

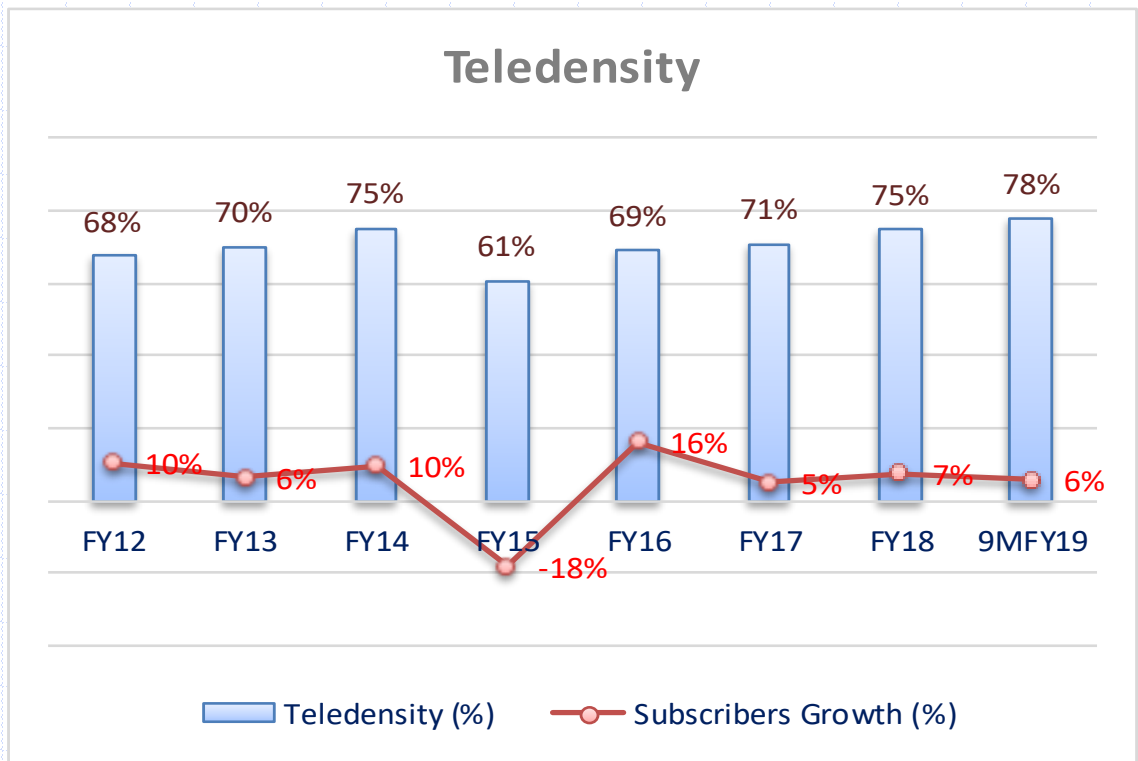
# Mobile Telecom

## Sector Overview



May 2019

# Teledensity | Pakistan



| Year   | Population (mln) | Mobile Subscribers* (mln) |
|--------|------------------|---------------------------|
| FY12   | 178              | 120                       |
| FY13   | 182              | 128                       |
| FY14   | 186              | 140                       |
| FY15   | 189              | 115                       |
| FY16   | 193              | 133                       |
| FY17   | 197              | 140                       |
| FY18   | 201              | 150                       |
| 9MFY19 | 204              | 159                       |

- Cellular Teledensity represents the percentage of mobile sim subscribers within the population. A major dip was witnessed in FY15 following compulsion of biometric verification on the purchase of new sims and blockage of unverified sims. Thereafter, teledensity levels have continued to grow at a steady pace.
- In Pakistan, approx. ~60% - 65% of the total population constitutes individuals in the age bracket of 15-64 years, perceived to be mobile sim subscribers. Growth trend in this age bracket aligns with the total population growth rate.
- Share of smartphone penetration in the total registered mobile phones is increasing. As of CY18, ~34% of the total mobile phones registered comprised smartphones. The share is expected to grow, going forward.

\*Mobile subscribers (assumption) – 1 connection per person

# Market share | Subscribers

|                    |               | Cellular Sims (Number of Active SIMs) |            |            |            |            |            |                    |
|--------------------|---------------|---------------------------------------|------------|------------|------------|------------|------------|--------------------|
|                    |               | Period                                | Jazz       | Telenor    | Zong       | Ufone      | Warid      | Total              |
| <b>Subscribers</b> | <b>FY13</b>   |                                       | 37,121,871 | 32,183,920 | 21,177,156 | 24,547,986 | 12,706,353 | <b>127,737,286</b> |
| <i>Share</i>       |               |                                       | <b>29%</b> | <b>25%</b> | <b>17%</b> | <b>19%</b> | <b>10%</b> | <b>100%</b>        |
| <b>Subscribers</b> | <b>FY14</b>   |                                       | 38,768,346 | 36,571,820 | 27,197,048 | 24,352,717 | 13,084,823 | <b>139,974,754</b> |
| <i>Share</i>       |               |                                       | <b>28%</b> | <b>26%</b> | <b>19%</b> | <b>17%</b> | <b>9%</b>  | <b>100%</b>        |
| <b>Subscribers</b> | <b>FY15</b>   |                                       | 33,424,268 | 31,491,263 | 22,102,968 | 17,809,315 | 9,830,620  | <b>114,658,434</b> |
| <i>Share</i>       |               |                                       | <b>29%</b> | <b>27%</b> | <b>19%</b> | <b>16%</b> | <b>9%</b>  | <b>100%</b>        |
| <b>Subscribers</b> | <b>FY16</b>   |                                       | 39,118,521 | 38,020,771 | 25,251,329 | 19,833,670 | 11,017,174 | <b>133,241,465</b> |
| <i>Share</i>       |               |                                       | <b>29%</b> | <b>29%</b> | <b>19%</b> | <b>15%</b> | <b>8%</b>  | <b>100%</b>        |
| <b>Subscribers</b> | <b>FY17</b>   |                                       | 52,470,638 | 40,804,820 | 28,084,677 | 18,397,981 | -          | <b>139,758,116</b> |
| <i>Share</i>       |               |                                       | <b>38%</b> | <b>29%</b> | <b>20%</b> | <b>13%</b> |            | <b>100%</b>        |
| <b>Subscribers</b> | <b>FY18</b>   |                                       | 55,469,118 | 43,564,216 | 30,890,633 | 20,314,686 | -          | <b>150,238,653</b> |
| <i>Share</i>       |               |                                       | <b>37%</b> | <b>28%</b> | <b>21%</b> | <b>14%</b> | -          | <b>100%</b>        |
| <b>Subscribers</b> | <b>Mar-19</b> |                                       | 58,337,881 | 44,556,390 | 33,822,495 | 22,307,491 | -          | <b>159,024,257</b> |
| <i>Share</i>       |               |                                       | <b>37%</b> | <b>28%</b> | <b>21%</b> | <b>14%</b> | -          | <b>100%</b>        |

➤ Jazz continues to lead the market. During FY16, Telenor caught up with Jazz, however, with the merger of Warid in FY17, Jazz extended the lead.

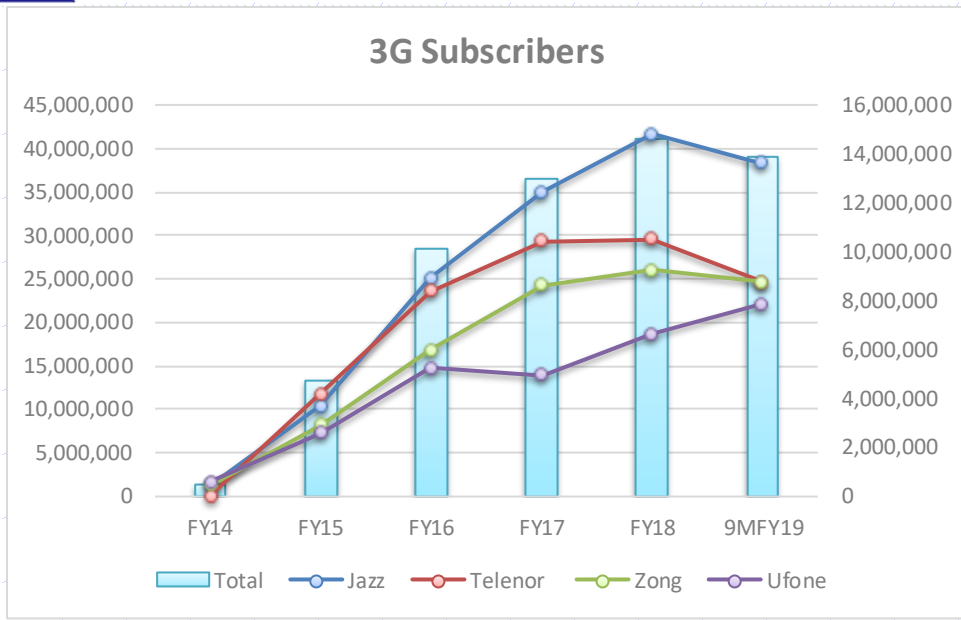
➤ Market shares of each telco have remained largely stable since FY17.

# Market share | 3G & 4G Subscribers

| 3G & 4G Subscribers                |            |                  |                   |                   |                   |                   |                   |                                |
|------------------------------------|------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------|
| Operator                           | Technology | FY14             | FY15              | FY16              | FY17              | FY18              | Mar-19*           | Share in 3G and 4G Subscribers |
| <b>Jazz</b>                        | 3G         | 425,992          | 3,656,345         | 8,919,218         | 12,443,340        | 14,830,050        | 13,622,060        | 21%                            |
|                                    | 4G         | -                | -                 | -                 | 937,209           | 4,376,394         | 8,774,974         | 13%                            |
|                                    |            | <b>31%</b>       | <b>27%</b>        | <b>30%</b>        | <b>32%</b>        | <b>34%</b>        | <b>34%</b>        |                                |
| <b>Telenor</b>                     | 3G         | 898              | 4,162,616         | 8,371,991         | 10,453,885        | 10,511,774        | 8,764,081         | 13%                            |
|                                    | 4G         | -                | -                 | -                 | 607,013           | 3,115,119         | 5,905,630         | 9%                             |
|                                    |            | <b>0%</b>        | <b>31%</b>        | <b>28%</b>        | <b>26%</b>        | <b>24%</b>        | <b>22%</b>        |                                |
| <b>Zong</b>                        | 3G         | 417,814          | 2,898,094         | 5,988,197         | 8,640,333         | 9,267,411         | 8,764,734         | 13%                            |
|                                    | 4G         | -                | 105,128           | 680,620           | 4,041,766         | 7,353,105         | 11,600,514        | 18%                            |
|                                    |            | <b>30%</b>       | <b>22%</b>        | <b>23%</b>        | <b>30%</b>        | <b>30%</b>        | <b>31%</b>        |                                |
| <b>Ufone</b>                       | 3G         | 539,376          | 2,570,283         | 5,223,096         | 4,960,486         | 6,630,766         | 7,846,710         | 12%                            |
|                                    | 4G         | -                | -                 | -                 | -                 | -                 | 859,105           | 1%                             |
|                                    |            | <b>39%</b>       | <b>19%</b>        | <b>18%</b>        | <b>12%</b>        | <b>12%</b>        | <b>13%</b>        |                                |
| <b>Warid</b>                       | LTE        | -                | 106,211           | 347,132           | -                 | -                 | -                 | 0%                             |
|                                    |            | <b>0%</b>        | <b>1%</b>         | <b>1%</b>         | <b>0%</b>         | <b>0%</b>         | <b>0%</b>         |                                |
| <b>Total 3G and 4G Subscribers</b> |            | <b>1,384,080</b> | <b>13,498,677</b> | <b>29,530,254</b> | <b>42,084,032</b> | <b>56,084,619</b> | <b>66,137,808</b> | <b>100%</b>                    |

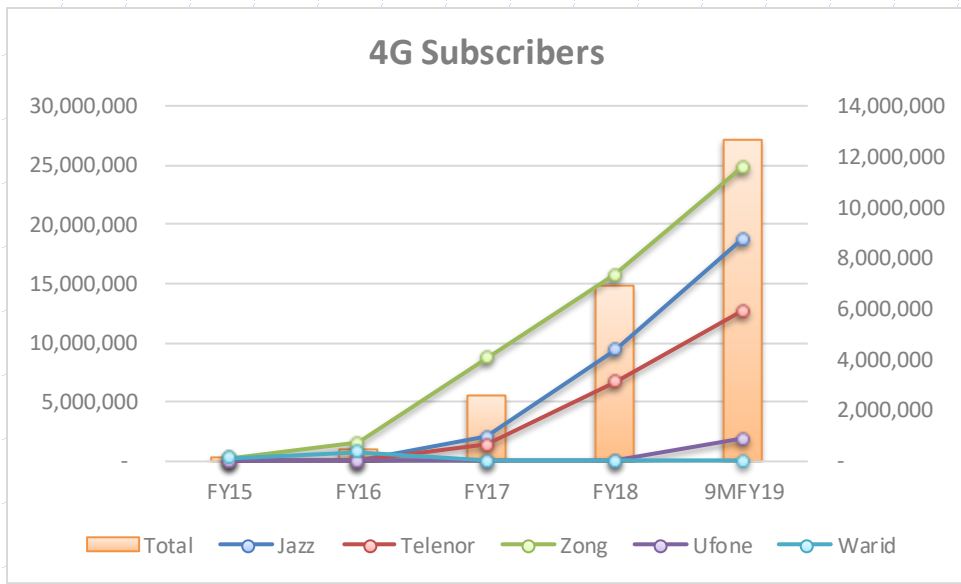
- On an overall basis, Jazz takes the lead in the combined share of 3G and 4G Subscribers. Zong takes the 2<sup>nd</sup> place with the highest number of subscribers in the 4G network.

# Market share | 3G & 4G Subscribers



➤ Out of the total ~159mln cellular subscribers, ~42% of the subscribers use the 3G and 4G services as of March-19, of which ~25% are 3G users and ~17% are 4G users.

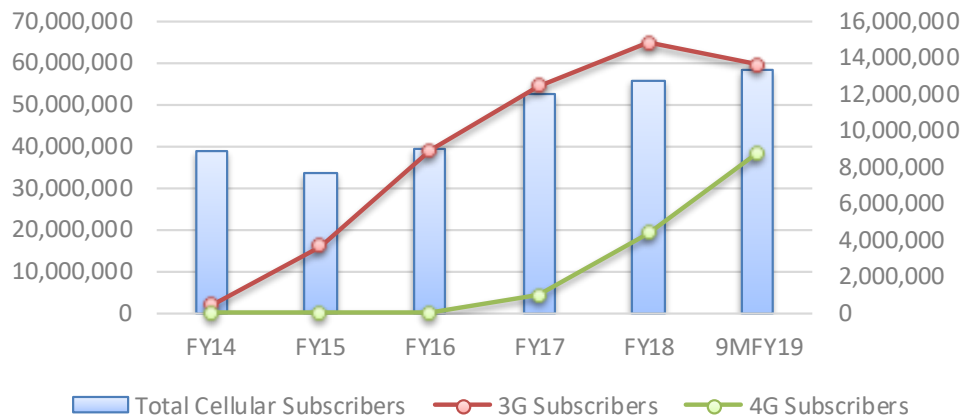
➤ Mix of 4G subscribers is increasing gradually over the years.



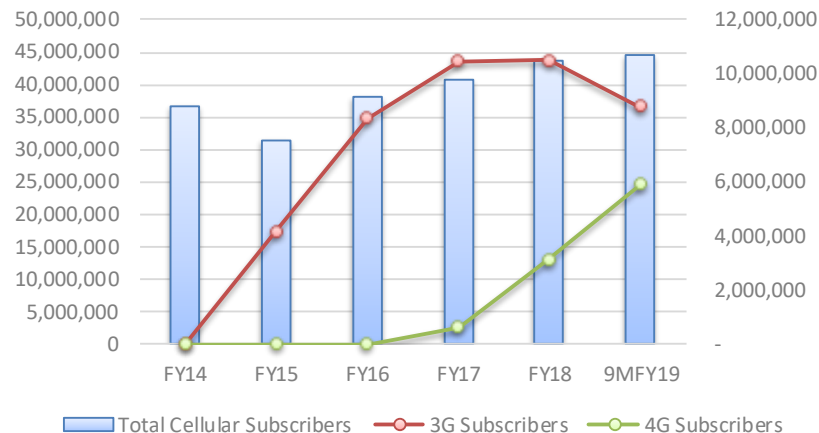
➤ In Jazz and Telenor, 4G services started in Jan-17, whereas Zong and Warid (now merged into Jazz since start of 2017) were the first to offer 4G in 2015.

# Telecom Players | Subscribers

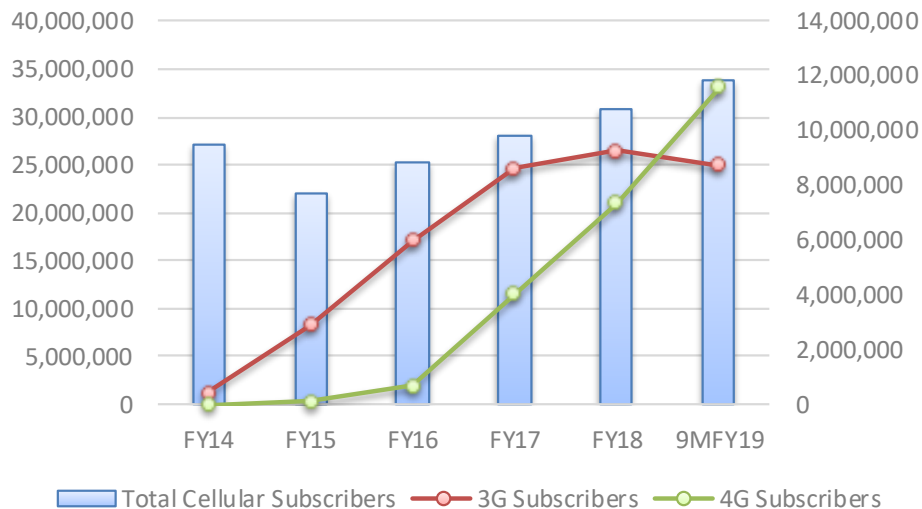
## Jazz



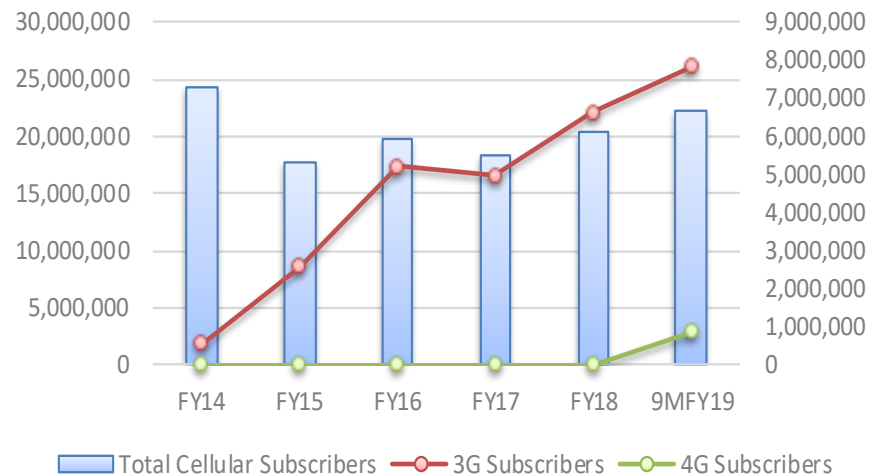
## Telenor



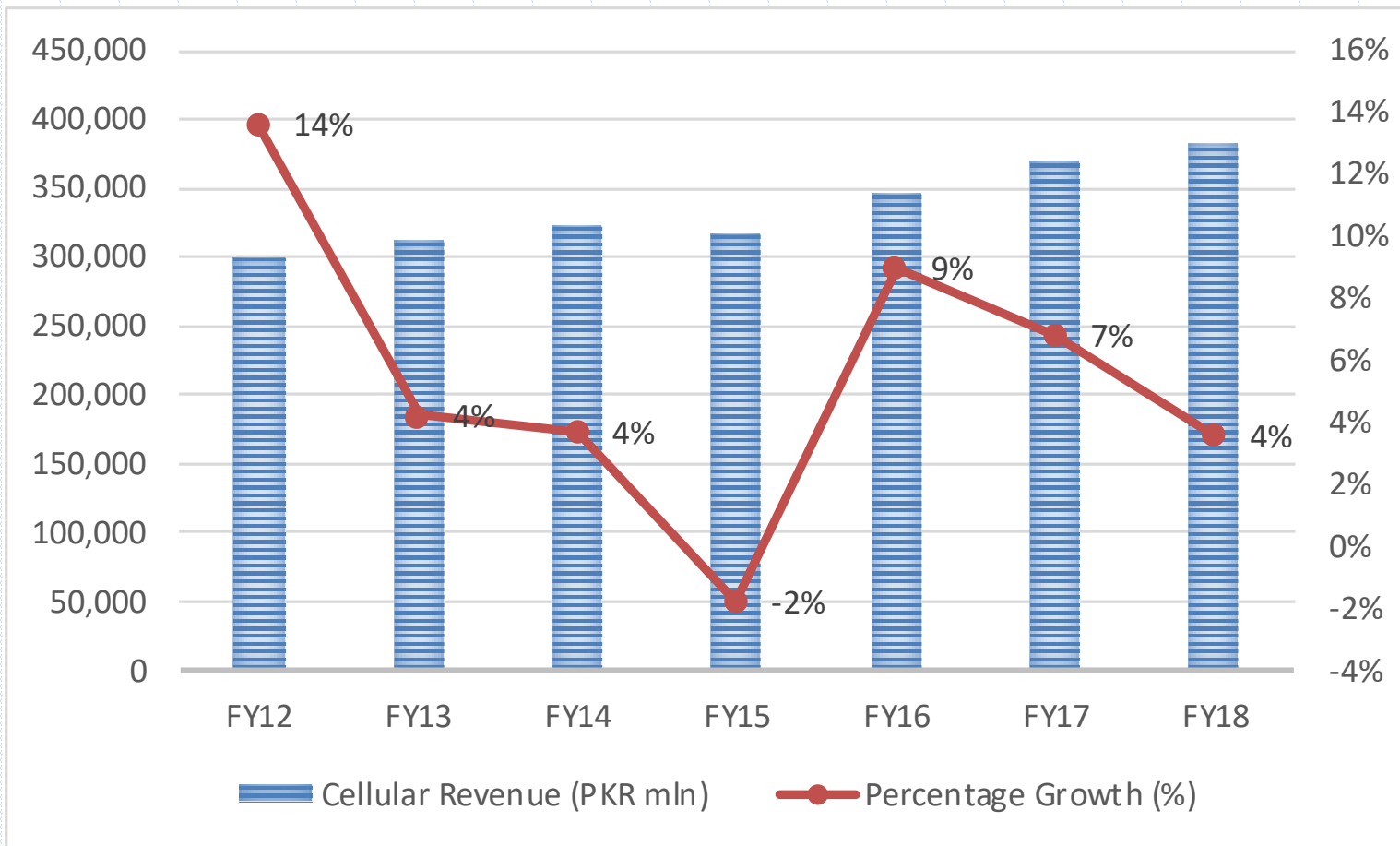
## Zong



## Ufone

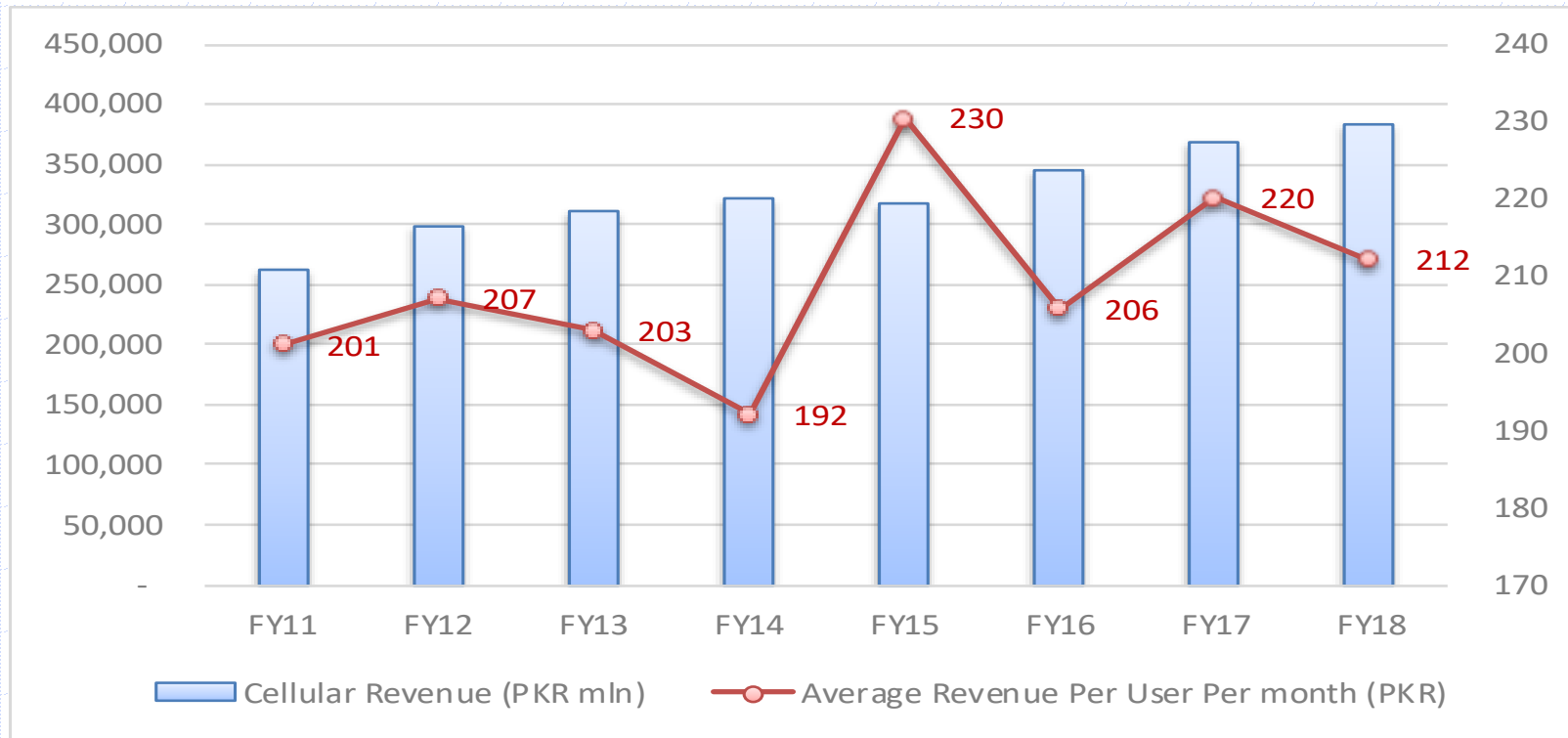


# Revenues



- Telecom Industry revenue is experiencing a slow down in growth rate since the last 3 years (FY18: ~4%, FY17:~7% and FY16:~9%). Herein, portion from data usage in total revenue is growing at a faster rate.
- OTT apps on the use of broadband services pose a challenge to telecom revenues coming from voice and value added services.

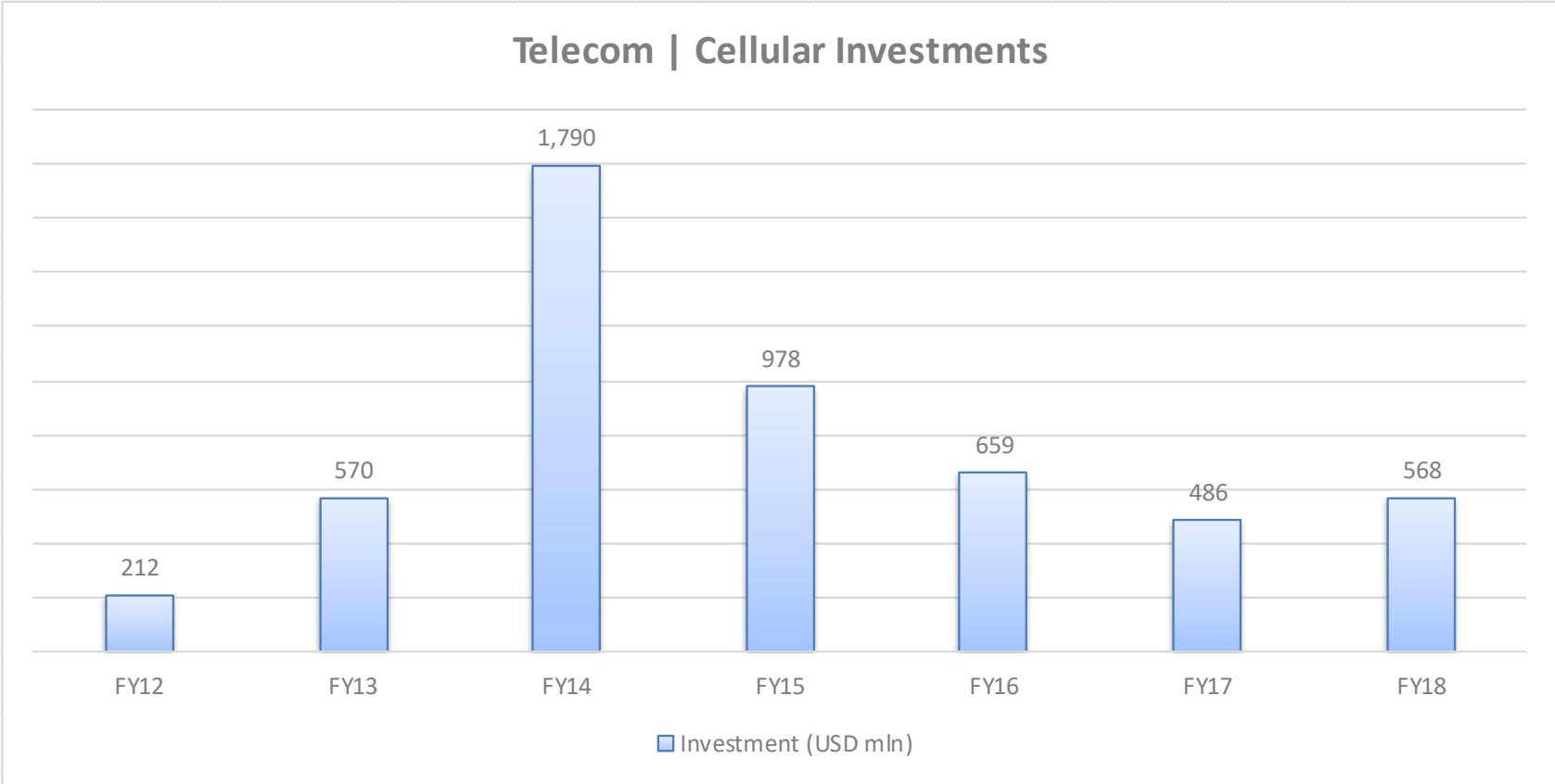
# Pakistan | Average Revenue Per User



➤ Since FY15, ARPU mix has tilted towards data revenue on the back of roll out of high speed data services and increase in smartphone penetration in the country.



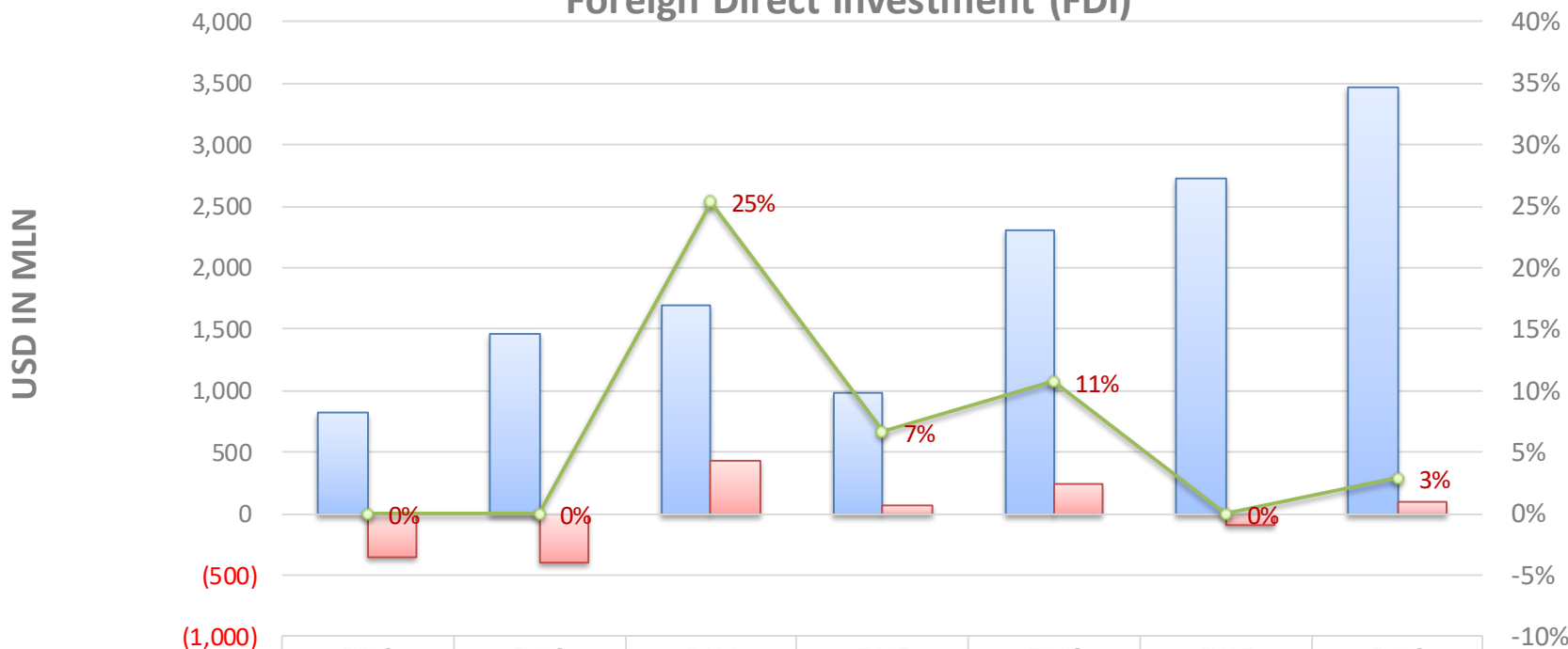
# Cellular Investment



- Cellular investments refer to the ongoing capital expenditures incurred by the cellular service companies to grow their business.
- Out of the total telecom investments including broadband services, cellular investments dominate the sector (~85% in FY18).
- Hefty CAPEX was incurred during FY14 by Zong and Warid for establishment of their 4G network technology in the country.

# Telecom | FDI

## Foreign Direct Investment (FDI)



|                               | FY12  | FY13  | FY14  | FY15  | FY16  | FY17  | FY18  |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Total FDI                     | 821   | 1,457 | 1,699 | 987.9 | 2,305 | 2,731 | 3,471 |
| Telecom FDI/(FD Outflow)      | (361) | (404) | 430   | 65.7  | 247   | (91)  | 100   |
| Telecm FDI share in Total FDI | 0%    | 0%    | 25%   | 7%    | 11%   | 0%    | 3%    |

- Net Foreign Direct outflow from telecom sector recorded at USD-157mln for the nine months July'18 - March'19.
- Dividend repatriation to the sponsors remains a key friction with the central bank as foreign exchange reserves decline.

# Sector | Outlook

- + Increased smartphone penetration is likely to yield benefits for the industry in terms of higher data revenue.
- + Increased penetration in 4G subscribers is diluting fierce threat from broadband operators benefitting from OTT apps.
- + Mobile Financial Services offered by telcos in collaboration with sister concerns (MFBs) is unlocking synergistic benefits
- Revival of tax on mobile top ups and services (April 2019) is expected to create pressure on Industry revenues.
- Price competition amongst industry players is expected to exert pressure on average revenue per user (ARPUs).
- Dividend repatriation by telecom operators is a challenge for the industry.

# Bibliography

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2. PTA Annual Reports : [http://www.pta.gov.pk/index.php?option=com\\_content&view=article&id=361&Itemid=590](http://www.pta.gov.pk/index.php?option=com_content&view=article&id=361&Itemid=590)
3. PACRA Database
4. Statista: Smartphone penetration rates.

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