

What affects the fundamentals for the telecoms sector

Demand drivers

-  ■ Service offering and revenue share
- Subscriber mix by user type (retail vs. corporate) and by type of billing (prepay vs. subscription)
- Extent of newer services enabled by digitalisation: unified messaging, collaboration, content, enterprise services
- Degree of elasticity of demand for telecom services
- Harvesting and monetisation of user and usage data
-  ■ Subscriber mix of voice and data; data usage and growth vs mobile
-  ■ Share of mobile in total data consumption and trends

Market position

-  ■ Ease of entry and barriers to new entrants
- Market concentration and potential for consolidation
- Number of pure play fixed-line providers in key markets
- Interconnection usage charges (IUC) and regulatory stance
-  ■ Existence of unified telecom services licensing regime
- Extent of competition from wireless telecoms
-  ■ Number of licensees in key markets and relative market share
- Extent of threat from over-the-top (OTT) services and strategy to manage this

Structural influencers

-  ■ Urbanisation levels and purchasing power
- Use of technology and analytics to optimise network quality, improve customer experience, operations, distribution, marketing and collections
- Virtualisation of network hardware and implications to capex requirements
-  ■ Strategy to benefit from convergence and to bundle content and services
-  ■ Availability and affordability of smart devices
- Roadmap for technology and network upgrades
- Strategy to grow corporate/enterprise segment

Performance metrics

-  ■ Subscriber net additions and churn rates
- Average Revenues Per User (ARPU) – evolution and price sensitivity
- Performance on quality of service norms
- Capex, capital efficiency, free cash flow, leverage and margins
-  ■ Cost structure vs. wireless telecoms

Legend:

-  Common to the Sector
-  Fixed-line Telecoms
-  Wireless Telecoms

Aspects Unique to Telecoms:

Technology both a threat and an opportunity

Non-discretionary but elastic demand

Digitalisation, enterprise services and convergence key long-term drivers

Highly competitive and tightly regulated in most markets

Key Risks:
Technology obsolescence, threat from over-the-top (OTT) services