

Top Opportunities In African Telecoms For 2016

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The telecom industry forms vital vertebrae in the economic backbone of Africa's economic growth, buttressing all aspects of the business, social and political environment. Unprecedented growth in the last several years has elevated penetration rates and performance. Yet, averaging around 75 percent penetration across the continent and lacking 3G coverage beyond urban areas, telecom is only encroaching on its full potential. Much remains untapped.

All the statistics from previous years make it easy to predict big growth for telecoms in 2016. Foreign investors already demonstrate a penchant to back this sector.

Look at Liquid Telecom's \$150-million capital raised in early 2015 to extend its fiber network on the continent, particularly in East Africa where it lays fiber-optic cable to connect Burundi and the Democratic Republic of Congo. It's already credited with an East Africa fiber ring that connects Kenya, Tanzania and Uganda. Or check out Smile Telecoms' \$365 million raised in late 2015 with an eye focused on the Democratic Republic of Congo.

Founded in South Africa and incorporated in Mauritius, Smile Telecoms owns and operates mobile wireless 4G LTE broadband networks in Nigeria, Tanzania and Uganda, and plans to launch its broadband network in DRC early in 2016.

Liquid Telecom provides data, voice and IP, supplying fiber optic, satellite and international carrier services to African mobile network operators, ISPs and businesses. It also provides payment solutions to financial institutions and retailers. The Mauritius-based company has offices in Botswana, DRC, Kenya, Lesotho, Nigeria, Rwanda, South Africa, Uganda and Zambia, Zimbabwe and the UK.

Three trends will prevail in 2016: digitalization aka broadband, public participation, and mobile payment expansion. Digitalization arrives as public and private actors buy in together on the belief that connectivity boosts revenue (and profitability) across sectors from agriculture to oil. Public participation is ever-so-present until foreign investors gear back up from a slowdown in investment in 2015. But don't let public participation discount private interest. And mobile payments will persist as a vital component to Africa's financial system.

Democratic Republic of the Congo (DRC)

DRC is in for a big telecom boom. Liquid Telecom and Smile Telecoms capital raises (and apportioned dollars to the DRC) suggest that the country will see nearly \$500 million in investment. Analysts predict that the DRC telecom sector will grow almost 10 percent during the next five years. Based on that, the sector could generate approximately \$3 billion in revenue in 2020, pushing it ahead of neighboring comparables in Sudan and Tanzania — both countries with higher incomes. Mobile data is expected to account for \$450-to-600 million of that revenue.

All those numbers cannot be read in a vacuum. DRC currently has a mobile penetration rate of 68 percent — lower than African average — with a 100-percent-plus rate predicted by 2020. How is this

possible? Liquid Telecom and Smile Telecoms stories tell us how: invest in infrastructure and bid on the long run. If you are not prepared to spend on Africa's fourth most populated country, then you will miss out. Capital will have to be patient. DRC is an early stage emerging-market country with an election planned in 2016, but the revenue potential cannot be ignored.

Ethiopia

Yes, I know that Ethio Telecom, Ethiopia's state-owned telecoms provider, continues to veto any opening of the telecom industry to foreign operators. But it is just wrong to leave this country off the list for telecom in 2016. Africa's second most populous country has more than 60 million subscribers, according to Ethio Telecom CEO Andualem Admassie. That's expected to grow to about 80 million by 2020. Foreign investors are eager to play a role with their own internal data suggesting 10 percent as an easily achievable growth figure, implying 100 million subscribers by 2020 as a reasonable figure.

The comparable statistic would be the DRC. But the difference maker here may be the Ethiopian government's unmatched commitment to infrastructure investment on the continent in recent times. Public transportation and power may steal the conversation. But the country can be appreciated for its strong fixed-line system (gaining a new momentum in some countries) and its previous partnerships with foreign operators — China's Huawei and ZTE as well as Sweden's Ericsson. Expect one of those three to play a partnership role in a technology upgrade project, as planned by Ethio Telecom for 2016. Debate also rages on if more towers are needed, with Ethio Telecom holding firm that there are currently enough towers constructed in the country

Cote d'Ivoire

Cote d'Ivoire generally falls under the radar for the telecom sector. That story has changed since Ivorian Minister and Cabinet Director of Post and ICT André Augustin Apete announced that the country will invest \$165 million to deploy an additional 5,000 kilometers of fiber optic cables across the country in early 2016. The additional cable will complement the 1,400 kilometers in the northwestern part of the country and the 662 kilometers in Bouna (inaugurated in December 2015). That equates to 7,000 kilometers of fiber optic infrastructure in a few years.

The country's investment in the cable network follows other big investments in infrastructure since the end of the 2011 political violence. The vast spending effort has propelled economic growth to around 9 percent on average. A rise in mobile banking and a digital boost to the economy should buoy that figure. A bump in foreign investment would be a great addition to the mix, as one has to wonder how long the government can continue to self-finance this growth.

Honorable mention: Nigeria

With nearly 180 million people, Nigeria would make the top three if yours truly could stop salivating over Ethiopia (which we should all do until government says it wants to open the sector). The

economy is still heavily dependent on oil, which has caused trouble as the price plunges below \$30 globally. That being said, Nigeria is looking to telecom, particularly the IT aspect and subsequent digitalization of the economy, to create new economic growth opportunities. With broadband in mind (targeting 30 percent for 2018 from the current 10 percent), the Nigerian Communications Commission is ready to offer more licenses and is seeking more foreign investment – two clear messages coming out of the 2015 International Telecoms Union (ITU) Telecom World conference in Budapest, Hungary in October.

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