

**Discover Unexploited Revenues. Maximise Current Revenues.
Manage Risks.Satisfy Customers.**



NIGERIAN TELECOM SECTOR:

10 Reasons Why Nigeria will give you best returns

Telecom Advisory Services Ltd



With about 20 years worth of experience working in telecoms across 4 continents, we are specialized in delivering focused consultancy services and manpower development services to clients across the telecom industry

- Strategy/Business Plan development and Implementation
- New Product Development
- Market Research and Analysis
- Consumer Research and Behavioral Analysis
- Business Intelligence solutions
- Specialist in Recruiting and Outsourcing
- Effective and pragmatic Customer Care Management
- Performance Management system development



Telecom Advisory Services Ltd

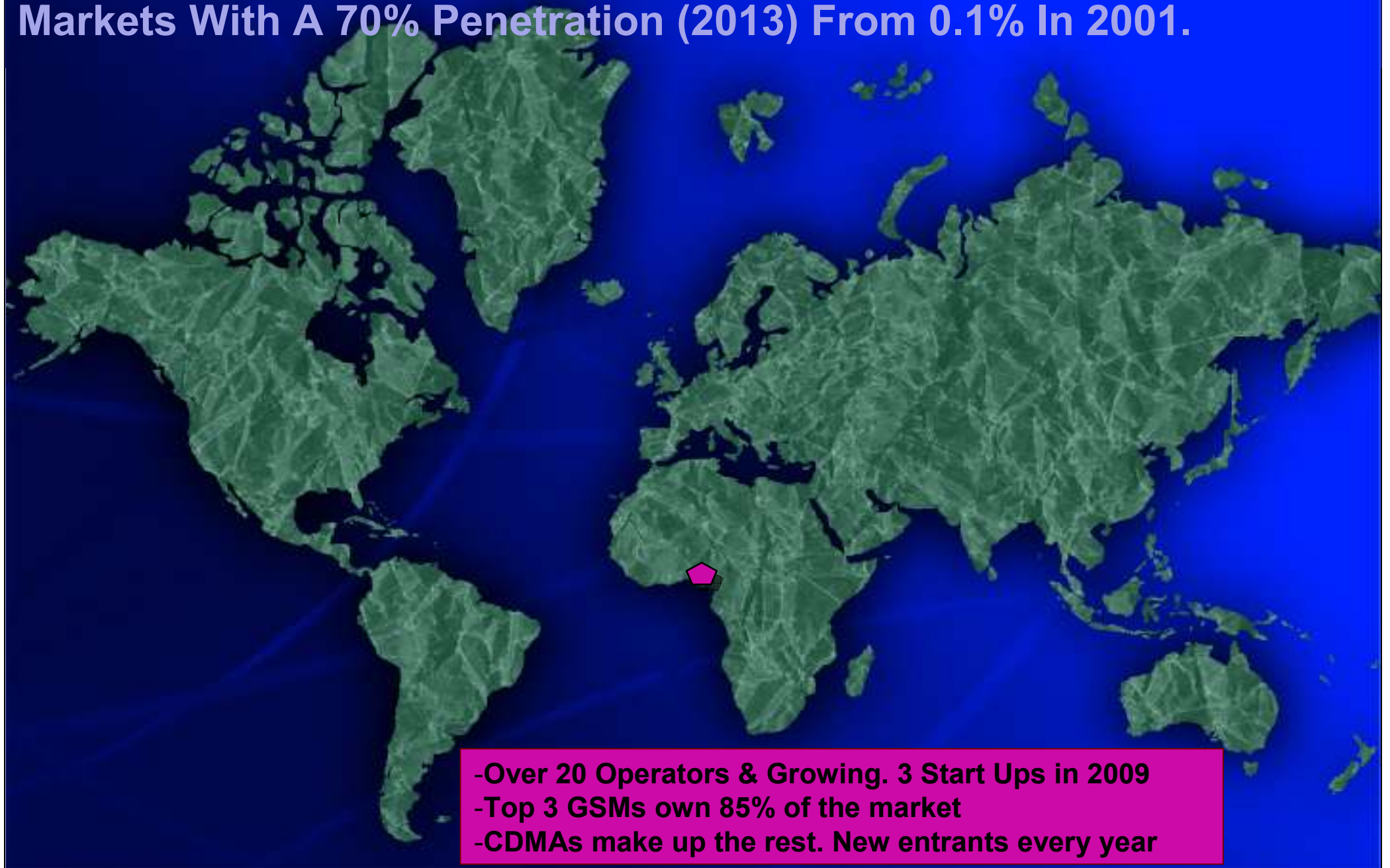


Clients in over 10 countries, 5 new African countries opening in May

- 5 year old start up
- 100+ professionals
- Planned expansion into Europe



Nigeria's 175m Souls Have Created One Of The Fastest Growing Markets With A 70% Penetration (2013) From 0.1% In 2001.



- Over 20 Operators & Growing. 3 Start Ups in 2009
- Top 3 GSMs own 85% of the market
- CDMAs make up the rest. New entrants every year

Four Important Mythes About Business In Nigeria



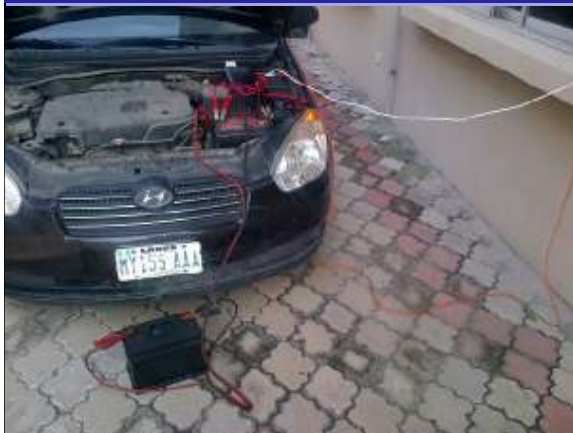
Ease
Corruption
Security
Size



Ease



Adaptation leads to...



Innovation





Corruption



Avoid 'fuelling' the fire



Security



Dialogue!





Does size really offer opportunities..?

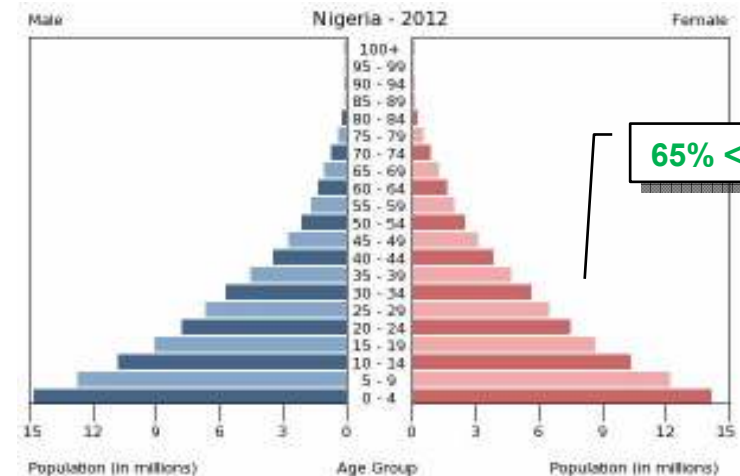
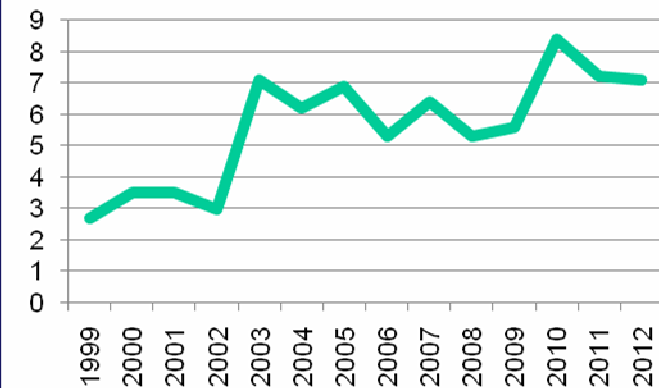
**...depends on the
“perspective”**



Nigeria in 1 slide

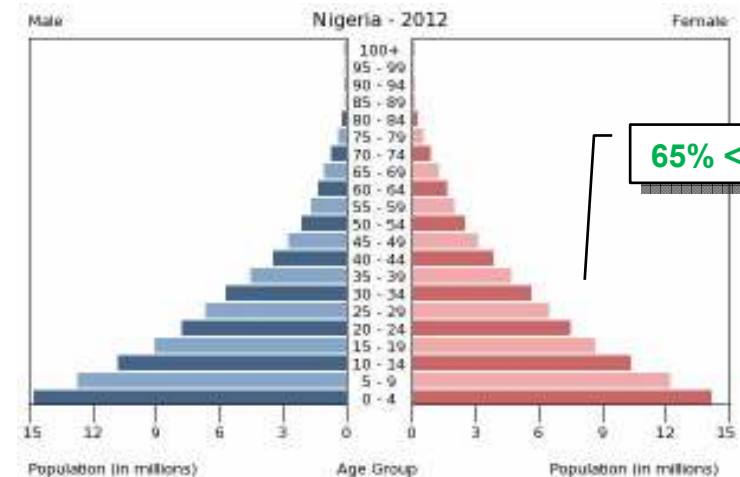
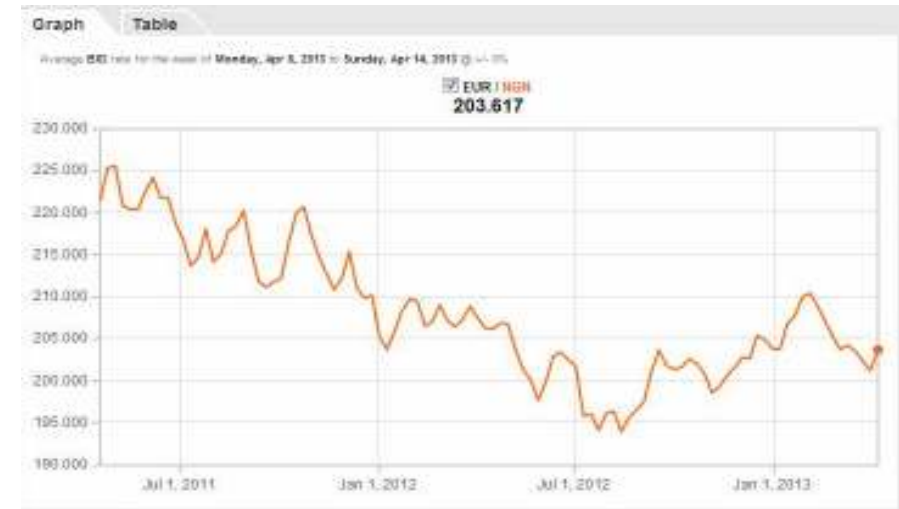
- **Population:** 175 million, 7th largest
- **GDP:** \$451 billion
- **Labour force:** 55 million (only 30% in industry and services)
- **Income & Consumption:**
 - lowest 10%: 2%
 - highest 10%: 40% (2010 est.)
- **Rev.:** \$25 bn. **Exp:** \$32 bn (2012)
- **Imports:** China 17.3%, US 9.1%, India 5%, Netherlands 4.9%, South Korea 4.7% (2011)
- **Exports:** US 29.1%, India 11.6%, Brazil 7.8%, Spain 7.1%, France 5%, Netherlands 4.3% (2011)

Nigeria GDP Growth Y-O-Y%



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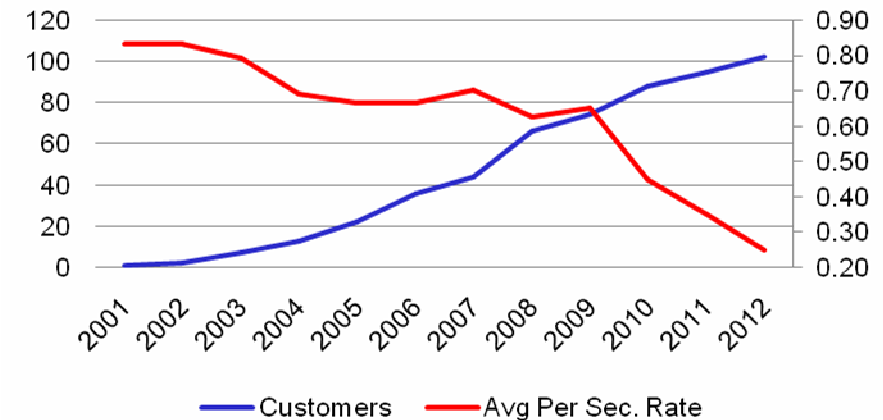


Nigerian Telecom Sector

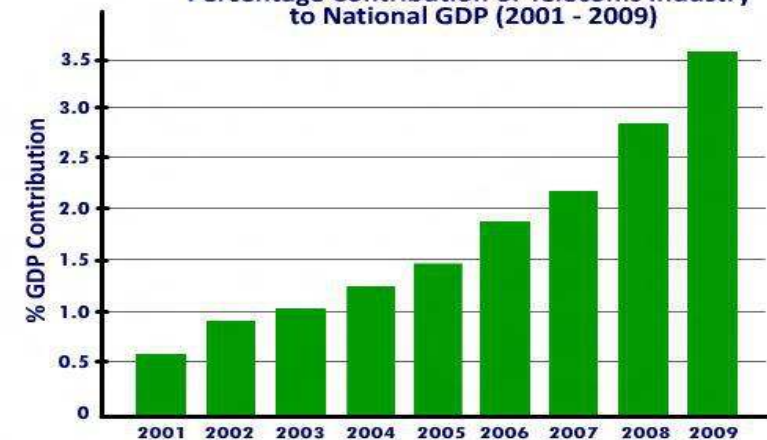
- **Market size: 110 million (2013)**
 - Original estimate was 10m
- **Strong regulatory environment**
- **Clear Y-O-Y contribution to GDP**
- **>20 operators with various technologies**
- **GSM/3G companies have >90% market share**



Trends in the Nigerian Telecoms sector



Percentage Contribution of Telecoms Industry to National GDP (2001 - 2009)

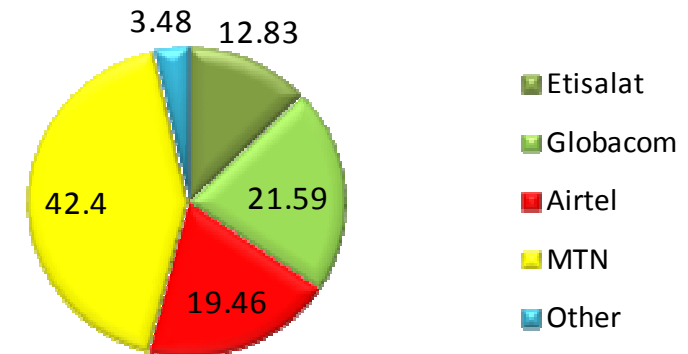


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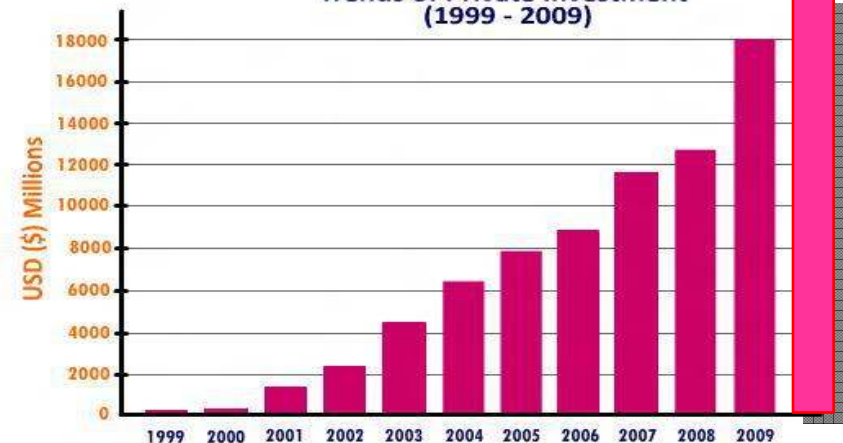


Mobile Market Share Nigeria, June 2012



\$25bn 2012

Trends of Private Investment (1999 - 2009)

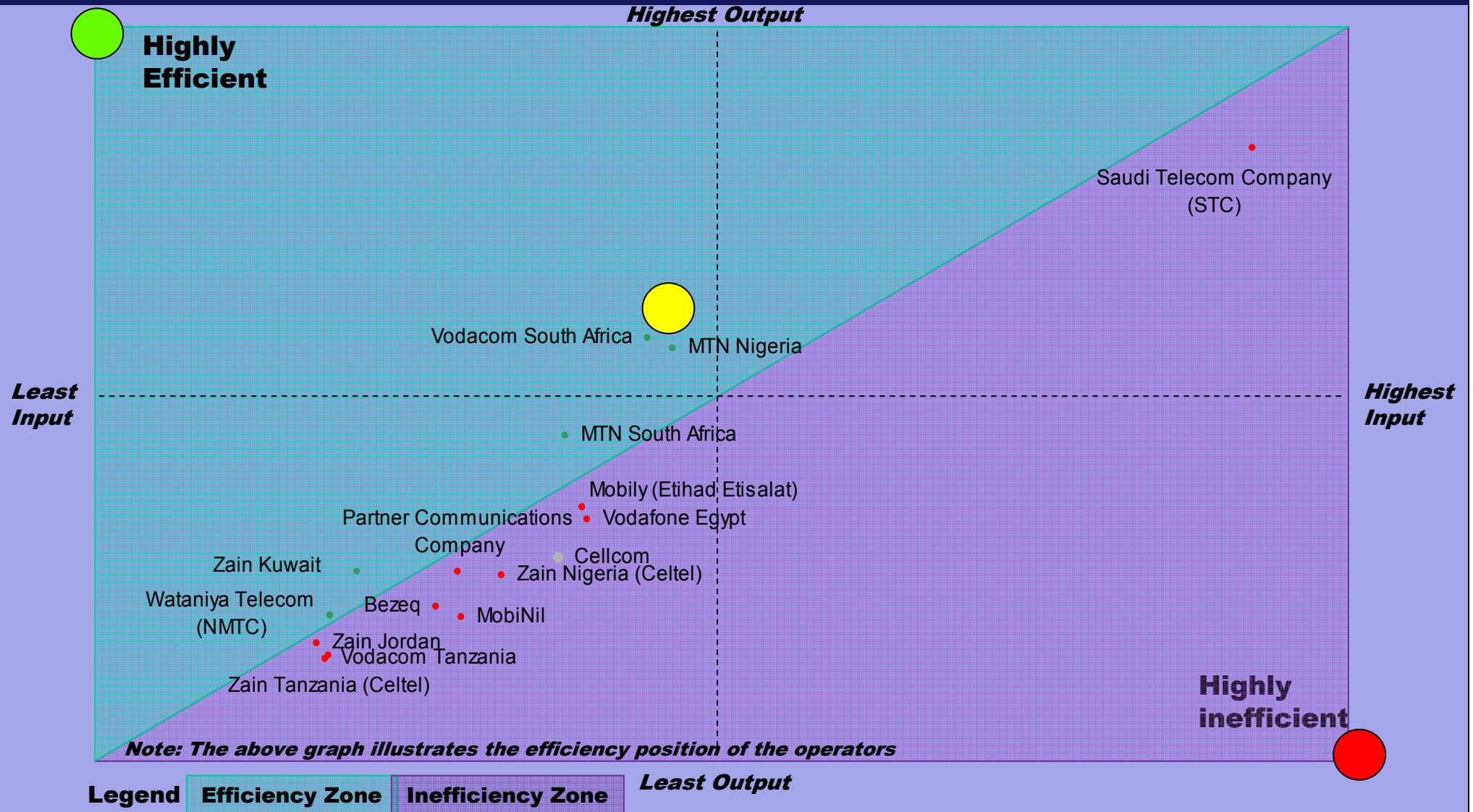


Case Study: MTN Nigeria

- MTN had a turnover of \$4.8 billion in 2012 (similar to 2011).
- Saw a 60% YOY growth in data revenues
- 1 in 2 phone users on MTN, over 7,000 sites, EBITDA consistently late 50s and early 60s
- **But as MTN learnt, there are no shortcuts**
 - **Downtime**
 - **Fibre cuts**
 - **Diesel**
 - ...



Absolute Measure of Efficiency for Wireless Operations of major MEA Operators



BUT....



Although Nigerian operators are also seeing healthy subscriber growth, a number of unique efficiency challenges may be slowing progress

Power: with less than 40% of the population covered, Telcos have had to generate their own power using generators and diesel which have created new distribution & security issues.

Distribution: operators face challenges and high costs getting consumables from manufacturer to the end user.

Business Processes: legacy processes created during the high growth period are not always the right fit for the current phase in the lifecycle.

Operators experience that no matter how fast they run, they seem to be standing still: demand, falling rates, competition...

10 Opportunities

- Network Expansion
 - Rural Expansion
 - Government
 - Broadband
 - Others

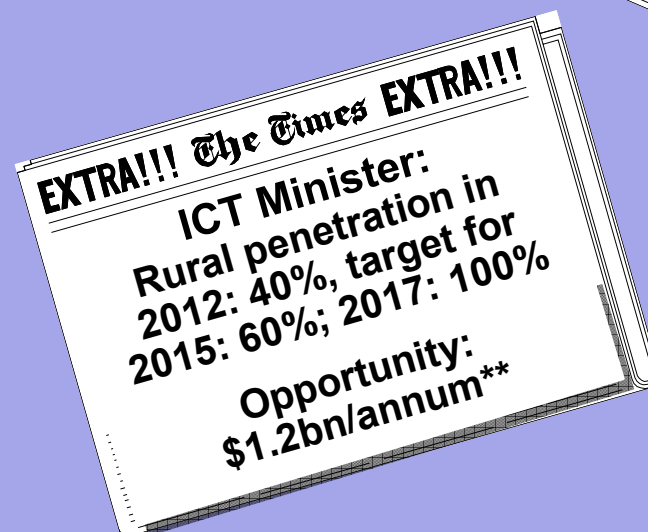
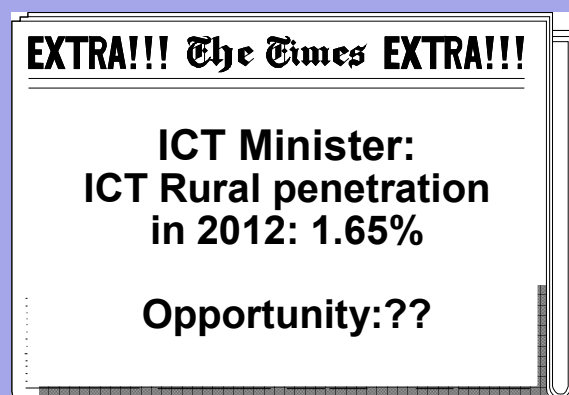


Network Roll-Out: Only 2 networks have 'Covered' 70% of Nigeria...



1. Benchmarking the United Kingdom against Nigeria:
 - Geographical landmass - 1:3
 - Population -1:2.5
 - Fibre across country - 3:1
 - Base stations – 3:1
- Opportunity: quick and easy deployment tools and methods

The Rural challenge: up to 80m Nigerians live in rural areas...



*Nigerian Communications Commissions (NCC) survey, with the theme: "Assessment of the level and impact of telecommunications penetration in rural Nigeria"

**Based on an ARPU of \$2/month

Bottomline: to serve low population density, sparsely located, low ARPU but specific needs customers, vendors have to do things differently

The Challenge...

1

Potential ARPU for 80m rural customers is <\$3 per month

2

Civil works dominate site CAPEX

3

Expensive transmission and high OPEX for site maintenance

4

High cost of getting consumables to the customer

Possible Approach...

Vendor will help implement a low cost, high value rural telephony model

Vendor will implement inexpensive sites and/or deploy pocket coverage

Use of IP traffic for transmission, low usage generator & local CRM

Innovative solutions for distribution

Rural telephony: up to 80m Nigerians live in rural areas...

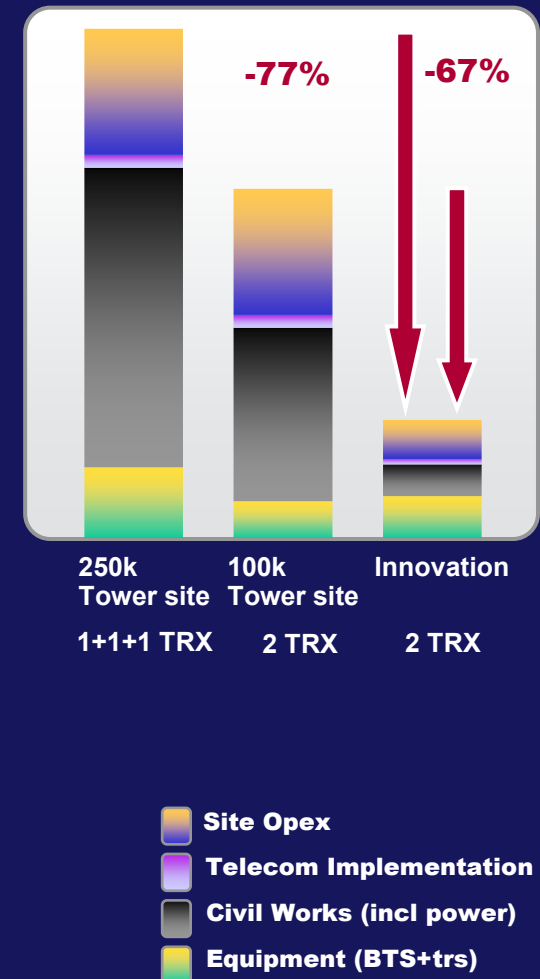
1. MTN took the initiative with an RFP in 2010/2011

- Initial investment was \$120,000,000
- Ericsson and Huawei won Phase 1

2. Government commenced its own expansion process in 2011

- Regional by nature but via telco/supplier joint efforts

...in spite of all these, they are still grossly underserved



Example from Asia

Fiber: now the undersea cables have landed, limited last mile fiber still impedes access to broadband

- 1. Undersea cables GLO1, Main 1, Sat 3, etc. are all in place now**
- 2. MTN and others have metro rings**
- 3. The last mile remains untapped**
- 4. Opportunity: Various companies have licenses to lay fiber but limited financing**
- 5. Issue/Opportunity: Right-of-way from various tiers of government:**
 - **Cost**
 - **Approvals**
 - **Physical challenges**



Concession to build fiber across the country using the railway infrastructure - available

Broadband & Fixed line: fixed line penetration was 1.5% while only 10% have access to broadband (predominantly mobile)...

1. Approximately 50m Nigerians on the internet
2. Millions of unconnected PCs/laptops
3. Fixed line access increased from 0.51% in 2011 to 1.5% in 2012. Expected to increase to 10% by 2015.
4. One CEO famously stated: 'Fixed line is not for Africa' due to the frequent fibre cuts, cost of 'right of way,' multi-taxing and PAYU culture which does not support dedicated fixed lines to homes and offices
5. World bank (Qiang2009): a 10% increase in broadband = a 1.3% increase in GDP for emerging countries.
 - The opportunity (simplistic approach): \$6bn within 2 years in economic value



E-Government: 80% of Nigerian government transactions are manual...

1. The opportunity:
 - ...the 3 tiers of government, 36 states, 1 federal capital territory, 770 LGAs, Federal and state tax authorities, different levels of courts, ...
2. Initial estimate: \$1 billion
2. Status: Some state governments have taken the initiative



Lagos state government created a portal for Land use and reduced the turnaround time for registering and verifying property ownership from 6 months + to just 1 month... others are watching and following as this is a major revenue earner

Local content: government policies aimed at stimulating local manufacturing...

1. Opportunity: Up to 200 million SIM cards sold in the last decade but not 1 was made in Nigeria
 - All recharge cards are locally made due to a government ban on imports
2. Opportunity: billions spent on servers, not 1 locally assembled. Basic PCs now assembled
3. Opportunity: Nigeria's Nollywood is the 3rd largest movie industry but remains untapped
4. Opportunity: Mobile Apps are widely used but do not always meet locally needs



Money Transfer : Kenya's mobile money deposits hit \$8bn between 2011 and 2012; 25% of the country's GDP! *



- **Nigeria's international Remittance Market is worth over \$21bn annually;** \$10bn officially***.**
- **With almost 5 times Kenya's population, this is an industry just waiting to explode**
- **But...**

*Africanreview.com

The World Bank 2011 & *Pam Patsley, CEO MoneyGram in 2010



Central bank policies putting banks, not telcos in control, may affect the growth witnessed in Kenya and Tanzania

Security: infrastructural gaps create a need for intelligence...

Opportunities:

- Intelligence
- Fraud Management
- Asset protection
- Asset tracking
- Cash management



M-Commerce: in infancy in spite of the clear needs as a result of gaps in infrastructure and a heavy reliance on imports

Main purchases*:

- Airtime for personal use and for others
- Person-to-person transfers

Findings:

- Personal budget management;
- Speed and convenience;
- Current behaviours & social structures indicate that the use of mobile payment services will expand;
- Help with functionality and security of m-commerce transactions needed.

Mobile advertising

- Currently mainly limited to SMS
- Mostly opportunistic and unstructured
- Static and no links for continuity



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*Ericsson 2012 survey on consumer behaviour in Tanzania, South Africa & Ghana.



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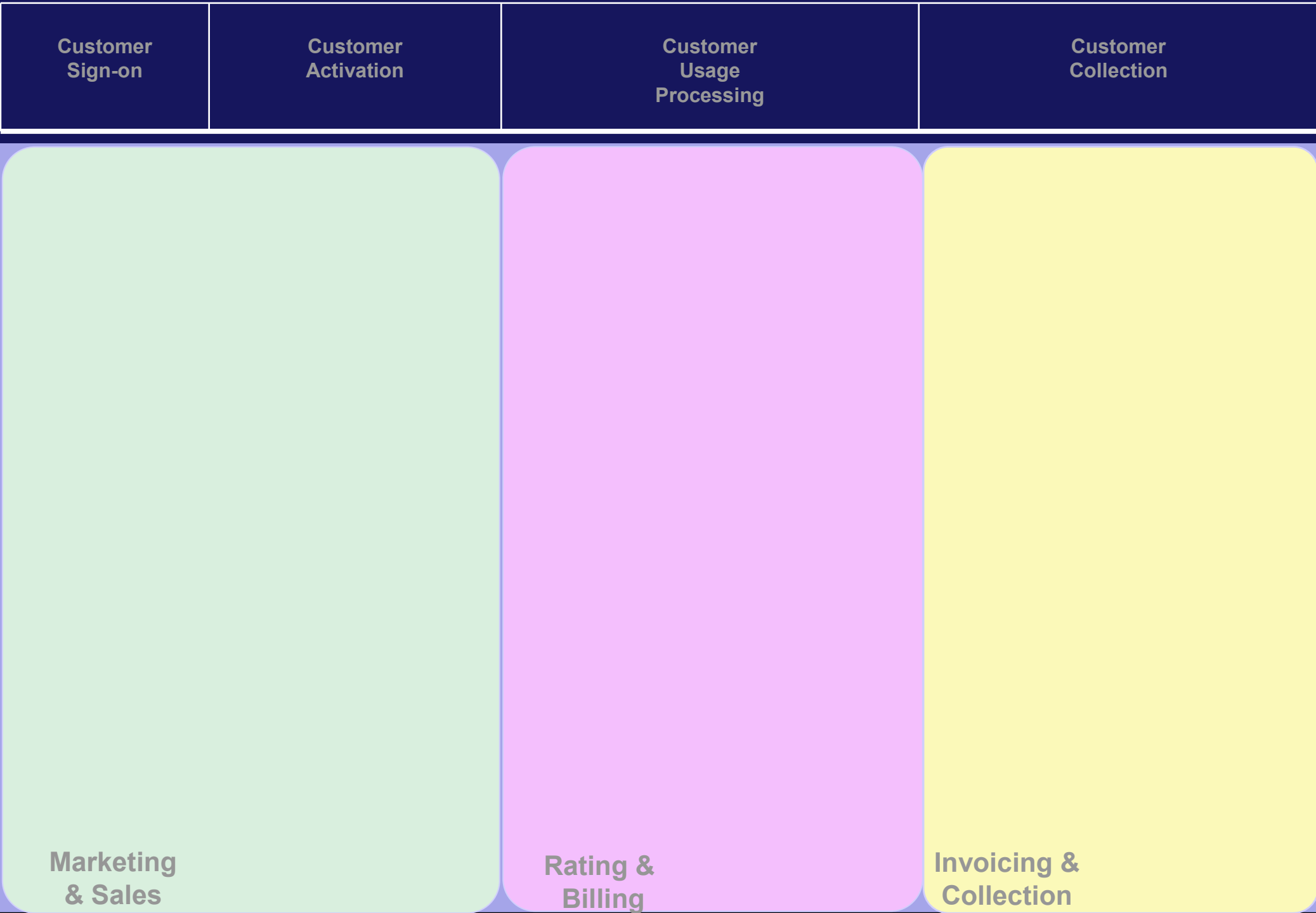
Do you wish to become a Firstmonie agent? Click here for more info.

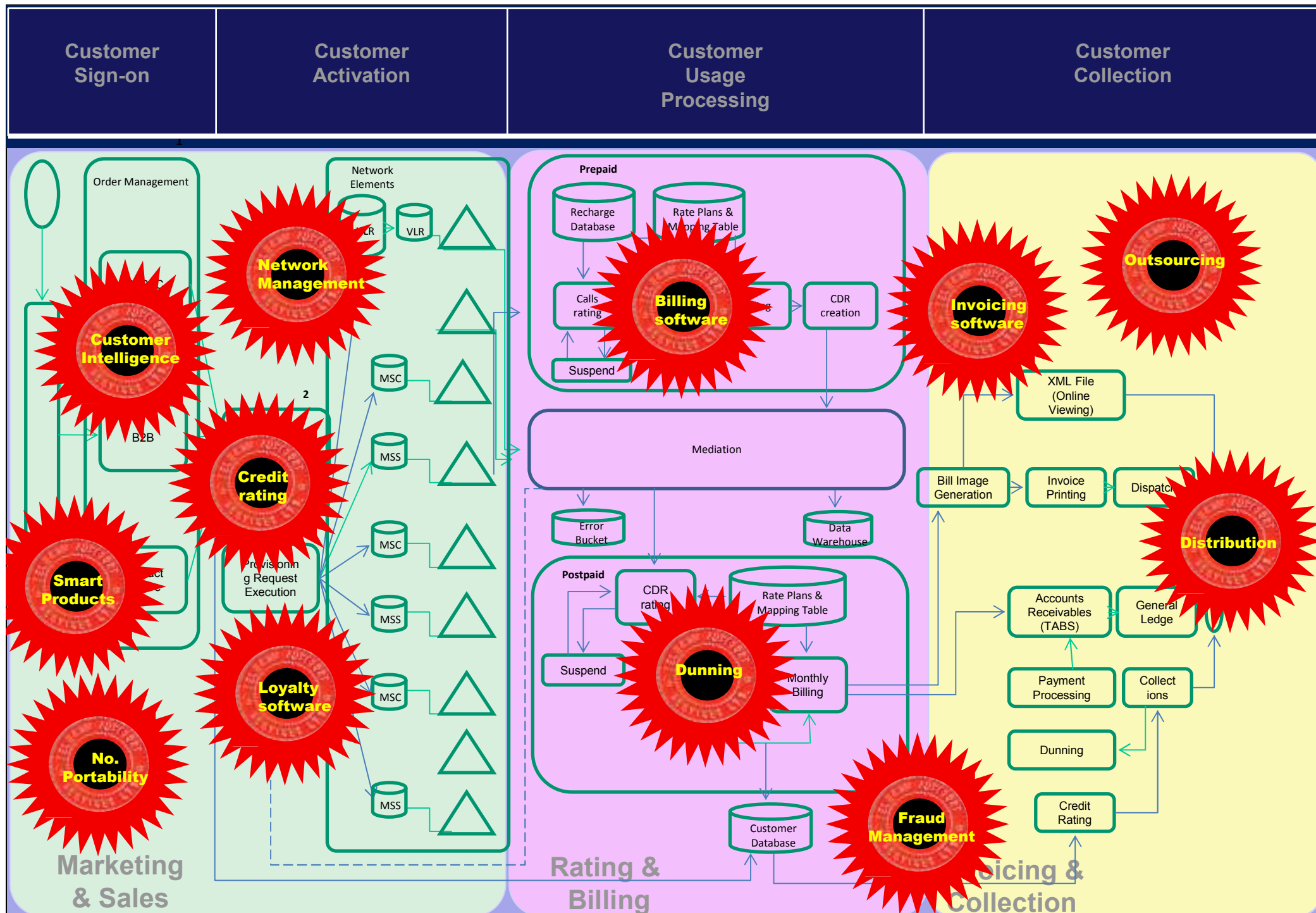
Opportunities in the three major telecom process areas

**Marketing
& Sales**

**Rating &
Billing**

**Invoicing &
Collection**







Thank You

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