Sector Analysis: A Framework for Investors

CFA Institute

TELECOMMUNICATIONS

TELECOMS

A step-by-step guide to analyzing the telecoms industry

01 DEMAND DRIVERS

- Subscriber mix
- Price elasticity of demand
- Evolution of data services vs Evolution of voice services
- Digitalisation enabled

02 MARKET POSITIONING

- Regulatory Stance or Position
- Market concentration and competition
- Number of licenses in key markets
- Extent of threat from over-the-top (OTT) services
- Usage charges
- Disruption from technology
- Barriers to entry

03 STRUCTURAL INFLUENCES

- Virtualisation of hardware
- Market consolidation
- Technology roadmap (3G, 4G, 5G, etc)
- Strategy to grow enterprise segment

04 GAUGING PERFORMANCE

- Usage
- Cash generation
- CAPEX
- Operating margins
- Average revenue-per-user

05 FIXED LINE TELECOMS

- Number of pure-play fixed-line operators
- Share of fixed line broadband in the market
- Growth of fixed-line vs mobile data in the market
- Voice vs Data usage
- Content services bundled offering

06 WIRELESS TELECOMS

- Pricing and spectrum allocation
- Company's spectrum holdings
- Mobile data consumption profile
- Smart devices in the market
- Retail vs Corporate customers
- Post-pay vs. Pre-pay
- Network upgrade plan

07 ESG FACTORS

- Ecological footprint of services and operations
- Use of alternative / renewable energy
- Stance on radiation related health hazards
- Management of end-of-life equipment
- Customer data policy
- Measures against natural / man-made disasters

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