

## Telecoms

**Comment on recent news** – this page

Today's headlines – page two

**Recommendations and valuations** – page three

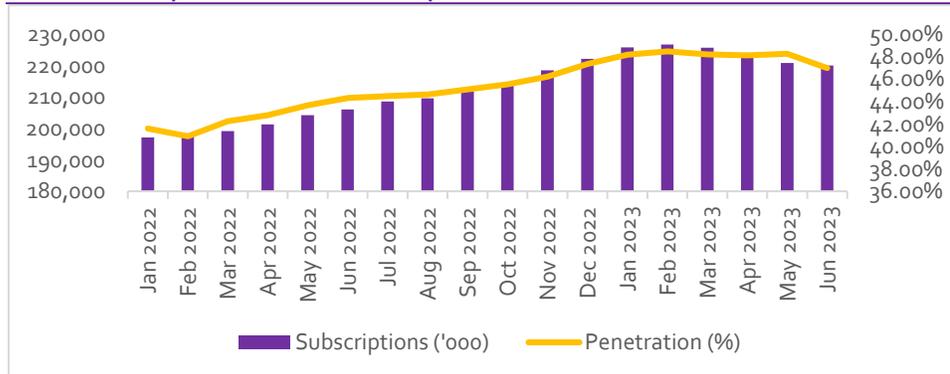
### Telecom operators record 18.7% increase in revenue in 2022.

According to the Nigerian Communications Commission (NCC), in its newly released 2022 subscriber/network data annual report, telecommunications operators in the country recorded growth in revenue in 2022. According to the report, the total revenue of telecom companies for the year was N3.8 trillion, an 18.7% increase when compared with N3.2 trillion recorded in 2021. The data showed the dominance of the mobile network operators comprising MTN, Globacom, Airtel, and 9mobile as they accounted for 86% of the industry's revenue. The revenue of the 4 mobile operators for the year was 3.3 trillion, while other players including Internet Service Providers (ISPs), Value Added Service (VAS) providers, and fixed wired operators together recorded N500 billion in revenue.

NCC further disclosed that the number of mobile active subscriptions across the telecom networks increased to 222.5 million as of December 2022 from 195.4 million in 2021. This showed that the operators added 27.1 million subscriptions in the year, a 13.86% increase in active subscriptions year on year. Also, according to the report, the number of Internet subscriptions across the networks increased to 154.8 million as of December 2022 from 141.9 million as of December 2021, an increase of 9.06%. Consequently, data usage also maintained an upward trend in 2022, increasing by 46.77% to 518,381.78 terabytes (TB) in 2022 from 353,118.89TB as of December 2021.

The commission attributed the increase in operators subscriber base to a number of reasons which includes subscriber loyalty, promos, seasonal effects, aggressive consumer acquisition drive, and competitive product offerings across all the networks. According to the commission, the growth in active subscriptions impacted positively on other derived telecom indicators such as teledensity, internet penetration as well as broadband penetration. We believe that the growing shift to a digital economy, increasing smartphone usage, rising digital consciousness, rapid 4G expansion, and the continued rollout of the 5G spectrum indicates that the sector will continue to thrive in 2023.

### Mobile subscriptions and broadband penetration (%)



Source: CSL Research, NCC

### MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	50,014.60	51,251.06	65,204.82
Naira / US\$	426.78	461.50	781.34
Brent, US\$/bbl	99.60	85.91	86.40
MPR %	14.00	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. \*NGX Exchange All-Share Index.

### CONTACT INFORMATION

**Head of Research:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcmb.com](mailto:gloria.fadipe@fcmb.com)

**Banks:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcmb.com](mailto:gloria.fadipe@fcmb.com)

**Brewers:** Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

[adegoke.adetoyinbo@fcmb.com](mailto:adegoke.adetoyinbo@fcmb.com)

**Industrials:** Mustapha Umaru

+234 (1) 448 5436 ext.4512

[mustaphaumar@fcmb.com](mailto:mustaphaumar@fcmb.com)

**FMCGs:** Sunmisola Ikoli-Olowo

+234 (1) 448 5436 ext.4457

[sunmisola.ikoli@fcmb.com](mailto:sunmisola.ikoli@fcmb.com)

**Research Team:** [cslresearch@fcmb.com](mailto:cslresearch@fcmb.com)

**Retail Team:** [cslcsu@fcmb.com](mailto:cslcsu@fcmb.com)

**Sales Team:** [cslrmt@fcmb.com](mailto:cslrmt@fcmb.com)

<https://cslportal.fcmb.com>



## News headlines:

**Naira slump: Fuel price may go up, say marketers:** The fall of the naira against the United States dollar, coupled with the recent rise in global crude oil prices, is making Nigerians apprehensive of a possible hike in the pump price of Premium Motor Spirit, popularly called petrol. Although the Nigerian National Petroleum Company Limited and other oil marketers have not announced any increase in petrol price, they confirmed that the scarcity of foreign exchange and crude oil price rise were key factors that determined PMS price. Petrol price moved up from N198/litre in May to over N500/litre in June after President Bola Tinubu removed subsidy on PMS. The cost jumped again to over N600/litre in July, and there were concerns that it might rise further in August, going by the crash of the naira against the dollar.

Source: Punchng.com

<https://punchng.com/naira-slump-fuel-price-may-go-up-say-marketers/>

**Excess Liquidity Weakens Naira Further at Parallel Market to N950/\$1:** The naira depreciated further in the parallel market yesterday, as it traded at N950/\$1 in Lagos, compared with the N930 to a dollar it went for the previous day. However, on the Investors and Exporters' (I&E) window, the naira closed at N781/\$1 compared with its opening rate of N782/\$1. This was just as the International Monetary Fund (IMF), yesterday, said Nigeria's loose fiscal and monetary policies were creating excess liquidity, making it difficult for the naira to stabilise against the dollar two months after authorities allowed the currency to trade freely. In the same vein, analysts attributed the depreciation of the naira to excess cash in the system, which some specifically accused the state governors of using to mop up dollars, thereby putting pressure on the foreign exchange (FX) market. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/08/11/excess-liquidity-weakens-naira-further-at-parallel-market-to-n950-1>

**Flood hits Edo, Adamawa, Ekiti, 17 others:** The Federal Government says the 2023 flood situation across the country is worsening as 20 states, and 46 Local Government Areas have been hit by different degrees of flooding. It said this had resulted in the demise of about five people. It disclosed this at the National Emergency Coordination Forum, organised by the National Emergency Management Agency in Abuja. In his address at the forum, the Director-General, Nigeria Hydrological Services Agency, Clement Nze, noted that in February 2023, NIHSA presented the 2023 Annual Flood Outlook to the public. "The general outlook shows that 178 LGAs fall within the high flood risk areas spreading over 32 states and the Federal Capital Territory, while 224 LGAs fall within the moderate flood risk areas, as the remaining 372 LGAs fall within the Low Flood Risk Areas," Nze stated. Source: punchng.com

<https://punchng.com/flood-hits-edo-adamawa-ekiti-17-others/>

**Why Naira keeps declining – CBN:** The ongoing decline in the value of the Naira against the dollar was blamed on current unofficial remittances from the diaspora according to the Central Bank of Nigeria (CBN), on Thursday. The naira plunged to a record low of N925/\$1 on the black market on Wednesday as demand for foreign currency outstripped supply. Folashodun Shonubi, acting governor of the CBN, said this while delivering a Distinguished Personality lecture titled: "Diaspora Remittances and Nigeria Economic Development" for students of the Executive Intelligence Management Course (EIMC) 16. This is the result of the foreign exchange regime being liberalised, which marks a significant divergence from the results attained under the leadership of President Muhammadu Buhari. Source: businessday.ng

<https://businessday.ng/news/article/why-naira-keeps-declining-cbn/>

## Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

### CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

### Explanation of CSL Research's equity research rating system

<b>Buy:</b>	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Hold:</b>	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
<b>Sell:</b>	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Not Rated:</b>	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
<b>Benchmark:</b>	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest percent.
<b>Price targets:</b>	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
<b>Asset allocation:</b>	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

## Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the NGX Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited  
Member of the NGX Exchange  
PO Box 9117  
Lagos State, NIGERIA

CSL Stockbrokers  
A trading name of CSL Capital (UK) Ltd  
43-44 New Bond Street  
London  
W1s 2SA  
United Kingdom