

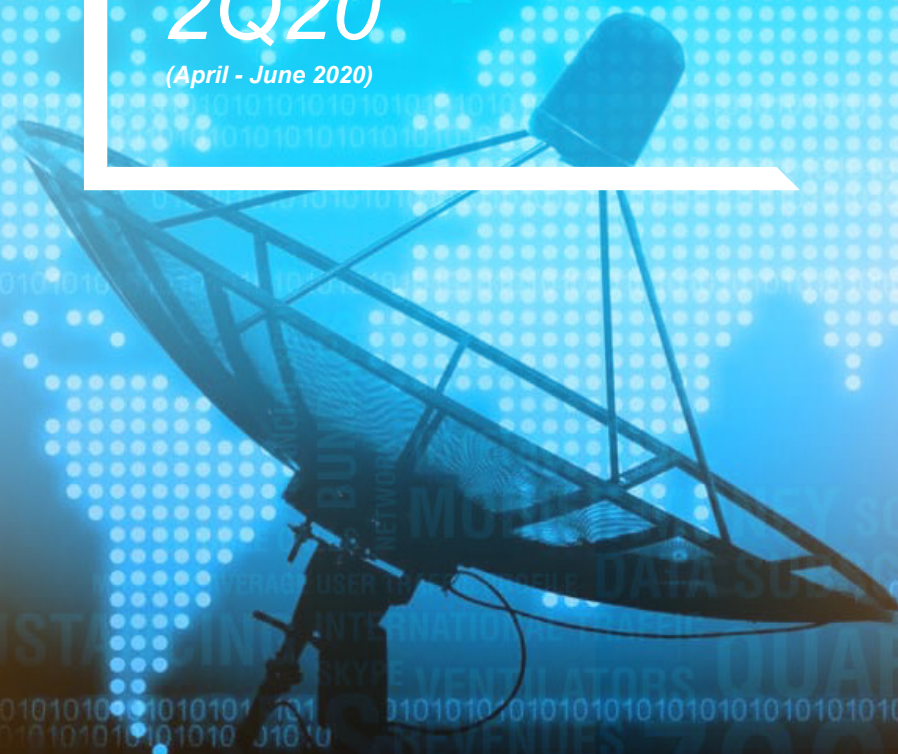


UGANDA
COMMUNICATIONS
COMMISSION

Market Performance Report

2Q20

(April - June 2020)



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1. The industry
2. Prospective entrants
3. Government
4. Academia and other stakeholders

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Introduction

This is a review of the industry performance, trends and key developments for the quarter starting April to June 2020. The analysis has also tried to pay special focus on the effects of COVID-19 on the market. This is a recurring theme throughout the report. The report covers:

1. Telephone Subscriptions
2. Data Subscriptions
3. Financial Services
4. Network Infrastructure
5. Domestic Traffic
6. International Traffic
7. Monthly Average User Traffic Profile
8. Roaming
9. OTT Services
10. Revenues
11. International Interconnect
12. Postal Services
13. Broadcast and Multimedia Services

Section A : Access

1. Telephone Subscriptions

Total Revenue-Earning Customers (REC)/subscriptions dropped from 28.4 million at the end of March 2020 to 25.5 million at the end of June 2020.

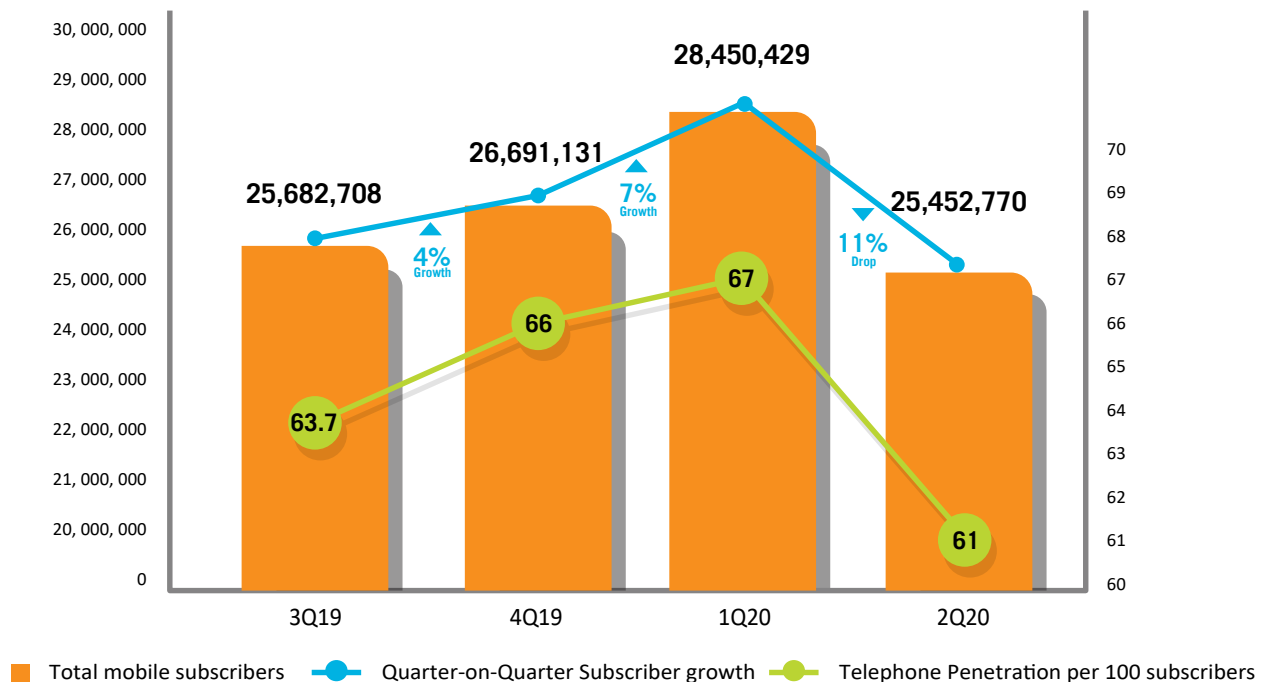
The 11% customer contraction is the first recorded market reduction in the last two years (8 quarters).

The market contraction was attributed to:

- A clean-up of the subscriber register by one of the leading mobile cellular providers that rid the register of SMS-receiving only SIMs.
- Suppressed new demand because of the national COVID 19 lockdown that preceded the quarter and its subsequent effects on spending patterns.
- Retail store closures across the country that prevented on boarding of new customers to networks.
- Seasonal inactivity of SIMs previously owned by December holidaymakers and travellers who usually leave the country in the first quarter of the year.
- A reported 13% global reduction in shipments of smartphones resulting in disruption of domestic supply chains.¹

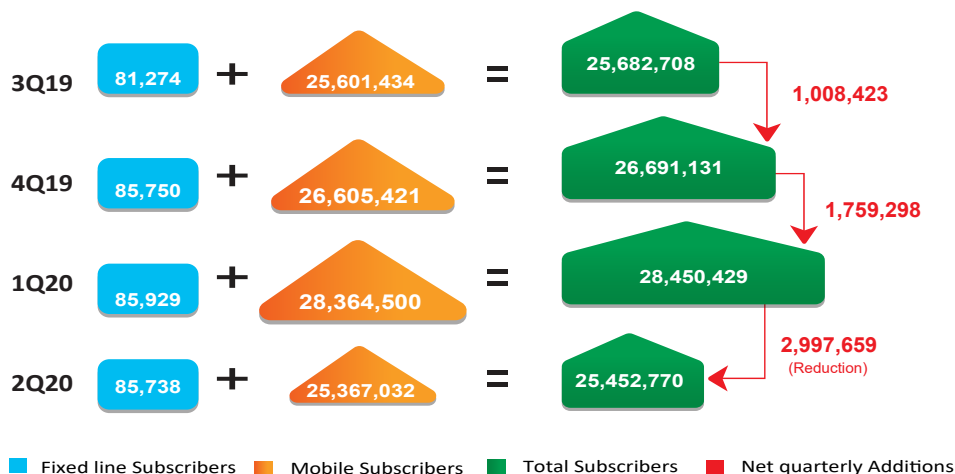
We believe the above factors led to the 2.9 million drop in active subscriptions. This situation is not peculiar to Uganda but has been experienced in other global markets following extended national lockdowns. Chinese mobile carriers, for example, lost a reported 15 million users between December and March 2020.

Quarter-on-Quarter Subscriptions Movements



¹ Source: <https://techcrunch.com/2020/04/30/smartphone-shipments-dropped-13-globally-and-covid-19-is-to-blame/>

Spread of Mobile and Fixed Line Connections



Note: These numbers are drawn from registered mobile subscriptions that have undertaken at least one billable service in the 90-day period ending June 30th, 2020.

Based on 2020 population estimates of 41.5 million, national tele-density now stands at 61% having dropped from 67% at the end of March 2020.

Note: Tele-density calculated using UBOS population figures 2020

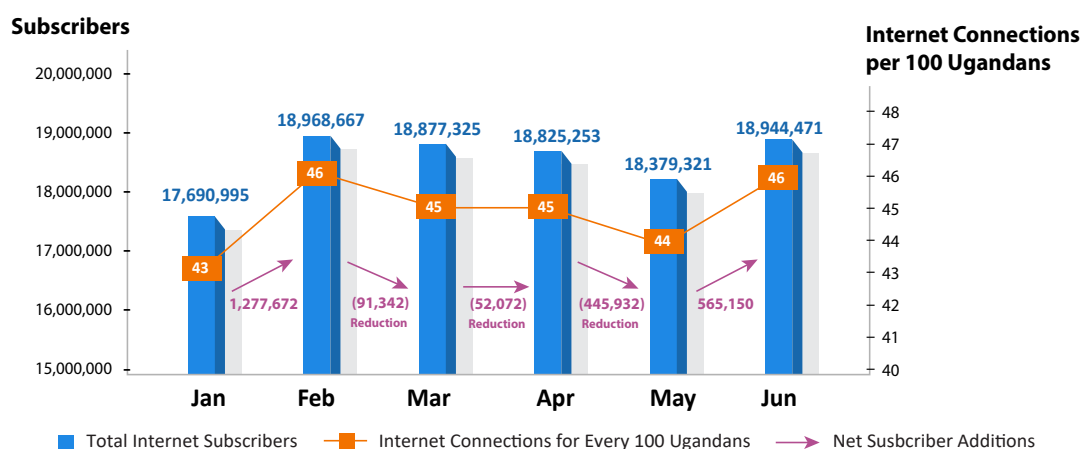
2. Internet Subscriptions

Following record growth posted in 1Q20 of more than 1 million mobile internet subscriptions, the quarter 2Q20 returned subdued growth numbers of less than 100,000 new connections.

At the end of June 2020, total internet stood at 18.9 million connections, translating into a penetration of 46 internet connections for every 100 Ugandans.

While the number of new mobile internet connections is not as outstanding as the 1Q20 additions, this remains noteworthy growth in light of the general contraction in mobile subscriptions and devices. This new growth is indicative of the conversion of previously Voice-only customers into internet users.

Internet Subscription and Growth Trends



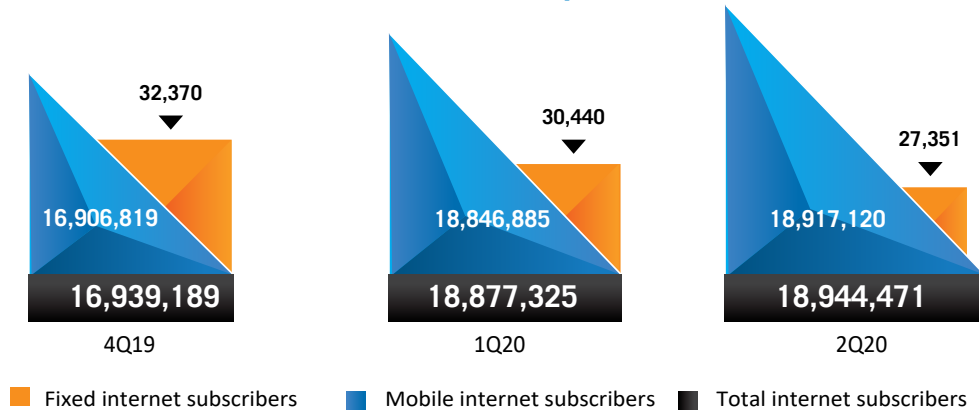
The customer migration from 2G to data services may be the result of:

- I. New demand from Work-From-Home protocols instituted by different corporate bodies following the nationwide lockdown.
- II. New price competition resulting in subsidised internet offerings by the leading carriers during the lockdown.

- III. Targeted customer migration campaigns by the two leading MNOs during the period. These campaigns specifically offer customers promotional data bundles to test the 4G/3G experience.
- IV. Knock-on effects from heightened infrastructure investment by the MNOs in 2019

As illustrated below, mobile handsets remain the dominant form of internet access, accounting for 99.86% of subscriptions at the end of June 2020.

Spread Of Mobile and Fixed Internet Subscriptions



Device Distribution of Network Connected Devices

The global smartphone market has witnessed the first year-on-year contraction with leading handset makers like Samsung, Huawei and Xiaomi reporting double-digit percentage drops in global handset shipments.

Figure 1 - Smartphone shipments by the 10 leading manufacturers between 1Q19 and 1Q20²

Global Smartphone market	SHIPMENT (MILLION)	
	Q1 2019	Q1 2020
SAMSUNG	72.0	59.0
HUAWEI	59.1	49.0
APPLE	42.0	40.0
XIAOMI	27.8	29.7
OPPO	25.7	22.3
VIVO	23.9	21.6
REALME	2.8	7.2
LENOVO GROUP	9.5	6.0
LG	6.9	5.0
TECNO	4.7	4.6
OTHERS	66.6	50.7
TOTAL	341.0	295.0

Counterpoint Research: Quarterly Market Monitor Q1 2020

Domestic Device Market

In Uganda, the early knock-on effect of the global market contraction in 2Q20 has been a 1% reduction in total internet-enabled gadgets connected to the network (smart and feature phones). These have dropped from 24.4 million at the end of March to 24.1 million at the end of June 2020.

This is the first time that new devices have failed to offset the number of discontinued handsets³ on the network.

Subsequently, the slowdown in new device connections has had a trickle-down effect of stagnant internet subscriptions.

² Source: <https://techcrunch.com/2020/04/30/smartphone-shipments-dropped-13-globally-and-covid-19-is-to-blame/>

³ Voluntarily discontinued on account of performance, age or have been previously owned by visitors who have since left the country

BASIC MOBILE PHONE

Can make calls and send text messages



Monthly Users

Oct-19	3,176,620
Nov-19	3,268,166
Dec-19	3,409,724
Jan-20	3,422,727
Feb-20	5,071,470
Mar-20	5,076,937
Apr-20	5,043,103
May-20	5,023,126
Jun-20	5,087,856

FEATURE PHONES

Can make and receive calls, send text messages and provide some of the advanced features found on a smartphone.



Monthly Users

Oct-19	17,147,310
Nov-19	17,169,003
Dec-19	17,179,345
Jan-20	17,458,317
Feb-20	17,072,042
Mar-20	17,278,770
Apr-20	17,153,420
May-20	17,027,605
Jun-20	17,090,406



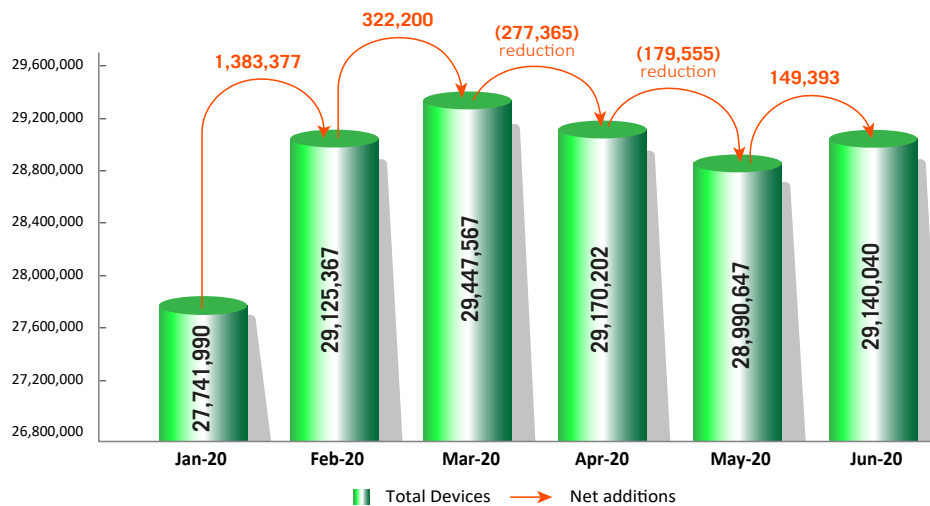
SMARTPHONES

A class of mobile phones and of multi-purpose mobile computing devices. They are distinguished from feature phones by their stronger hardware capabilities and extensive mobile operating systems, which facilitate wider software, internet (including web browsing over mobile broadband), and multimedia functionality (including music, video, cameras, and gaming), alongside core phone functions such as voice calls and text messaging.

Monthly Users

Oct-19	6,169,968
Nov-19	6,524,656
Dec-19	6,609,717
Jan-20	6,860,946
Feb-20	6,981,855
Mar-20	7,091,860
Apr-20	6,973,679
May-20	6,939,916
Jun-20	6,961,778

Device Movements and Distribution



Though growth in devices was stunted by extenuating circumstances, this was not for lack of industry effort to revive it.

Amidst the disruption in global supply chains, domestic carriers have nonetheless continued with partnerships with independent hardware distributors to stimulate new handset sales and connections. Examples of these partnerships include:

- I. MTN Uganda Limited partnered with Tecno Mobile to launch the Camon 15 series in June 2020 at a launch price of UGX 688,000. This included 3GB free every month for the first three months after purchase.
- II. Airtel Uganda Limited in partnership with Infinix launched the Infinix Note 7 series priced between UGX 655,000 – UGX 834,000. The handsets come with a number of monthly data offers

In another market, the first Ugandan-assembled SIMI handsets hit export markets with more than 18,000 units shipped to Morocco in May 2020. This shipment was flagged off by the State Minister for Finance, Investment and Privatisation.



Infinix Note 7



Tecno Camon 15



SIMI



3. Mobile Financial Services

Amidst the drop in mobile cellular subscriptions, the Mobile Financial Services segment showed great resilience posting 500,000 new registrations.

Similar to the preceding quarter, the bulk of new mobile money account registrations was derived from the incumbent subscriber base.

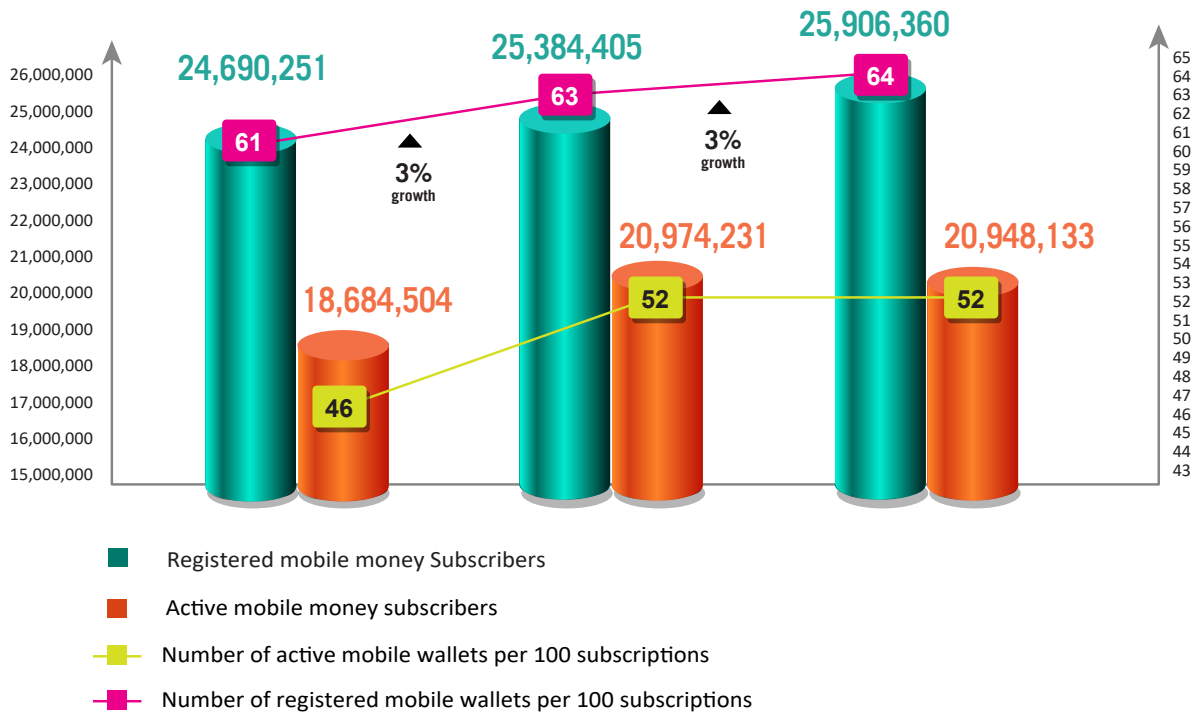
At the end of June 2020, the number of registered mobile money accounts had grown to 25.9 million accounts from 25.5 million at the end of March 2020. This growth translated into a quarter on quarter growth of 2% despite a drop in mobile subscriptions of 11% between March and June 2020.

Of these, 21 million accounts had partaken in at least one billable Mobile Money transaction in the 90 days preceding 30th June 2020. This translates into a 1% quarter on quarter growth in active wallets.

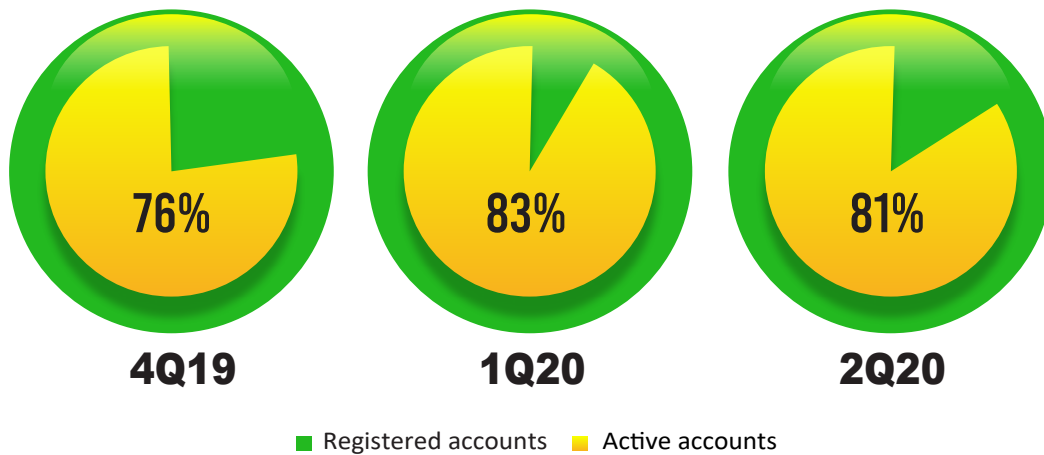
The resilience of Mobile Money markets is not peculiar to Uganda but has been witnessed across most Sub-Saharan markets.



Growth in Registration and Active Sims



Quarter on Quarter Activity Ratio



With an activity ratio of 81% as of June 2020, Uganda boasts of one of the highest registration-wallet conversion ratios in the region.

The growth in mobile money subscriptions amidst the national lockdown could be attributed to:

- Revision of mobile money transfer rate cards instituted by most of the carriers. On March 19th 2020, MTN Uganda and Airtel Uganda implemented a zero charge on person-to-person transactions on the same network.
- These were reintroduced at a 50% discount to pre-lockdown levels on May 26th 2020
- The waiver of bank-to-wallet charges instituted by the central bank.
- Increased e-commerce activity due to limited mobility.

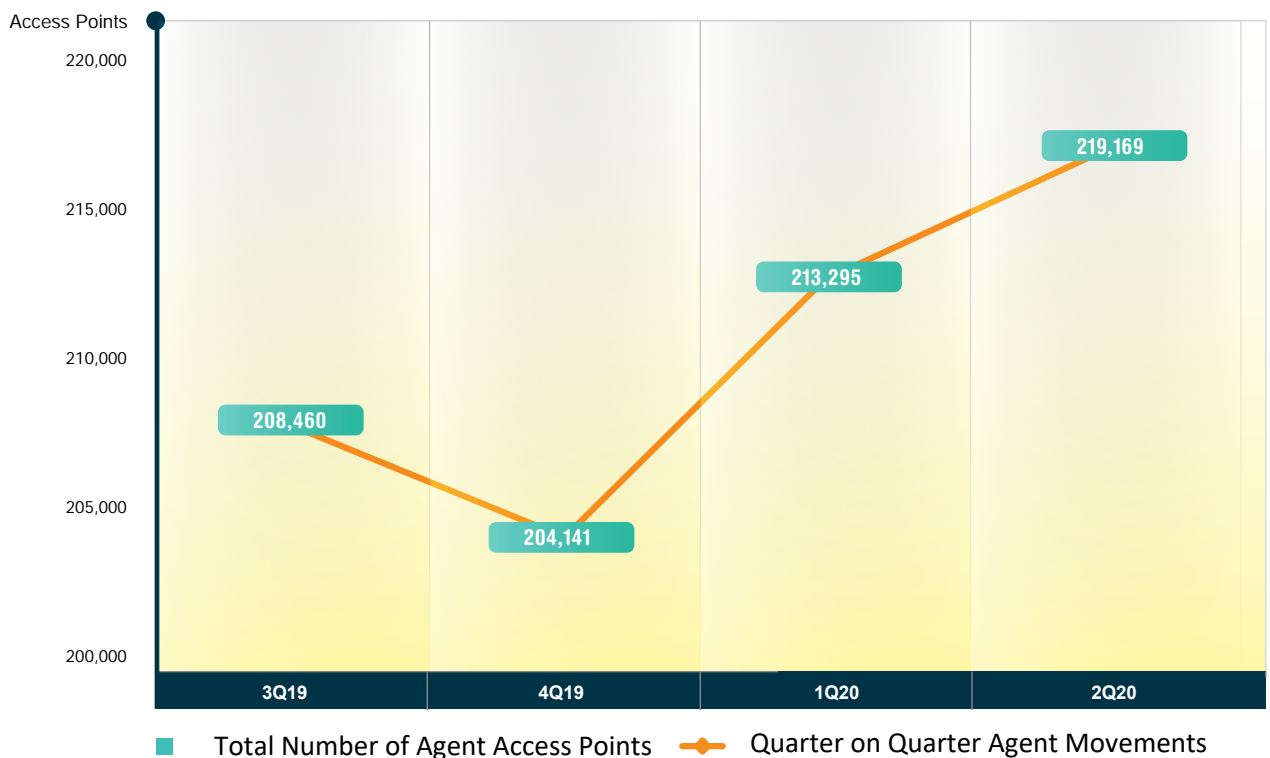
Early press reports indicate that Kenya recorded more than 1.6 million new accounts in the early months of the COVID 19 pandemic, while Rwanda reportedly posted more than 300% growth in peer-to-peer transfers on account of COVID 19-related lockdowns.

**These figures are based off operator submissions to the Commission.*

Mobile Money Agent Network

The number of active mobile money agents grew from 213,295 in March 2020 to 219,169 by the end of June 2020. This may signal complete recovery from the earlier agent dip realised in December 2019.

Agent Access Points over 4 Quarters



4. Network Growth

The biggest network developments in the quarter were largely network optimization efforts by the local MNOs in response to traffic migration from the Central Business District (CBD) to the city outskirts. The traffic migration was largely the result of the adoption of Work-From-Home protocols across many businesses.

Furthermore, residential broadband demand experienced new surges resulting from new demand for online streaming services.

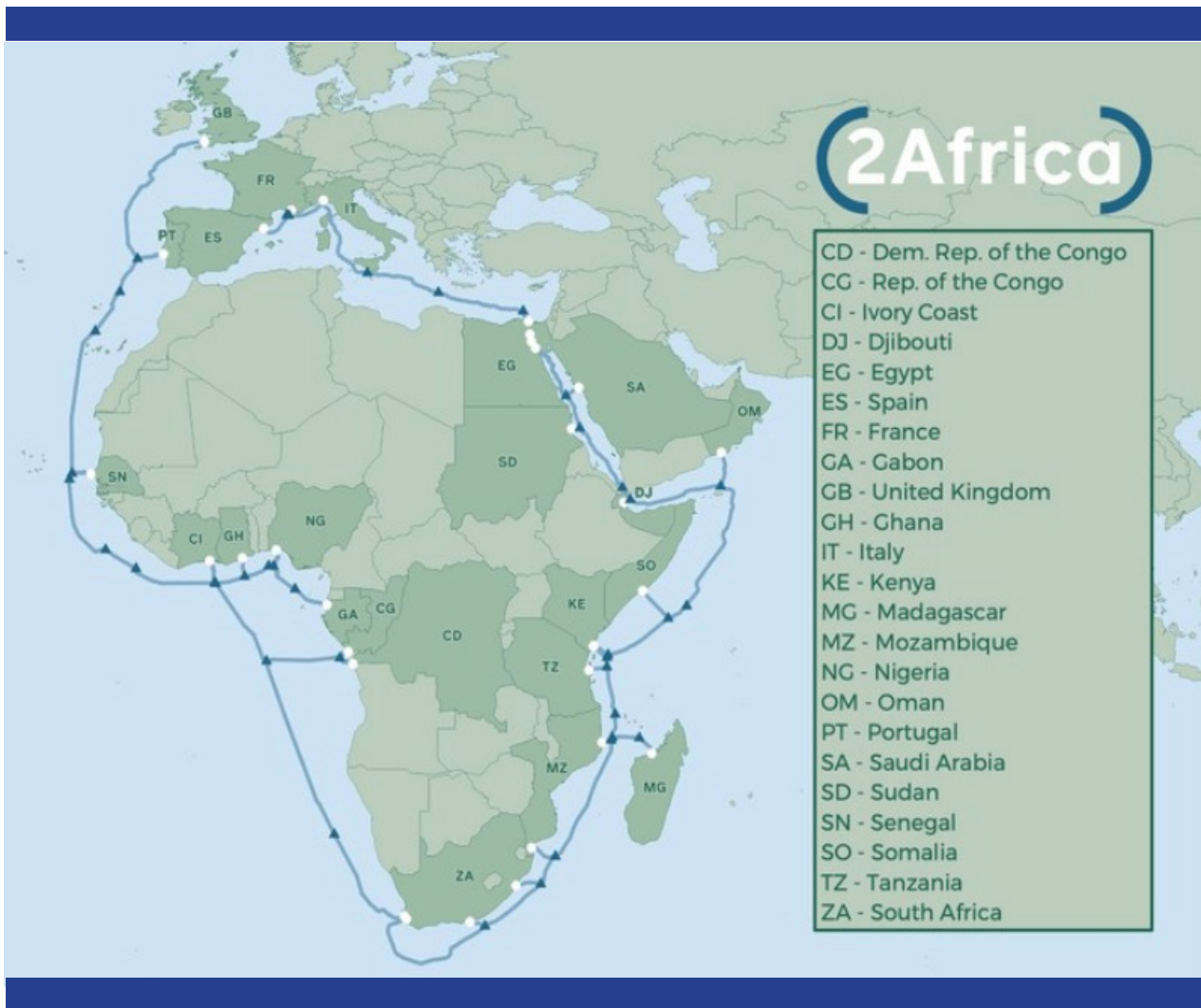
While in developed markets the Work-From-Home protocols resulted in a shift cellular to fixed internet solutions, the same cannot be said for Uganda because mobile cellular solutions account for more than 95% of the broadband access network.

Other Developments in the African Telecom Infrastructure & Access Market

The biggest connectivity development for the continent is the Facebook-led 2Africa Undersea Cable System project . The 37,000km cable subsystem will run around Africa with landing points in Portugal and Spain and 21 landing stations in 16 African countries.

The 180 Tbps subsystem is expected to go live by 2024 with open access terms for all network operators on the continent. Other project partners include MTN Group, Telecom Egypt, Vodafone, Saudi Telecom Company, and Orange MENA, among others.

Figure 2 - Facebook Planned Cable Network



4 Source: <https://www.prnewswire.com/news-releases/2africa-a-transformative-subsea-cable-for-future-internet-connectivity-in-africa-announced-by-global-and-african-partners-301058889.html>

Section B : Service & Usage

5. Domestic Voice Traffic

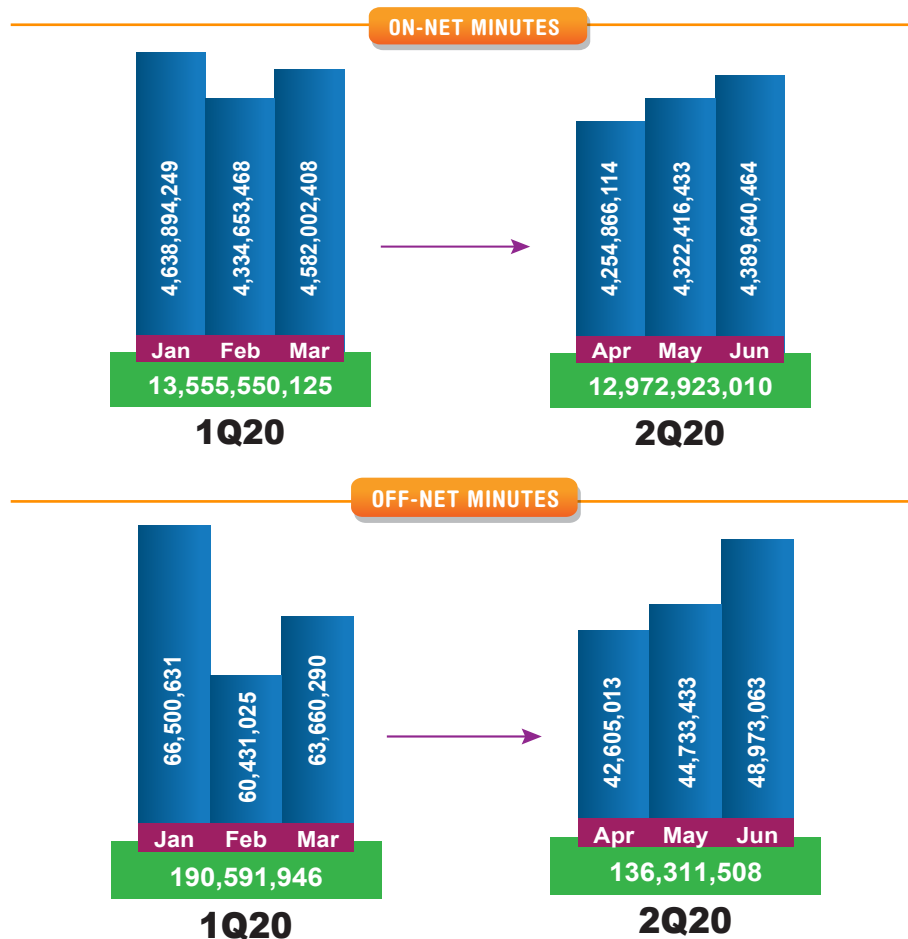
The industry posted a total of 13.1 billion minutes of domestic talk. This includes both on net (calls between subscribers on the same network) as well as off net traffic (calls between subscribers on different mobile networks).

The performance represents a 5% quarter-on-quarter drop in total domestic traffic. This drop may be attributed to suppressed commercial activity during the early days of the national lockdown. Indeed April, which was characterised by a complete lockdown, recorded the lowest call traffic in the 6 months January – June 2020.

Aggregate Domestic Quarterly Voice Traffic



On-Net and Off-Net Traffic



Total quarterly on-net traffic stood at 13.0 billion minutes down from 13.6 billion in the quarter January-March 2020.

The market has averaged 45.4 million off net minutes per month during the quarter, with an off-net traffic peak in June of 49 million minutes.

In percentage terms, on-net domestic traffic dropped by 4% while off-net domestic traffic dropped by 28% in the three months April – June 2020. The difference in percentage drops across the two traffic categories may be representative of the different affordability sensitivities across the two traffic categories.

It is probable that off-net demand shifted to online messaging solutions and on-net voice bundles in response to drops in discretionary expenditure during the lockdown.

In terms of intra-quarter performance, the market has averaged 4.3 billion on-net minutes per month during the quarter, with an on-net monthly traffic peak in June of 4.4 billion minutes. The June traffic peak was most likely the result of the partial lifting of national lockdown restrictions and the subsequent resumption of commercial activity.

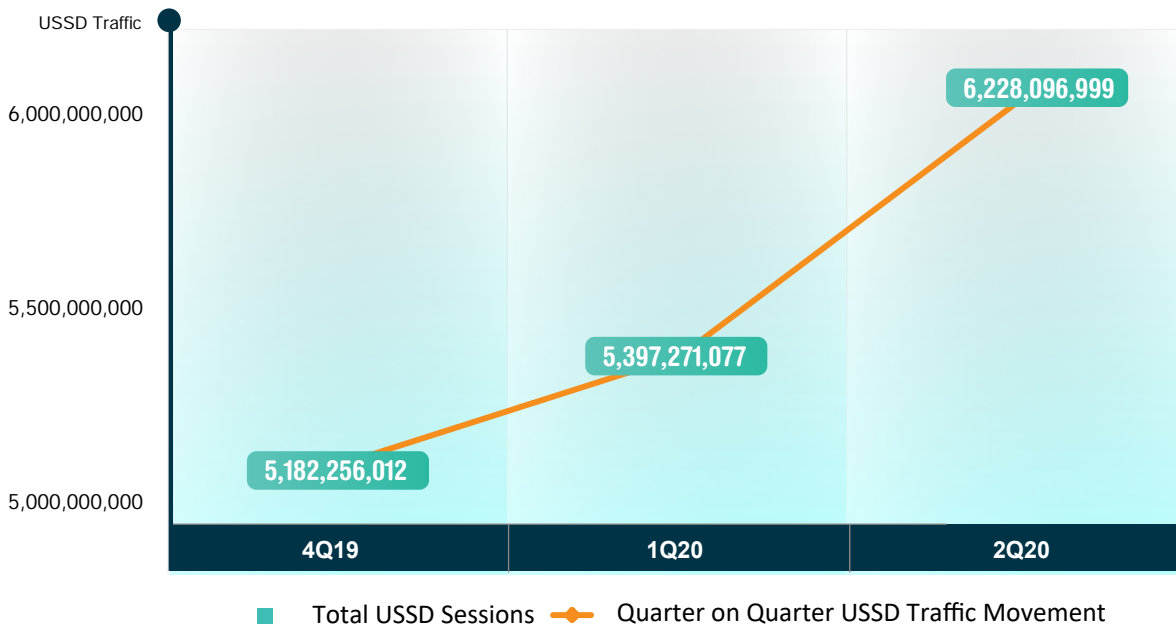
During 2Q20, the market averaged 161.4 on-net minutes per subscriber per month, or approximately 5 minutes per day.

In the same period, the market averaged 1.70 off-net minutes per month per subscriber during 2Q20.

USSD Traffic

On the back of strong performance of the mobile financial service business, USSD traffic grew by a commensurate factor of 15% between 1Q20 in 2Q20.

Quarter on Quarter Ussd Traffic



The total number of sessions averaged 2.01 billion per month during the quarter. The quarterly peak was realised in June 2020 with a total of 2.7 billion USSD sessions.

6. Broadband Traffic

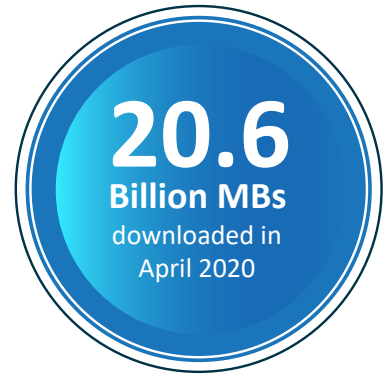
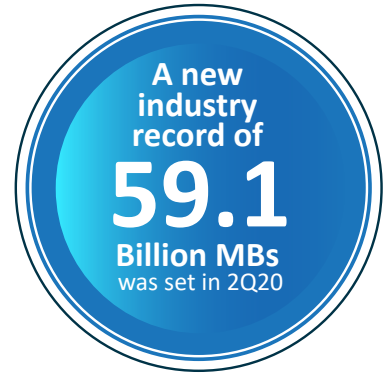
Global lockdowns have been characterised by growth in total broadband traffic across various countries. Markets like the United Kingdom, USA, Japan, South Korea and Italy have reported traffic spikes as high as 60% during the period of extended lockdowns.

During 2Q20, total quarterly broadband traffic has grown to 59.1 billion MBs. This is a 21% increase from the previous industry record of 49.0 billion MBs in the quarter January-March 2020.

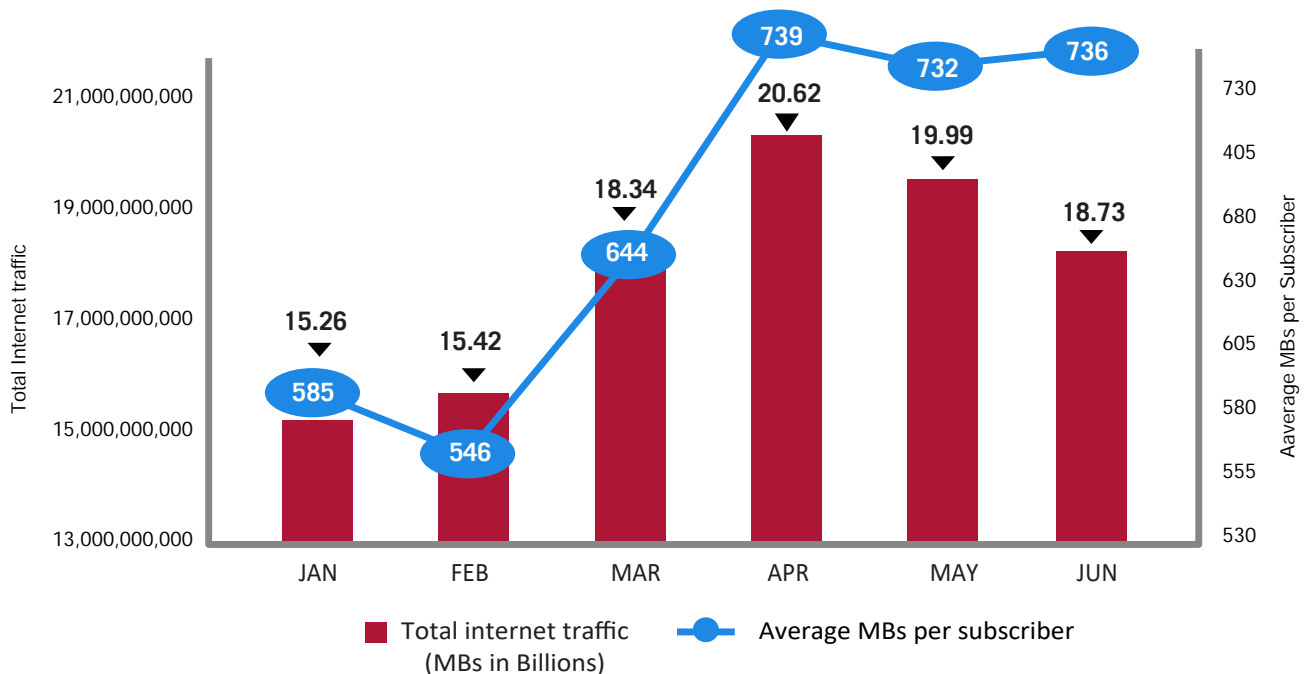
In terms of intra-quarter performance, the market has averaged 19.7 billion MBs downloaded per month during the quarter, with a traffic peak of 20.6 billion in April 2020 at the height of the national lockdown.

Subsequently, the lifting of the national lockdown in June resulted in a suppression of broadband demand with monthly broadband traffic dipping to 18.7 billion MBs. Despite this intra-quarter dip, June mobile broadband traffic still outperformed any recorded month of traffic outside of 2Q20.

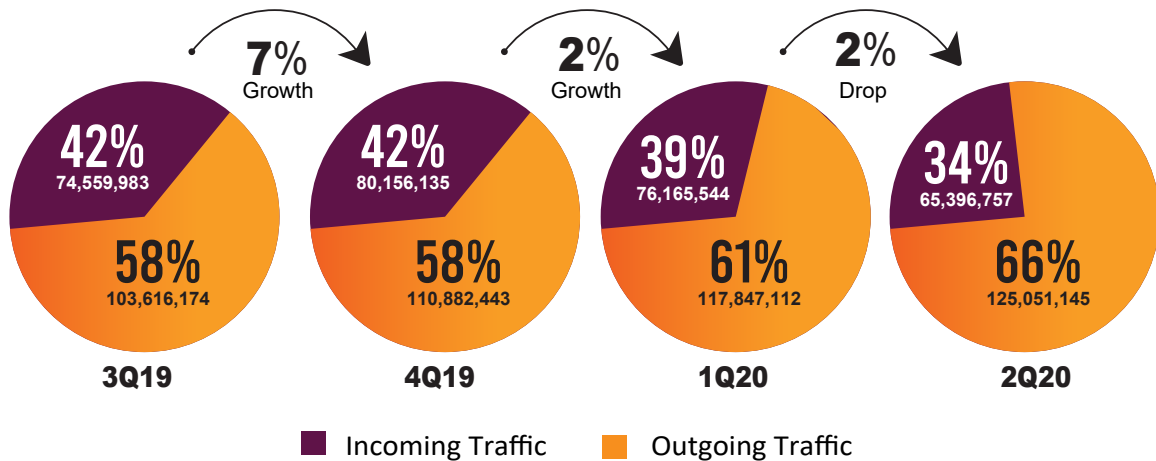
Total quarterly broadband traffic translates into an average of 735.6 MBs per subscriber per month, or 24.5 MBs per day.



Internet Traffic Vs. Average MBs Per Subscriber

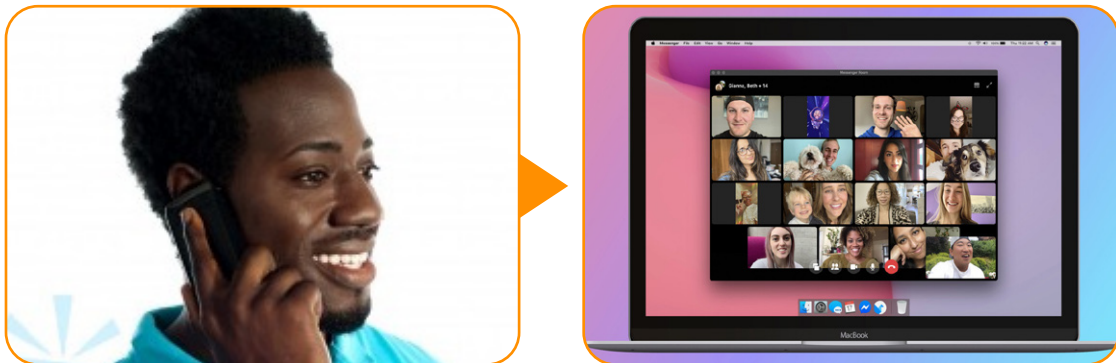


7. International Traffic



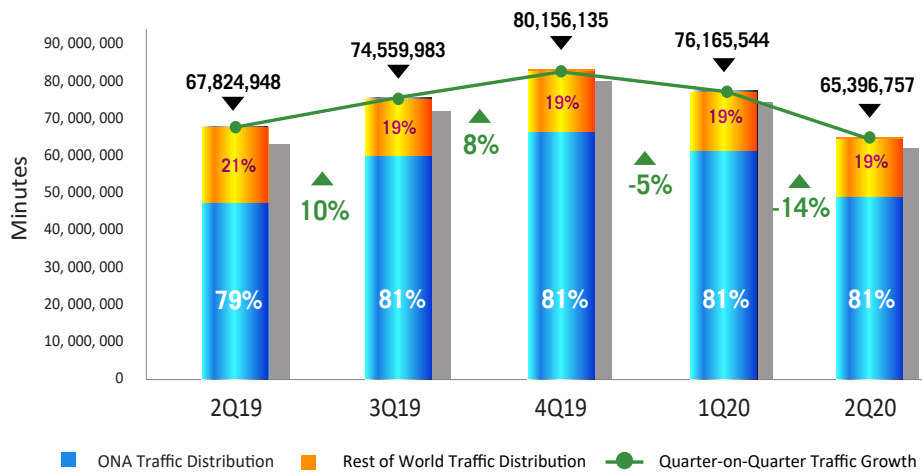
The period 2Q20 posted 190 million minutes of total international traffic. Yet again, Uganda remains a net traffic receiver with total incoming traffic accounting for 66% of total international voice traffic .

In terms of quarter-on-quarter performance, the segment posted a 2% dip in international traffic. The dip in traffic may yet again be due to disruptions in global supply chains experienced during the period. At a personal consumer level, international voice traffic demand may also have migrated to online calling and messaging services such as Zoom, Skype, WhatsApp etc.



Worth noting is the fact that while total international outgoing traffic shrunk by 11 million minutes in the quarter, total international incoming traffic grew by 8 million during the same period.

Outgoing International Traffic



Total international outgoing traffic shrunk from 76.2 million minutes in 1Q20 to 65 million minutes in 2Q20. This represents a 14% drop in total quarterly international outgoing traffic.

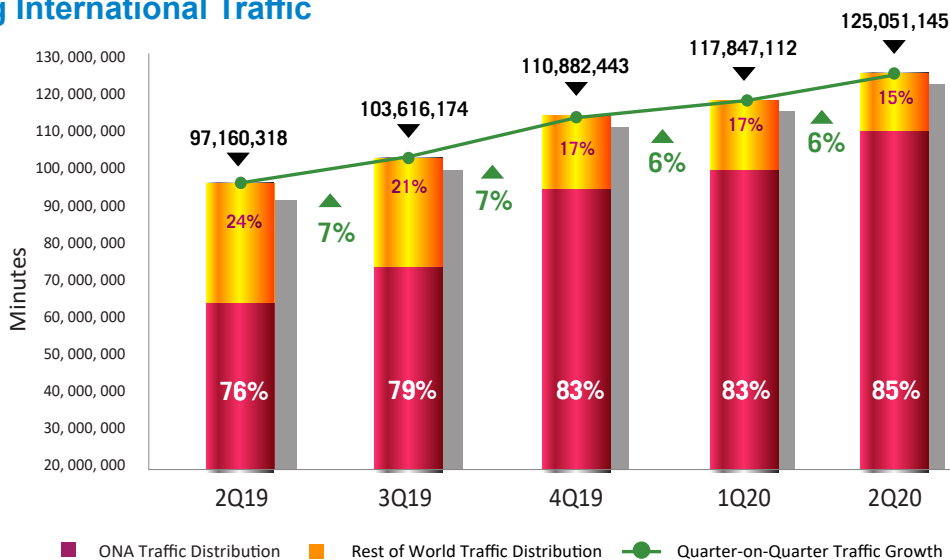
This drop may be attributed to returning residents from abroad, reducing the need for Ugandans to call abroad. Furthermore, Ugandans making international calls for business purposes due to global supply chains and relationships may have not had the need due to the global pandemic.

International outgoing traffic remains largely destined to the Northern Corridor partner states of Kenya, Rwanda and South Sudan, with which Uganda has special international traffic termination arrangements framework.

In 2Q20, ONA traffic accounted for 81% of total international outgoing traffic. The rest of the world only accounted for 19% of total international outgoing minutes.

Total international incoming traffic grew from 118 million minutes in 1Q20 to 125 million minutes in 2Q20. This represents a 6% increase in total quarterly international incoming traffic.

Incoming International Traffic

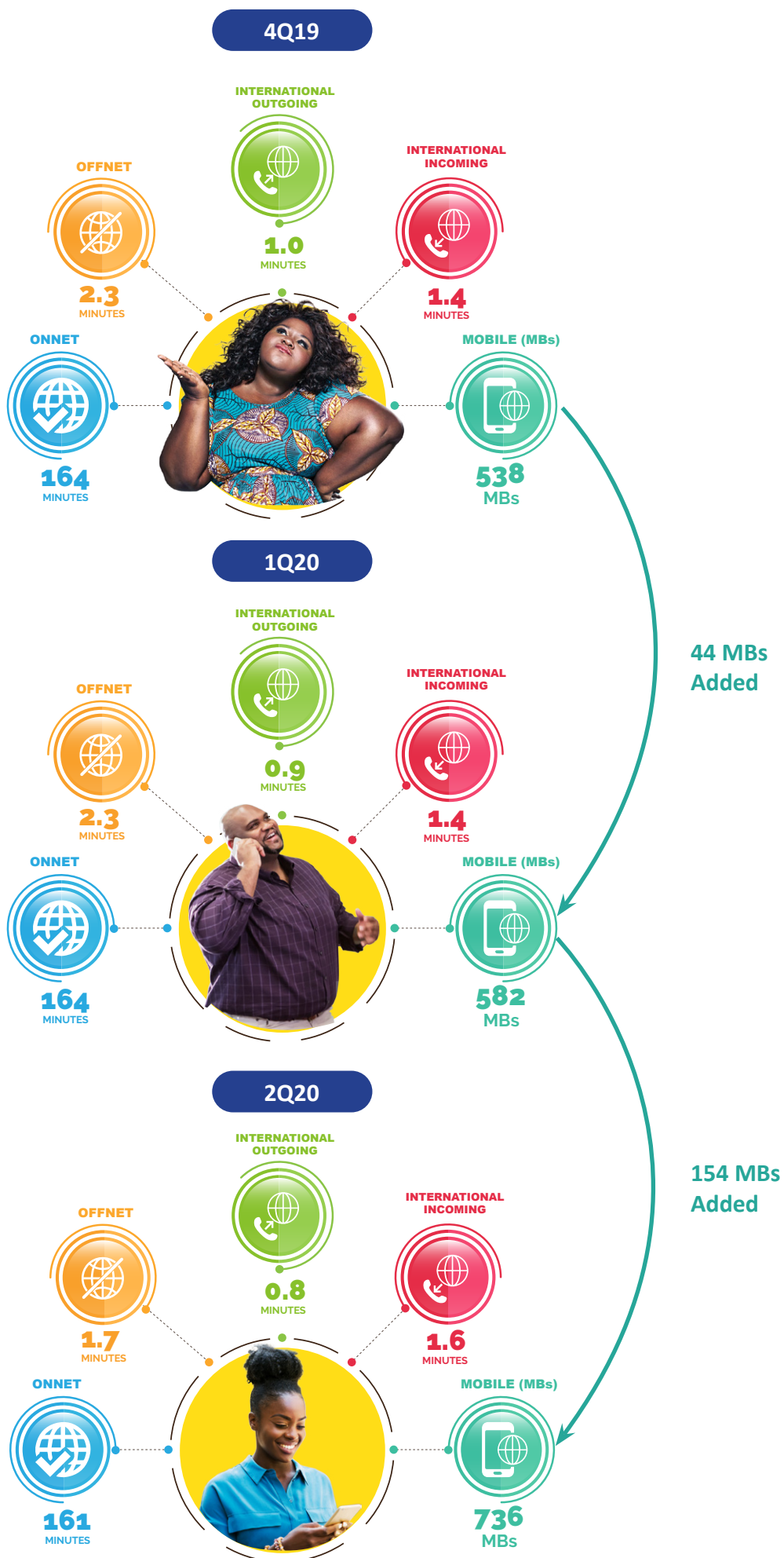


Total international incoming traffic grew from 118 Million minutes in 1Q20 to 125 Million minutes in 2Q20. This represents a 6% increase in total quarterly international incoming traffic.

International incoming traffic largely originates from the Northern Corridor partner states of Kenya, Rwanda and South Sudan, with which Uganda has special international traffic termination arrangements (through the ONA) framework.

85% of total international incoming traffic was from ONA partner states. The rest of the world only accounted for 15% of total international incoming minutes landed in Uganda.

Monthly User Traffic Profile

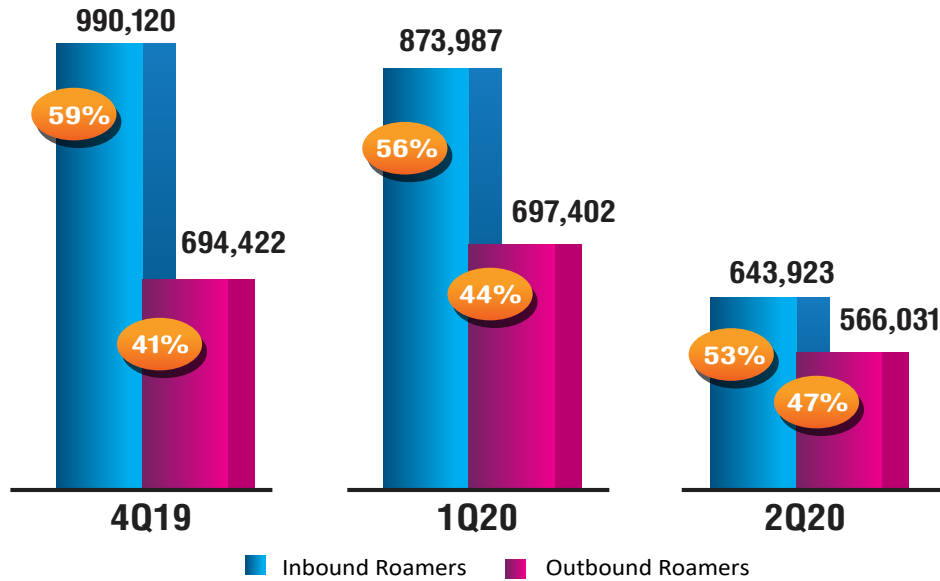


9. Roaming

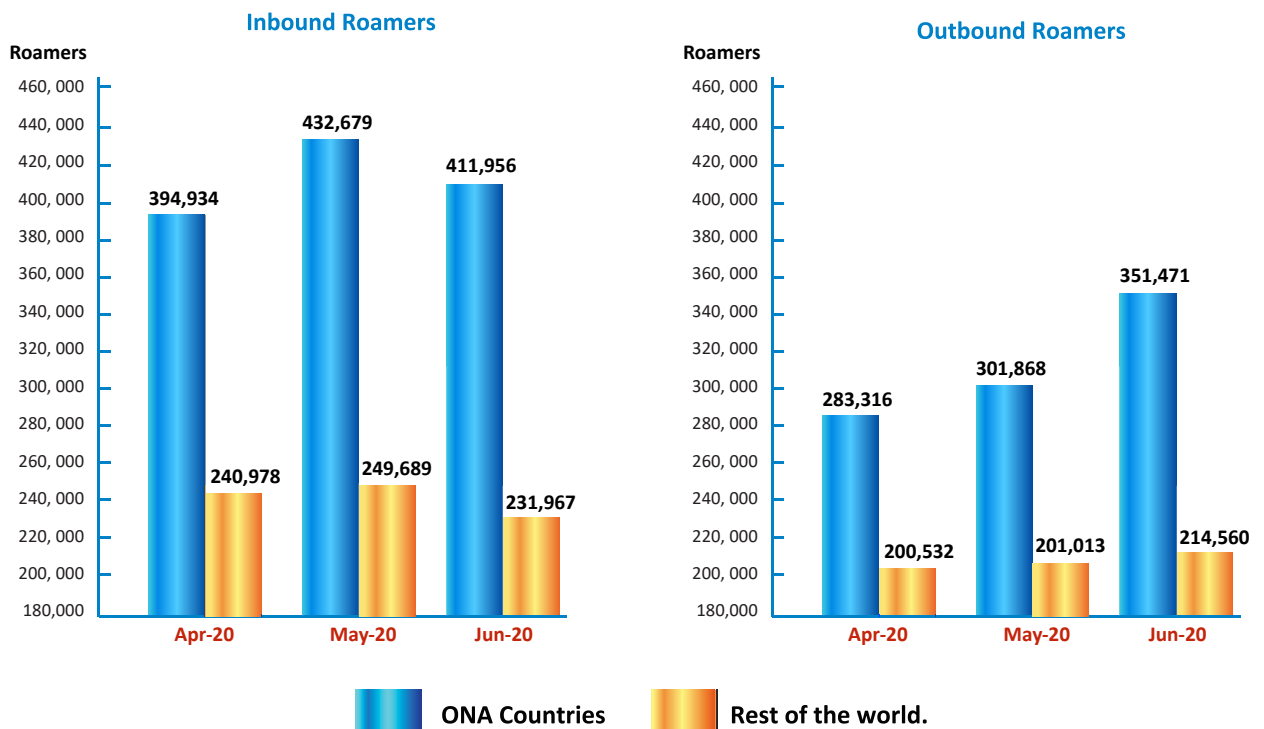
The number of Ugandans roaming on foreign networks at the end of 2Q20 stood at 566,031. This represents a drop of 131,000 roamers as more Ugandans returned home in light of the COVID 19 pandemic.

The number of foreigners roaming on Ugandan networks stood at 643,923. This represents a drop of 230,000 roamers as foreigners returned to their respective countries of origin in light of the COVID 19 pandemic.

Visiting Customers Vs. Ugandans Roaming in Other Countries



Distribution of Roamers (ONA vs. Rest of World)



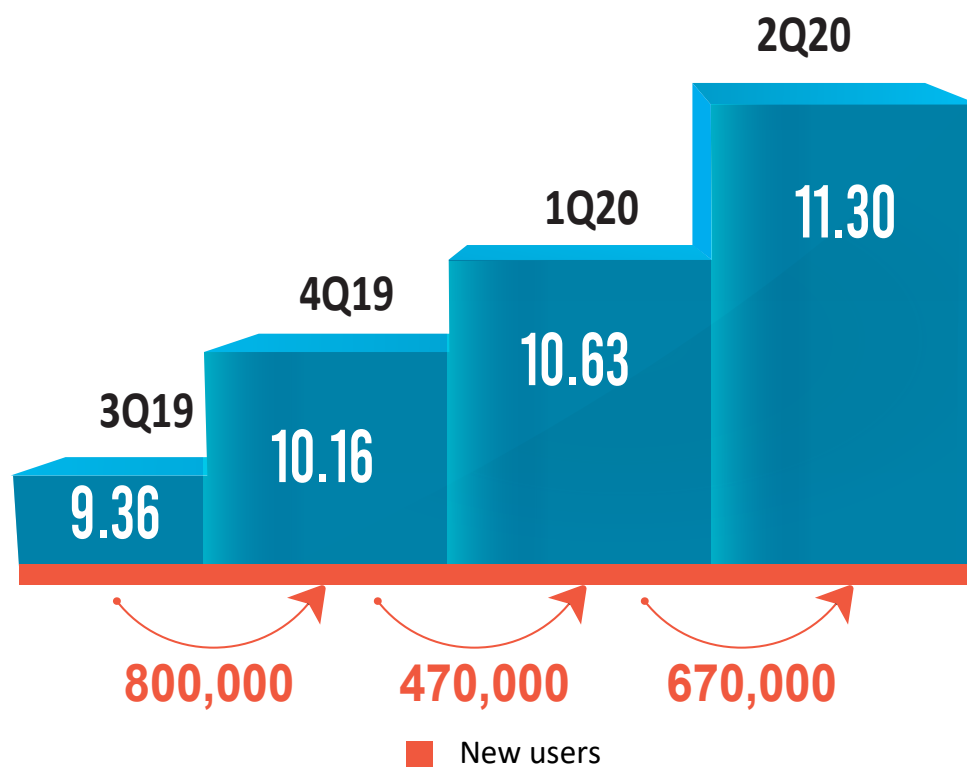
Worth noting is the fact that the Commission gave special exemptions for foreigner-owned SIM cards to continue receiving services beyond the duration of their visas and work permits. This may have contributed to the drop in inbound roamers as foreigners stranded in country switched to local SIMs.

10. OTT Services

OTT subscriptions increased by more than 700,000 cellular users, up from 10.6 million users in March 2020 to 11.3 million users accessing OTT services at least once in the month of June 2020.

This translates to a growth rate of 7% and can be expected given the high levels of internet usage during the period under review.

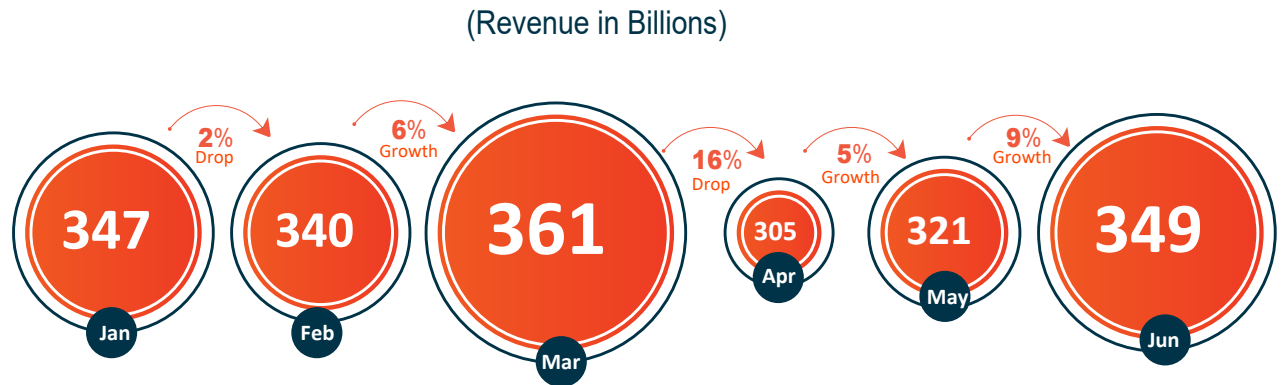
Quarterly OTT users in Millions



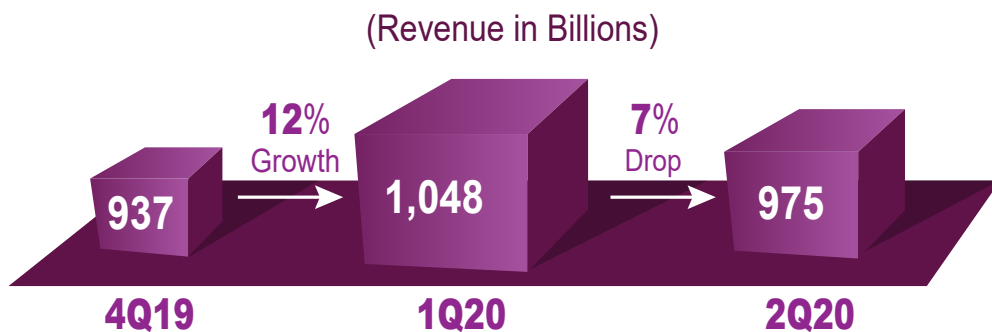
Section C : Financials

11. Revenues

Revenue Performance in 2020



Quarter on Quarter Revenue Performance



Amidst a global pandemic and associated national lockdowns, the sector showed extreme resilience posting a single digit quarter-on-quarter drop of 7% in revenues. This followed a record quarterly revenue performance of UGX 1.05 trillion in 1Q20. This resilience in light of the extreme economic circumstances is indicative of economy-wide dependence on ICTs and changing consumer expenditure patterns.

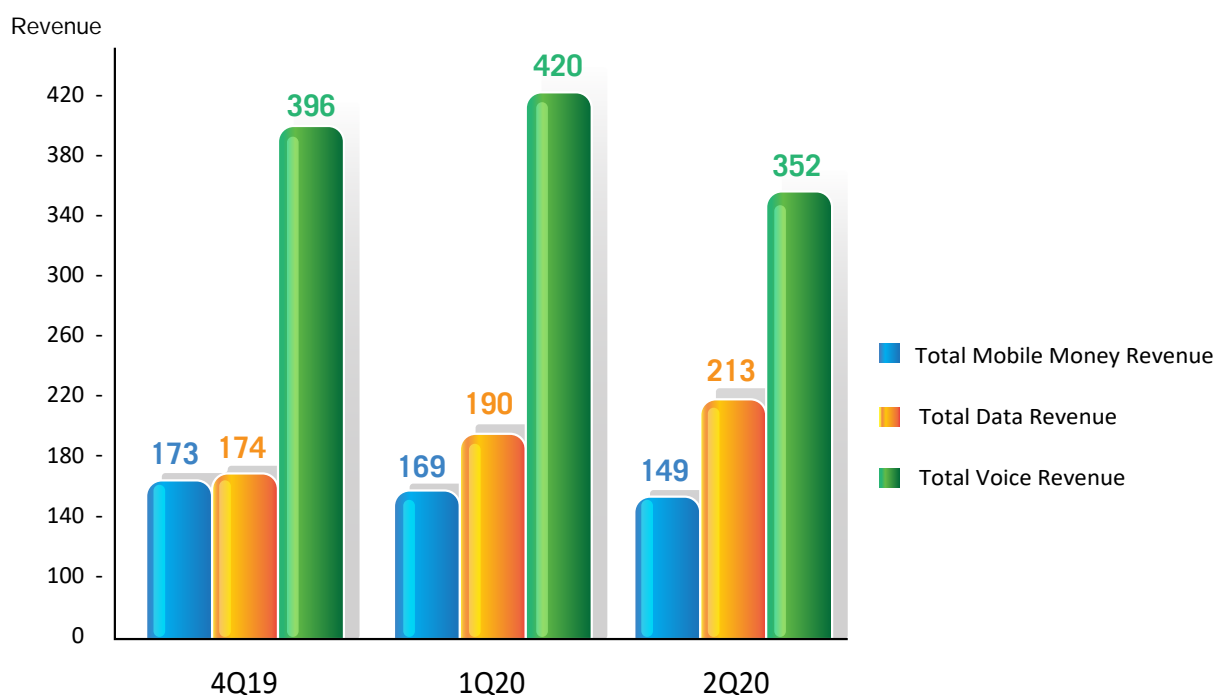
If put into global context, the 7% drop in revenue is commendable given that some global carriers reported as much as 20% declines in revenue during the period on the back of the global pandemic.

The biggest revenue shock was in the month of April, posting monthly revenues of UGX 305 billion from UGX 361 billion in March 2020.

The sector seemed to rally with a V-shaped recovery in the months of March to June. May and June posted revenue totals of UGX 321 and UGX 348 billion respectively from an April baseline of UGX 305 billion. The performance in these months translates into a month-on-month recovery of 5% and 8% recovery respectively.

These revenue lines include retail and input/wholesale revenues like Tower Lease sales, International Bandwidth, Mobile Financial Services as well as Voice and Data services.

Quarterly Performance of Voice, Mobile Money & Data Revenues (In Billions)



Probably the most affected service was the Voice segment that realised a 16% drop in revenues between 1Q20 and 2Q20. This is in line with global and national traffic contractions during the period.

Quarterly internet revenues grew by more than 23 billion between 1Q20 and 2Q20. This strong performance was bolstered by Work-From-Home broadband demand.

On the other hand, despite increased mobile money traffic and transactions, the sector posted a 12% revenue drop. This drop is attributed to waivers of various mobile money transaction fees during the lockdown, aimed at promotion of contactless payment solutions amidst the pandemic.

12. International Interconnect Position

Total industry monthly revenues from international incoming traffic have averaged 11.3 billion shillings in 2Q20, translating to a 4% increase in average monthly revenues.

Average outbound international interconnect settlements increased by 7%, rising to a monthly average 7.6 billion per month in 2Q20.

During 2Q20, Uganda has posted a positive balance of payments position (BoP) with respect to international traffic settlement, with a net positive position of UGX 10.89 billion. *

In 2Q20, Uganda posted a net positive position of UGX 10.89 billion

International Interconnect Position			
	Apr 20	May 20	Jun 20
International Interconnect Revenue	11,073,250,646	11,778,776,290	11,125,050,022
International Interconnect Expense	7,091,617,451	8,186,323,125	7,810,999,279
Net Position	3,981,633,195	3,592,453,165	3,314,050,743

Section D. Postal & Courier

13. Postal Services

One of the most highly impacted segments was the postal and courier markets, with volume drops across domestic and international mail and parcel categories.



Globally, leading players like DHL, FedEx and UPS have reported drops of as much as 50% in net earnings. In their final quarter 2020 (March – May) performance, global courier giant FedEx reported an adjusted net income of \$663 million, well below the \$1.23 billion posted in the same period last year⁵.

Relatedly, Dubai-based logistics firm Aramex reported a 38% decline in its Q1 profits at the onset of the global pandemic.

In Uganda, international mail and parcels reported the highest drops in volume in the months of April, and mail volumes as a whole contracted by 57% between 1Q20 and 2Q20. The market averaged 56,895 mail volumes processed per month during the quarter, compared with 133,289 in 1Q20.

In contrast, the sector witnessed a surge in the growth of business-to-consumer segment as e-commerce flourished amidst the national lockdown. We saw transaction surges in Express Mail Services (EMS) as well as door-to-door parcel delivery services in the months of May and June.

Mail Volumes Processed

	Apr 20	May 20	Jun 20
 ORDINARY MAIL	15,505 (37%)	15,139 (29%)	21,179 (28%)
 Parcels, Registered & Other courier articles	25,953 (63%)	37,317 (71%)	55,591 (72%)
TOTAL	41,458	52,456	76,770

Section E. Broadcast & Multimedia Markets

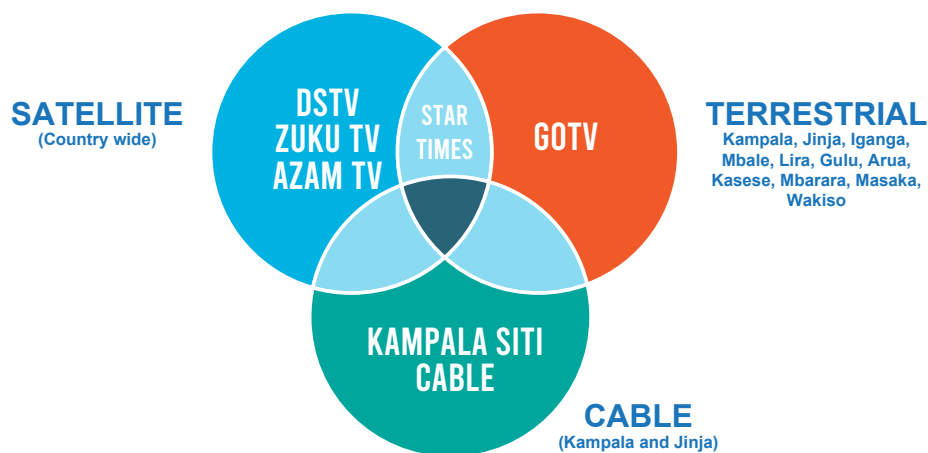
14. TV Market

Free-to-Air

The delivery of FTA channels is mainly via the government-owned SIGNET Uganda Limited. By the end of June 2020, 39 FTAs were carried on the SIGNET platform.

Pay TV

The Pay-Tv market in Uganda is served by a combination of satellite, cable and digital terrestrial networks, with 7 licensed content aggregators.



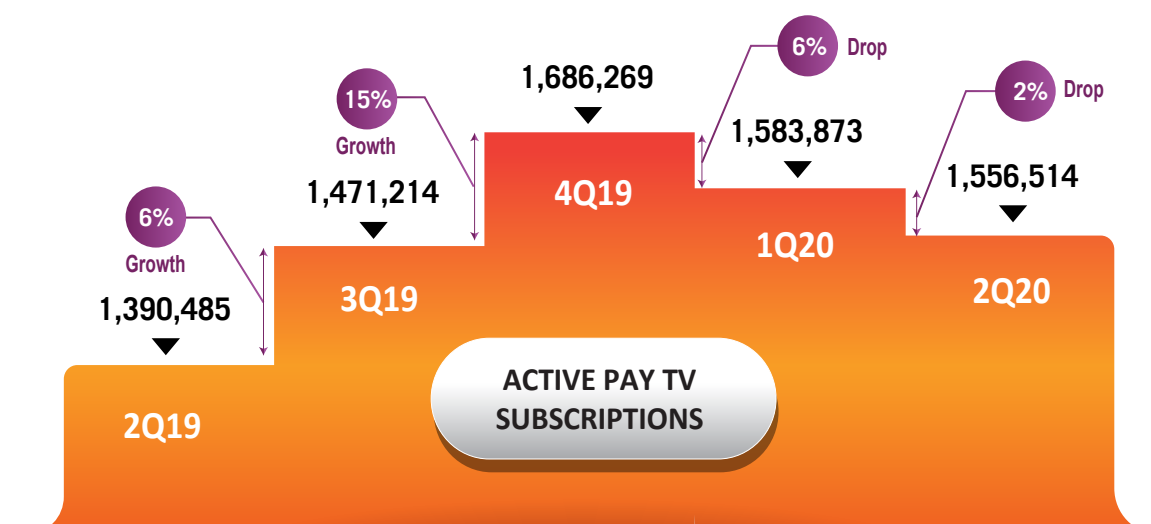
Total active subscribers are at 1.56 million as of June 2020, compared to 1.58 million in the preceding quarter. This translates to a market contraction of 2%.

The sustained contraction in the active pay tv market is likely a consequence of the continued suspension of major sports leagues due to the novel coronavirus. Some of these resumed towards the end of the review period under strict limitations, which bodes well for subscription numbers going forward.

15. Programming

Pay-Tv service providers deliver a range of content on their platforms and the number of channels on a network may vary slightly month to month.

Active Pay TV Subscriptions



Bouquet Pricing

Bouquet pricing is diverse, with Pay TV providers offering packages targeted at various market segments. Subscriber numbers by and large vary heavily with price, indicating a high price sensitivity for Pay-TV content.

Subscriber Distribution Across Bouquet Categories

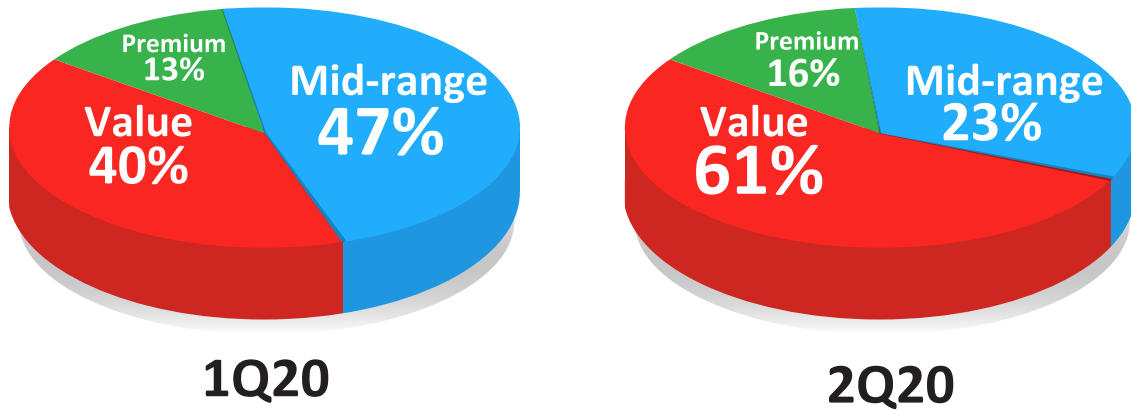
Value Bouquet Prices				
Station	Bouquet	Price		Channels
DSTV	Access	UGX	33,000	75
SITI CABLE	Local	UGX	15,000	23
AZAM TV	Azam PURE	UGX	10,000	50
STARTIMES (Satellite)	NOVA	UGX	13,000	38
STARTIMES (Terrestrial)	NOVA	UGX	11,000	31
ZUKU TV	Smart	UGX	12,000	53
GOTV	GOTV Lite	UGX	11,000	20

Premium Bouquet Prices				
Station	Bouquet	Price		Channels
DSTV	Premium	UGX	219,000	140
SITI CABLE	ASIAN	UGX	85,000	133
AZAM TV	Azam PLAY	UGX	37,000	105
STARTIMES (Satellite)	Chinese	UGX	80,000	21
STARTIMES (Terrestrial)	Classic	UGX	26,000	14
ZUKU TV	Asia Stand Alone	UGX	39,000	29
GOTV	GOTV Max	UGX	39,000	52

The quarter showed changes in the relative subscriber shares captured by the different bouquet offerings. The cheapest bouquet offerings represented 61% of the average service providers base at the end of June 2020, compared to 40% at the end of March 2020.

This could be indicative of subscribers migrating to cheaper bouquet offerings as the difficult economic context compounded with the loss of sporting content to make more expensive packages less popular.

Subscriber Distribution by Bouquet Offering



The tariff plans in the communication sector varies according to the market segments. For the different market tariff plans, please visit the UCC accredited price comparison websites;

www.kompare.ug



