



## THE TELECOMMUNICATIONS SECTOR DURING THE PANDEMIC

**BOOM IN DATA TRAFFIC DURING LOCKDOWN, BUT REVENUE TREND STILL  
NEGATIVE IN 2020**  
**RECOVERY STARTING IN 1H 2021, DRIVEN BY ASIAN TELECOMS COMPANIES**  
**ITALY: MOBILE NETWORK CONTRACTING IN 1H 2021,  
FIXED-LINE SEGMENT RESILIENT**

**TIM ONCE AGAIN 17TH WORLDWIDE BY REVENUES**

Milan, 12 October 2021

The **Mediobanca Research Area** has today presented its annual survey of **the world's 27 largest companies operating in the telecommunications sector**, which reported turnover of more than €10bn in the years from 2016 to 2020 and the first six months of 2021.

The presentation is available for download from [www.areastudimediobanca.com](http://www.areastudimediobanca.com)

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### **Telecommunications: two-speed recovery for telecoms companies worldwide in 1H 2021...**

In **1H 2021** the **aggregate revenues** posted by the **27 leading global operators** reversed the recent trend (up 4.8% on 1H 2020), reaching €555.5bn, due to growth of 8.5% in Asia & the Pacific (€236.1bn) driven primarily by the Chinese operators (which posted growth of 12.7%). The players located in the Americas also performed well (up 4.5% to €168bn), with Europe struggling to get off the blocks (revenues down 0.5%) with aggregate turnover of €151.4bn.

Also in 1H 2021 **investments** were down 2.5%, the highest cuts being in the Americas and Asia & the Pacific (down by 11.1% and 10.1% respectively), but were up 20.6% in Europe, which still has to make up the delays in the roll-out of 5G compared to China and South Korea in particular, where the penetration rate for the new technology (25.3% and 32.4% respectively at end-June 2021) is far above both the global average (5.7%) and the European average (1.6%).

In Europe, Deutsche Telekom dominated the European rankings, reporting a top line in 1H 2021 of €53bn (up 1.2% on 1H 2020 like-for-like), followed by Vodafone with €22.3bn (up 2.3%), Orange with €20.9bn (up 0.5%), Telefónica with €20.8bn (down 4%), BT Group with €11.5bn (down 4.8%), and TIM with €7.6bn (down 2.4%).

### **...with Italy suffering in mobile telephony in particular**

Between 2016 and 2020 the telecommunications sector's aggregate revenues reduced at a weighted average rate of 2.7%, with the mobile network suffering most (down 5.2%), more than the fixed-line network (down 0.3%) (source: Agcom).

In **1H 2021** the **domestic revenues** of the leading Italian operators continued to fall, down 1.8% in the aggregate, the strongest concentration in the mobile network (down 5.4%). The decline in revenue from mobile services was concentrated in the three leading operators (TIM, Wind Tre and Vodafone), which reported a combined reduction of €420m. The top-line trend was uneven, with Iliad continuing to grow (up 23.9% on 1H 2020), and Fastweb also



posting an increase (of 6.9%), whereas reductions were posted by TIM (the Italian business down 0.4%), Vodafone (down 5.2%), and Wind Tre (down 10.3%).

However, the growth in sales in the fixed-line component in 1H 2021 (up 1.2%) will have to reckon with the decision by the leading sector operators to revise their respective tariff schedules downwards starting from 3Q 2021, ahead of the launch of fibre broadband services by new players. The increasingly competitive scenario and the need for investments to roll out 5G on a large scale and to increase the take-up of fibre broadband mean the sector cannot afford to waste any more time in leveraging the growth opportunities arising from use of the new digital technologies (in particular cloud computing, AI and ICT services) in the near future.

### The telecommunications sector during the pandemic

Despite data traffic rising everywhere, the telecoms operators have reacted positively to the emergency situation in terms of the resilience and quality of their service offering. Sector operators' earnings are, however, dampened by the increase in costs and the flattening out of revenues as a result of the widespread take-up of "package" offers. Only the Asian telecoms companies managed to post flat revenues for the twelve months (up 0.2%), while total sales by US and European groups declined by 3.7% and 3.0% respectively.

In 2020 the **aggregate revenues** of the world's 27 largest telecommunications companies were equal to €1,080bn, down 1.9% on 2019, but up 1.4% compared to 2016. The top 10 European players' performance was inferior, with revenues down 7% on 2016. AT&T (revenues of €140bn in 2020) was the world leader by turnover, and in the first 17 positions there were a total of seven Asian-based groups and six from Europe (with TIM of Italy coming seventeenth). AT&T was followed in the rankings by Verizon (€104.5bn) and Deutsche Telekom (€101bn). The spinoff of Warner Media by AT&T and the disposal of AOL and Yahoo by Verizon in 2021 suggest that the honeymoon period is over in terms of the convergence between telecoms and content producers, with distribution agreements between the two sectors now becoming the most common option.

Revenues from telephony business are decreasing everywhere in Europe. The top-ranking market is Germany, with revenues of €57bn (down 0.8% on 2019), followed by the United Kingdom (€35.1bn, excluding the sale of devices for which no data are available; down 1.8%) and France (€35.2bn; down 0.4%). Despite the different-sized populations in the two countries, Spain and Italy battled it out for fourth place in Europe, with revenues of €28.8bn (down 3.8%) and €28.6bn (down 4.8%) respectively. Italy had the dubious honour of reporting the largest contraction in revenues between 2016 and 2020 (down 10.3%).

**Industrial profitability** remained stable between 2016 and 2020, with the Ebit margin at 14.8%. For the European telcos, although the Ebit margin improved by 120 bps, it remains lower at 12.8%, due to the strong competition in recent years, as shown by the prices of the principal services continuing to fall, in Italy especially. In Europe, the top three positions in terms of profitability in 2020 went to: Telenor (Ebit margin 19.9%), Liberty G. (19.5%) and Swisscom (17.5%). Of the leading international operators, Verizon has the highest industrial margins (Ebit margin at 23.1%), followed by KDDI of Japan (19.6%). In terms of the balance sheet, Swisscom has the most solid financial structure, with a debt/equity ratio of 95.2%, with TIM at 104.9% and Telenor at the opposite extremity (343%), followed by Telefónica (305%) and Altice Europe which has negative net equity.

### The leading operators in Italy in 2020

TIM (Italian business unit) ranked first by total sales with €12bn (down 8.4% vs 2019), ahead of Vodafone (€5.1bn; down 9.4%), Wind Tre (€4.9bn; down 3.7%) and Fastweb (€2.3bn; down



3.6%), with Iliad in fifth position (€0.7bn; up 58.3%). Excluding the start-ups (Iliad and Open Fiber) and the smaller companies Eolo, PosteMobile and Linkem, over the five-year period Fastweb was the only operator to record an increase (up 28%), with industrial investments above average for Italy.

Wind Tre is the operator with the highest Ebit margin (17.4%), followed by BT Italy (16.6%) and TIM (13.4%), with Wind Tre in particular delivering outstanding profits (up 414%) due to lower interest expense being booked after the debt restructuring implemented in 2019.

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