Learnings from the first large scale 5G deployments in Asia

By Chris Hoare | September 28, 2019

We hosted a client tour visiting all the telcos in the early 5G markets in Asia: Japan (feedback HERE), South Korea (HERE) and China (HERE), and finished the trip with a day at Hauwei's HQ in Shenzhen (HERE). Our key takeaway is that we may have been too cautious on the likely revenue impact 5G & IoT is set to have on revenues in these markets. Thus our view shifts from seeing 5G as largely neutral to revenue and overall a negative because of the impact on capex, to potentially a meaningful positive driver of shareholder returns through higher growth. Running the math on this and it seems plausible for the winning companies in these markets (which we would see as Softbank, LG U+, China Telecom) to see mobile service revenue growth head towards high single digit, or even low double digit as the 5G wave impacts their business models, with potentially significant impacts on equity valuations. However, we would hesitate to read across from what is happening in these markets to a more positive view on 5G globally especially in markets which don't have the site density and capacity to satisfy very high levels of traffic as high end packages shift from 20-30GB/month to 100-200GB/month (and to 'properly unlimited' services).

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Full 12-month historical recommendation changes are available on request

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