

Telecoms service market grows by 4% to hit US\$1.85 trillion

Telecoms service provider revenues grew by 4% in 2010 to reach \$1.85 trillion, driven by strong growth in the mobile market in the BRIC (Brazil, Russia, India and China) economies, according to new figures from Ovum.



The independent telecoms analyst looked closely at the 2010 financial performance of telecoms carriers across the globe for a new report*, with reassuring results. The 4% growth represents a notable improvement from 2009, when revenues fell by 4%.

Meanwhile average profitability showed positive signs, as measured by metrics such as operating cash flow and net profit margins, EBITDA (earnings before interest, taxes depreciation and amortisation) and net debt.

Matt Walker, Ovum principal analyst and author of the report, commented: "It's too early to break out the champagne just yet, but within the context of a slowly improving global economy, the telecoms sector is returning to sustainable growth."

In terms of the opportunity for vendors, although service provider capex declined by three per cent in 2010, this was an improvement from the 9% capex decline in 2009. Significantly, in the fourth quarter of 2010, carrier capex rose 2% when compared to the fourth quarter of 2009.

This modest year-on-year (YoY) service provider capex increase was the first such growth since the fourth quarter of 2008 - the year the financial crisis hit - and is another sign that recovery in the telecoms sector is on track. The South and Central America region saw particularly good YoY capex growth of 13% in the fourth quarter of 2010 and this region also has strong prospects for 2011.

Walker commented: "This late pick-up of capex in 2010 drove the full-year results. There is usually a fourth quarter budget flush, but 2010 was stronger than 2009, when most carriers remained jittery. Vendors who have faced several quarters of lean times are certainly happy to see the capex tap turned on again."

Most of the big vendors enjoyed healthy top-line YoY growth for the fourth quarter of 2010. The best performing of the larger vendors included ZTE and Juniper, with 40% and 26% YoY revenue growth respectively. Alcatel-Lucent and Ericsson also did well with YoY growth of 13% and 11% respectively. Meanwhile, Nokia Siemens Networks' (NSN) revenues in the fourth quarter of 2010 grew by 0.5% to hit \$5.4 billion, NSN's first positive YoY revenue growth since the third quarter of 2008.

*Telecom Finance: 4Q10/2010 Review of Vendor Results and Strategy

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