



PRESS RELEASE: TELCOMS SECTOR TO MAINTAIN GROWTH TRAJECTORY

In its H2'22 Outlook titled "A strange labyrinth", Vetiva Research ("Vetiva") projects that the Telecommunications sector will continue to witness expansion, supported by burgeoning demand for data services, as the need to be online has taken significant importance in today's world. The Telecommunications Analyst at Vetiva, Victoria Ejugwu mentioned that "the industry still holds huge opportunity for growth given weak broadband penetration and mobile money prospects". The country's young and growing population possesses a huge market for telcos in terms of demand for connectivity. Also, diversification efforts by telco players puts the industry on course for a boom. Nigeria's unbanked population is one to look to for mobile money services and players, such as MTN, are strategically positioned to deliver, given what they have done in other African markets. It is noteworthy to mention that telcos have a strong reach to Nigerians, and in order for the country to reach its 70% target for financial inclusion, much of financial services needs to move away from being bank-led". Victoria, however, highlighted that downside risk to growth remains weak macroeconomic factors and insecurity. Currency devaluation and forex scarcity would continue to erode profitability margins, while vandalism of network infrastructure poses a threat to telecoms operations. According to Victoria, "Telco players need forex to import network infrastructure, and the country's forex woes are a drag on margins. Also, the weak macro environment has a dwindling effect on purchasing power. Furthermore, the incessant attacks on network infrastructure in some parts of the country remains a challenge for operators. Thus, we highlight all of these as a drawback for the industry.

She also noted that changing regulatory landscape could be a challenge for telco operators, as players continue to be pressured by regulators. She asserted, "The NCC's recent policy on SIM registration weighed on the growth of the country's subscriber base. We saw what the caveat on SIM registrations did to mobile subscriber base. More recently, the NCC gave a direction to mobile network operators (MNOs) to bar outgoing calls from SIMs that are yet to link their NINs. However, the sector has proved to be resilient amid all of these regulatory hitches and remains a top destination for foreign direct investments".

Speaking on the NCC's last spectrum auction and the commission's plan to facilitate 5G availability, Victoria highlighted the impact 5G will have on internet connectivity but believes that telcos will not be quick to rollout the service, despite obtaining the license, as focus will remain on 4G expansion. According to her, "While it is not surprising the country's internet speed is below par compared to its peers such as South Africa and Egypt, as 5G services were already available in these countries, we believe telco operators will not be quick to hop on the 5G train even though some operators have acquired the license. 4G area coverage still remains low, and we believe operators will remain focused on maximizing returns from their 4G investments".

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