



Press release

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Subject **BDO's Telecommunications Risk Factor Survey**

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FOREX NOT NETFLIX KEEPS YOUR MOBILE OPERATOR AWAKE, SAYS BDO

Brussels, 16th July 2018 - the newly released BDO 2018 Telecommunications Risk Factor Survey reveals that telecommunications executives have relegated disruption from new technologies to third place in their risk top 5: the number one risk identified by 60 telecommunications companies surveyed right now is exchange rate volatility, according to phone companies and internet providers. The AT&T Time Warner and Verizon/Yahoo deals and the Comcast Fox offer are just the tip of a merger iceberg that may have bolstered telecommunications executives' confidence in terms of securing their place in the market and in the innovation race.

This latest edition of the BDO 2018 Telecommunications Risk Factor Survey ranks the 5 most significant risks facing telecoms companies as follows:

1. Exchange rate/foreign currency changes
2. Increased competition
3. The fast arrival of new technologies
4. Access to finance
5. Interest rate pressures

The telecoms market is especially vulnerable to volatile exchange rates because of its growing cross-border customer base - brought about by the internet and globalisation. Global incidents including Brexit, the North Korea negotiations, regulatory agendas and Trump's trade war are just a few of the risks that shake up exchange rates.

Telecommunications' structural dependency requires capital to upgrade and build the infrastructure to keep up with markets' technology expectations and this underlies 2 further risks in BDO's top 5: namely, access to finance and interest rate pressures. Credit ratings in the industry are not at the levels they used to be, and profit per customer seems to be falling, which means that access to funding presents a significant risk. In the same vein, telecommunications executives rate profitability risks as being 3 times higher than in 2017. Risks associated with gaining market share are up by 100% in BDO's risk survey, while risk from saturation/decline of the telecoms market is up by 80%.

The traditional companies are evolving - Telecoms mitigate risk

A clear trend from BDO's 2018 survey is that telecoms are generally reporting lower risks than previously: a trend that applies in particular to financial and regulatory risks. BDO's survey found that the industry as a whole is taking an increasingly proactive approach to the risks they face and is busy diversifying their business portfolios. As traditional industry borders and silos continue to come down, telecoms companies are entering new markets especially in the technology space. This trend could be summarised as telecoms companies moving towards becoming 'unified-coms companies', in other words, entities that target all aspects and types of communications.

These are just a taste of the conclusions of the BDO 2018 Telecommunications Risk Factor Survey. Now in its fourth year, the report analyses risks identified by around sixty telecoms companies worldwide, covering key markets in the Americas, EMEA and Asia Pacific regions. This year's edition of BDO's risk survey also analyses recurring trends and ongoing developments in the telecoms space, including digital transformation, regulatory burdens, the growth of cyber warfare and macroeconomic and political volatility.

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