



Delivering a Digital Future in Nigeria

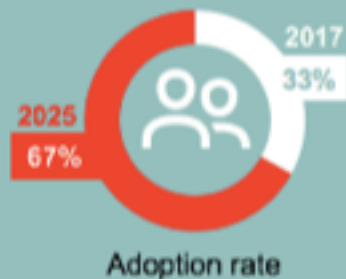
Challenges and Opportunities

December 2018
Lagos

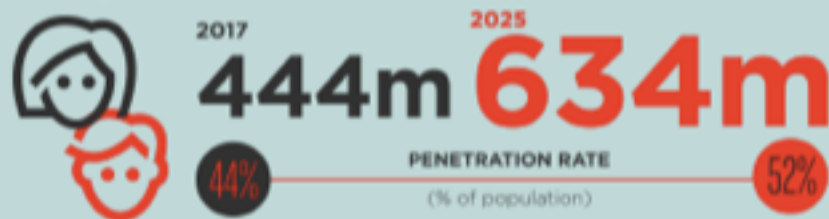


Regional outlook: Sub-Saharan Africa

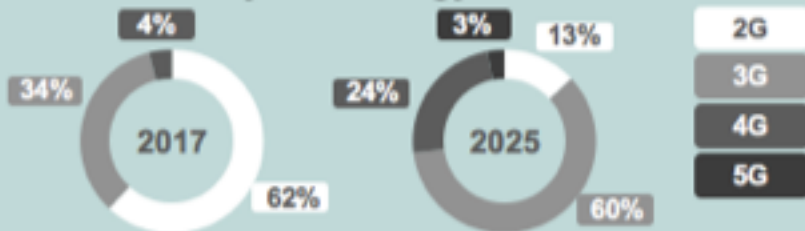
Smartphones



Unique mobile subscribers



Connections by technology



Operator total revenues



Capex

2017 **\$7.89 billion**

2020 **\$7.98 billion**

0.14%
CAGR

NIGERIA MOBILE LANDSCAPE AT A GLANCE

SEPTEMBER 2018

UNIQUE MOBILE
SUBSCRIBERS

97.5M,

RIISING TO 130M
BY 2025



Around half of unique
subscribers also use
mobile internet services

MOBILE
PENETRATION

49%,

RIISING
TO 55%
BY 2025



Compared to fixed-
line penetration of less
than 1%

TOTAL
CONNECTIONS

151M,

RIISING TO
210M BY 2025



Of which 3.2m are
cellular IoT connections

SMARTPHONE
ADOPTION

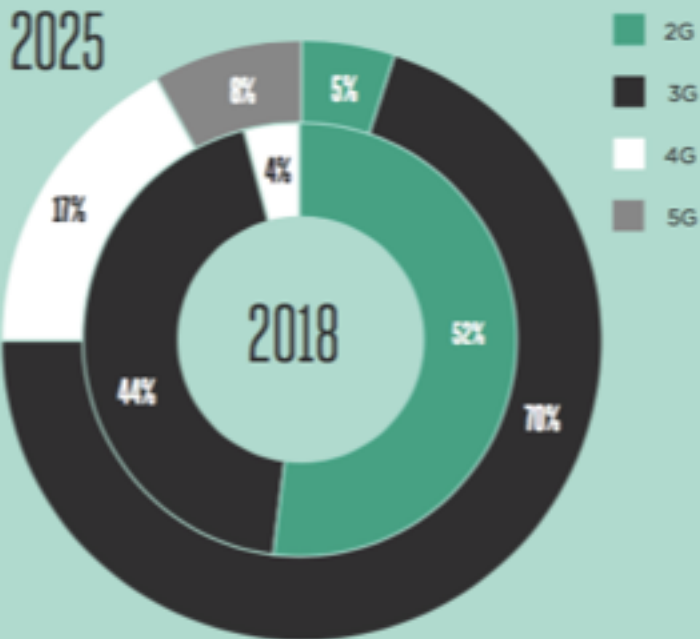
53M SMARTPHONE
CONNECTIONS,

RIISING
TO 144M
BY 2025

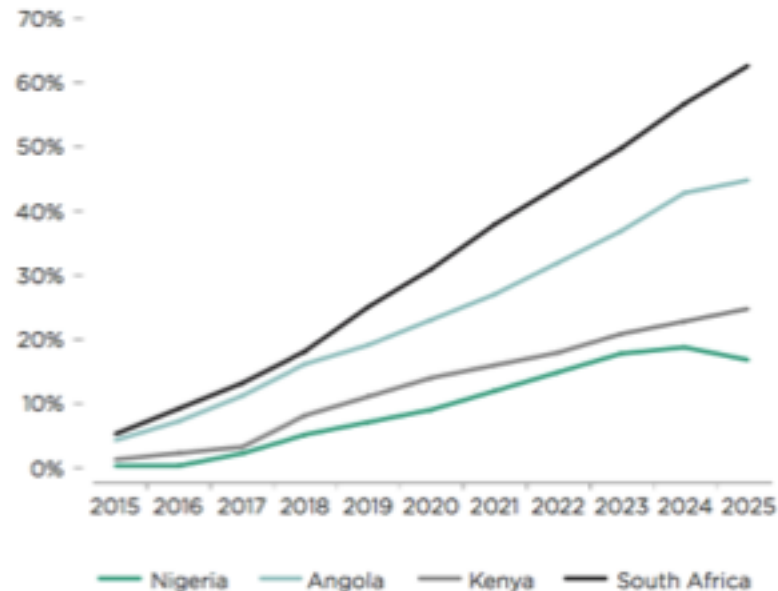


Smartphone adoption
rate of 36%

More Nigerians are getting access to mobile broadband...



...but the country lags regional peers in 4G adoption. Helping accelerate adoption would set the stage for more advanced services and a bigger positive societal impact.

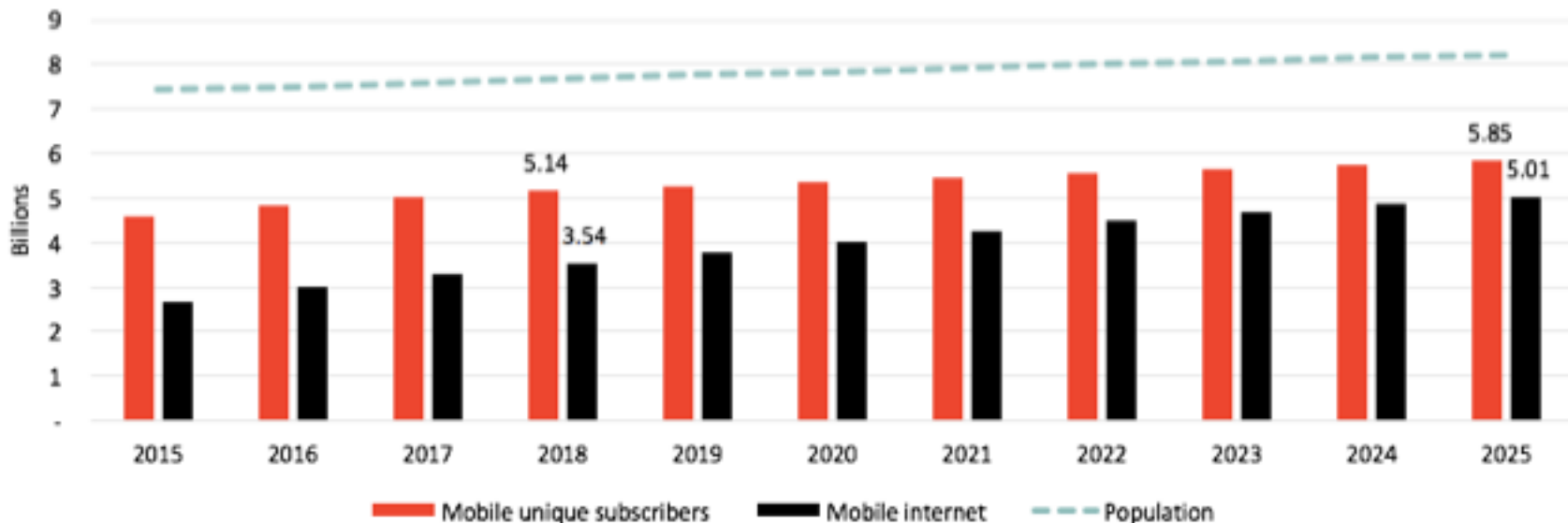




But Growth is not about technology

The dynamic is more about usage than growth

The shift is the rise in mobile internet access. The attachment rate (the share of mobile users also using the internet) increases **from 65% in 2017 to 86% in 2025**



A woman with short, dark, curly hair is shown from the chest up, holding a smartphone to her ear. She is wearing a dark, pinstriped blazer over a light-colored collared shirt. The entire image is overlaid with a semi-transparent red filter. The background is blurred, showing vertical lines that could be curtains or a wall.

Challenges

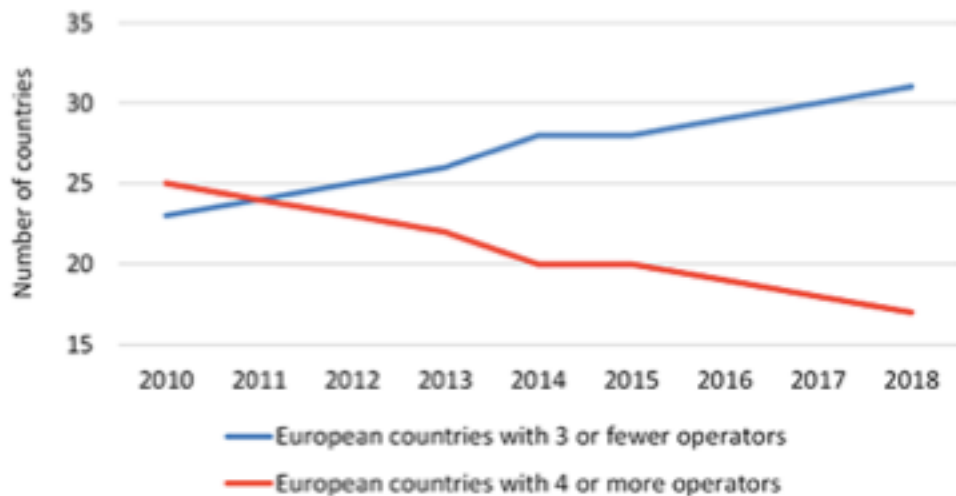
A view to 2025



Mobile Consolidation trend is necessary

To create sustainable levels of network investments and returns for operators

Competitive landscape



Source: GSMA Intelligence



Slowing subscriber growth

Digital Gap Opportunity

40%

of the population are

<



14
years

driving future growth

opportunity
for services that
appeal to young
consumers.

2025

3 in **5**     

will remain
offline

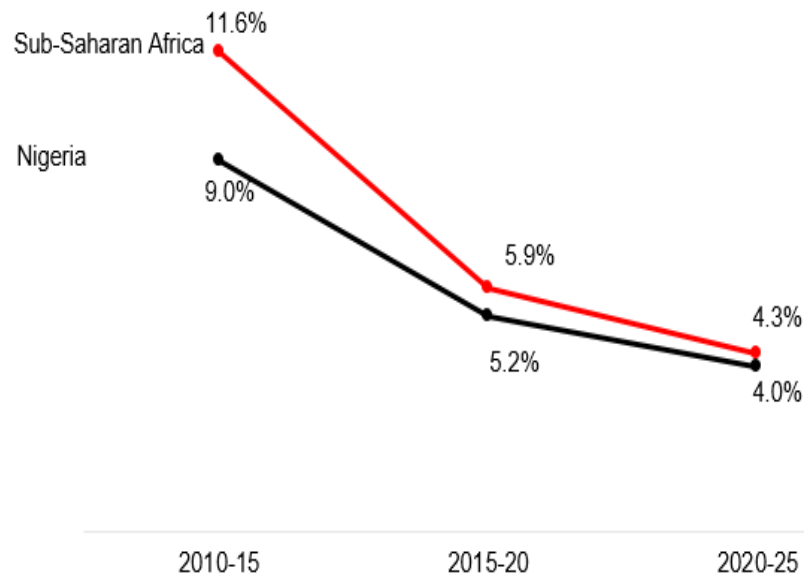
excluded from the digital economy

Lack of network coverage is a major barrier



1/3 of the population are
not covered by a mobile
broadband network

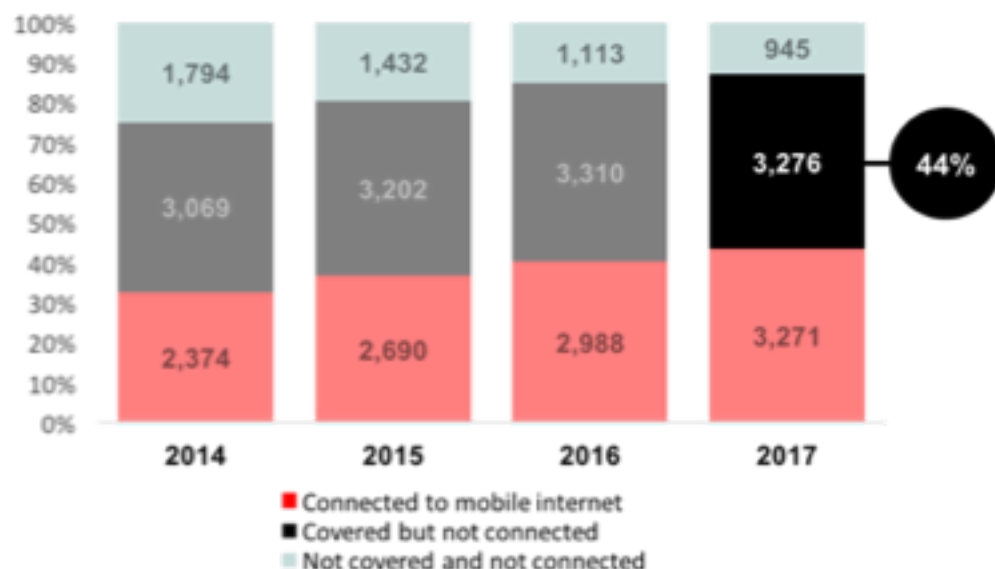
Subscriber growth: Nigeria vs SSA





80% of people without internet are covered by 3G/4G: What's the problem?

Connected and unconnected population (millions)



80%

of the unconnected live within range of a 3G or 4G signal

In Low-income countries



40% of adults are illiterate



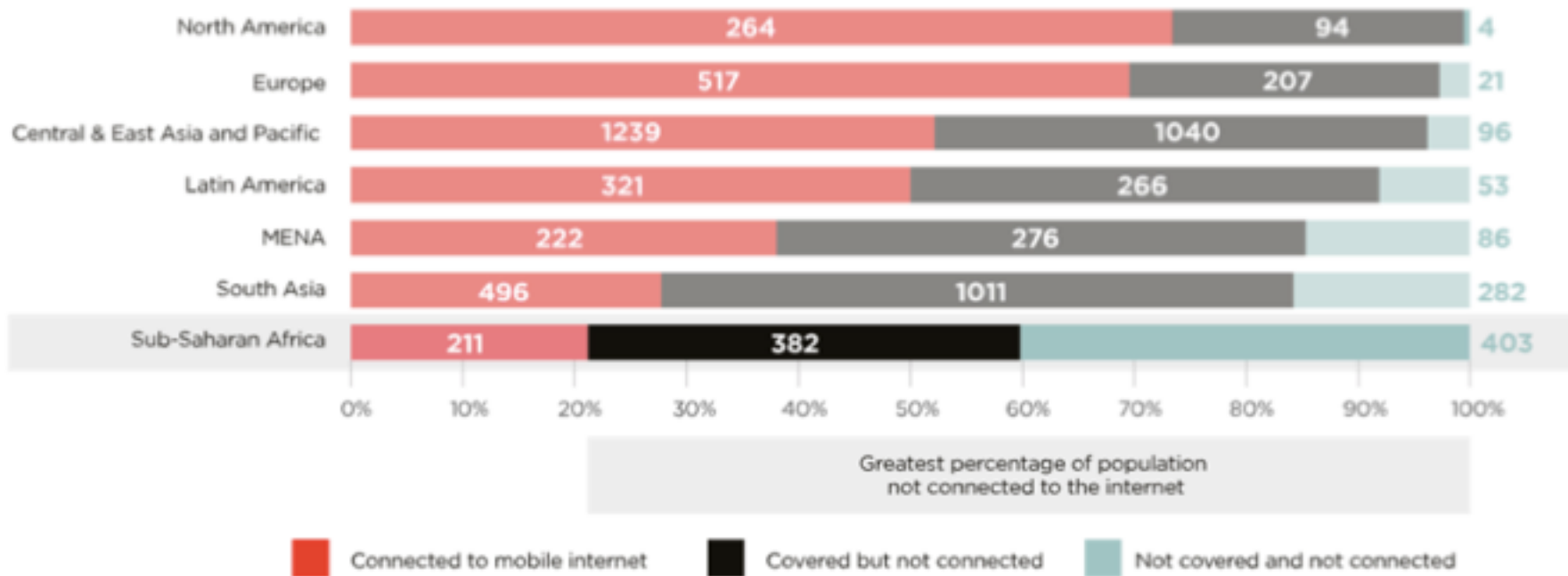
500 MB of data costs 10% of monthly GDP per capita



0.2% of all active mobile apps were developed in the countries in 2017



Breaking down the unconnected population: How do we make it easier to connect?





Opportunities





An incoming Mobile-only generation

Changes the game for digital services



2025

1.6bn

New mobile internet users

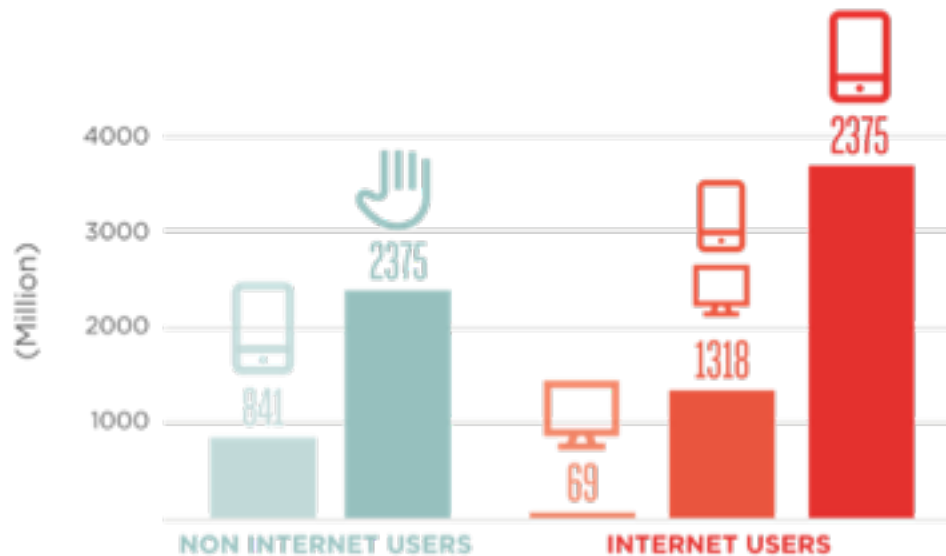
50%

of this growth from China, India, Indonesia, Nigeria and Pakistan. The rest will come from Sub-Saharan Africa and South East Asia

Accessing a large, youthful demographic with e-commerce, life services (banking, healthcare, education), entertainment content.



Global population in 2025



Source: GSMA Intelligence



Driven by Low-cost smartphones & falling data prices

SSA Smartphone penetration

2018

38%

PENETRATION RATE
(% of population)

2025

67%

Data Prices

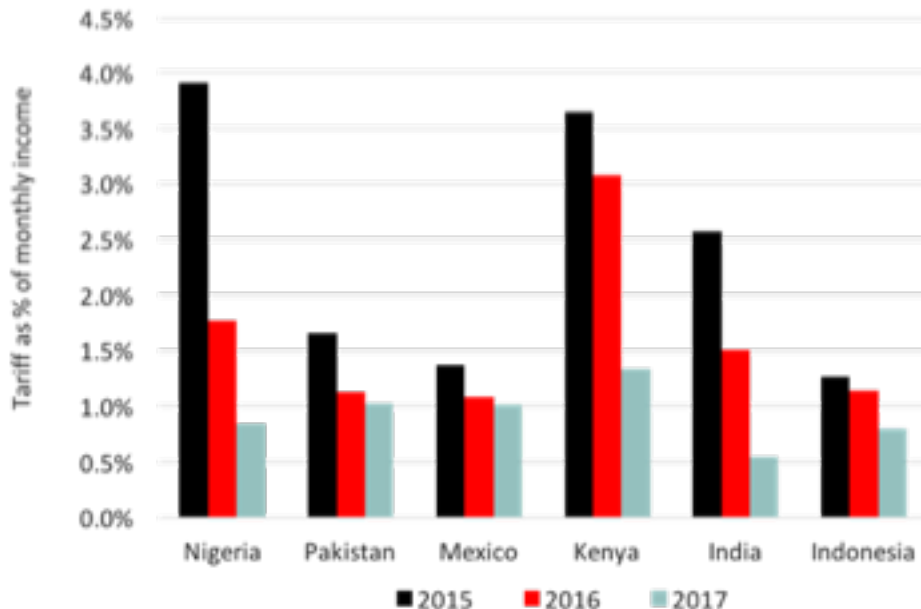
600MB - 2 GB

Medium level bundle

2-3%

0.5-1%

Monthly data bundle costs in major emerging markets



Note: Data allowances for the listed countries are taken from representative operators and range from 600 MB to 2 GB per month

Source: GSMA Intelligence, Tarifica

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5G in Nigeria

5G - latest mobile technology, engineered to greatly increase the speed and responsiveness of wireless networks



- Enhanced broadband connectivity for the home and businesses, given the lack of fixed-line infrastructure
- Enabling platform for innovative enterprises solutions across multiple industries, such as health, manufacturing and logistics
- Allows network and spectral optimisation which could bring capex and opex savings and, in turn, lead to cost effective MBB and better experience for the consumer



- Capital cost of rolling out 5G amid ongoing investment in 3G and 4G coverage, as well as hindrances to 2G shutdown
- Potential delay in regulations creating the licence bundles for 5G, given the delay and litigations that trailed 4G licences
- Low handset penetration and limited content services in the consumer market, and underdeveloped IoT and mission critical uses cases in the enterprise sector

15m

5G connections by 2025, equivalent to

7.5%

of total connections



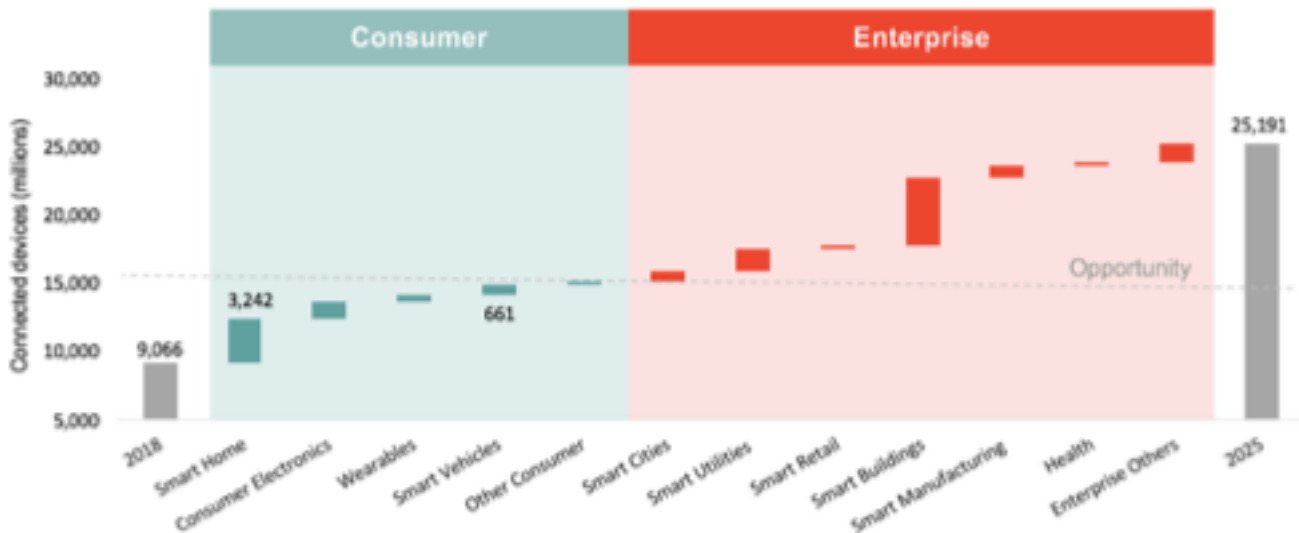
25B Things to be connected by 2025

Opportunities for IoT Monetization

IoT business case

Shifting from connecting devices to addressing specific problems or needs with solutions.

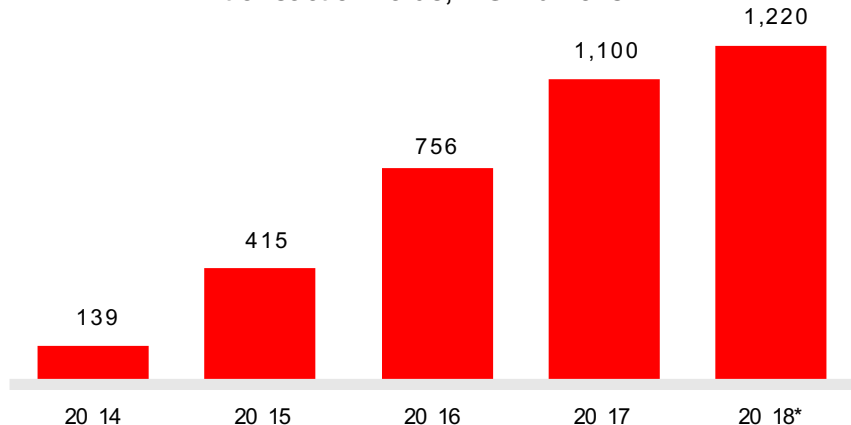
IoT connections net additions, 2018 - 2025





Mobile-Money in Nigeria

Mobile money is growing...
MM transaction value, NGN billions



*Jan-Sep 2018. Source: NIBSS

...but Nigeria lags regional peers in adoption and ecosystem development

2017 transaction value (US\$) and % of GDP



\$3bn
1.5%
of GDP



\$35bn
74%
of GDP



\$56bn
76%
of GDP

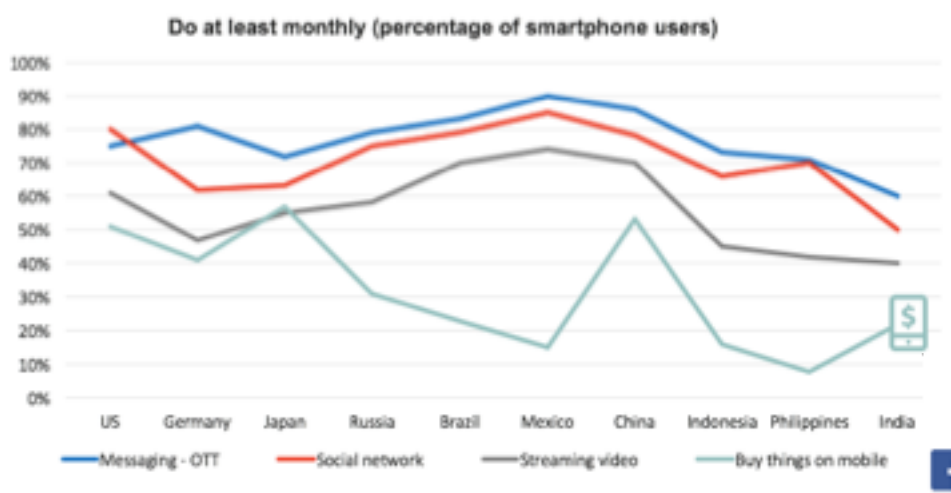
The outlook for mobile money in Nigeria is positive, based on the following key drivers;

- New regulations on Payment Service Banks – MTN and Airtel have confirmed plans to acquire licenses
- Rapid rise in e-commerce transactions – now worth \$13b and could rise to \$50b within the next decade



Mobile-first play by Social and Messaging

E-commerce not yet there.



Source: GSMA Intelligence Consumer Survey 2017. N=1,000 respondents per country

Social media is redefining content formats and distribution

	Audiences	User generated	Ultra short form*	Third-party licensed	Original produced	Live sports
Facebook	2bn	✓			✓ (planned)	✓ (planned)
YouTube	1,8bn	✓		YouTubeTV	YouTube Red	✓
Instagram	1bn		✓	\$40/month News, shows, live sports on 60 channels. Includes DVR		

*Enforced time limit. Instagram currently permits 1 minute, although will expand to 1 hour with IGTV



Mobile Industry in Nigeria

Building blocks for sustainable growth

The mobile industry in Nigeria is at an inflexion point:

- Subscriber and revenue growth slowing
- Unfavourable cost-benefit balance for rural expansion
- Rising service cannibalisation by OTT players
- Huge capex requirements for mobile broadband networks

Against this backdrop, an enabling regulatory environment is essential to sustain growth. **This involves;**

- Spectrum reform – make spectrum available on terms that can stimulate investment
- Tax reform – eliminate telecoms-specific taxes on devices and services which often have a more adverse effect on low income consumers
- Licensing reform : Technology Neutrality, Regulatory Modernisation, Level Playing Field and Regulatory Courage