Rethinking the telcos business models in the 5G era

IDATE Insight

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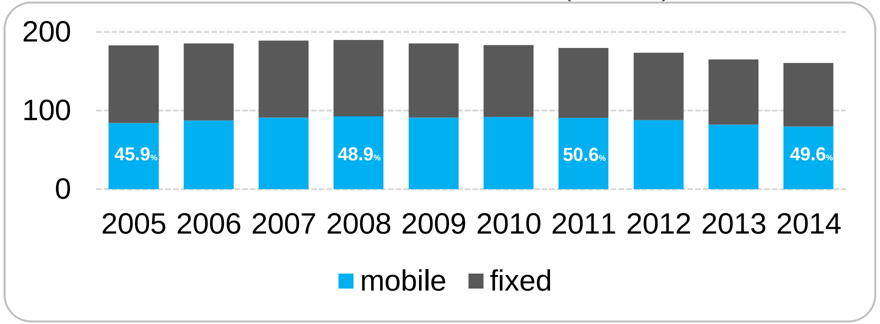
1 Huge pressure on telecom service markets… especially in Europe

- **2008-2014 = -15% decrease in telecom service revenue** in the EU-5
- **Mobile services under tremendous pressure since 2010**
- Despite **massive traffic growth**

Margins severely hit

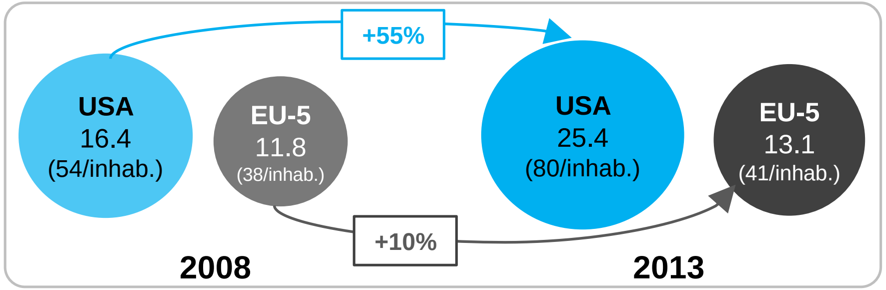
Restricted financial capacity
for investment

Telecom service revenue in EU-5, 2005-2014 (billion €)



Source: IDATE, *Telecoms Markets & Players*, Nov. 2014

Operators' CapEx in mobile networks, total (billion €) **and per capita** (€)



Source: IDATE, *Telcos CapEx*, Oct. 2014

2 Factors for success

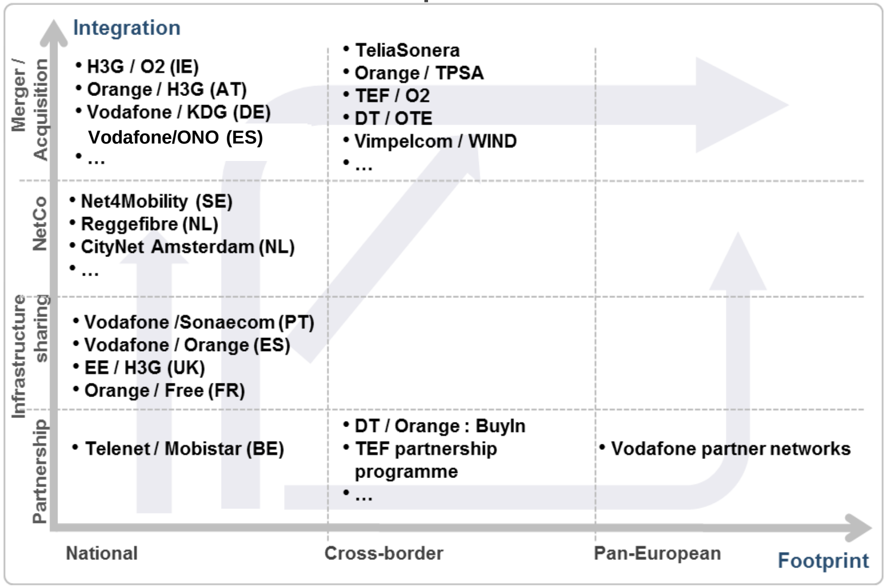
Economic climate: business profits, purchasing power…

Regulation:
net neutrality, roaming...

Market structure:
consolidation, FMC…

Anti-trust rules replacing sector-specific regulation

Outlook for consolidation in Europe

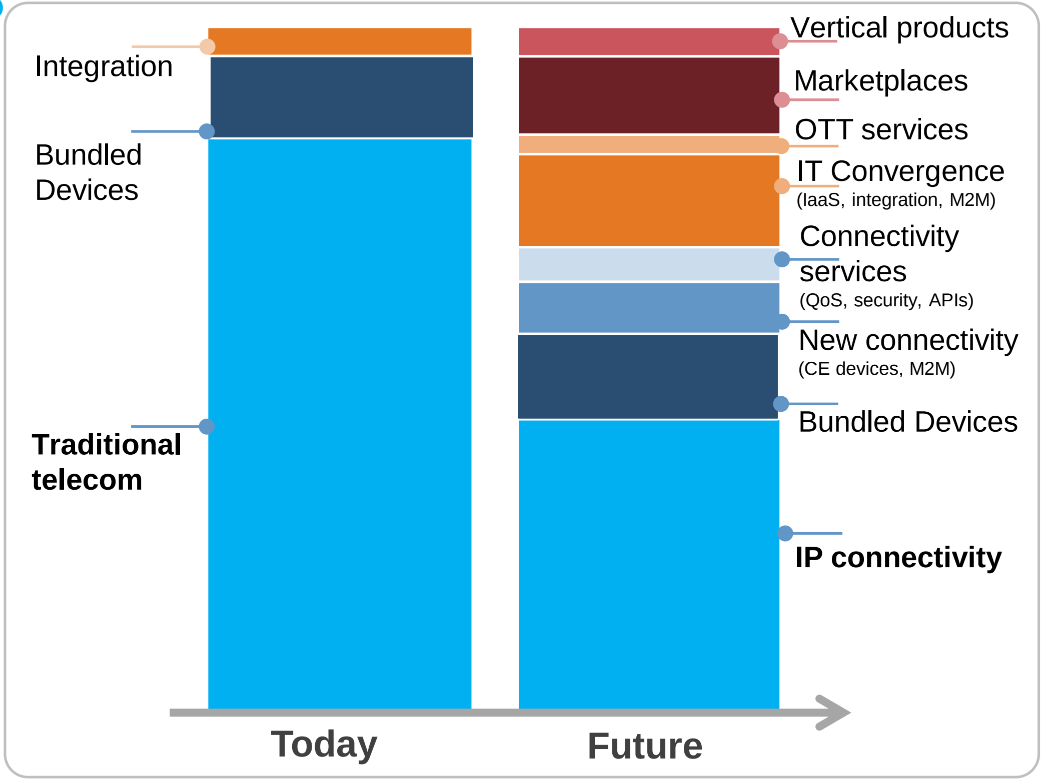


Source: IDATE, *Telco consolidation in Europe*, March 2014

3 Any hope for growth?

- **Traffic increase: new pricing models** (tiered pricing, data sharing, sponsored data…)
- **New services and applications:** M2M, video, verticals, business solutions…
- **ARPU no longer the right metric**

ARPA?, ARPS?...



Source: IDATE

IDATE thus concludes…

Three major factors of change:

Productivity

Fixed mobile convergence

Real time network management

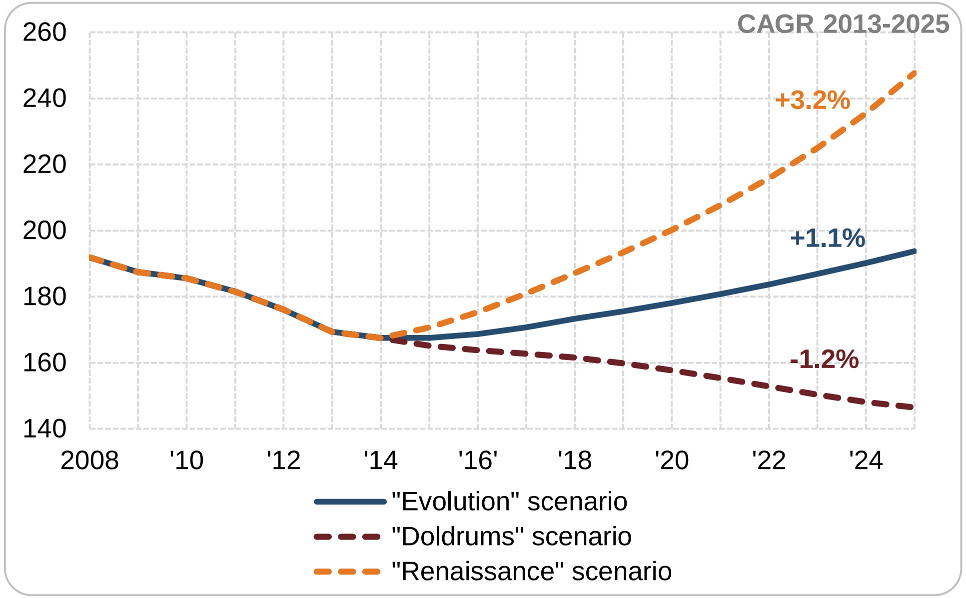
Cost savings

Synergies

Value added/segmented offers

Comparison of the three scenarios in the EU-5, 2008-2025 (billion EUR)

% Average annual growth rate, 2013-2025



Source: IDATE, in Future Telecom, January 2014