable and sustainable shareholder return policy
- ② Focus growth investment on synergy creation areas centered on AI
- ③ Improvement of financial structure soundness through disposal of non-core/unoperated assets

# IR Activities

## | Key Annual IR Schedule |



## | Continuous IR Activities |

### Diversification of communication channels/methods

- ✓ CEO presentation in AGM
- ✓ Publication of annual report and corporate governance report
- ✓ Regular/periodical/Fair Trade Commission disclosure
- ✓ Periodic growth seminars

### Institutional/Foreign Investors

- ✓ Domestic and global NDR after quarterly earnings call
- ✓ Regularly conduct IR activities for analysts
- ✓ Expand coverage by domestic and international securities firms
- ✓ Disclosure filings in English for overseas investors (Forms 20-F, 6-K, etc.)

### Individual Investors

- ✓ Active response to investor inquiries
- ✓ YouTube IR Talk service
- ✓ Online live broadcast of AGM
- ✓ Operation of dividend inquiry system

# ESG

## Direction

Pursue expanded social impact and sustainable growth through AI-driven ESG management optimized for AI Company

## Key Activities

### Environmental

#### Realize a Sustainable Future

- ✓ Implement strategies to achieve Net Zero  
(Reducing greenhouse gas emissions, raising RE100 compliance rate, discovering overseas reduction projects)
- ✓ Eco-friendly Platform (Happy Habit)
- ✓ Strengthen infrastructure and operating system for circular economy

#### [Environmental Management Initiatives]

- Preemptive response to climate change
- Advancement of environmental management system
- Creation of eco-friendly green culture

2050  
Net Zero

### Social

#### Create Social Value\*

- ✓ Solve social problems based on AI through barrier-free AI, AI care, etc.
- ✓ Strengthen personal data protection, mutual growth, human rights management, safety and health, etc.

#### [Social Value of Products/Services]



\* 2024 SKT Sustainability Report

### Governance

#### Strengthen Governance Structure

- ✓ Advance board-centric management activities
- ✓ Compliance rate of core governance indicators: 86.7%\*  
(Avg. is 63% for companies with assets of 2 trillion KRW or more, and 83% for other domestic telcos)

#### [AI Governance]

- ✓ Established basic AI principles, 'T.H.E. AI' and decision-making process
- ✓ Acquisition of ISO/IEC 42001 certification



\* Based on 2023 Corporate Governance Report

## Market Recognition



Included in DJSI World Index for 15 years



MSCI ESG Evaluation AA Rating



CDP A rating (top 1.5% globally)



A-grade in the KCGS assessment



Ranked 15th in WBA's 200 global advanced ICT companies



Presidential Commendation for Sustainable Management

# Glossary

<b>Term</b>	<b>Definition</b>
<b>5G</b>	5th Generation
<b>AGM</b>	Annual General Meeting of Shareholders
<b>AICC</b>	AI Contact Center
<b>AIX</b>	AI Transformation
<b>avg</b>	Average
<b>B2B</b>	Business-to-Business
<b>B2C</b>	Business-to-Consumer
<b>CDMA</b>	Code Division Multiple Access
<b>COE</b>	Cost of Equity
<b>DC</b>	Data Center
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortization
<b>EV</b>	Enterprise Value
<b>FCF</b>	Free Cash Flow
<b>GPAA</b>	Global Personal AI Agent
<b>IEC</b>	International Electrotechnical Commission

<b>Term</b>	<b>Definition</b>
<b>ISO</b>	International Organization for Standardization
<b>LLM</b>	Large Language Model
<b>LTE-A</b>	Long Term Evolution-Advanced
<b>M/S</b>	Market Share
<b>MVNO</b>	Mobile Virtual Network Operator
<b>MWC</b>	Mobile World Congress
<b>O/I</b>	Operational Improvement
<b>PBR</b>	Price-to-Book Ratio
<b>PER</b>	Price-to-Earnings Ratio
<b>PSR</b>	Price-to-Sales Ratio
<b>RE100</b>	Renewable Electricity 100%
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>ROIC</b>	Return on Invested Capital
<b>WACC</b>	Weighted Average Cost of Capital

