

NIGERIA **TELECOMS** –

A SECTOR IN DIRE NEED OF NEW **INVESTMENT**

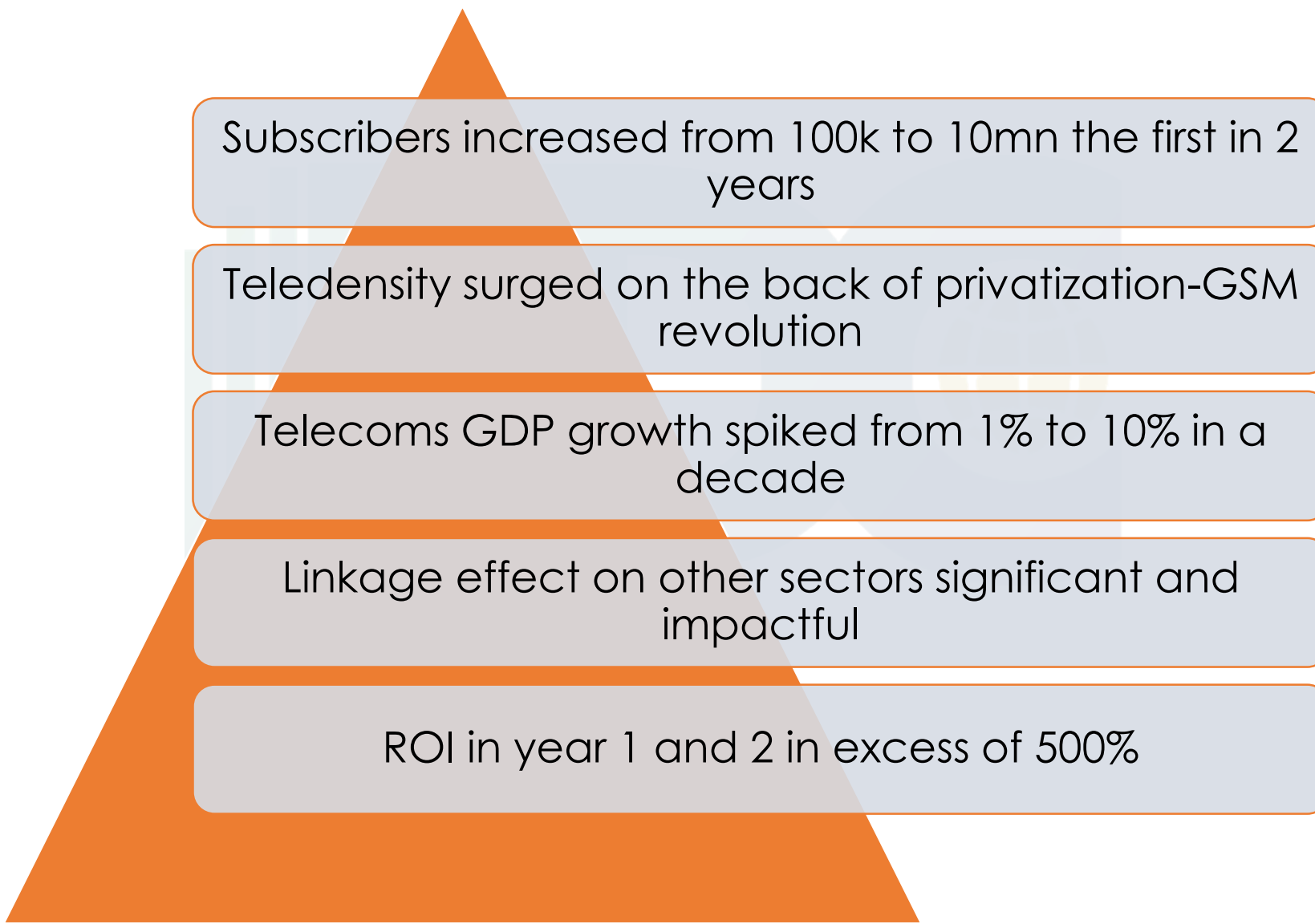


Presented by Bismarck Rewane
May 3, 2024





TELECO - FROM NOWHERE (2001) TO THE PINNACLE



Subscribers increased from 100k to 10mn the first in 2 years

Teledensity surged on the back of privatization-GSM revolution

Telecoms GDP growth spiked from 1% to 10% in a decade

Linkage effect on other sectors significant and impactful

ROI in year 1 and 2 in excess of 500%

11 YEARS AGO – ALL PRICES HAVE MORE THAN QUADRUPLED

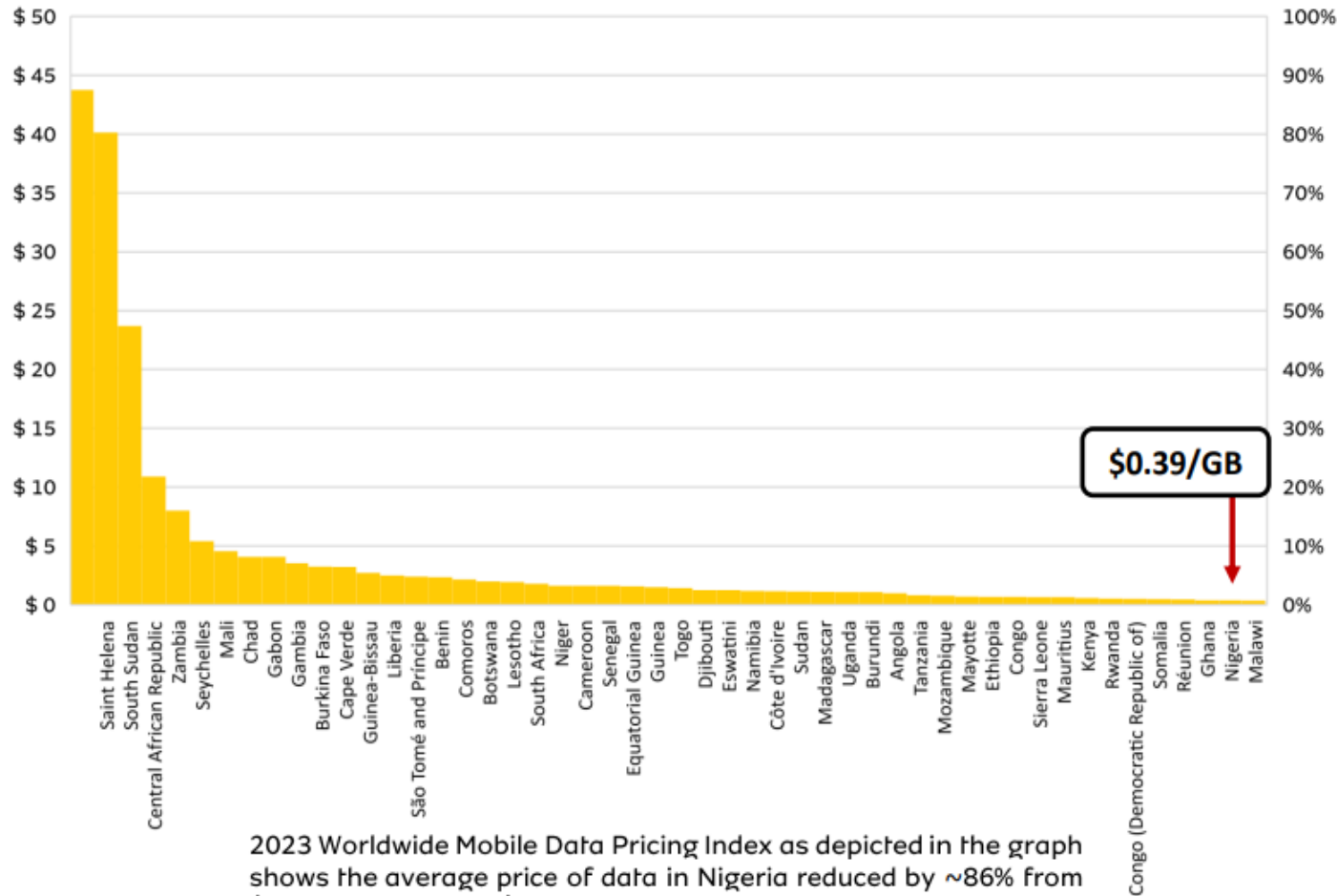
	THEN (2013)	NOW (2024)	% Change	
President	Jonathan	Tinubu		
Cement (N/bag)	1800	7,500	4,066%	↑
Rice (N/bag)	12,000	77,000	525%	↑
Diesel (N/liter)	196	1400	614%	↑
Exchange rate (N/\$)	157	1355	763%	↑
Consumer price index	144	701.9	387%	↑
Minimum Wage (N)	18,000	?	?	↑
TF Oworoshoki to V.I. (N)	100	500	400%	↑

IN THIS PERIOD NIGERIA HAS THE LOWEST TELECOM TARIFFS

Telecom tariff has been falling in Nigeria since 2013

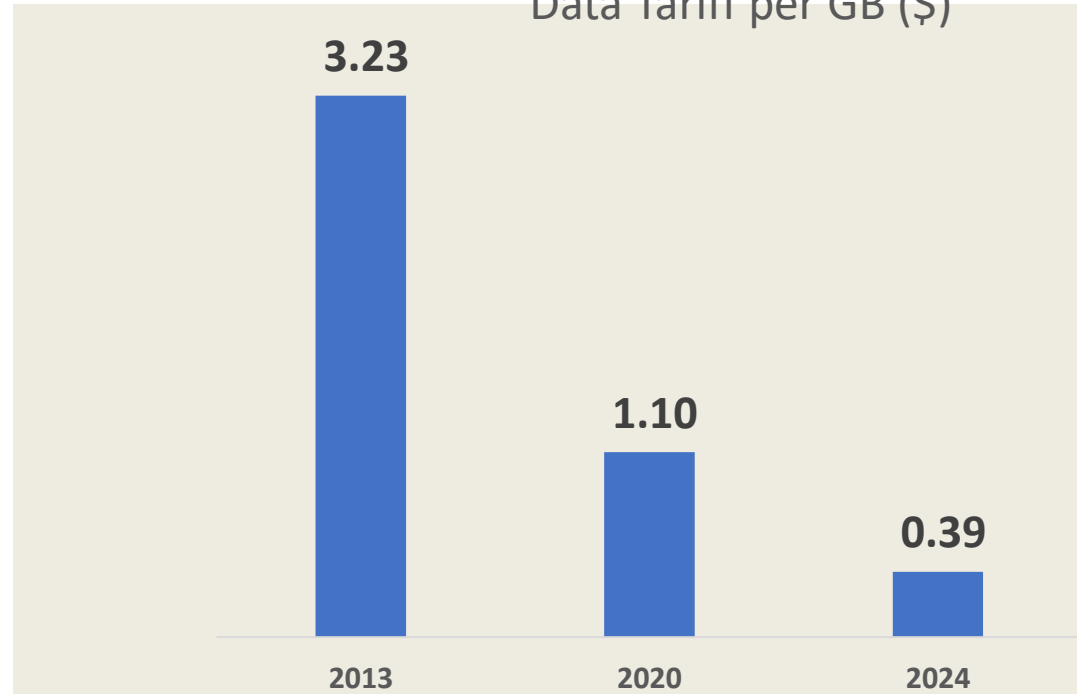


Comparative Analysis of Price per GB of data in SubSaharan Africa (in US\$)

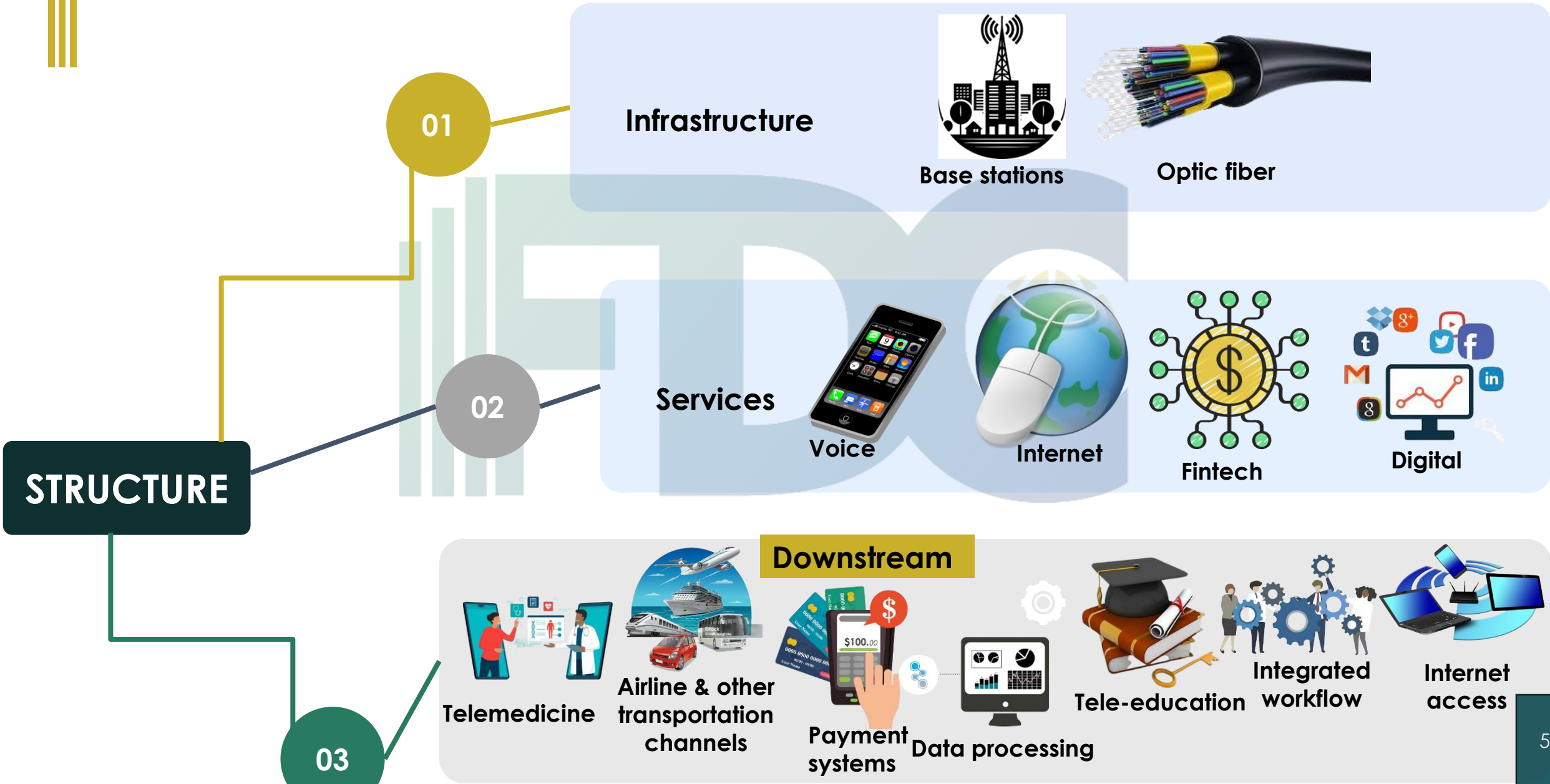


2023 Worldwide Mobile Data Pricing Index as depicted in the graph shows the average price of data in Nigeria reduced by ~86% from \$2.80/GB in 2017 to \$0.39/GB in 2023

Data Tariff per GB (\$)

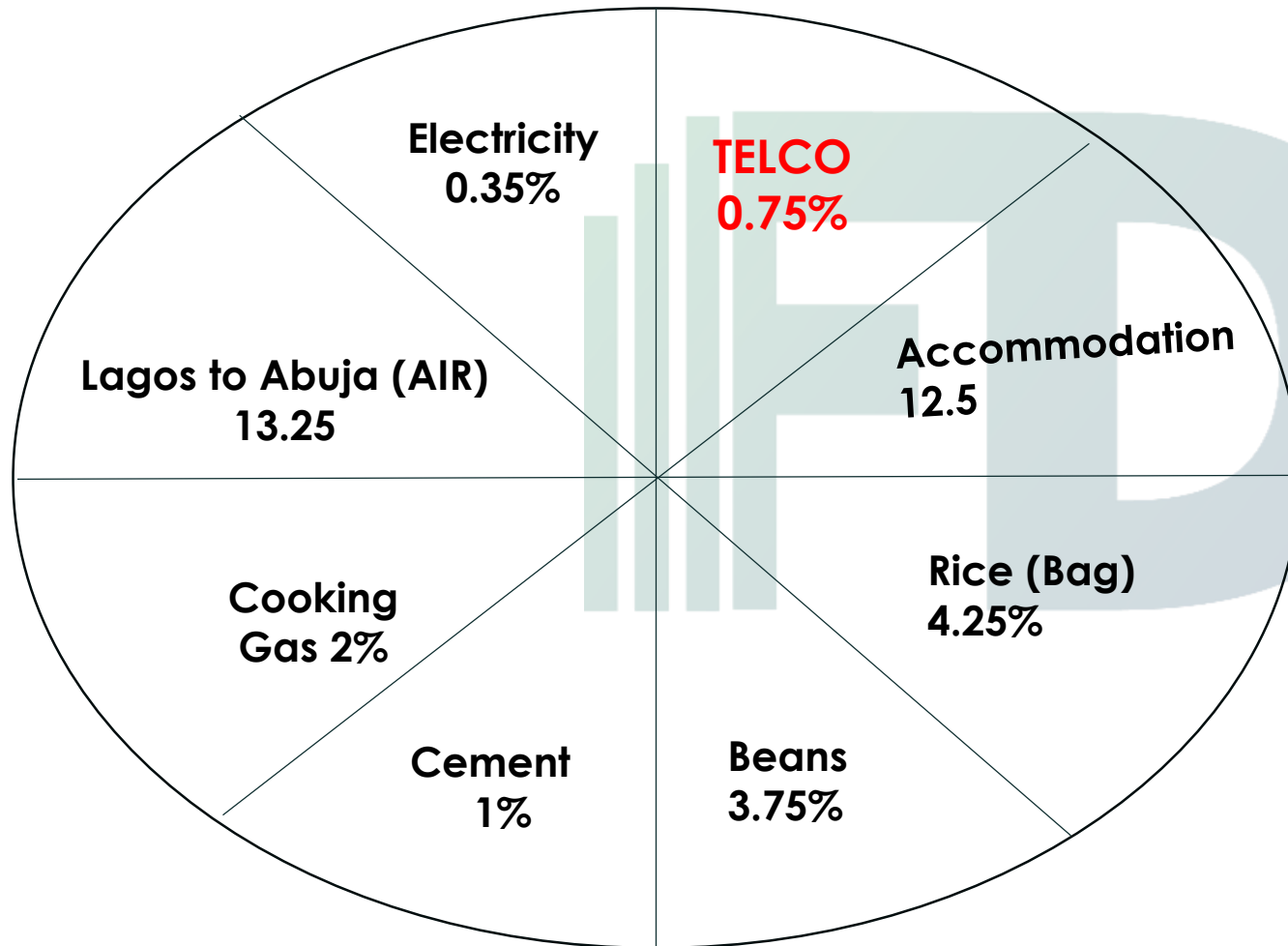


TELECOMS INDUSTRY IN NIGERIA – OLIGOPOLY, NON-EXPLOITATIVE



TELCO WEIGHT IN THE CONSUMER BASKET

Selected Items



- Teleco spending constitutes only 0.75% of consumer expenditure- NBS
- In reality, the spending is much higher
- Leading to a distortion in inflation data

TELCO SECTOR LINKAGE TO CRITICAL ACTIVITY - ELECTORAL SYSTEM

1999 to 2011 Manual Voting



- Long queues
- Delayed results
- Electoral violence
- Ballot box snatching
- More court cases

2015 to 2023 E-voting



- Short queues
- Fast & Accurate results
- Secured
- Convenience
- Trust & transparency
- Less violence

Without an effective Telecom sector

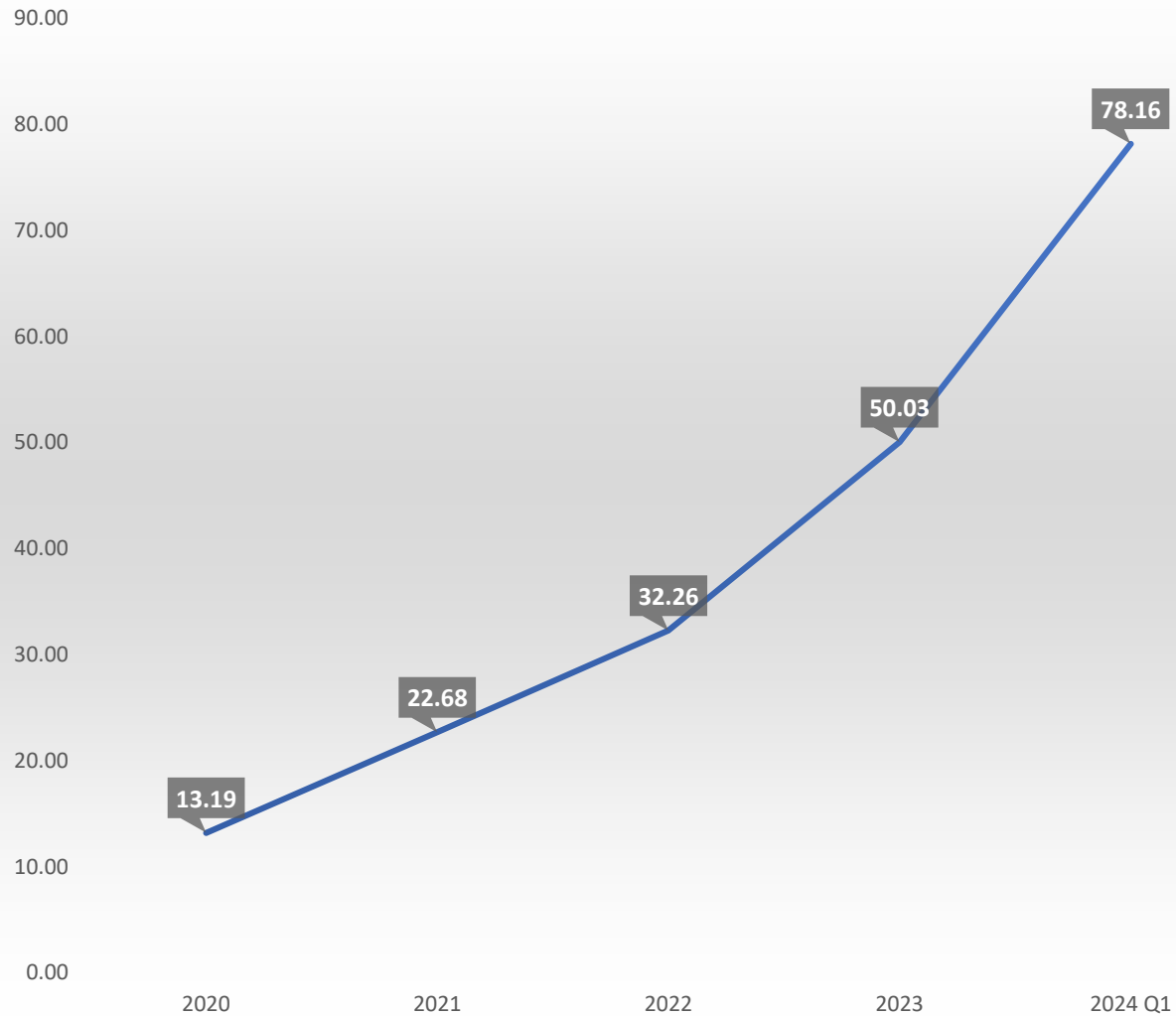


- The electoral system is in total chaos



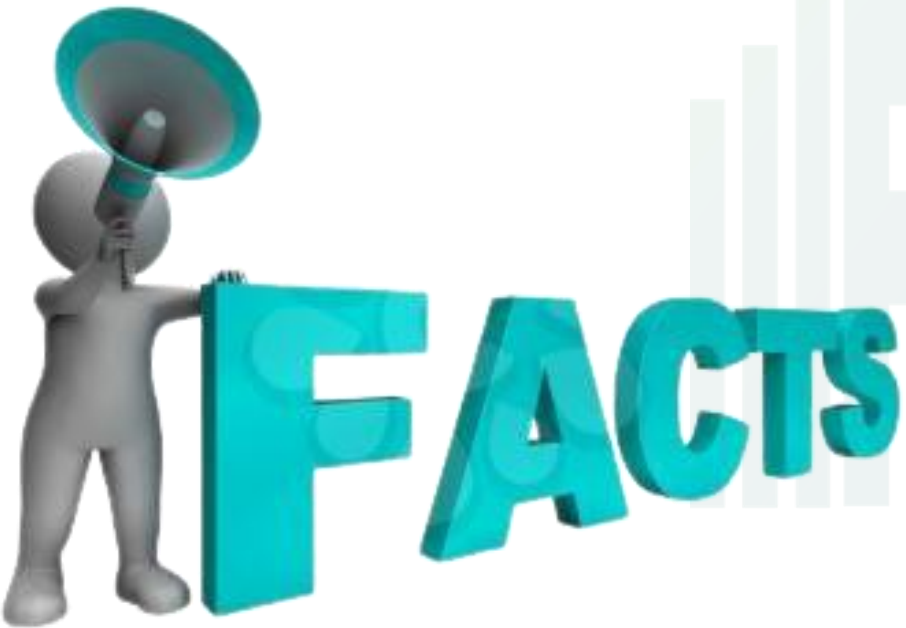
TELCO SECTOR IMPACT ON PAYMENT SYSTEM

NIBB instant Payment (N'Trn)



- Payment of transactions grew at 493% over 5 years

BASIC FACTS



THEN (2001)

Teledensity
1.89%

GDP growth
5.92%

Population
125.39 mn

Internet Users
(% of Population)
0.02%

Base Stations
(2018)
52,160

NOW

Teledensity
103.66%

GDP growth
2.74%

Population
222.18 mn

Internet Users
(% of Population)
55.4%

Base Stations
(2022)
127,294

IMPACT OF TELECOMS ON STAKEHOLDERS & THE ECONOMY

- Telecoms contributed over 16% of CIT in 2022

Contribution to Real GDP (2023)

10.97%

Connectivity

55.4%
of Nigerians use internet

iGDP

N30.1 trn

Tax Revenue

N238bn
MTN & Airtel (2022)

E-commerce

\$13bn

Telco GDP

N25.2trn

Telcos make up **84%** of iGDP

TELECOMS – ONCE A SHINING STAR, NOW A LEMON



Electric power
consumption growth
2002 – 2023

56.83%



Growth in milk
consumption in Nigeria
2002 – 2023

37.62%



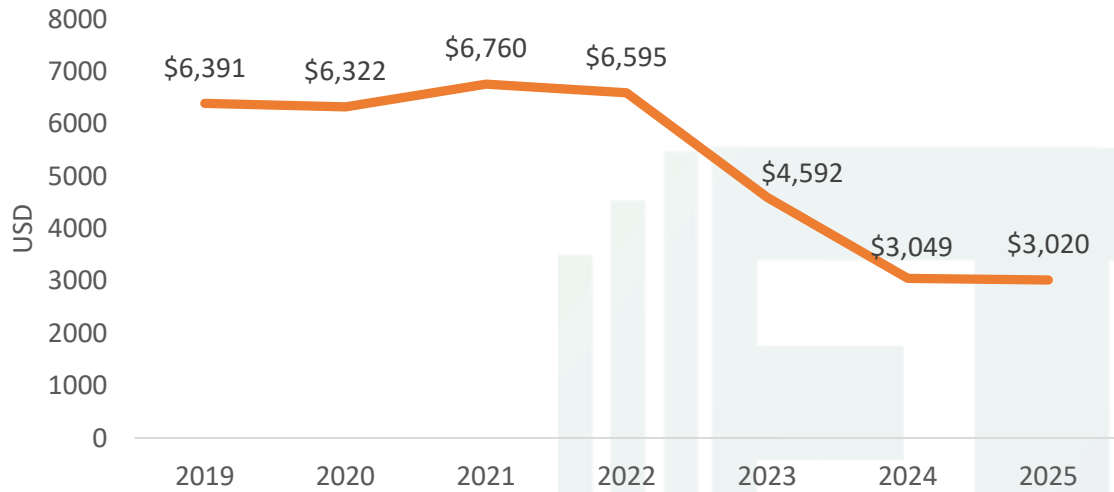
Growth in active
telephone subscription
2002 – 2023

9,794.71%

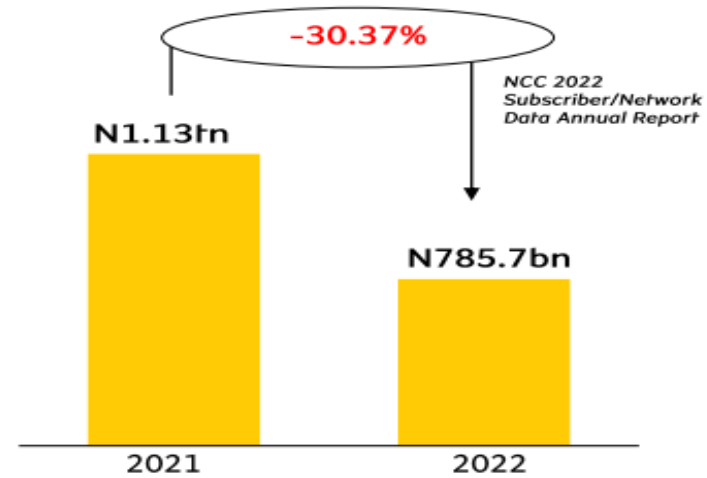
- *The growth potential in the telecommunication sector is massive and Nigeria still has a lot to exploit in the sector*

RECENT TRENDS - EARNINGS DOWN & EXPENSES UP

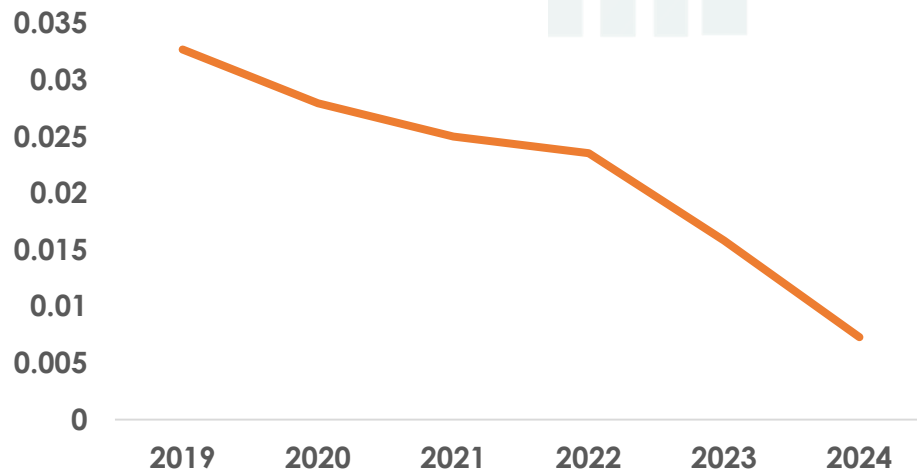
Mobile telecoms revenue declining



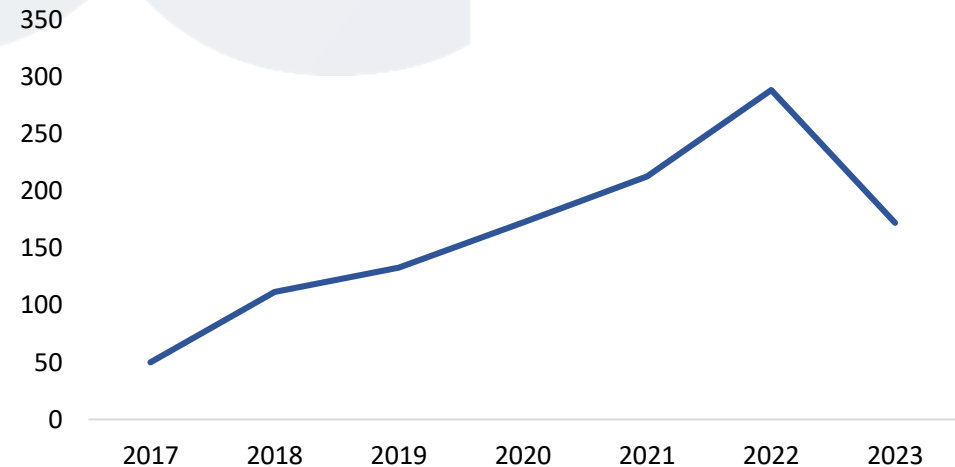
CAPEX is falling sharply



Call tariff (\$) falling



Dividends (Mtn Nigeria) are falling



TELECO - INDUSTRY IN DECLINE



Profits are declining

MTN reported a loss of N137bn in 2023



Employment in the sector is falling

2017: 13,145
Now: 7,451 ↓

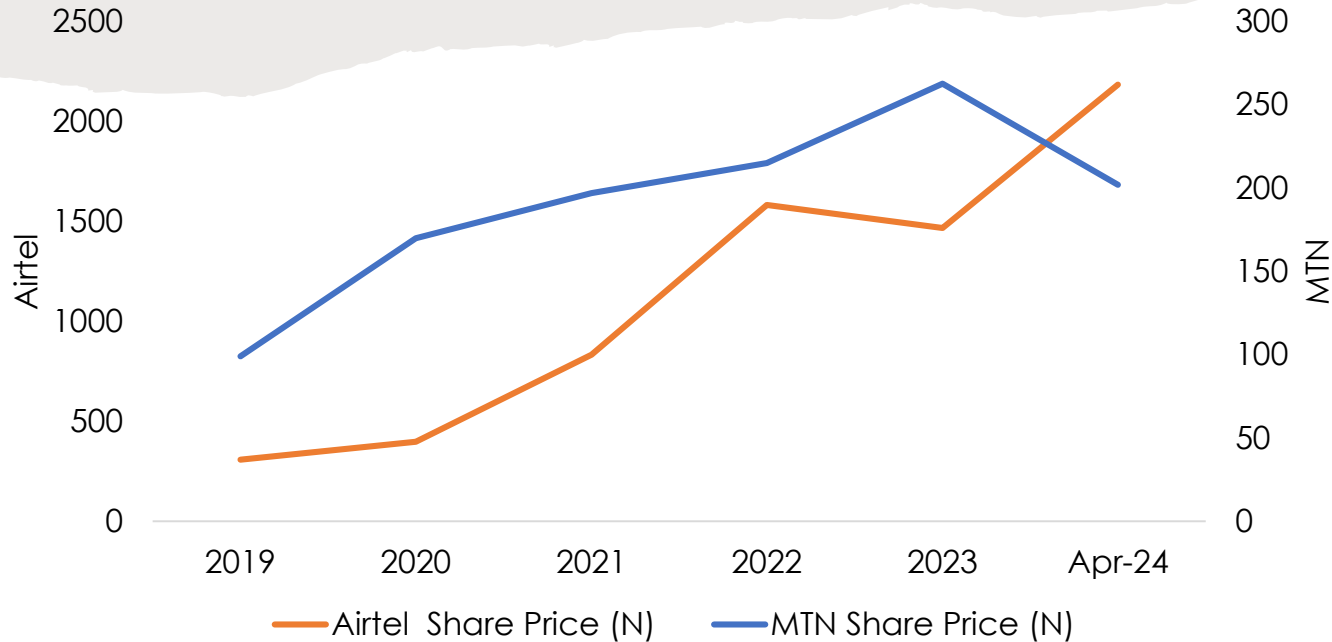


Collapsing infrastructure

Undersea cable damaged in March

TELECOMS SHARE PRICES DECLINING

Share Prices



Capital gains
(2019 – date)

MTN

104%

AIRTEL

445%

20%

→ Telecoms market capitalization

What!!



DISINVESTMENT – A DISASTER

Pull and Push Effect of MTN

PULL



- Increased Connectivity
- Job Creation
- Improved Access to Information
- Expansion of Markets
- Social Connectivity
- Efficient Public Services

PUSH

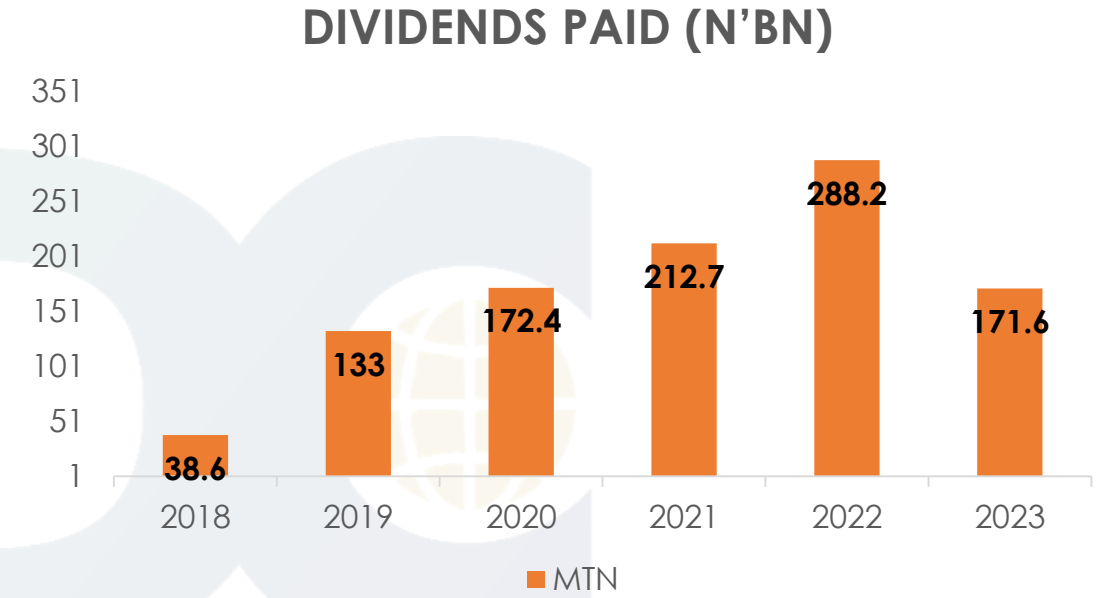
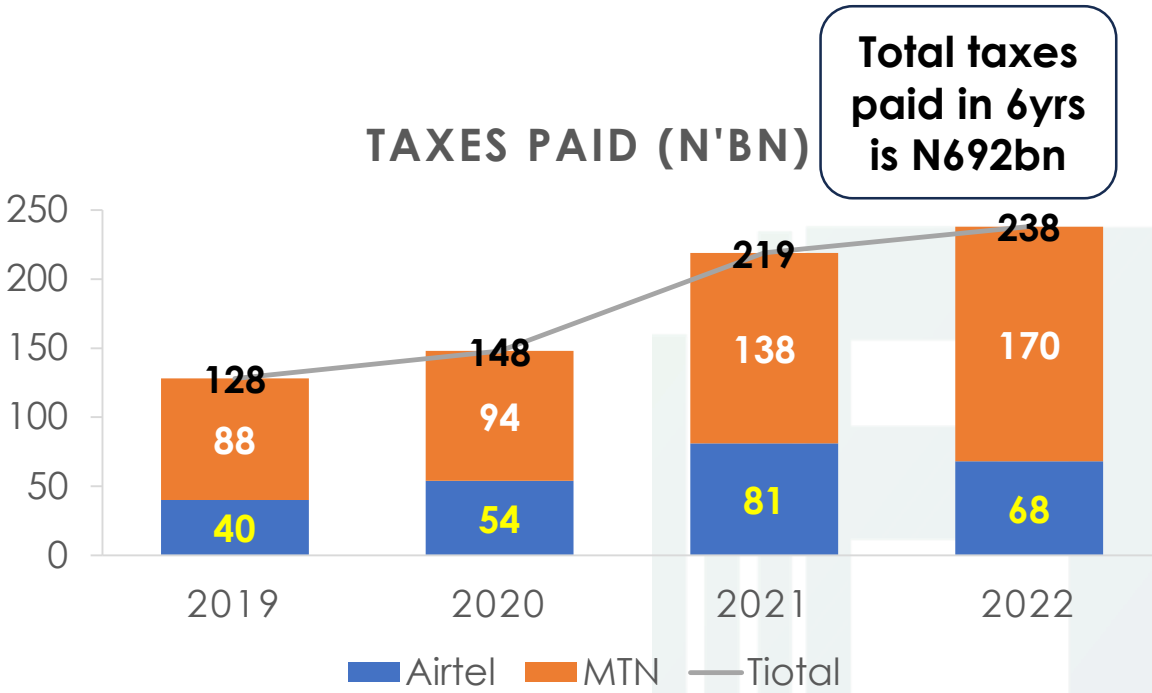


- Partnerships and Alliances
- Global Expansion
- Customer Education & Awareness
- Workforce Development
- Product Development

Their services are critical and should reflect

- **Current earnings**
- **Real cost of doing business**
- **Pure market**

REVENUE GENERATION POTENTIAL OF TELECOMS



FAAC
N11.71tn
2023

Taxes by MTN & Airtel
N445bn
2022

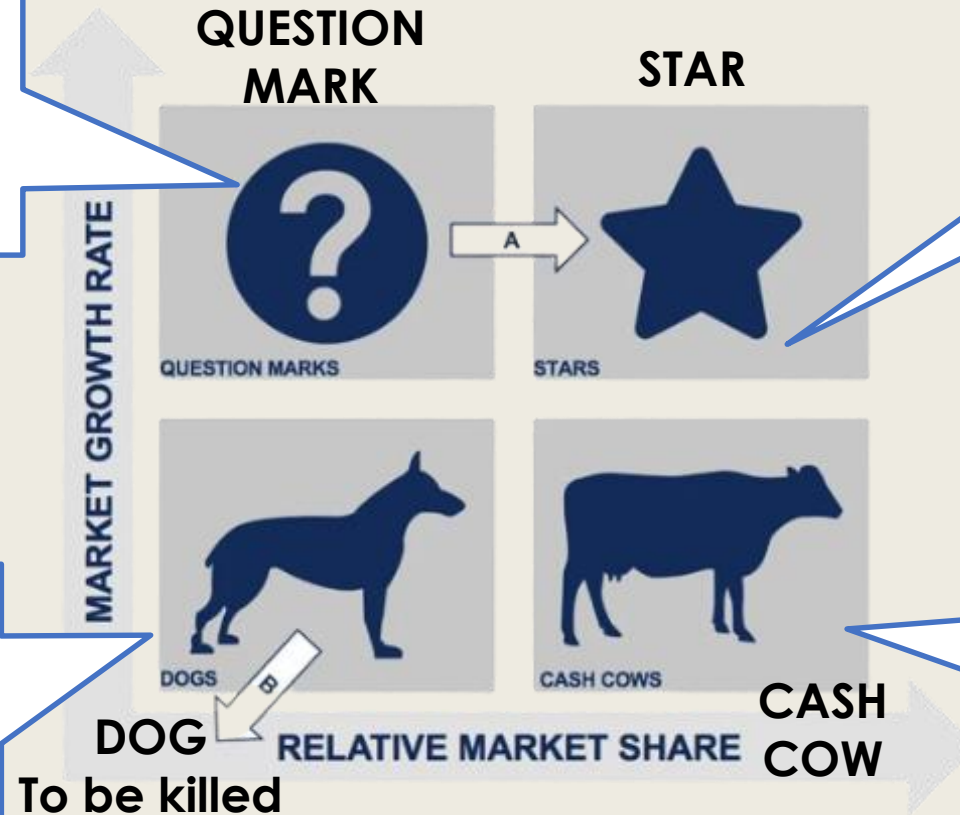
- MTN alone paid a total of N1.02 trillion as dividends in 6 years
- MTN and Airtel paid a total of N692 billion as taxes in 6 years

- MTN and Airtel's taxes for the 2022 financial year could pay 2.03% of FAAC for 2023

INDUSTRY IS NOW UNATTRACTIVE

- 2001 to 2002
- High growth prospects
- High cash consumption
- Can turn to Stars

- 2003 to 2017
- High cash is generated
- High cash consumed
- High investment (CAPEX)
- Lead to Cash Cow



- 2023 to date
- Poor growth rates
- Cash traps
- Low returns
- Massive losses
- No investment

- 2018 – 2022
- High cash is generated
- Low cash consumed
- High investment

WHY THE SECTOR IS STRUGGLING....

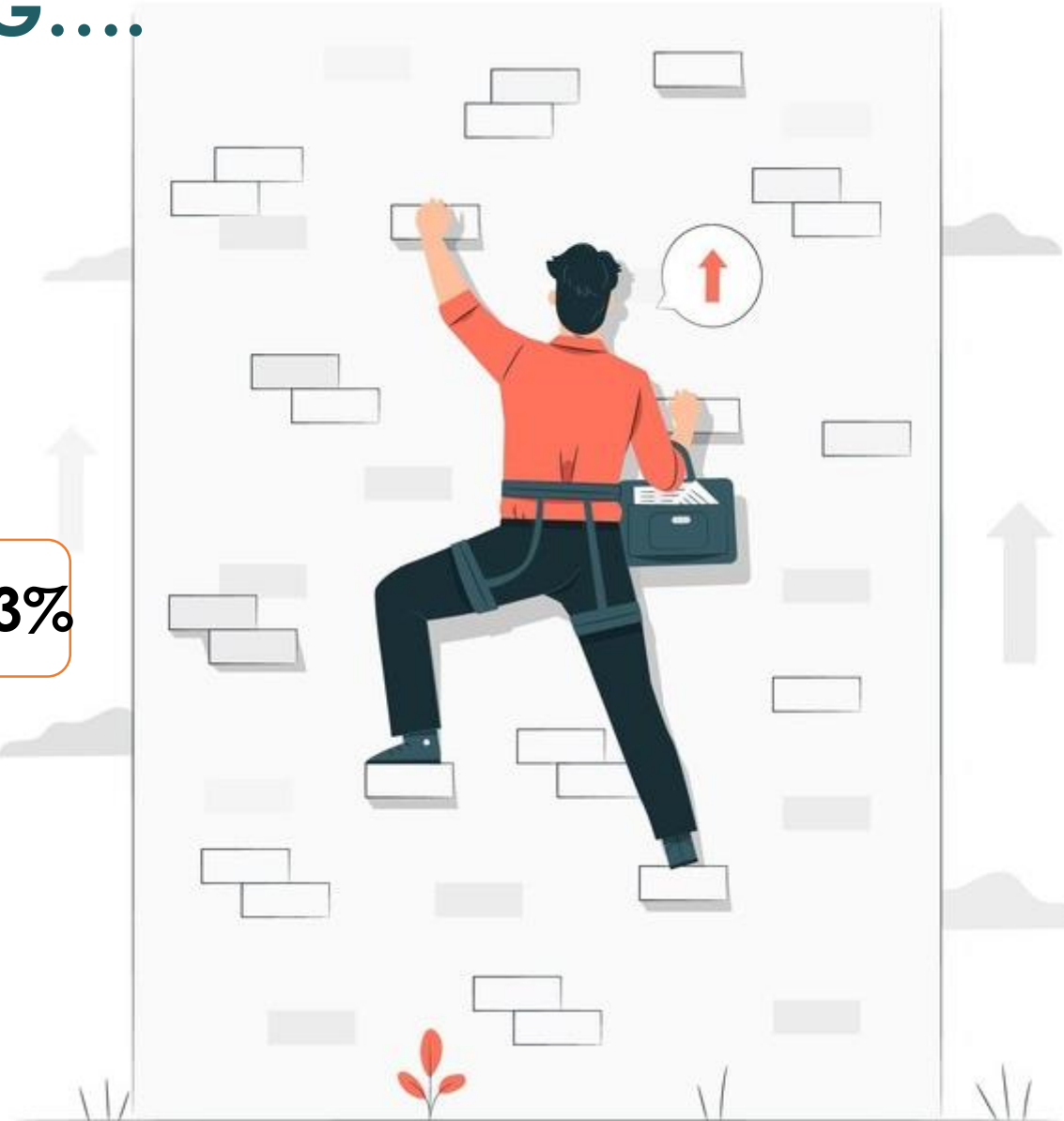
EBITDA sharply lower

Inflation (cumulative): 387%

Exchange rate has depreciated by 763%

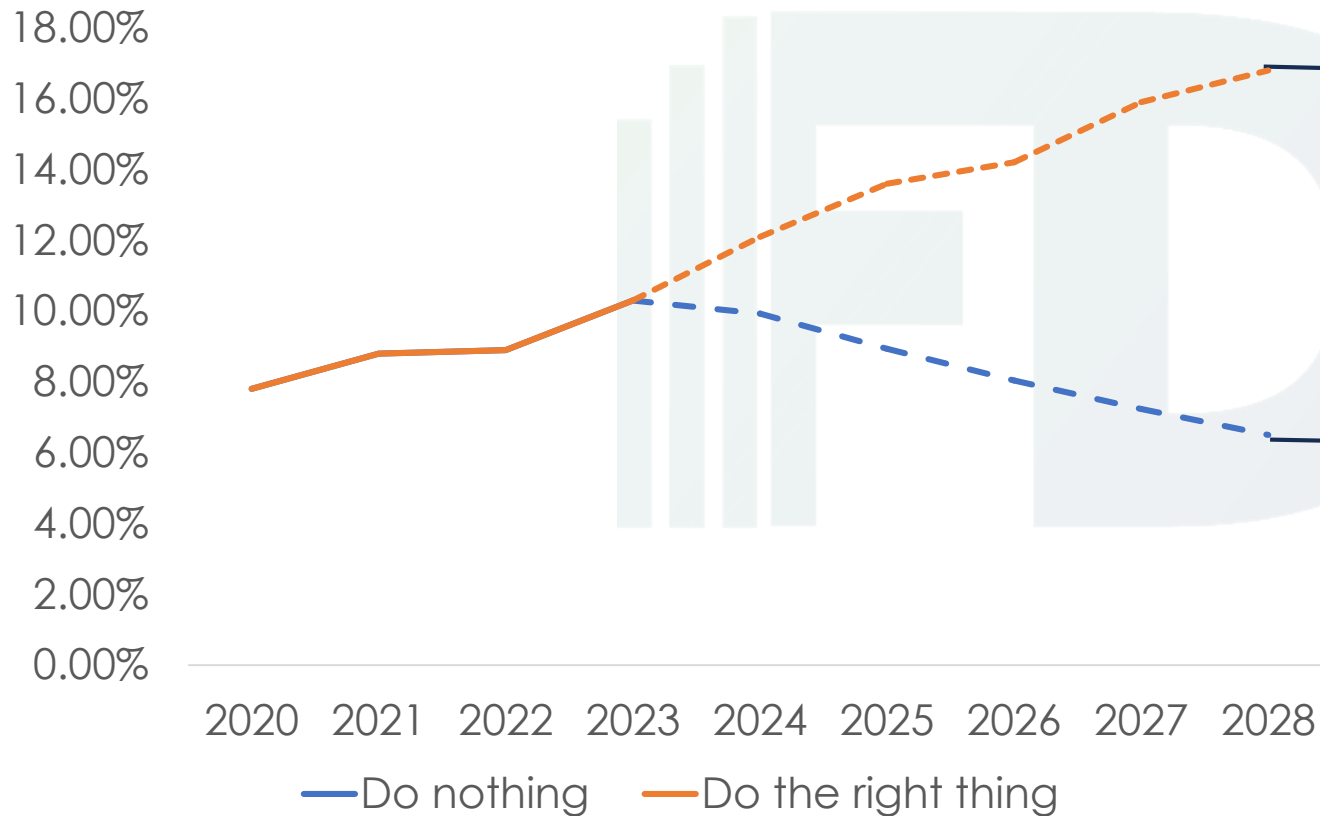
Diesel prices increased by 614%

Marginal cost $>$ Marginal revenue



IF THE TELECO SECTOR COLLAPSES – THE ECONOMY FAILS

Scenarios: Telecoms Contributions to GDP



Do the right thing
(Short term - increase tariff
Long term - price deregulation)

Do nothing
(market delves into oblivion)

- Without immediate intervention, the revenue potential from the telco may start falling.
- The telecoms is linked to many sectors, hence, any disruption in its operations will have a chain effect on other sectors of the economy.



IGNORE YOUR DEVICE AT YOUR PERIL

- In today's interconnected world, ignoring devices can result in
 - missed opportunities
 - decreased productivity
 - difficulties in staying informed and organized
- Therefore, paying attention to and properly managing devices is essential for navigating modern life effectively

DOING NOTHING NOT AN OPTION

COST OF DOING NOTHING

- Telecom sector suffers
- Consumers suffer
- Businesses suffer

- Digital economy goes into hibernation
- The entire economy suffers

COST OF DOING THE WRONG THING

- Telecom sector suffers
- Consumers suffer
- Businesses suffer

- Digital economy goes into hibernation
- The entire economy suffers

DOING THE RIGHT THING

- Investment rises
- Quality of service improves
- Consumers benefit
- Businesses benefit

- Telecoms benefit – profits
- The entire economy gains
- Accelerated growth guaranteed

WHAT MUST BE DONE!



**Immediate
Increase of tariffs
To cover marginal
cost**



**Deregulate prices
and regulate
performance**



**Ensure consumer
protection agency is
effective**



ASSUMING AN INCREASE – IMPACT ON YOU!

PRODUCTIVITY



Increase in labour productivity



Prices will decrease

Inflation



Inflation will decline



Commodity prices will be close to equilibrium



- Gouging will reduce



- Naira will appreciate

SUMMARY

&

CONCLUSION

Nigeria has the biggest telecom sector in Africa in terms of subscribers and market size

Nigeria has not taken advantage of its economies of scale and resource endowment

Inflation rate has worsened, reaching 33.2% in March 2024

Telecom sector revenue has declined from \$6 billion in 2019 to \$3 in 2024

There is a need to revive the telecom sector

Short-term target (tariff review) & Medium-term target (deregulation)

OUTLOOK



- With the right investment, the Nigerian telecoms contributions to GDP can be increased from 12.1% in 2024 to 16.8% by 2028
- Investment in developing internet infrastructure and broadband connectivity will increase data consumption by businesses and individuals
- The deployment of 5G technology and innovations by major telecom market vendors are expected to further boost the sector's development
- The rise in smartphone usage is expected to fuel the growth of the telco sector

*Thank
you*

