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## Summary

This brief presents a new data series compiled by MTN Consulting. We already publish quarterly total revenues for the global telco market. This new series provides a breakdown of revenues into several categories: services, equipment (devices, handsets, CPE), wholesale/infrastructure, and all other. The purpose is to understand real underlying trends in service revenues. The data will be published as part of our upcoming “Telecommunications Network Operator: 4Q22 Market Review”.

For the 3 months ended September 2022, total revenues for the telecommunications network operator (telco) sector declined 6.5% from 3Q21. This decline followed a similar 6.1% dip in 2Q22. These declines are largely due to weak service revenues. In 3Q22, for instance, service revenues dropped 7% YoY, while equipment revenues grew 2%. Services account for nearly 90% of revenues, so they tend to drive the average, but volatility in equipment revenues can be significant and impact the sector’s growth curve. With the rollout of 5G networks and availability of new devices, there has been a pickup in equipment revenues over the last 2 years. For the 3Q20 annualized period, equipment accounted for 9.4% of total revenues, but this has steadily grown since then, to 11.2% in 3Q22. Annualized equipment revenues for telcos were \$204.6B in the 3Q22 annualized period, up 23% from 3Q20’s \$166.7B. In the same timeframe, annualized services revenues grew less than 1%.

In general, telcos do not prioritize profitability when it comes to selling equipment. Their main priority is signing up and retaining subscription customers, who drive their service revenues. As such, big jumps in equipment revenues don’t necessarily help profits. They are nice, but don’t guarantee growth in related service revenues. It’s more important to focus on service revenues in assessing the health of the telco sector. That’s particularly important now, as telcos have spent heavily on their networks to deploy 5G. Telco capital intensity, or capex/revenues, reached an all-time high in 3Q22 of 17.9% (annualized), up from 16.8% in 3Q21. Telcos, and their investors, expect new revenue streams to result from these buildout costs. So far, 5G has not delivered.

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## Equipment accounts for >11% of telco revenues

### Overview of the new dataset

Every quarter, MTN Consulting publishes a comprehensive review of the telco sector, incorporating a large number of financial metrics, including total revenues. The latest version of this report was published on 29 December 2022: [“Telecommunications Network Operators: 3Q22 Market Review”](#). As with previous editions, this 3Q22 report included total revenues for all telcos included (currently 139), for the period from 1Q11 through 3Q22.

Since publication of the 3Q22 edition, MTN Consulting has completed a comprehensive study of telco financials, aimed at breaking out revenues into standard categories. We now have estimated revenues for four segments, for all 139 telcos in our database, for over a decade. The segments are: services, equipment (devices, handsets, CPE), wholesale/infrastructure, and all other (e.g. media, advertising). For the 4Q21-3Q22 period, total revenues break down into segments as follows: 84.2% for services, 11.2% for equipment, 1.8% for wholesale/infra, and the remaining 2.8% for “all other”. In calendar year 2011, services was 88.5%, equipment was 7.2%, wholesale/infra was 2.0%, and all other captured the remaining 2.3%.