

REGULATORY BURDEN OVERTAKES TECH DISRUPTION IN TELECOMS 2017 RISK TOP FIVE

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Brussels, 27 June 2017 - The 2017 edition of BDO's annual Telecommunications Risk Factor Survey reveals an almost doubled concern of telecoms giants with regulatory constraints. The proportion of telecoms companies citing regulatory change and uncertainty as a critical risk has taken a dramatic jump, from 42% to 80%. This contrasts with 2016 survey results, when currency fluctuations, interest rates and liquidity mostly preoccupied telecoms executives.

BDO's 2017 risk factor survey digs into the five main risks keeping telecom executives awake at night:

1. The digital transformation agenda
2. The regulatory burden
3. The growth of cyber warfare
4. The volatile macroeconomic and political environment
5. The infrastructure investment challenge

Christian Goetz, Head of BDO's global telecommunications industry sector group: "The pace of change faced by the global telecoms sector has never been more intense. The average revenue per customer in the telecoms industry is falling and customer loyalty is decreasing as choice proliferates. Business customers and particularly SMEs, once a captive market, are now also moving towards OTT providers and new technologies. However, established telecoms companies have to shoulder the burden of the infrastructure investment, whereas content providers and new competitors in the industry reap the benefits of this infrastructure without having to make significant investments. Telecoms' growth prospects will depend on how successfully they can navigate the complex risk landscape ahead and reshape their businesses to take full advantage of future opportunities. It is encouraging that some have already begun to employ creative ideas. Telecom companies successfully set-up incubators and venture capital teams for R&D, but sophisticated financial planning and strengthened cyber security are also required. Telecoms cannot afford to be complacent and must continue to evolve."

BDO's Risk Factor Survey reveals that digital transformation is not just a challenge in mature markets. In India, for example, Tata Teleservices reports that customers are switching from voice telephony to data services in large numbers.

Of particular concern to the telecoms companies BDO engages with is the dual impact of EU data roaming regulations, and global regulatory frameworks regarding net neutrality and widening internet access.

New accounting standards such as IFRS 16 impose a financial risk to telecoms companies because they are now required to report more debt on their balance sheet. Presently, telecoms companies have to report full obligations.

BDO's 2017 Telecommunications Risk Factor Survey includes a 5-question checklist covering the entire spectrum of challenges, ranging from IFRS16 over cyber warfare to economic nationalism and 5G technology.

Note to editors

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