

Asia Independent Research Conference

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THE ALTERNATIVE INVESTMENT
MANAGEMENT ASSOCIATION

 BTIG

New Street Research

EM Wireless; video drives growth inflection



New Street Research – Global TMT equity research

Founded 2003; independent. Committed to delivering the highest quality Global TMT research product

- **Truly global in approach**
- **Thoughtful and longer term. Where can investors generate alpha on a 1-3 year time frame?**
- **Within Asia: Coverage of all major Telecom and Internet companies**
- **Offices in London, Singapore, New York, Melbourne**



“EM Mobile is set for a period of GDP+ growth”

This is a controversial statement. But we see multiple issues which impact mobile data usage, are positive for EM vs DM and are largely ignored:

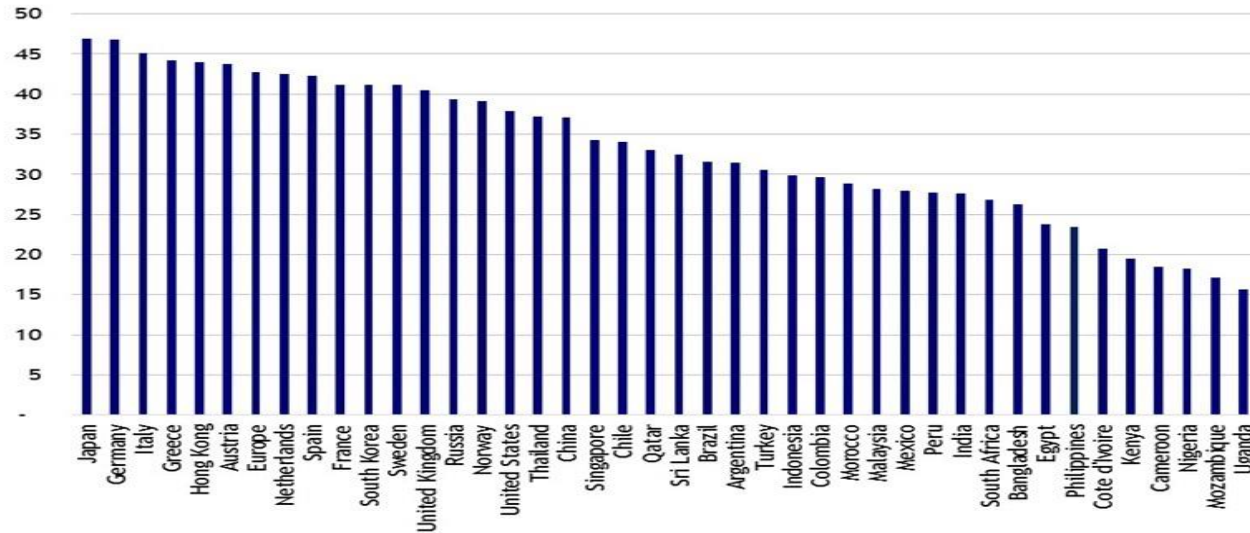
- **Age**
- **Prevalence of WiFi**
- **Prepay vs Postpay**
- **Relative lack of unlimited offers**
- **Number of alternative entertainment options**

EM mobile users are c. 15 years younger than in DM

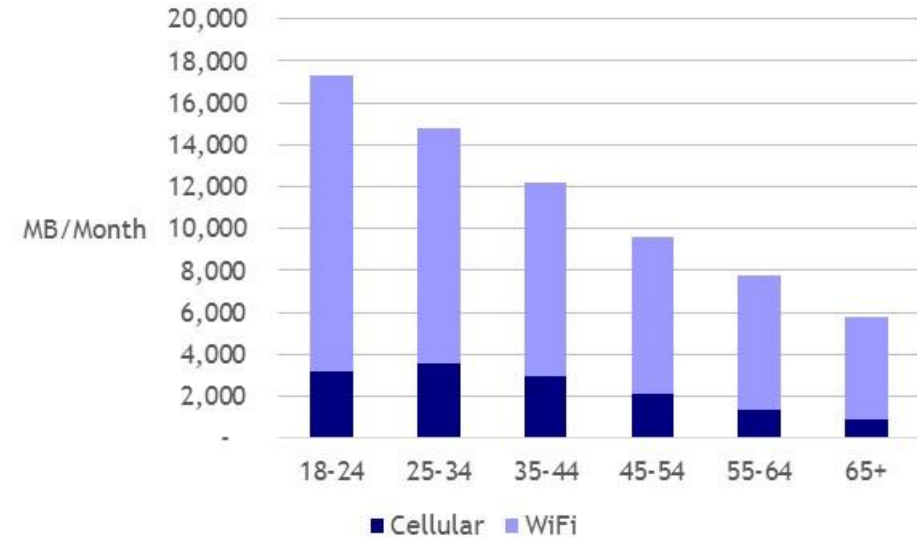
Age is directly correlated with mobile data demand

- Usage declines around 2% per year

Median age (years)



Usage/month by age bracket (MB)

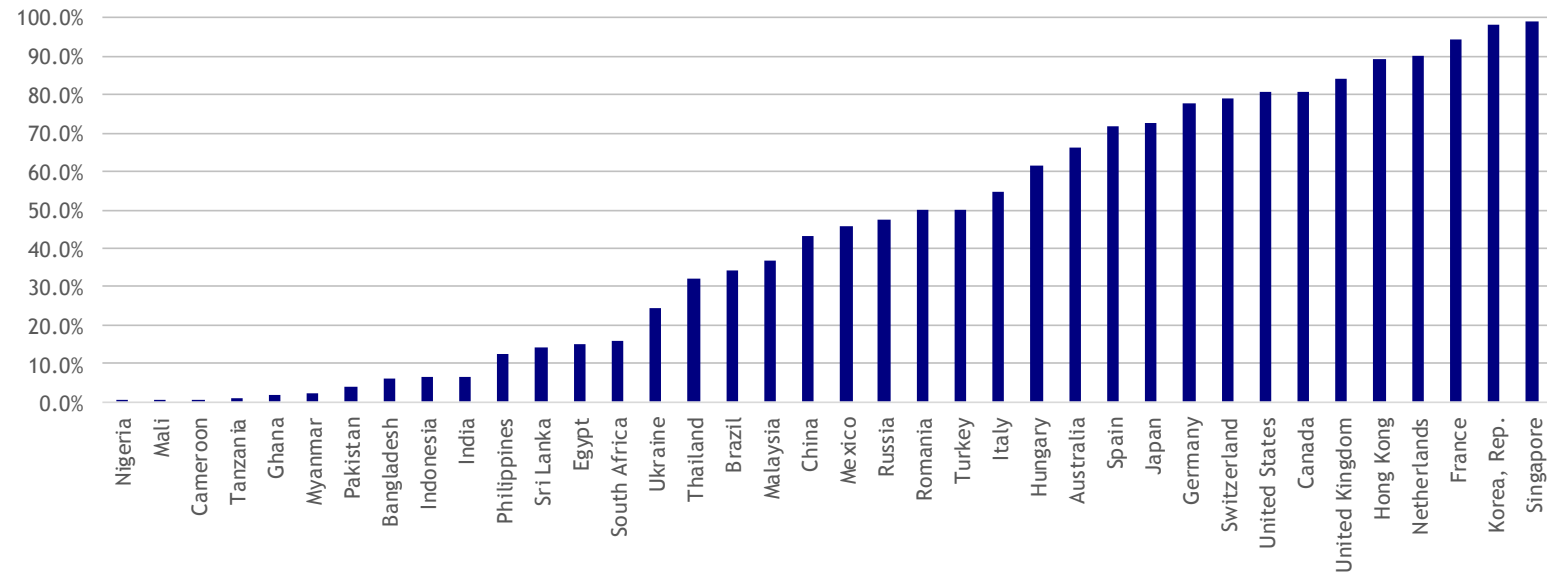


EM users have less access to WiFi

In DM 70-80% of mobile data traffic is carried over WiFi and not monetised by wireless MNOs.

- In EM the figure can be reversed.

Fixed Broadband penetration by country (% of households)

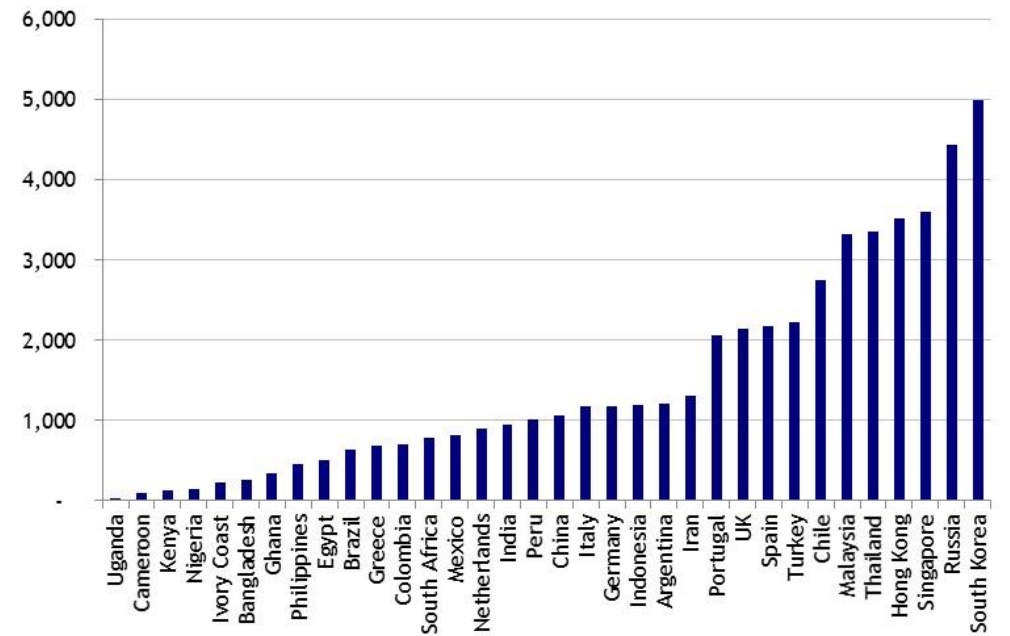


EM mobile data usage therefore can be higher than DM

In Voice, EM usage was capped at DM levels. Not with data.

- Some of the highest data usage countries in the world are middle income emerging markets such as Thailand
- Long run we expect EM usage monetised by MNOs to rise to 15-20 GB/pop

Mobile data usage/ pop (MB/pop/month)

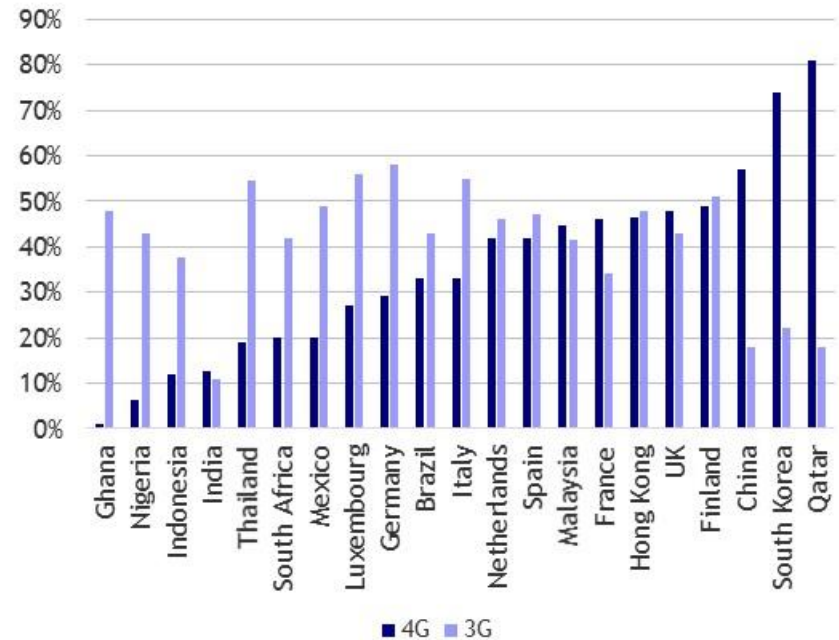


Why now?

Rising usage is about video

- Video is enabled by 4G
- 4G phones are now affordable to EM mass market consumers
- Within 1 handset replacement cycle most EMs will have 50%+ 4G penetration
- And potentially much higher mobile video demand

3G/ 4G penetration by country (%)

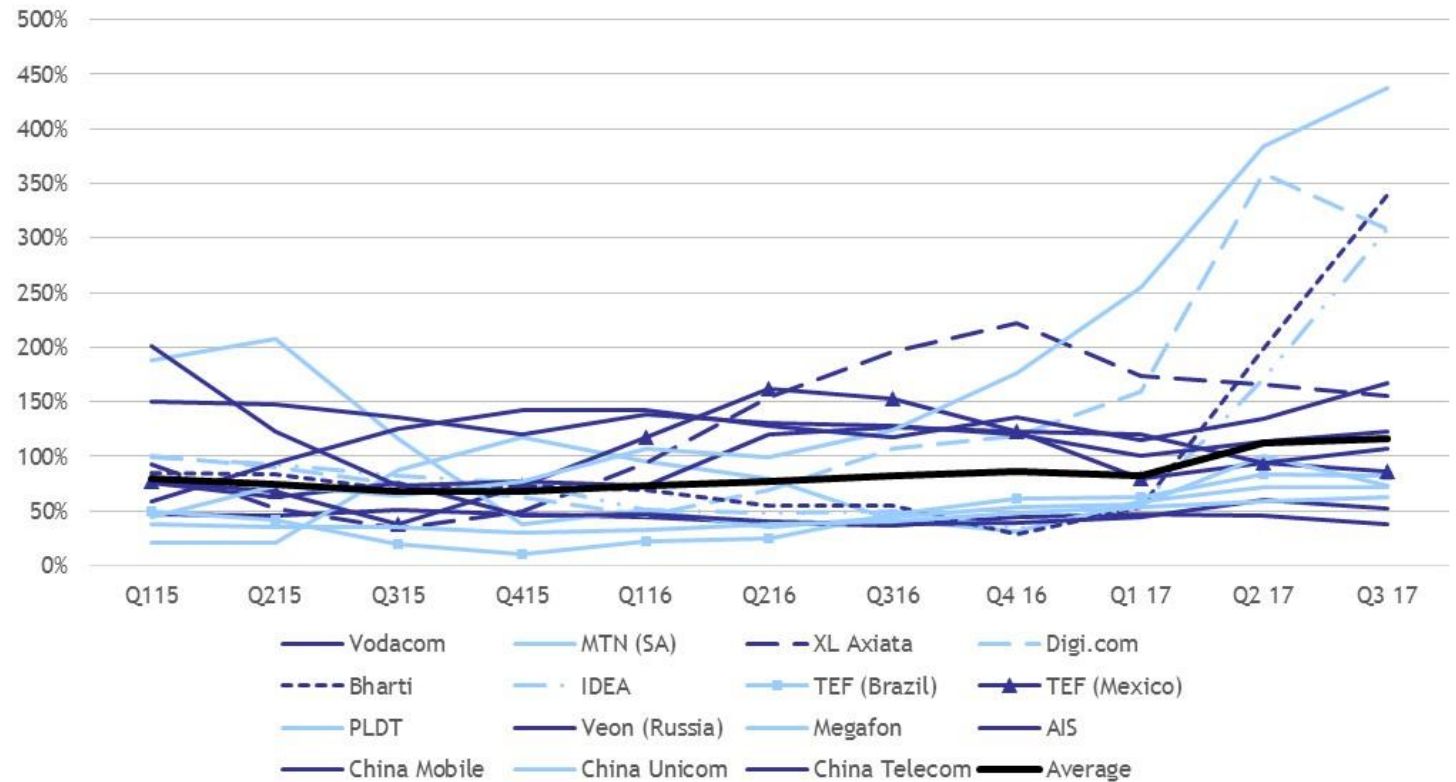


EM mobile data volume growth is accelerating

Volume growth is accelerating

- The law of big numbers is not playing out
- Yet price declines are stable
- Data revenues are therefore stable or accelerating

3G/4G penetration by country (%)

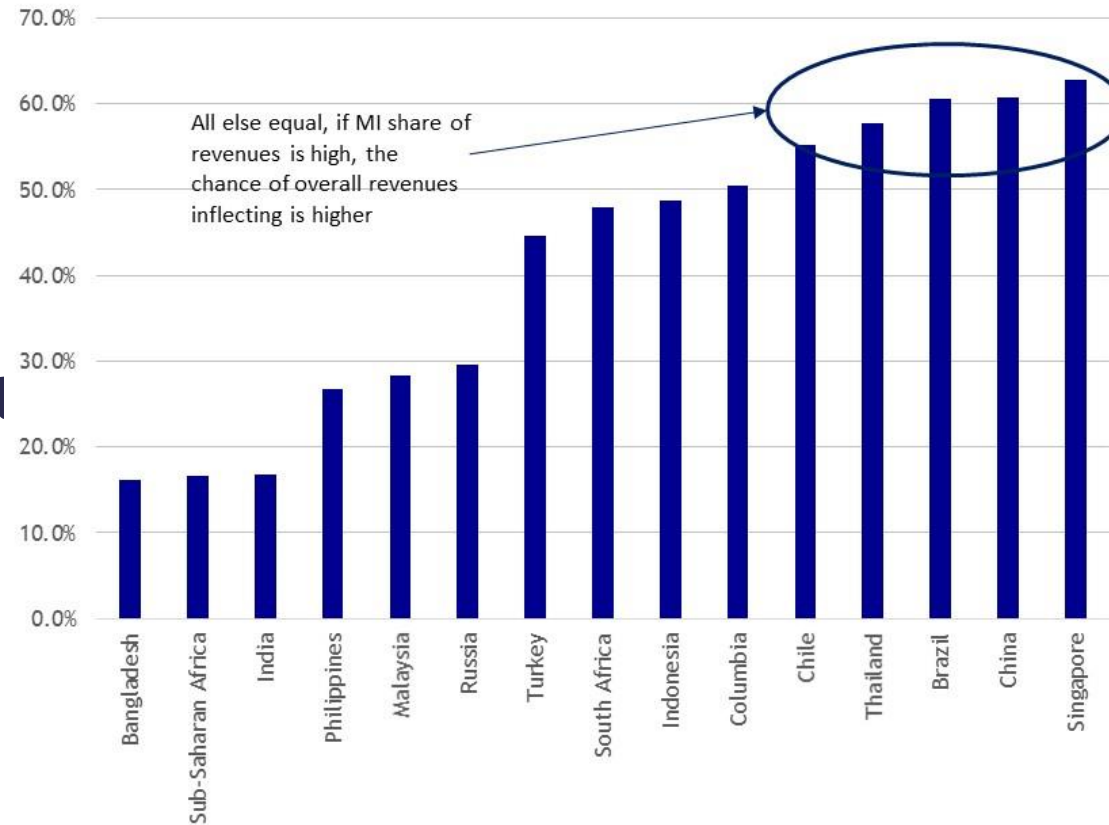


And mobile internet is already 50-60% of revenues

Mobile Internet revenues are now a large segment of the pie, even at current usage

- As usage rises the overall pie is set to accelerate

Mobile internet as a % of service revenues (%)

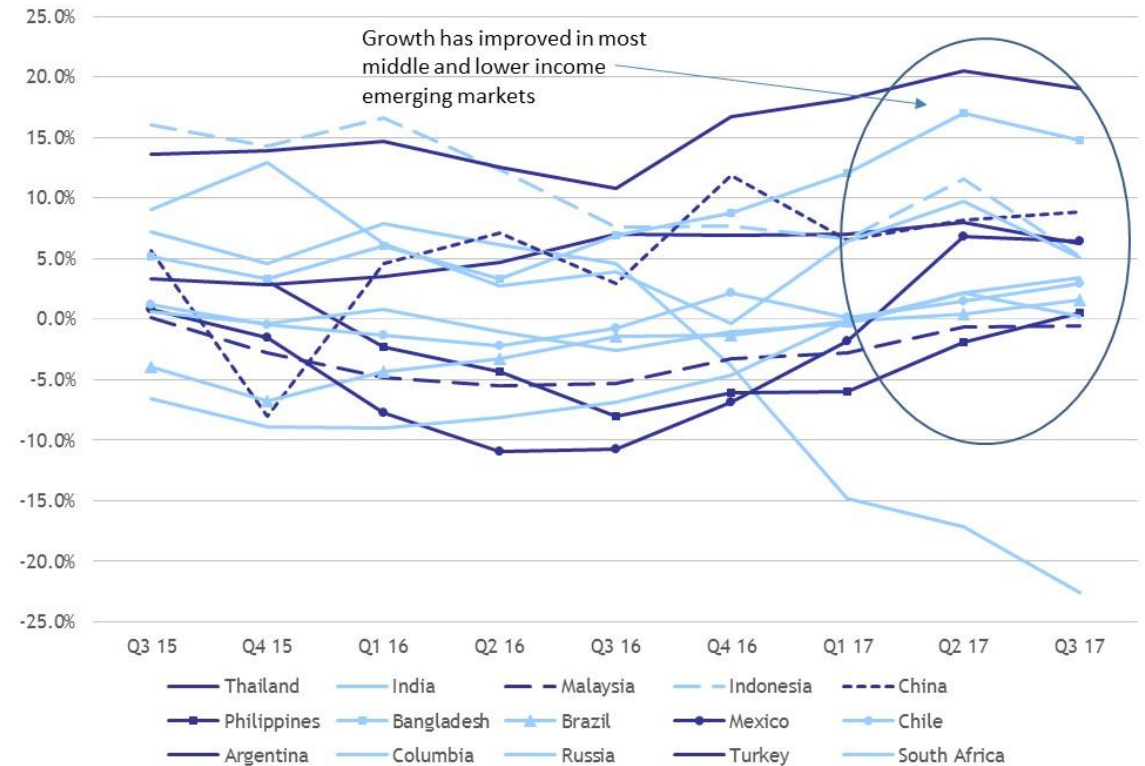


Leading to revenue inflection

Across lower-middle income EMs we see revenues inflecting

- Most PMs see this sector as utility, buying for yield with limited growth
- Guilty of recency bias
- There is a renewed growth dynamic analogous to 2000-2005: we are bullish

Service revenue growth (% YoY)



Best stocks to play this theme in Asia

Bharti Airtel – price target INR 690 (+36%)

China Unicom – price target HKD 15.3 (+43%)

XL Axiata – price target IDR 6,250 (+95%)

China Mobile – price target HKD 109 (+40%)

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