

The Global Telco Scorecard, Q2 2022

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Key highlights

- Q2 2022, was a mixed bag for telcos around the world. Telcos in India experienced spectacular growth in both revenues and EBITDA. Telcos in China continued their strong growth, while the telcos in US had a tough quarter with declining revenues.
- 8 of the 13 telcos studied in this report, recorded an increase in ARPU. While the adoption of 5G has stabilised the ARPU for Chinese telecoms, the tariff increase has raised the ARPU in India.
- 5G fuels telcos' median CAPEX investment reaching 16 percent, marking a significant increase compared to 2019.
- Overall data usage has increased by 31 percent, while mobile subscribers' data usage increased by 20 percent as compared to Q2 2021.
- AT&T dominated the CAPEX investment despite the revenue decline while Bharti Airtel reduced its CAPEX spending to be an active participant in the 2022 spectrum auction.
- Indian telcos partnered with key industry players to deploy 5G network infrastructure as they announced the commercial availability of 5G.
- Telcos are maximising their non-connectivity revenue in addition to service revenue.
- Vodafone and Oracle partnered to transform its European's IT infrastructure.

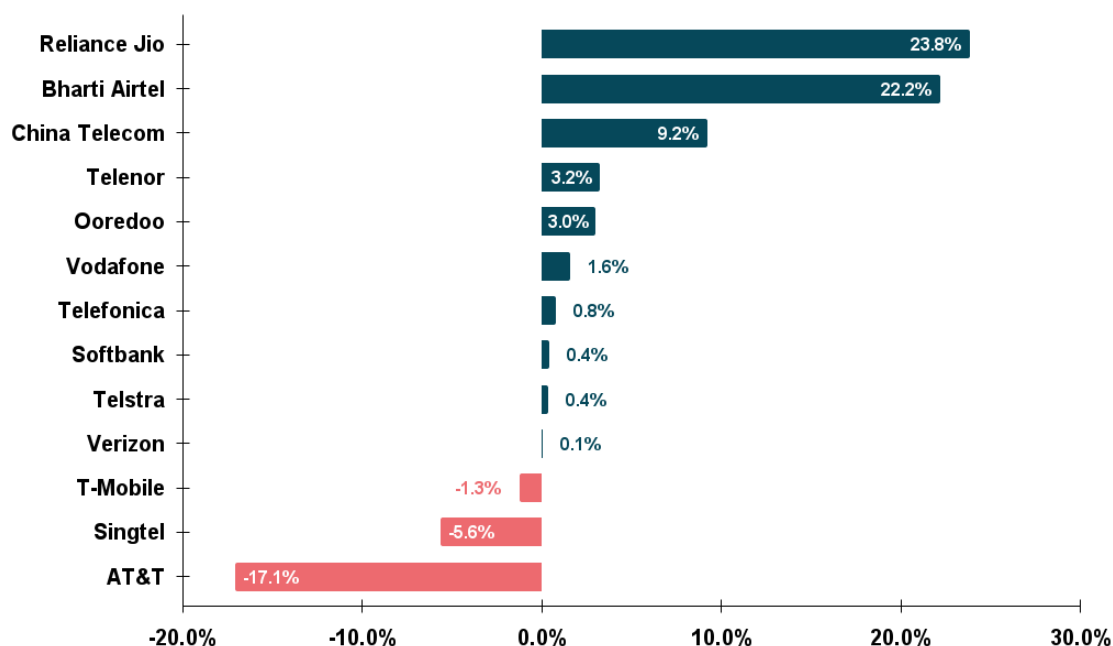
This report reviews the performance of top global telcos for Q2, 2022. It covers:

- a. Financial performance in Q2 2022
- b. Market and technology trends
- c. Network deployment gains momentum
- d. Partnerships and collaboration for enterprise and consumer solutions in Q2 2022
- e. Merger and acquisition in Q2 2022
- f. Major announcement by telcos

Financial performance in Q2 2022

For telcos, the second quarter was not as successful as expected; it was a mixed quarter for them.

Exhibit 1
Revenue change, Q2 2022



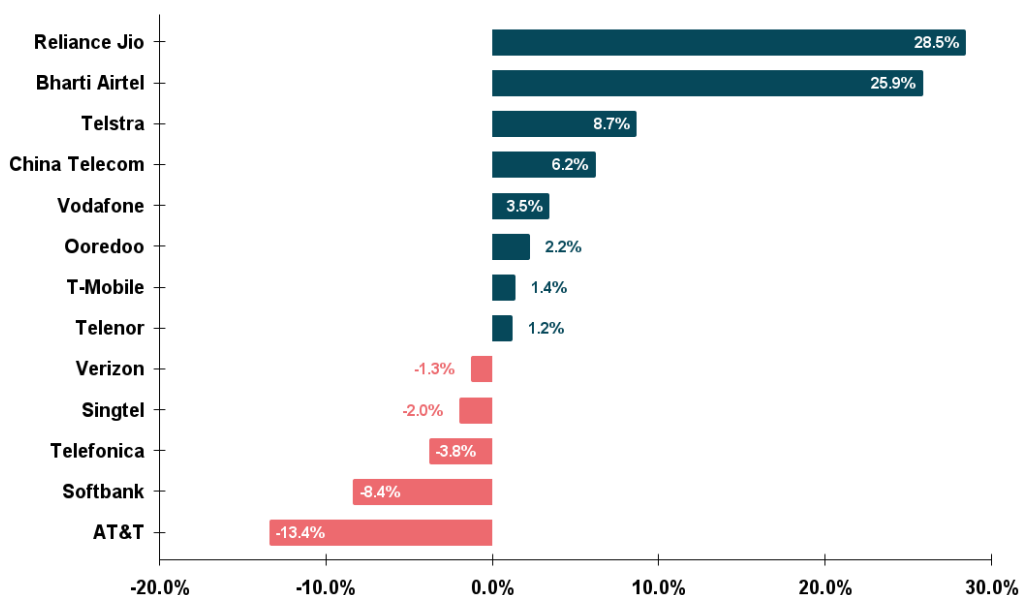
Source: twimbit analysis

With growth rates of 23.8 percent and 22.2 percent, respectively, Indian telcos Reliance Jio and Bharti Airtel performed remarkably well. A negative revenue growth was experienced by AT&T, Verizon, and Singtel. China Telecom also performed well, increasing by 9.2 percent.

In this quarter, Reliance Jio and Bharti Airtel excelled with an incredible EBITDA growth above 25 percent. Softbank's consumer division underperformed expectations, which saw its EBITDA margin decline from 34.6 percent to 31.6 percent of revenue.

Telcos in the US discontinued using their 3G networks, with the exception of Verizon which is still using its CDMA 3G network. This will be discontinued entirely by the end of 2022. The migration of customers from 3G to 4G has not created any positive revenue impact, contrary to expectations.

Exhibit 2
EBITDA percent change for telcos, Q2 2022

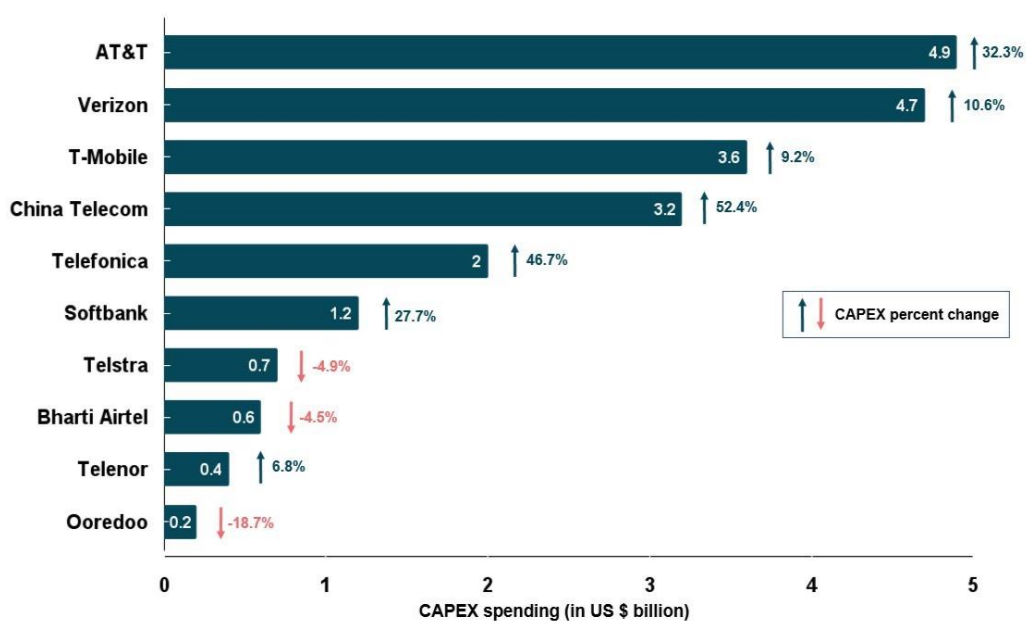


Source: twimbit analysis

CAPEX spending by telcos

- Telcos' CAPEX spending grew a combined 12 percent. AT&T led the CAPEX investment of \$4.9 billion which is 16.9 percent of its revenue.

Exhibit 3
CAPEX investment and percentage change of operators, Q2 2022

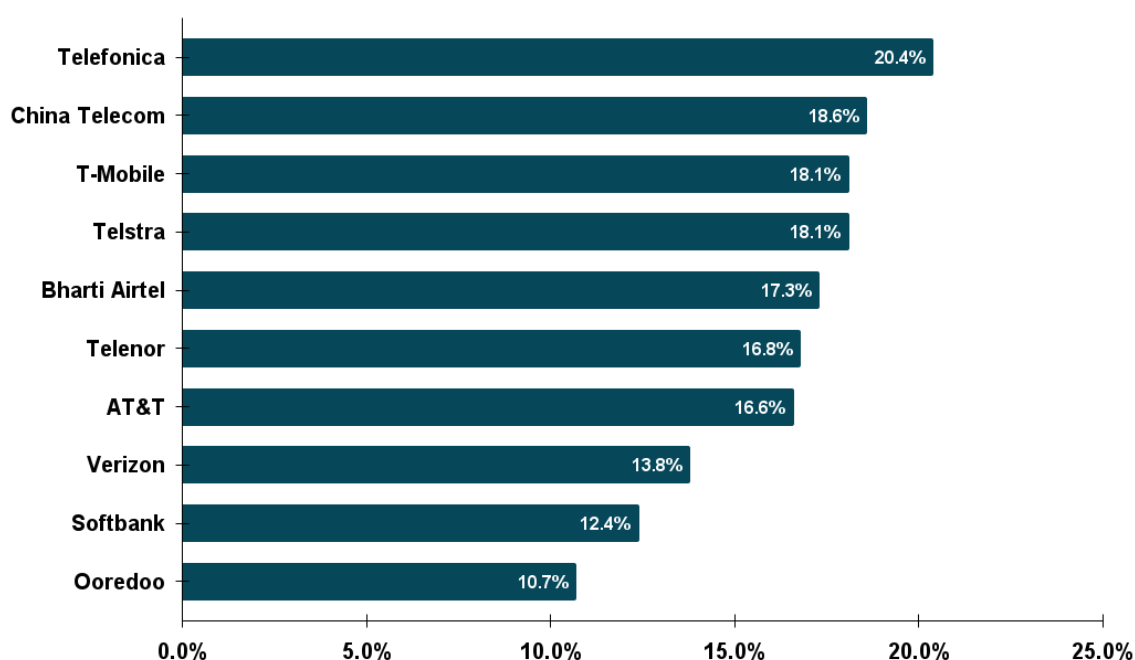


Source: twimbit analysis

- Most telcos reported growth in their CAPEX spending except for Bharti Airtel, Telstra and Ooredoo. China Telecom reported a growth in CAPEX spending of 52.4 percent year over year, demonstrating not just their aggressive commitment to the rollout of 5G but also investment to improve its capabilities in areas such as cloud network integration.
- Bharti Airtel narrowed down its CAPEX spending to participate actively in the 2022 spectrum auction, which ended on August 1st.
- CAPEX spending which averaged about 10 percent of revenue pre-pandemic has now increased to an average of 16 percent of revenue as a result of investment in 5G.

Exhibit 4

CAPEX spending as percent of revenue for operators, Q2 2022



Source: twimbit analysis

Market and technology trends

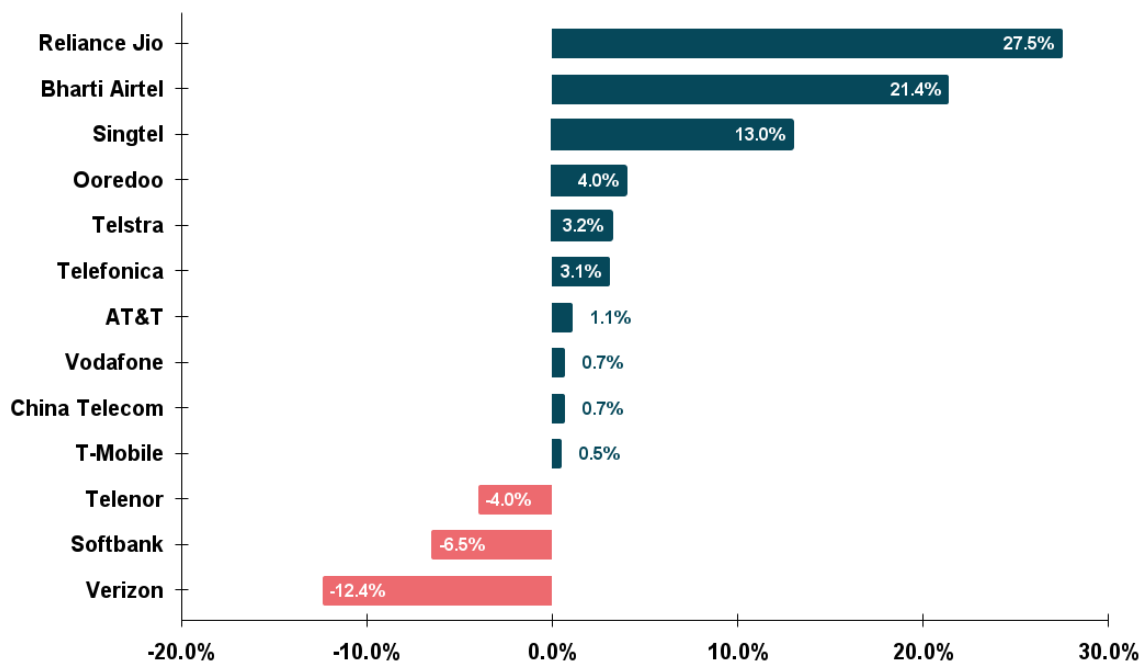
a. ARPU trends

- The deployment of 5G has helped telcos in stabilising the decline of ARPU, and in some instances also enabled a positive change in ARPU. ARPU trends in China have stabilised with the adoption of 5G.

- Indian telcos announced a significant increase in ARPU and benefitted largely from the tariff increase. Bharti Airtel reported growth of 21.4 percent worldwide and 25.3 percent in India, whereas Reliance Jio reported growth of 27.5 percent.

Exhibit 5

Mobile ARPU percent change for operators, Q2 2022



Source: twimbit analysis

b. Subscribers' trends

- Due to the adjustment of 87 million inactive subscribers, Reliance Jio reported a decline of 23.2 percent in its subscriber base. Reliance Jio had 546.45 million members in Q2 2021, but that number fell to 419.9 million in Q2 2022.
- Bharti Airtel announced a worldwide increase in customers of 11.1 percent, which includes a 9.1 percent increase in India.
- Bharti Airtel has 98.4 percent active users while Reliance Jio has 92.8 percent, active subscribers only.
- Verizon reported a decline in subscribers because of losing 0.2 million prepaid customers in the second quarter of 2022.
- Operators including AT&T, China Telecom, and Softbank all reported an increase in subscriber numbers of 6.4 percent, 6.6 percent, and 2.0 percent, respectively.

c. Regional trends

- For telcos in India, Q2 2022 was a good quarter as they recorded growth in both revenue and EBITDA.
- Top US telcos performed poorly in the second quarter of 2022 as AT&T and T-Mobile both recorded negative growth rates.
- Vodafone achieved a 6.5 percent revenue growth in the UK, which was their most profitable market, compared to declines of 2.3 and 3 percent in Italy and Spain, respectively. Vodafone performed well in the rest of Europe, growing by 2.5%.
- Ooredoo reported a drop in revenues in North Africa, but showed revenue growth in Asia and the Middle East.

d. Other Trends

- To offset the decline in their service revenue, telcos are maximising their other sources of income. Verizon and AT&T have seen increase of 20.4 percent and 5.6 percent in their other revenue, respectively.
- By offering integrated bundles, telcos are spending more to increase their post-paid userbase. Verizon launched “welcome unlimited plans” for new post-paid users.
- Telcos are increasing investment in the development of fixed-line service infrastructure in the US and EU regions.
- Overall data usage increased by 31 percent, while mobile subscribers' data usage increased by 20 percent as compared to Q2 2021.
- The Indian telecom spectrum auction demonstrated the interest amongst telcos to acquire low-frequency bands for wider coverage.

Network deployment gains momentum

- The 5G spectrum auction has boosted network rollout in India. Reliance Jio and Bharti Airtel have announced contracts with various equipment vendors to deploy 5G network infrastructure.
- Bharti Airtel awarded 5G contracts to Ericsson and Nokia. But most importantly, Bharti Airtel also announced a contract with Samsung, marking their first-ever collaboration.
- Reliance Jio is bringing new telecom vendors Qualcomm and Cisco to deploy the 5G network as opposed to its 4G network where Samsung was the sole technology provider.

- Nokia extended its partnership with T-Mobile to develop flexible and scalable advanced Network Solutions, a suite of 5G networks that enable applications to grow its enterprise customer base and to help government with superfast speeds, lower latency, and control over their connectivity.

Partnerships and collaboration for enterprise and consumer solutions in Q2 2022

- Singtel has announced its partnership with Micron to deploy commercial 5G millimetre wave solution at its largest facility of 3D NAND flash memory fabrication plant in Singapore. This is the first of its kind for Singapore and the semiconductor sector.
- Oracle and Vodafone have formed a strategic partnership to modernise Vodafone's European IT infrastructure and accelerate its cloud transition. This partnership will also allow Vodafone to build new cloud-based applications faster and launch them in multiple markets at the same time by leveraging its geographical scale.
- Telstra in partnership with Ericsson announced the suite of upcoming 5G Standalone automated and orchestrated services for enterprises.
- Telenor Norway will deploy a 5G private network for the Norwegian armed forces.
- F5 and SoftBank collaborated to offer Advanced Edge Computing Solutions, which will revolutionise how mobile and fixed services are delivered to end users.
- DISH and T-Mobile expand Network Services Partnership with new terms to offer customers of DISH's retail wireless brands, including Boost Mobile, access to T-Mobile's nationwide 5G network.

Mergers and Acquisitions in Q2 2022

- Discovery Inc. and AT&T announced that they have closed their transaction to merge the Warner Media business with Discovery to create Warner Bros. Discovery, a global leader in entertainment and streaming.
- Telefonica has acquired Zaragoza-based extended reality specialist Imascono and invested in Spanish cryptocurrency company Bit2me to boost its presence in the metaverse space.

- Airtel has acquired a strategic minority stake in cloud-based networking solutions provider Cnergee Technologies. The acquisition will help Airtel strengthen its 5G ready network as a service portfolio for small and medium-sized enterprises by leveraging a suite of 5G ready software tools for Network as a Service (NaaS) that can be deployed at scale to enable zero-touch service provisioning, central remote monitoring, and management of all connected devices, as well as a suite of real-time analytics developed by Cnergee.
- Singtel through its wholly owned subsidiary Singtel Global Investment increased its stake in Intouch Holdings, from 21.21% to 24.99% by acquiring approximately 121 million shares from Temasek's Anderton Investments for S\$330 million. This acquisition reinforces Singtel's commitment to the Thai market, where it has invested in for more than two decades.

Major announcement by telcos in Q2 2022

- Verizon announced a new Enterprise Infrastructure Solutions (EIS) contract with the Department of State (DOS) U.S. worth \$1.58 billion over the next ten years to modernise and upgrade technology and network infrastructure for embassies in nearly 260 locations around the world.
- Telstra announced that they have joined forces with Google and Accenture to develop a new 5G Powered Augmented Reality (AR) wayfinding experience at Melbourne's Marvel Stadium, which superimposes digital information on real-world environments.
- Telenor announced a 10-year Power Purchase Agreement (PPA) with Hydro for the supply of renewable energy to power Telenor's Norwegian operations. The energy will be generated by Sweden's Stor-Skälsjön wind park.