

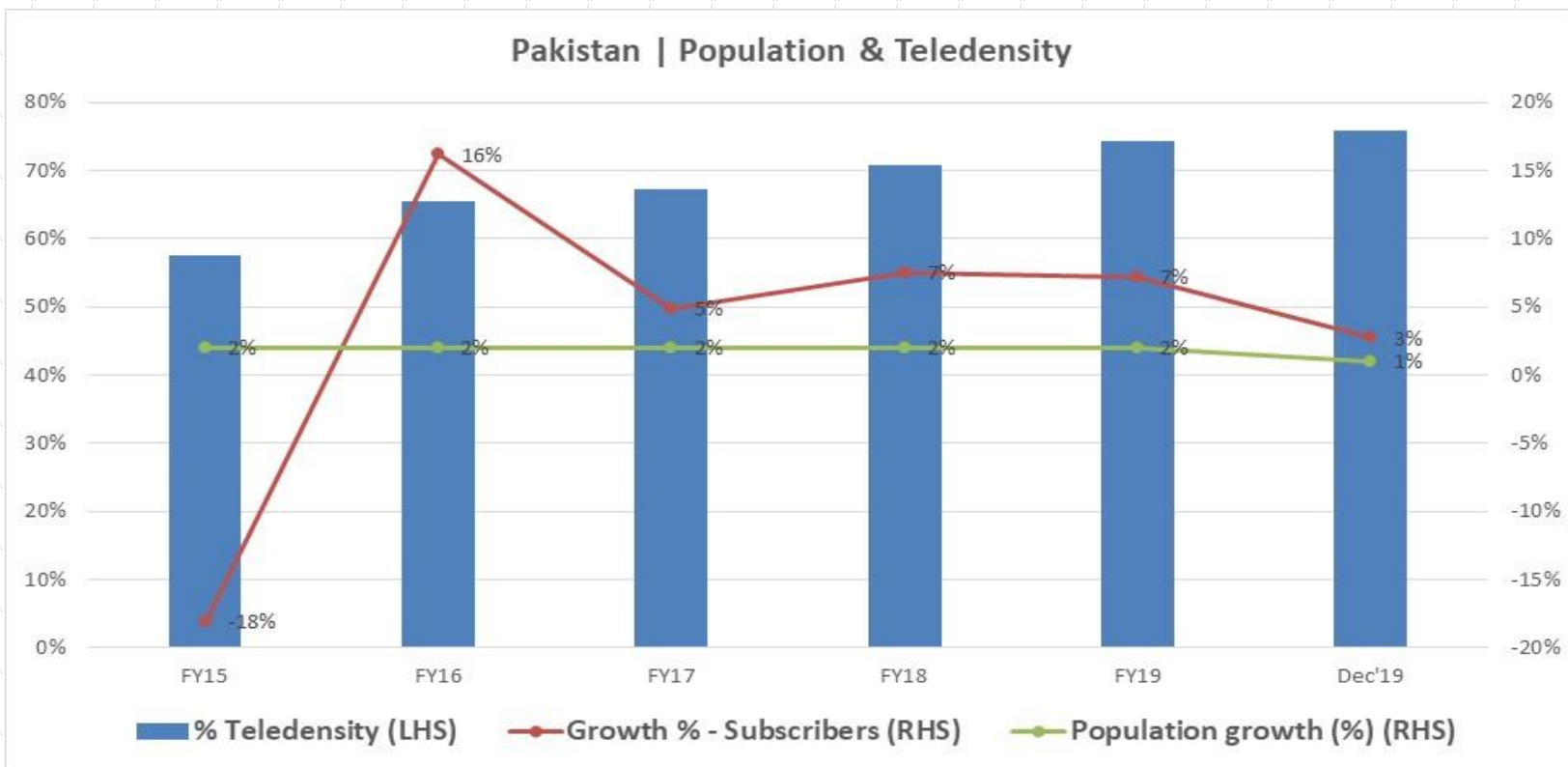
Communication

Sector Overview



May 2020

Teledensity | Pakistan



➤ Cellular Teledensity represents the percentage of mobile sim subscribers within the population. FY15 witnessed a drop in teledensity growth rate following compulsion of biometric verification on the purchase of new sims and blockage of unverified sims.

Population & Teledensity Correlation:

- On an overall basis, the teledensity growth rate outpaces average population growth trend on YoY basis.
- 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.

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

Market share | Subscribers

		Cellular Subscribers (Number of Active SIMs)					
Period		Jazz	Telenor	Zong	Ufone	Warid	Total
Subscribers	FY14	38,768,346	36,571,820	27,197,048	24,352,717	13,084,823	139,974,754
<i>Share</i>		28%	26%	19%	17%	9%	100%
Subscribers	FY15	33,424,268	31,491,263	22,102,968	17,809,315	9,830,620	114,658,434
<i>Share</i>		29%	27%	19%	16%	9%	100%
Subscribers	FY16	39,118,521	38,020,771	25,251,329	19,833,670	11,017,174	133,241,465
<i>Share</i>		29%	29%	19%	15%	8%	100%
Subscribers	FY17	52,470,638	40,804,820	28,084,677	18,397,981	-	139,758,116
<i>Share</i>		38%	29%	20%	13%	-	100%
Subscribers	FY18	55,469,118	43,564,216	30,890,633	20,314,686	-	150,238,653
<i>Share</i>		37%	28%	21%	14%	-	100%
Subscribers	FY19	59,470,721	44,221,147	34,713,311	22,616,449	-	161,021,628
<i>Share</i>		37%	27%	22%	14%	-	100%
Subscribers	Dec'19	60,499,544	45,701,696	35,788,387	23,416,220	-	165,405,847
<i>Share</i>		37%	28%	22%	14%	-	100%

- 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 share of each telecom operator has remained largely stable since FY17.

Market share | 3G & 4G Subscribers

3G & 4G Subscribers									
Operator	Technology	FY14	FY15	FY16	FY17	FY18	FY19	Dec'19	Share in 3G and 4G Subscribers
Jazz	3G	425,992	3,656,345	8,919,218	12,443,340	14,830,050	13,105,991	11,845,975	16%
	4G	-	-	-	937,209	4,376,394	11,116,722	15,513,004	20%
		31%	27%	30%	32%	34%	35%	36%	
Telenor	3G	898	4,162,616	8,371,991	10,453,885	10,511,774	8,174,090	7,879,424	10%
	4G	-	-	-	607,013	3,115,119	6,461,948	8,868,084	12%
		0%	31%	28%	26%	24%	21%	22%	
Zong	3G	417,814	2,898,094	5,988,197	8,640,333	9,267,411	8,513,297	7,471,793	10%
	4G	-	105,128	680,620	4,041,766	7,353,105	12,658,298	15,146,093	20%
		30%	22%	23%	30%	30%	31%	30%	
Ufone	3G	539,376	2,570,283	5,223,096	4,960,486	6,630,766	7,015,450	6,311,344	8%
	4G	-	-	-	-	-	1,886,342	2,935,930	4%
		39%	19%	18%	12%	12%	13%	12%	
Warid	LTE	-	106,211	347,132	-	-	-	-	0%
		0%	1%	1%	0%	0%	0%	0%	
Total 3G and 4G Subscribers		1,384,080	13,498,677	29,530,254	42,084,032	56,084,619	68,932,138	75,971,647	100%

*4G Started in Jan'17

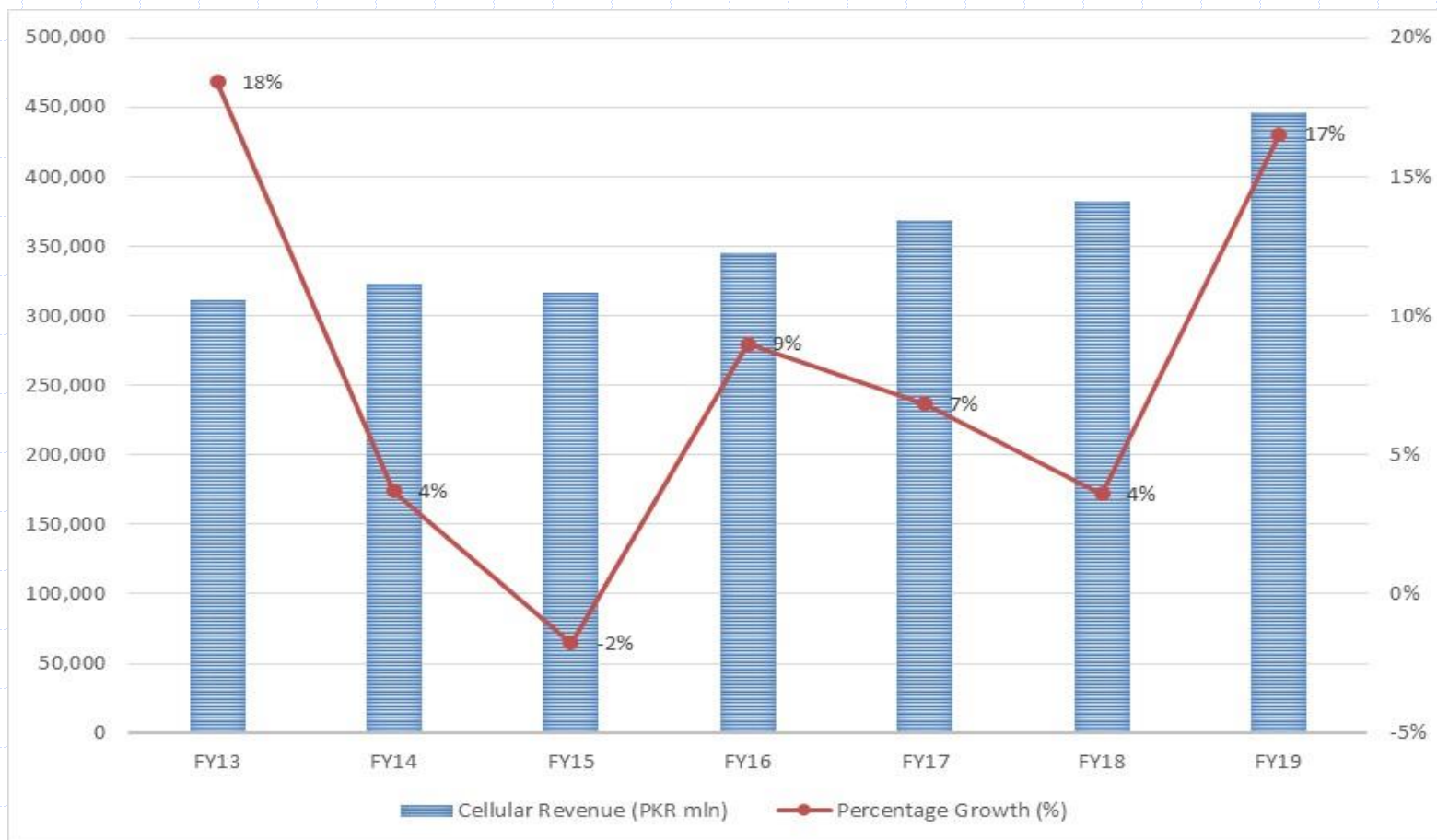
3G and 4G-CMPak numbers for the month of December 2019 are provisional based on last 6 month average growth

- On an overall basis, Jazz takes the lead in the combined share of 3G and 4G Subscribers (~36%). Zong takes the 2nd place with almost an equal number of subscribers in the 4G network as Jazz.

Market share | 3G & 4G Subscribers | Cont.

- Out of the total ~165mln cellular subscribers, a market of ~46% has been subscribed by 3G and 4G users.
- On an overall basis, the market mix is now shifting towards 4G service since it provides advanced internet speed and services.
- As of Dec'19, out of total ~76mln 3G and 4G subscribers, ~34mln connections belonged to the 3G genre, while 42mln pertained to 4G service. Increase in 4G customers is expected to grow at an even faster pace, going forward.
- 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.
- Ufone started their 4G services in 2018.

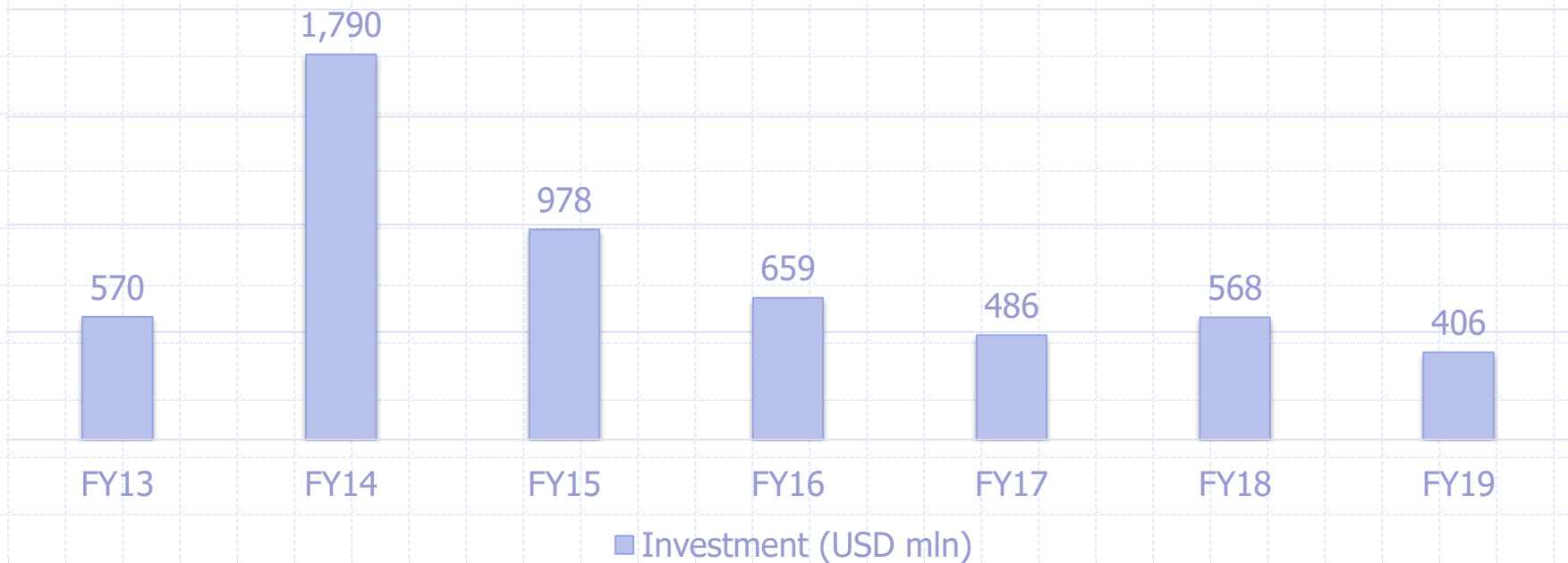
Telecom | Cellular Revenues



➤ During FY19, the suspension of WHT and Service Charges through Supreme Court Order (June'2018) resulted in a growth of Telecom Sector Revenue which had been on a declining trend since the past 3 years (FY18: ~4%, FY17:~7% and FY16:~9%). The same taxes were later restored in June, 2019.

Cellular Investment

Telecom | Cellular Investments



- Cellular investments refer to the recurring 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 (~64% in FY19).
- 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)



	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total FDI	1,457	1,699	987.9	2,305	2,731	3,471	1,207
Telecom FDI/(FD Outflow)	(404)	430	65.7	247	(91)	100	(78)
Telecom FDI share in Total FDI	0%	0%	7%	11%	-3%	0%	-6%

- Net Foreign Direct outflow from telecom sector recorded at USD-77mln for FY19.
- Dividend repatriation to the sponsors remains a key friction with the central bank when foreign exchange reserves decline.

Sector | Key Takeaways

+ 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 telecom operators in collaboration with sister concerns (MFBs) is unlocking synergistic benefits.

+ Integrated tower business network expected to be developed in the near future in the country.

+ Covid-19 lockdown situation has increased the use of Mobile data and Internet Services, benefitting the telecom operators.

- Revival of WHT and Service Charges on mobile top ups and services (June 2019) has taken its share of the sector revenue.

- Price competition amongst industry players is expected to exert pressure on average revenue per user (ARPU).

- Dividend repatriation by telecom operators is a challenge for the industry when there is opposition from the Regulators.

- Timeline for 5G service arrival in Pakistan is delayed on the backdrop of current Covid-19 global crisis.

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