

Enterprise business update for APAC telcos

H1-2024



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Key Takeaways

- Telcos in the Asia-Pacific region are expanding their offerings beyond connectivity to become strategic partners in enterprise digital transformation. This enables them to capitalize on the growing demand for advanced ICT solutions and become indispensable partners in their customers' digital transformation journeys.
- Enterprise revenue for APAC telcos grew by 8.5% year-on-year (YoY), reaching ~USD 64 billion in H1-2024.
- Telcos are capitalizing on the potential revenue growth opportunity by expanding beyond core connectivity services, thereby positioning them as "one-stop shops" for offering comprehensive digital solutions to enterprises.
- The enterprise segment has emerged as a key growth driver, accounting for a substantial 23.1% of total revenues (average across all telcos) in H1-2024, compared to 22.2% in H1-2023.
- Nearly 44% of APAC telcos achieved significant enterprise revenue contributions, surpassing the average threshold of 25.1%, led by Spark, MobileOne (M1), StarHub, and Telstra, demonstrating the growing importance of enterprise business for telcos in the region.
- Contrastingly, ~76% of telcos witnessed YoY growth in overall enterprise revenue during H1-2024, indicating that while the enterprise segment is driving growth, there is still room for improvement in overall revenue performance.
- Japan-based telcos (Rakuten, KDDI Corp, and SoftBank) ranked among the top five telcos with the highest YoY growth rate in enterprise revenue during H1-2024.
- Enterprise non-connectivity revenue contribution increased 90 basis points (bps) on a YoY basis in H1-2024 to reach 13.9%, reaching ~USD 41.8 billion.
- Nearly 43% of APAC telcos achieved significant non-connectivity revenue contributions, surpassing the average threshold of 13.9%, led by Telstra, China Unicom, China Telecom, Telekom Malaysia, and StarHub.
- Enterprise non-connectivity revenue contribution reached a significant 68% share of total enterprise revenues in H1-2024, surpassing the previous high of ~66.1% in H1-2023.
- The overall strong growth in the enterprise non-connectivity segment was primarily driven by telcos based in Japan and China, as they continue to intensify their diversification into areas beyond core network offerings.

Overview

In the Asia-Pacific region, the convergence of connectivity, ICT services, and AI presents a unique opportunity for telcos to become indispensable partners in customers' digital transformation journeys. By leveraging their core assets and offering a suite of solutions like data consulting, cloud infrastructure, cybersecurity, and AI integration, telcos can address complex enterprise needs across industries.

To fully capitalize on this, telcos must adopt a strategic and collaborative approach—partnering with technology companies, acquiring complementary businesses, and fostering organic growth to position themselves as trusted ICT orchestrators. AI, in particular, offers new possibilities, such as helping enterprises leverage AI to optimize operations, enhance customer experiences, and gain valuable business insights.

Telcos are also capitalizing on the demand for data sovereignty by building sovereign cloud solutions, providing enterprises with secure, compliant cloud services tailored to local regulations. This move strengthens telcos' role as trusted partners in digital and AI transformation.

Many telcos are expanding into the data centre market, offering services like colocation, cloud computing, and managed services, which diversify revenue streams and further cement their position in enterprise digital transformation.

By integrating AI into network operations, customer service, and data analytics, telcos enhance performance and offer innovative, AI-powered solutions. This positions them as strategic partners helping enterprises navigate the evolving landscape of AI.

As enterprises increasingly rely on technology, telcos can extend their offerings beyond connectivity, providing a comprehensive ICT portfolio, including collaboration tools, sovereign cloud, and advanced cybersecurity solutions.

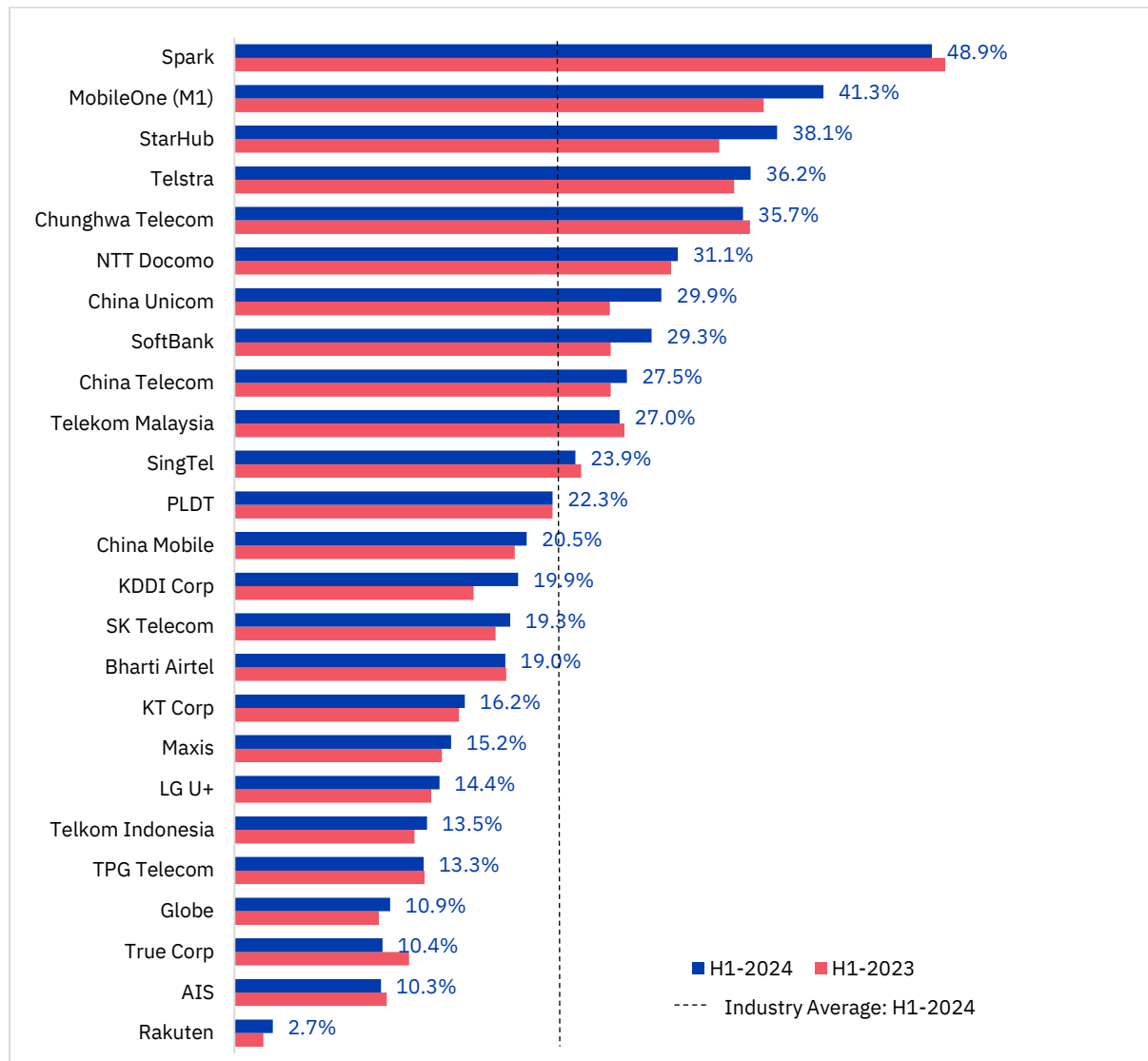
To succeed, telcos are adopting agile strategies aligned with their vision of becoming digital and AI enablers. By investing in data analytics, cybersecurity, and digital transformation, they are well-positioned to meet the growing demand for advanced ICT and AI solutions, becoming critical partners in their customers' digital transformation journeys.

Enterprise revenue analysis of APAC telcos: H1-2024

Enterprise segment contributed 23.1% (overall average) of the total revenue of telcos in H1-2024, marginally higher from 22.2% in H1-2023

- Enterprise revenue for APAC telcos grew by 8.5% year-on-year (YoY), reaching ~USD 64 billion in H1-2024.
- Telcos are capitalizing on the potential revenue growth opportunity by expanding beyond core connectivity services and unlocking new revenue streams.
- The enterprise segment has emerged as a key growth driver, accounting for a substantial 23.1% of total revenues (average across all telcos) in H1-2024, compared to 22.2% in H1-2023. This trend highlights the growing significance of the enterprise segment as a future revenue growth avenue for telcos in the APAC region.

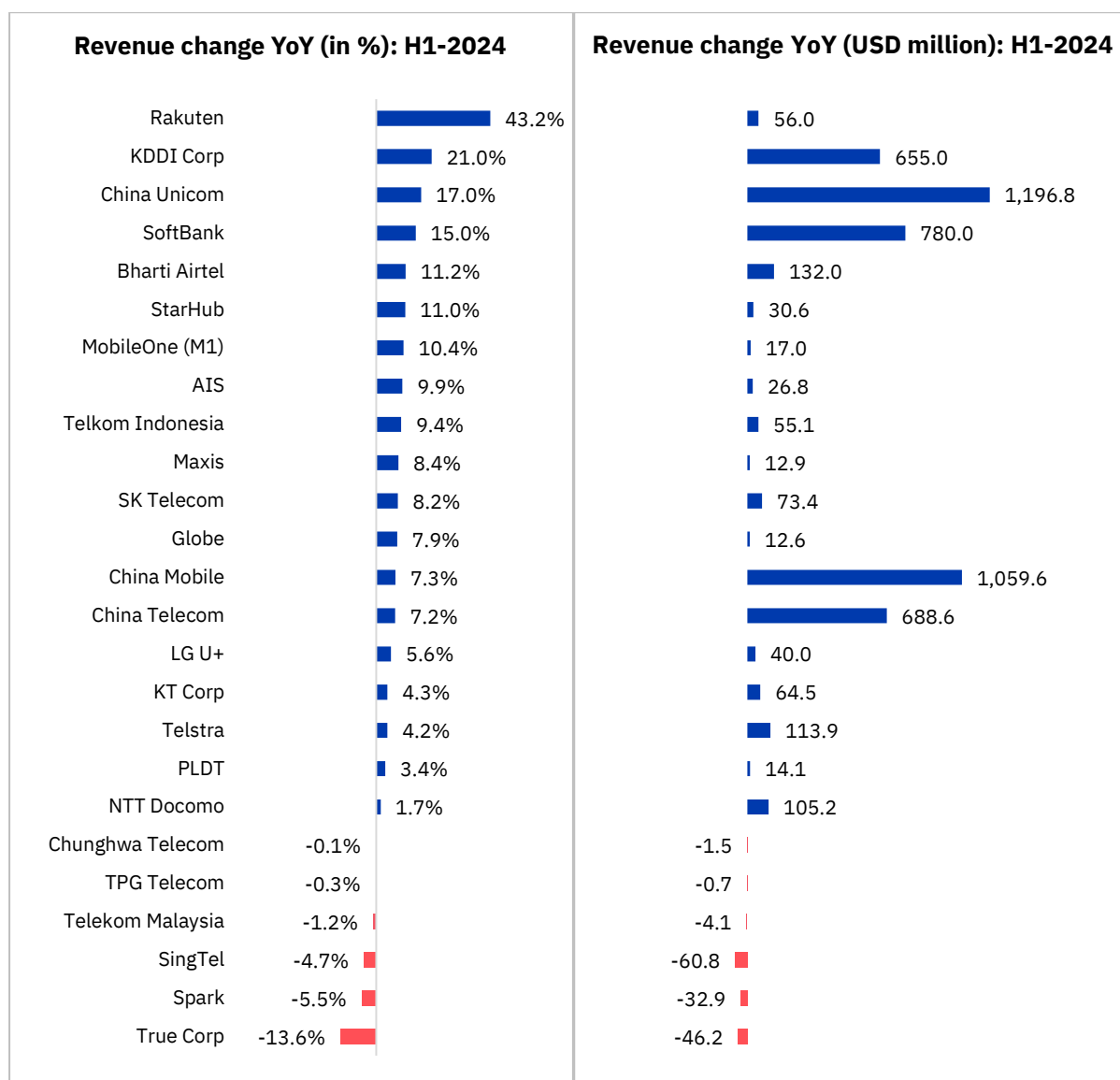
Exhibit 1: Enterprise revenue as a % of total revenue: H1-2024



Source: Telco financials, Twimbit analysis

- Nearly 44% of APAC telcos achieved significant enterprise revenue contributions, surpassing the average threshold of 23.1% the growing importance of enterprise business for telcos in the region.
- Contrastingly, ~76% of telcos witnessed YoY growth in overall enterprise revenue during H1-2024, indicating that while the enterprise segment is driving growth, there is still room for improvement in overall revenue performance.
- Japan-based telcos (Rakuten, KDDI Corp, and SoftBank) ranked among the top five telcos with the highest YoY growth rate in enterprise revenue during H1-2024. This highlights the strong competitive landscape in the Japanese market and the potential for telcos in other regions to emulate their success.

Exhibit 2: Enterprise revenue trends: H1-2024



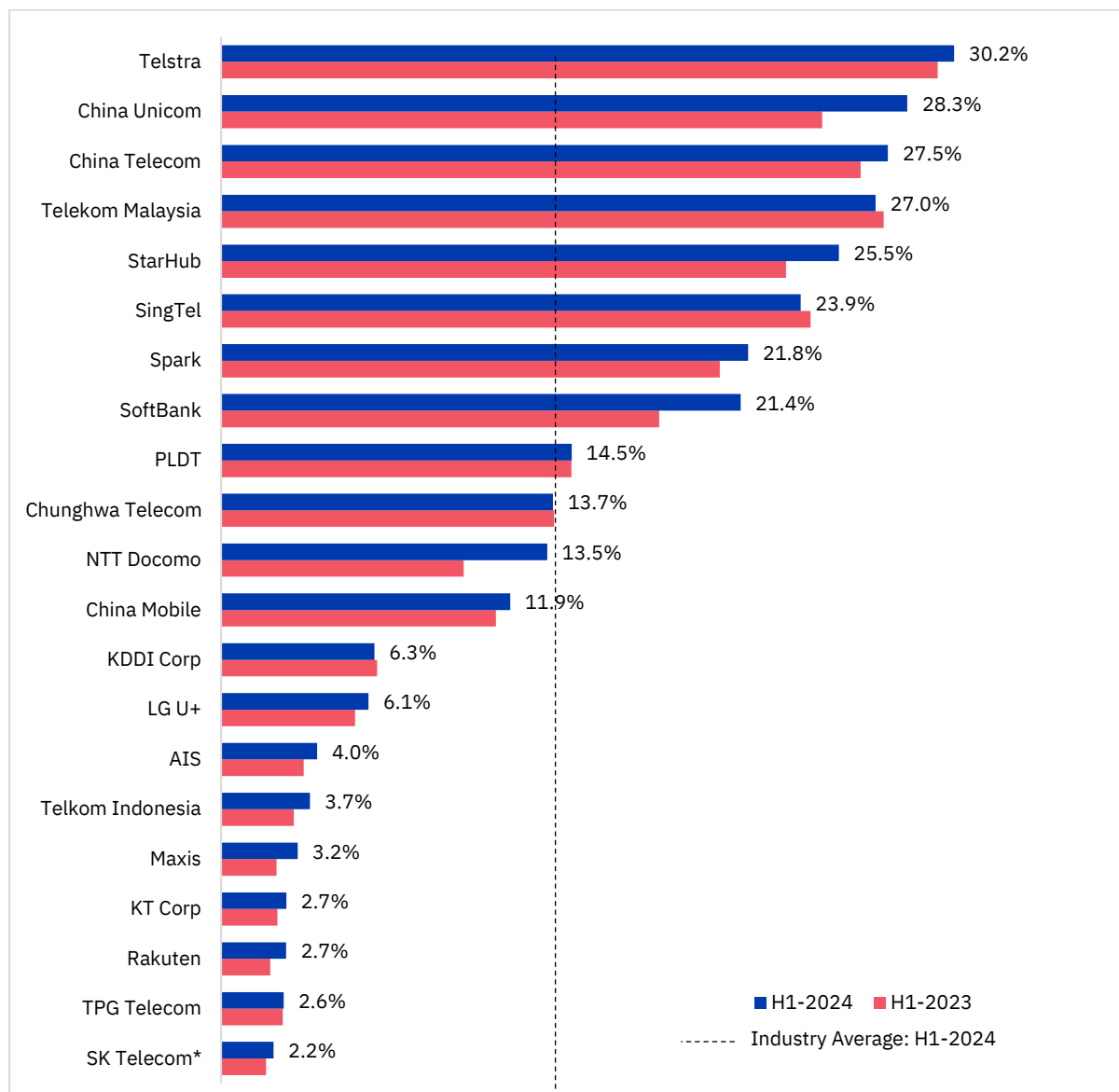
Source: Telco financials, Twimbit analysis

Enterprise non-connectivity revenue analysis of APAC telcos: H1-2024

Enterprise non-connectivity revenue contribution increased 90 basis points (bps) on a YoY basis in H1-2024 to reach 13.9%

- Enterprise non-connectivity segment revenue for APAC telcos grew 11.6% YoY to reach ~USD 41.8 billion in H1-2024, highlighting the increasing diversification of telco offerings beyond traditional connectivity services.
- Nearly 43% of APAC telcos achieved significant non-connectivity revenue contributions, surpassing the average threshold of 13.9%, led by Telstra, China Unicom, China Telecom, Telekom Malaysia, and StarHub.

Exhibit 3: Enterprise non-connectivity revenue as a % of total revenue: H1-2024

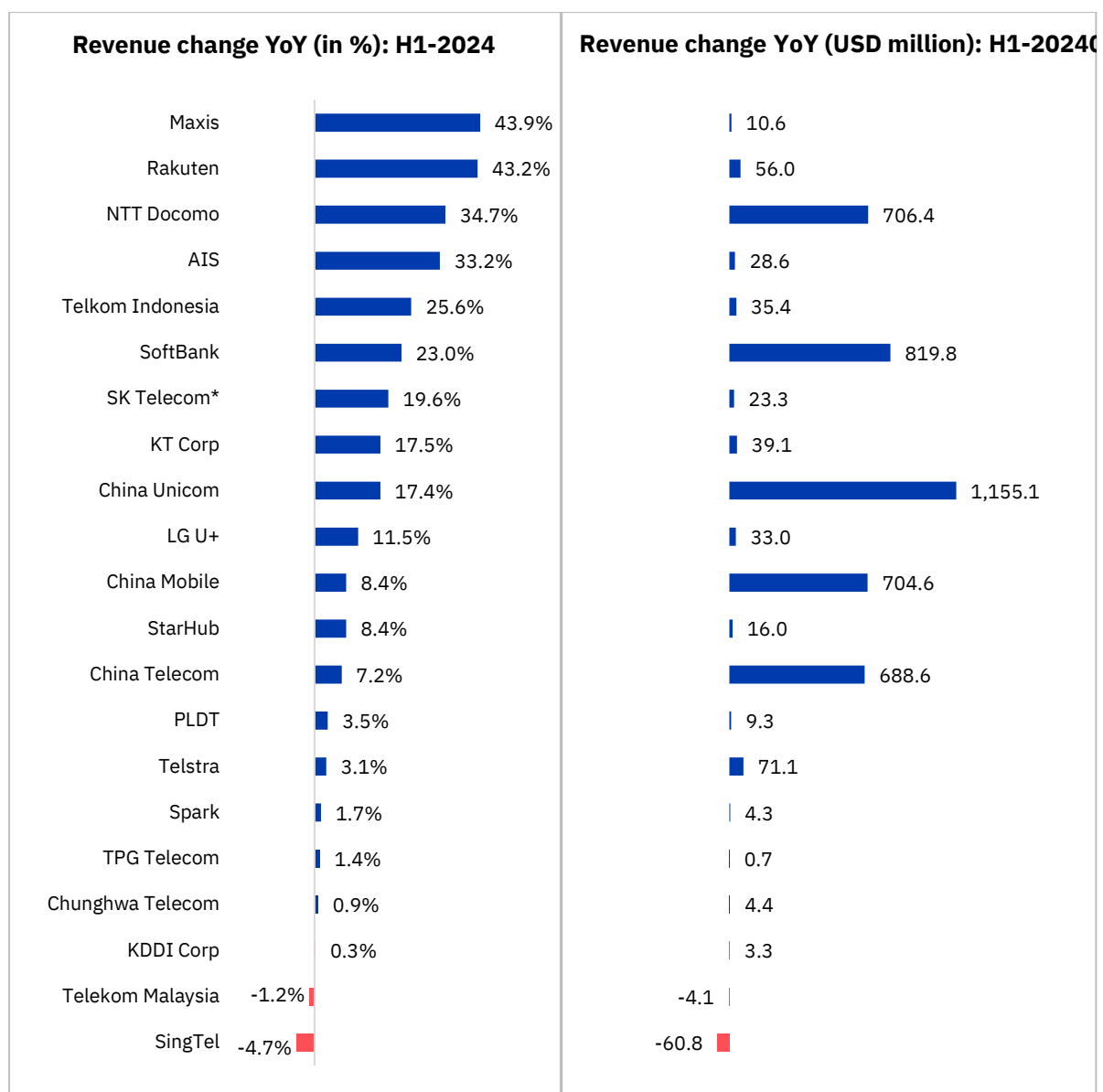


*Includes Cloud and Data Centre revenue only

Source: Telco financials, Twimbit analysis

- Enterprise non-connectivity revenue contribution (for the telcos analysed) reached a significant ~68% share of total enterprise revenues in H1-2024, surpassing the previous high of ~66.1% in H1-2023.
- The overall strong growth in the enterprise non-connectivity segment was primarily driven by Japan-based telcos (Rakuten, NTT Docomo, and Softbank) and China-based telcos (China Telecom, China Unicom, and China Mobile). These telcos intensified their diversification into areas beyond core network offerings, by targeting the enterprises with integrated solutions which included cutting-edge technologies such as AI, cloud computing, and other digitalized services like Big Data, IoT, and Smart cars.

Exhibit 4: Enterprise non-connectivity revenue trends: H1-2024






*Includes Cloud and Data Centre revenue only

Source: Telco financials, Twimbit analysis

Enterprise business performance of leading telcos

- **Spark's** enterprise revenue contribution remained significant, accounting for ~48.9% of overall revenue in H1-2024. However, this was a slight decline as compared to 49.8% in H1-2023, primarily due to a decrease in overall enterprise revenue.
 - Enterprise segment revenue declined 5.5% YoY in H1-2024 to USD 561.6 million (NZD 922 million), primarily impacted by a decline in IT services revenue. This offset the growth in data centre and High-Tech, resulting in an overall decline in its Digital services market revenue.
 - The demand for IT services was impacted by public sector spending cuts and deferred private sector investments.
 - Conversely, data centre and High-Tech revenue grew by 72.7% and 29.4% YoY, respectively, as Spark continues to scale these offerings significantly over the next 5-7 years.
 - Spark plans to invest USD 42.6 million (NZD 70 million) - USD 54.8 million (NZD 90 million) over the next year to expand its data centre capabilities. With a total capacity of 118 MW in pipeline in Auckland (New Zealand) at three locations, Spark is committed to strengthening its data centre infrastructure.
 - Additionally, Spark is focusing on accelerating Generative AI capabilities at scale to enhance customer experience and efficiency. This strategic move aligns with the growing importance of AI in driving business value and innovation.

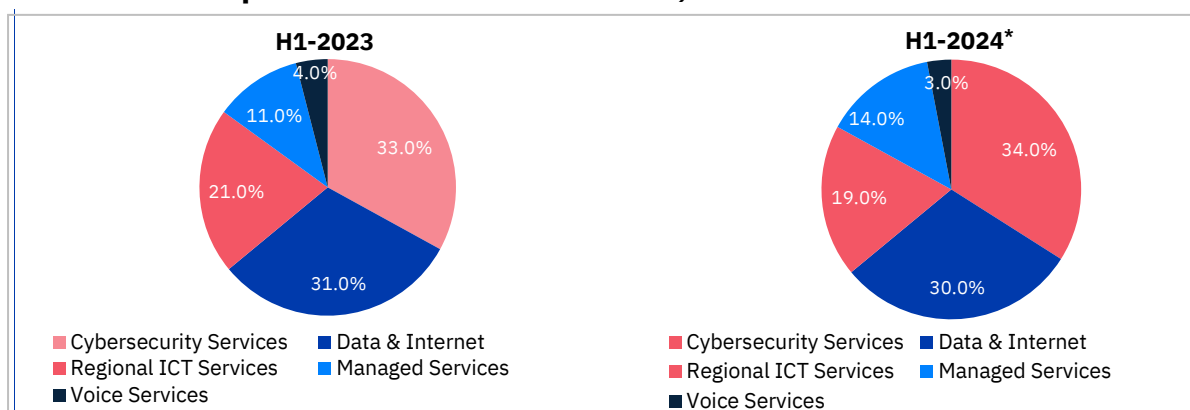
Exhibit 5: Spark data centre pipeline in Auckland, July-2024 – June-2025

	 Takanini Data Centre	 North Shore Data Centre	 Aotea (CBD) Data Centre
Overview	<ul style="list-style-type: none"> 12MW site, with two pods close to 100% contracted⁽¹⁾ New builds designed for sustainability, targeting LEED Silver certification Equipped for high-density AI requirements 	<ul style="list-style-type: none"> New site within 43-hectare masterplan development with surf park creators Aventura Achieved resource consent in June 2024 Designing for sustainability, targeting LEED Gold certification 	<ul style="list-style-type: none"> 3MW site, strategically sought after due to its customer ecosystem and location as a key connection point for international submarine cable systems and national networks
FY25 Investment ~\$70m-\$90m	<ul style="list-style-type: none"> Stage 1 of POD3, commencing build of ~15MW capacity 	<ul style="list-style-type: none"> Land settlement 	<ul style="list-style-type: none"> 1MW expansion completes
Future Development Opportunity	<ul style="list-style-type: none"> Adjacent land purchased in August 2024, bringing future development pipeline beyond FY25 to 48MW (total potential capacity of ~75MW) 	<ul style="list-style-type: none"> Total campus capacity of 40MW, with staged delivery planned 	<ul style="list-style-type: none"> Future development pipeline beyond FY25 of ~15MW (bringing total potential capacity to ~19MW)
Spark Data Centre Key Metrics ⁽²⁾	Targeting EBITDAI margins of ~70%-80%	Target IRR ~10%-15%	Weighted average life of assets ~25 years ⁽³⁾
			WALE 16.5 years

Source: Telco financials

- Singapore's telecommunication companies **MobileOne (M1)** and **StarHub** exhibited robust performances within the enterprise sector during H1-2024. Both telcos secured a substantial portion of their total revenue from enterprise clients, exceeding the average benchmark of 24.7%.
 - **MobileOne (M1)** achieved a 10.4% YoY increase in enterprise revenue in H1-2024, translating to USD 181.6 million (~SGD 245 million), representing a noteworthy 41.3% of the company's total revenue, driven by the strong performance of its ICT business.
 - M1 is actively strengthening its enterprise business by rolling out enterprise solutions to boost 5G adoption and deployment. The company is also exploring new revenue streams from scalable 5G industry solutions, both in Singapore and abroad.
 - Through its subsidiaries AsiaPac and Glocomp, M1 continues to scale up its enterprise business capabilities, aligning with its strategic vision for regional expansion. This demonstrates M1's commitment to becoming a leading provider of enterprise solutions in the Asia-Pacific region.
 - **StarHub's** enterprise segment demonstrated continued progress in H1-2024, with enterprise revenue growing by 11% YoY to reach USD 309.3 million (SGD ~417.3 million). This growth translated to a significant contribution increase of 410 bps to 38.1% of overall revenue.
 - Non-connectivity revenue, encompassing Managed Services, Cybersecurity Services, and Regional ICT Services, emerged as a key growth driver with an 8.4% YoY increase in H2-2024. Managed Services displayed exceptional growth of 33.9% YoY, driven by increased project completions and data centre-related services. Cybersecurity Services surged by ~29% YoY, fueled by a significant rise in project completions.
 - While Regional ICT Services experienced a slight decline of 5.4% YoY, the overall strength of the non-connectivity segment contributed significantly to StarHub's enterprise revenue growth.

Exhibit 6: Enterprise revenue mix of StarHub, H1-2023 and H1-2024



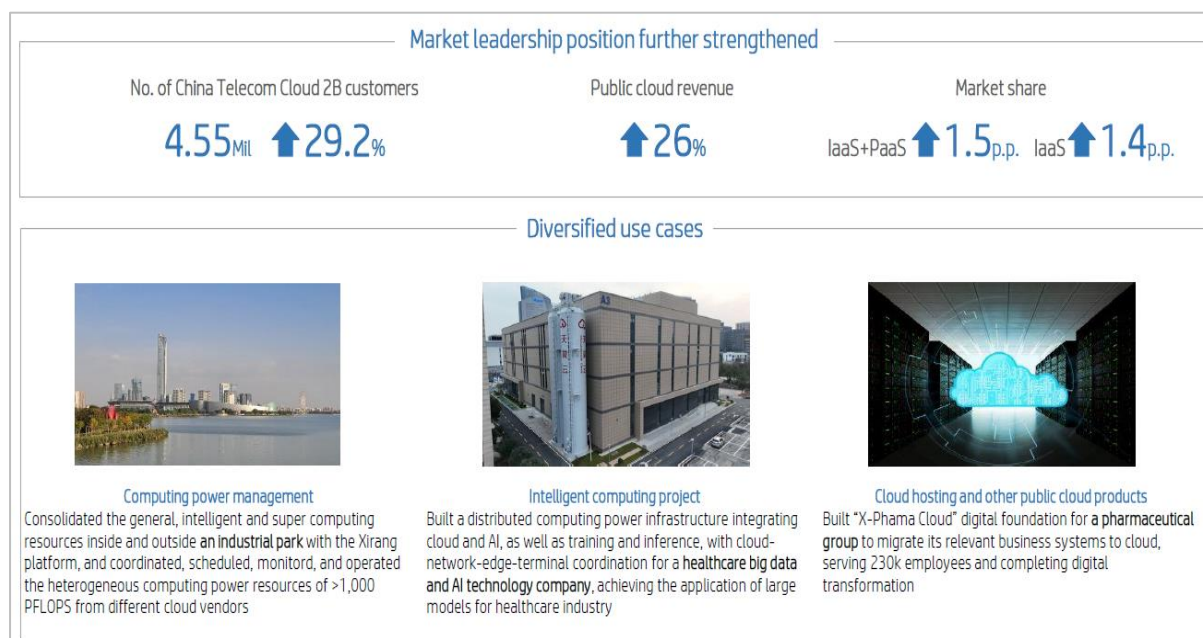
* Excluding D'Crypt (sale completed in Feb-2024)

Source: Telco financials, Twimbit analysis

- The enterprise segment of China based telcos continued to remain buoyant in H1-2024, with leading operators experiencing significant annual revenue growth. This robust performance stems from a strategic focus on non-connectivity revenue streams, resulting in the three telcos together accounting for USD 3 billion of incremental revenue in H1-2024.
 - **China Unicom's** enterprise revenue increased 17% YoY to USD 8.2 billion (CNY 59.1 billion), elevating the enterprise segment's contribution to overall revenue from 26.3% in H1-2023 to 29.9% in H1-2024.
 - A key driver of this expansion was China Unicom Cloud, which achieved a revenue growth of 24.3%, reaching USD 4.4 billion (CNY 31.7 billion) in H1-2024. The telco successfully built a series of government affairs clouds, enterprise clouds, and medical clouds benchmark projects. Additionally, it commenced the AI-oriented upgrade of data centres to drive the rapid growth of its AIDC business.
 - China Unicom Cloud's reach extended to critical national projects, with successful implementations for 20 national ministry-level endeavors. Additionally, it also played a pivotal role in building 22 provincial government clouds and supporting over 2000 medical cloud projects.
 - Revenue growth in its Data centre, digital smart applications, and Cybersecurity business also contributed to overall enterprise revenue growth.
 - **China Mobile's** enterprise segment demonstrated strong growth in H1-2024, with revenue increasing by 7.3% YoY to reach approximately USD 15.6 billion (CNY 112 billion). As a result, the enterprise segment now accounts for 20.5% of China Mobile's overall revenue, up from 19.7% in the previous year.
 - The Data, Information, and Communications Technology (DICT) segment was a key contributor to this growth, with revenue increasing 8.4% YoY to reach USD 9.1 billion (~CNY 65.2 billion). This trend coincided with a notable expansion in China Mobile's corporate customer base, which grew by approximately 2 million to reach ~30.38 million in H1-2024, with its share of contracts won in open tenders increased from 14.3% in FY-2023 to 18.4% in H1-2024.
 - Furthermore, China Mobile achieved impressive progress in 5G DICT projects, completing approximately 15,000 projects with a 22.4% annual increase. The contract value for these projects also witnessed significant growth, rising by 30.1% YoY to reach USD 6.7 billion (CNY 47.5 billion).
 - Mobile Cloud revenue emerged as another growth revenue enabler, with a 19.3% YoY increase to USD 7 billion (CNY 50.4 billion) in H1-2024.

- Intensive focus on 5G has yielded benefits, with over 40,000 agreements for 5G commercial projects and scaled development across multiple sectors, including smart cities, smart factories, smart parks, and smart campuses. This resulted in a 53.7% YoY growth in 5G dedicated network revenue, reaching USD 0.5 billion (CNY 3.9 billion) in H1-2024.
- **China Telecom's** enterprise segment revenue contribution rose by 110bps to reach 27.5% of total revenue in H1-2024. This translates to a 7.2% YoY growth in enterprise revenue, reaching ~USD 10.3 billion (CNY 73.7 billion).
 - China Telecom Cloud was a primary growth driver, experiencing a staggering 20.4% YoY increase in revenue, reaching USD 7.7 billion (CNY 55.2 billion). This highlights China Telecom's commitment to facilitating digital transformation for its enterprise and government clients through its Cloud, Big Data, and AI offerings.
 - The number of enterprise customers for Industrial Digitalization increased 11.9%, while China Telecom Cloud 2B customers grew by 29.2% to reach 4.55 million in H1-2024. This demonstrates the strong demand for China Telecom's cloud-based solutions and services.
 - China Telecom Cloud continues to maintain strong development momentum, deepening its implementation of the Cloudification and Digital Transformation strategy and accelerating the intelligent and green evolution and upgrades of the digital information infrastructure.

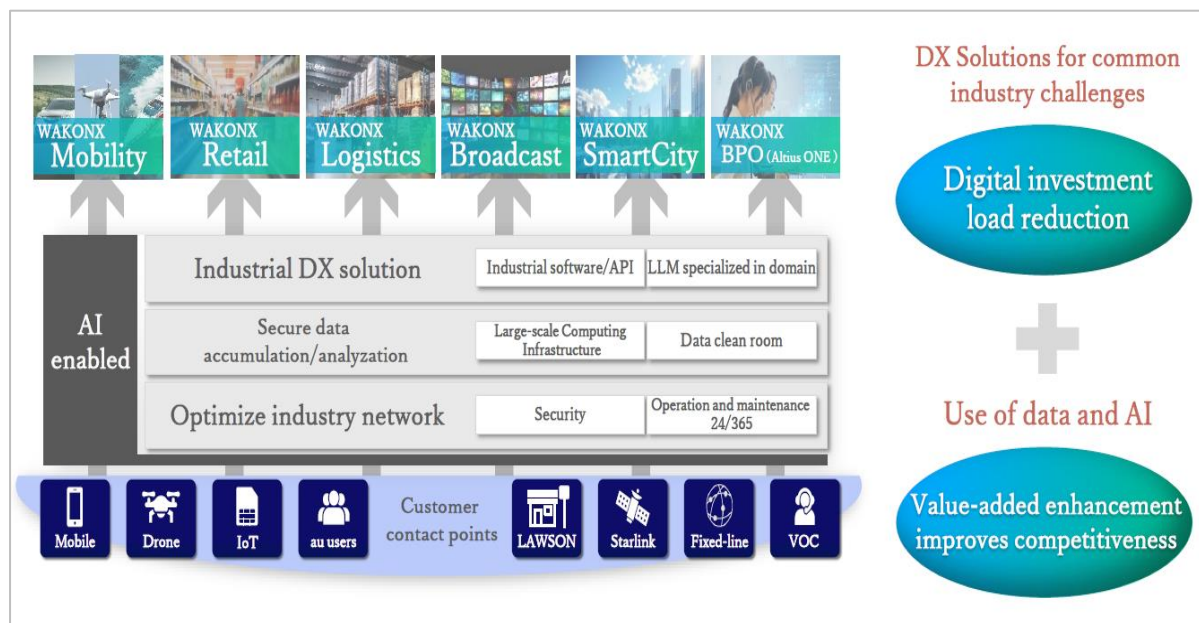
Exhibit 7: Key statistics for China Telecom Cloud: H1-2024



Source: Telco financials

- Japan-based telcos witnessed YoY growth in enterprise revenue during H1-2024, with the combined enterprise revenue of Rakuten, KDDI, SoftBank, and NTT Docomo growing by ~11% YoY.
 - **KDDI** reported a 21% YoY increase in enterprise revenue, reaching ~USD 3.7 billion (JPY 572.8 billion). This growth was driven by advancements in their Internet of Things (IoT) and data centre businesses.
 - KDDI's IoT connections surged by 27.4% YoY to 44.16 million in H1-2024, strengthened by the addition of connections from Soracom, a recently acquired entity. This resulted in IoT-related services revenue reaching USD 585 million (JPY 89 billion).
 - Increased demand fueled growth in KDDI's data centre business revenue, reflecting its continued strategic investments in North America and Asia. In Apr-2024, KDDI launched a connected data centre business under the Telehouse brand in Canada. In Jun-2024, it partnered with Sharp to build Asia's largest AI data centre in Osaka, Japan.
 - In May 2024, KDDI launched the new business platform WAKONX under the corporate business brand KDDI BUSINESS. This platform leverages large-scale computational bases to facilitate the design and construction of networks optimized for individual industries using AI-based mobile and fixed network telecommunications and IoT. This aligns with "KDDI Vision 2030" of accelerating digitalization in Japan.

Exhibit 8: KDDI's WAKONX platform for digital transformation



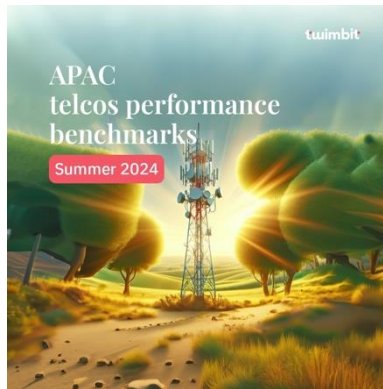
Source: Telco financials

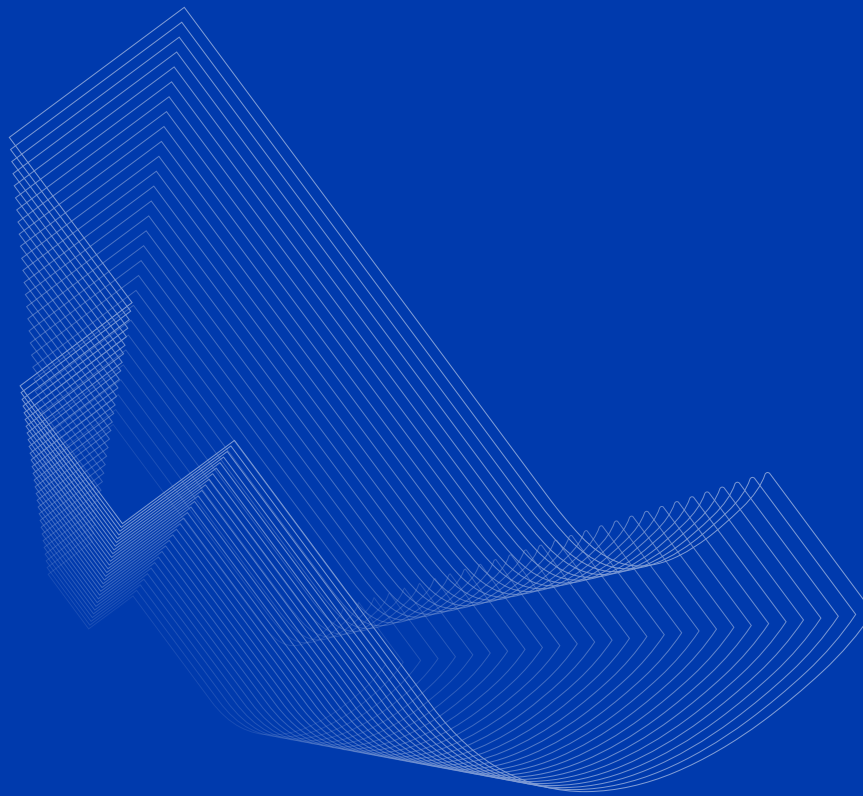
- **SoftBank** witnessed a 15% YoY increase in enterprise revenue in H1-2024, reaching ~USD 6 billion (JPY 909.2 billion).
 - o This growth was primarily attributed to the expansion of their Business Solutions segment, with revenue increasing 32.5% YoY to USD 1.3 billion (JPY 196.9 billion) due to the complete takeover of WeWork JapanGK.
 - o Additionally, increased revenue mainly from cloud services, IoT solutions and security solutions also grew by cater to enterprise demand for digitalization requirements.
- **NTT Docomo** achieved a 1.7% YoY growth in enterprise revenue, reaching ~USD 6.3 billion (JPY 963.3 billion).
 - o This growth can be attributed to their amplified focus on Digital Transformation (DX) solutions designed to address specific societal and industrial needs.
 - o The integrated solutions revenue grew 14.8% YoY to USD 2.7 billion (JPY 417.1 billion).
- **Rakuten**, the smallest amongst the Japanese telcos in terms of revenue, reported the highest YoY growth in Enterprise revenue in APAC in H1-2024. The enterprise revenue reached ~USD 185.6 million (JPY 28.2 billion), propelled by a YoY growth of 43.2%.
 - o Rakuten Symphony continues to focus on existing projects for incremental revenue, while also undertaking new initiatives such as launching the Automated AI-based IoT space management solution "Rakuten NEO" in Japan and partnering with Now Telecom for a 5G Open RAN Pilot Deployment in the Philippines.
- Amongst the telecommunications companies that reported a year-over-year decline in enterprise revenue during the first half of 2024, True Corp, Spark, and SingTel experienced the most significant revenue decreases.
 - **True Corp's** enterprise revenue contribution to overall revenue declined to 10.4% in H1-2024 from 12.2% in H1-2023. This was primarily due to a substantial reduction of 82.2% in interconnection revenue in Q1-2024, resulting from a one-time benefit of favorable settlement of litigation amounting to ~USD 329 million (THB 1.2 billion) in Q1-2023.
 - **SingTel's** enterprise revenue declined by 4.7% YoY in H1-2024, impacting the enterprise to overall revenue contribution marginally from 24.3% in H1-2023 to 23.9% in H1-2024. This decline was influenced by the sale of its cybersecurity business, Trustwave, in Oct-2023.

Research Methodology and Assumptions

- “APAC telcos enterprise business update: H1-2024” report provides a summarized view of enterprise segment revenue performance of leading telcos in the APAC region for the H1-2024 (Jan-June 2024).
- This report leverages secondary research methodologies and data provided by telecommunication companies (telcos) themselves. Twimbit employs a calendar year approach (January- December) for all telcos to ensure consistent comparison, regardless of their individual fiscal year ending periods.
- The research examined ~49 telcos across 20 Asia Pacific countries. Selection criteria included economic significance and reliable data availability. Enterprise segment revenue data was available for 25 telcos, whereas non-connectivity revenue was captured for 21 of those.
- For consistent analysis, a constant exchange rate (average for Jan - June 2024) has been applied when converting local currencies to USD.
- Enterprise segment revenue refers to services provided to business customers (large, medium, and small). It excludes consumer (B2C) revenue. The analysis considers the following sub-segments within the telco enterprise segment:
 - Total Enterprise (Connectivity + Non-Connectivity): This includes voice, fixed-line, and data communications (leased lines, IP-VPN, SD-WAN, etc.) offered directly to enterprises. It also encompasses connectivity services like managed services and IoT specifically provided to businesses.
 - Enterprise Non-Connectivity: This extends beyond core connectivity services and primarily includes cloud solutions, managed services (collaboration, contact centres, other IT services and applications), IoT, cybersecurity, etc. It excludes any connectivity solutions offered to business customers.
- The primary focus of the analysis was to understand the contribution of the enterprise segment’s performance and revenue to the telcos’ overall revenue. Additionally, a detailed peer comparison was conducted to identify leading telcos and their best practices.
- The data provided in the report are as reported by the respective telcos or on a calculated basis wherever feasible. These may or may not align with the exact numbers incase the respective telcos have either not disclosed or provided any reference for the above segments (or further sub-segment details).
- The data collected may be subject to reporting inconsistencies inherent to various telcos and hence can be leveraged for reference and guidance purpose. The analysis is based on publicly available information.

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