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Telecommunications Sector Update - Q4 2016

Data and internet usage boost sector revenues…

The Postal & Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) released the fourth quarter "Q4" 2016 Telecoms sector report and below are some of the salient points.

… Mobile penetration rate increased from 94.3% in Q3 2016 to 94.8% in Q4 2016…

Sector Statistics highlights

	Q4-2015	Q3-2016	Q4-2016	Q4 Change(%)	Y-o-Y Change(%)
Total mobile subscribers - mln	19.5	20.2	20.6	1.6%	5.6%
Active mobile subscribers - mln	12.8	12.7	12.9	1.4%	1.0%
Total mobile national traffic - mln minutes	1,189.9	923.5	843.9	-8.6%	-29.1%
Active fixed line subscribers - mln	0.3	0.3	0.3	-8.7%	-8.4%
Active internet subscribers - mln	6.6	6.7	6.7	-0.2%	2.2%
Key Sector Ratios					
Fixed Teledensity Ratio	2.6%	2.5%	2.4%	(0.1)	(0.2)
Internet penetration ratio	48.1%	50.1%	50.0%	(0.1)	1.9
Mobile penetration rate	95.4%	94.3%	94.8%	0.5	(0.6)
Revenues - USD$mln					
Mobile Network Operators	191.1	194.5	199.2	2.4%	4.2%
Fixed Telephone voice	30.9	19.5	19.9	2.1%	-35.7%
Postal & Courier Revenues	6.1	8.7	9.6	10.4%	57.5%
Internet Access Providers	43.3	39.4	40.9	3.8%	-5.6%
Total Telecoms Revenue	271.4	262.0	269.6	2.9%	-0.7%

Source: Potraz Q4-2016

Table 1: Corporate vs Household Subscriptions

	Q3 - 2016	Q4 - 2016
Households	75.30%	77.60%
Corporates	24.70%	22.40%
Total Fixed	334,828	305,720

Source: Potraz Q4-2016

Fixed telephone service

- The number of active fixed telephone lines fell by 0.3% to 305,720 in Q4 2016, attributed to the decline in active fixed telephone subscriptions.
- In terms of the mix, household subscriptions commanded 77.6% of total fixed subscriptions, while corporates stood at 22.4% as shown in **Table 1** across. The adoption of cost-efficient alternative for voice communication like Voice over Internet Protocol "VoIP" explains the decline in corporates subscriptions.
- However, fixed telephone revenues grew by 2.1% to US$19.9 million in Q4 2016 as an increase in total traffic offset the reduction in subscriptions.

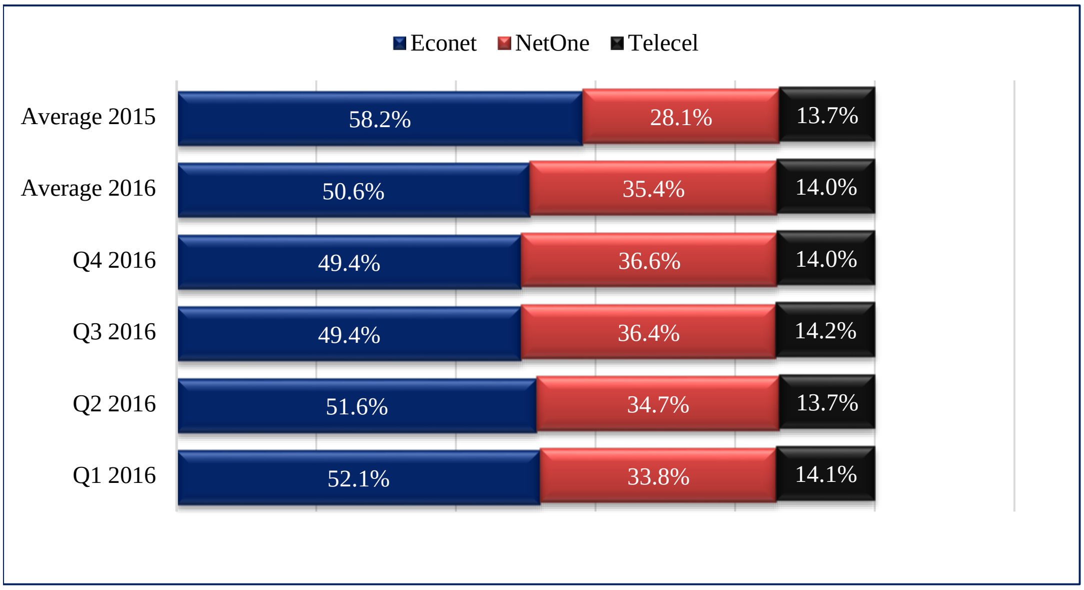
Mobile Telephony

- Active mobile subscriptions increased by 1.4% to reach 12.9 million driven by increases in Econet (1.4%) and NetOne (2%) subscribers. Prepaid subscribers accounted for 98.8% of the total active subscribers, whilst the balance of 1.2% comprised of post-paid (contract) subscribers.
- The increase in mobile subscriptions led to a 0.5% improvement in the mobile penetration rate from 94.3% in Q3 2016 to 94.8% in Q4 2016.
- On the other hand, total national voice traffic declined by 8.6% to 843.9 million minutes in Q4 2016, driven by increased use of Over the Top "OTT" services i.e. Whatsapp, Skype, Viber, etc.

... Econet maintained its lead position commanding 49.4% in Q4 2016…

- In terms of market share, Econet maintained its lead position commanding an average of 50.6% in 2016, compared to 58.2% in 2015, as shown in **Fig.1** below. The aggressive stance by NetOne to grow its subscriber base through various promotions led to the decline in Econet's market share. As such, NetOne's market share rose from 28.1% in 2015 to 35.4% in 2016.

Figure 1: MNOs Respective market shares (%)



Source: Potraz Q4-2016

….internet penetration rate flat at 50% between Q3 2016 and Q4 2016…

- Meanwhile, mobile data usage grew by 19% to 2.57 billion MB in Q4 2016 driven by increased usage of OTTs. Econet commanded 71% of internet and data utilization, whereas Telecel and NetOne had 7.7% and 21.3%, respectively in Q4 2016. Interestingly, NetOne recorded the biggest growth in data utilization due to its internet packages.
- Mobile revenue rose by 2.4% to US$199.2 million in Q4 2016, lifted by increased mobile data usage as voice and sms traffic were subdued. *In the short to medium term, data and internet usage will remain the key growth drivers for the telecomms sector.*

Mobile Telephony Infrastructure

- The number of base stations for 2G, 3G and LTE increased by 47, 21 and 111 to 4,735; 2,275 and 758, respectively, in Q4 2016.
- *Going forward, there is increased scope for increasing 3G and LTE infrastructure as this is the future of the telecommunications industry as well as banking.*

Data and Internet Service

- The number of active internet subscriptions declined by 0.2% to 6.72 million subscribers in Q4 2016 from 6.73 million in Q3 2016.
- The internet penetration rate was almost flat at 50% between Q3 2016 and Q4 2016 in line with the trend in active internet subscriptions.

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... IAPs recorded a 3.8% increase in revenues to US$40.8 million in Q4 2016…

Internet Access Providers "IAPs"

- IAPs recorded a 3.8% growth in revenues to US$40.8 million in Q4 2016 from US$39.4 million in Q3 2016. The increase in IAP revenues was attributed to increased investment in telecommunication equipment. In fact, IAPs increased their investments by 54% to US$10.8 million in Q4 2016, compared to US$7.1 million in Q3 2016.
- **Table 2** below outlines the trends in Wi-Fi hotspots between Q3 2016 and Q4 2016 reflected by a 7.3% growth to 877.

Table 2: Trends in Wi-Fi Hotspots

	Q3 2016	Q4 2016	Change(%)
Liquid	335	362	8.1%
TelOne	280	280	0.0%
Africom	64	64	0.0%
Telecontract	50	49	-2.0%
Dandemutande	63	96	52.4%
Powertel	25	26	4.0%
Total	817	877	7.3%

Source: Potraz Q4-2016

Table 3: Postal and Courier outlets per operator

OPERATOR	OUTLETS
ZIMPOST	226
DHL	109
SKYNET	33
UNIFREIGHT	31
FEDEX	21
OVERNIGHT EXPRESS	8
COURIER CONNECT	7
TOTAL	**435**

Source: Potraz Q4-2016

Postal and Courier services

- Revenue generated by licensed postal and courier operators increased by 10.4% to US$9.6 million in Q4 2016, attributed to the increase in the volume of domestic and international incoming postal and courier items.
- Out of the 435 postal and courier outlets, Zimpost and DHL had a larger distribution channel at 226 and 109 outlets, respectively – **Table 3** across.
- A total of 142 out of the 226 post offices had internet connection, whilst private bags remained 727 and rented private boxed stood at 12,392.

General comment

- The telecommunications update was positive underpinned by the growth in sector revenues for Q4 2016. Nonetheless, the year-on-year revenue decline of 0.7% mirrored the general weakness in aggregate demand within the economy.
- Going forward, data and internet usage via OTTs is expected to at least sustain sector revenues given the low internet penetration rate of 50%. This is critical as voice and sms traffic continue to lose traction dragged by the declining incomes for households and corporates. The introduction of the health fund levy (USc5 for every dollar of airtime and data) in the 2017 National Budget further worsens the outlook for voice revenues.
- On the mobile money front, activity will most likely be subdued amidst the prevailing cash crisis. In fact, Potraz noted that the value of cash in and cash out transactions declined by 35%. Therefore, a sustainable solution to the cash crisis is essential in reviving activity on the mobile money front.

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