

## “Emerging Markets Telecom Operators to capture \$200 billion ICT opportunity”

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PRESS RELEASE

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Delta Partners, the leading telecoms advisory and investment firm released its latest White Paper today titled “ICT in emerging markets: a USD 200Bn opportunity that cannot be ignored.”

Information and communications technology (ICT) is a \$3 trillion industry globally, dominated by IT firms and telecom players. Growth is coming from corporate customers becoming more comfortable with outsourcing their IT infrastructure or entire business processes (BPO) as well as the rise of Machine-to-Machine (M2M) and cloud computing.

It has always been on the agenda of large telecom groups like BT, France Telecom and Singtel, but is becoming increasingly relevant as telecom operators are finding ways to defend their traditional voice business and trying to expand into new market segments.

This report focuses on the opportunities and challenges in three emerging market regions of South East Asia, Middle East and Africa, the growth drivers and implications for telecom operators.

The ICT market can be broken down into six different categories of services, from more network-centric to more IT-centric services. Examples of network-centric services are core voice/data services, managed services and M2M - all which are closer to the Telco domain, whilst IT-centric services consist of IT professional services (BPO) and packaged software/hardware. These services range widely not only in terms of revenue potential, but also in terms of EBITDA margin (higher margins for network-centric services at 15-45%, and lower at 3-25% for more IT centric services).

The ICT market in South East Asia, Middle East and Africa was worth \$168 billion in 2009 at around 5% of the global market. This is expected to grow by \$60 billion until 2013 to \$228 billion in 2013 - a large incremental growth opportunity.

“The size of the ICT opportunity is significant in all three regions and it is expected to grow rapidly at an annual growth rate of 8% in the next three years as markets mature and operators continue to embrace ICT and its potential,” says Dimitris Lioulias, Manager at Delta Partners. “The window of opportunity for aspiring telecoms operators however is narrow. Firstly, because competition is increasing on the access side and secondly, because IT players are moving aggressively to lock in long-term contracts those enterprise and SME customers willing to outsource a number of their networking and IT needs.”

The growth by region is heavily influenced by structural factors and needs to be assessed at a market by market level, to give some highlights by region:

- South East Asia: Business process outsourcing is at the forefront of ICT services being provided and a strong growth driver
- Middle East: Slow deregulation of the telecoms markets is hindering strong development of ICT, but a vacuum in the local SME and corporate markets offer potential for growth
- Africa: Poor fixed infrastructure is affecting the development of ICT negatively, reducing the biggest opportunities to two countries South Africa and Egypt

Jacobo Garcia-Palencia, Partner at Delta Partners, adds “Operators have to consider a number of key success factors, such as their relative size, assets, capabilities, and resources before they venture into ICT, as they have to devise their own clear strategy on how to approach the opportunities and risks entailed by the ICT market. The actual transition into an ICT player is a long-term process that requires strong top-management support and disciplined execution to make it happen.”

The ICT opportunity is sizable and it is gathering further pace but the urgency to act is not the same for all players. Operators have to carefully assess the possibilities in their own market environment and transform their mindset and operating model to increase their chances of becoming relevant in the ICT space.

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Delta Partners is the leading TMT advisory and investment firm in emerging markets. With more than 160 professionals the firm operates across 50 markets in the Middle East, Africa, Central & Eastern Europe and Emerging Asia. Delta Partners provides three synergistic services: management advisory, corporate finance and investments from its offices in the Dubai, Johannesburg, Barcelona and Singapore, Delta Partners delivers tangible results to its clients and investors through its exclusive sector focus on telecom, media and technology, and a unique approach to services, combining strategic advice and a hands-on pragmatic approach.

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