

Focus on the balance sheets of the main market operators



**Electronic
communication
services**

(Financial years 2013 – 2017)

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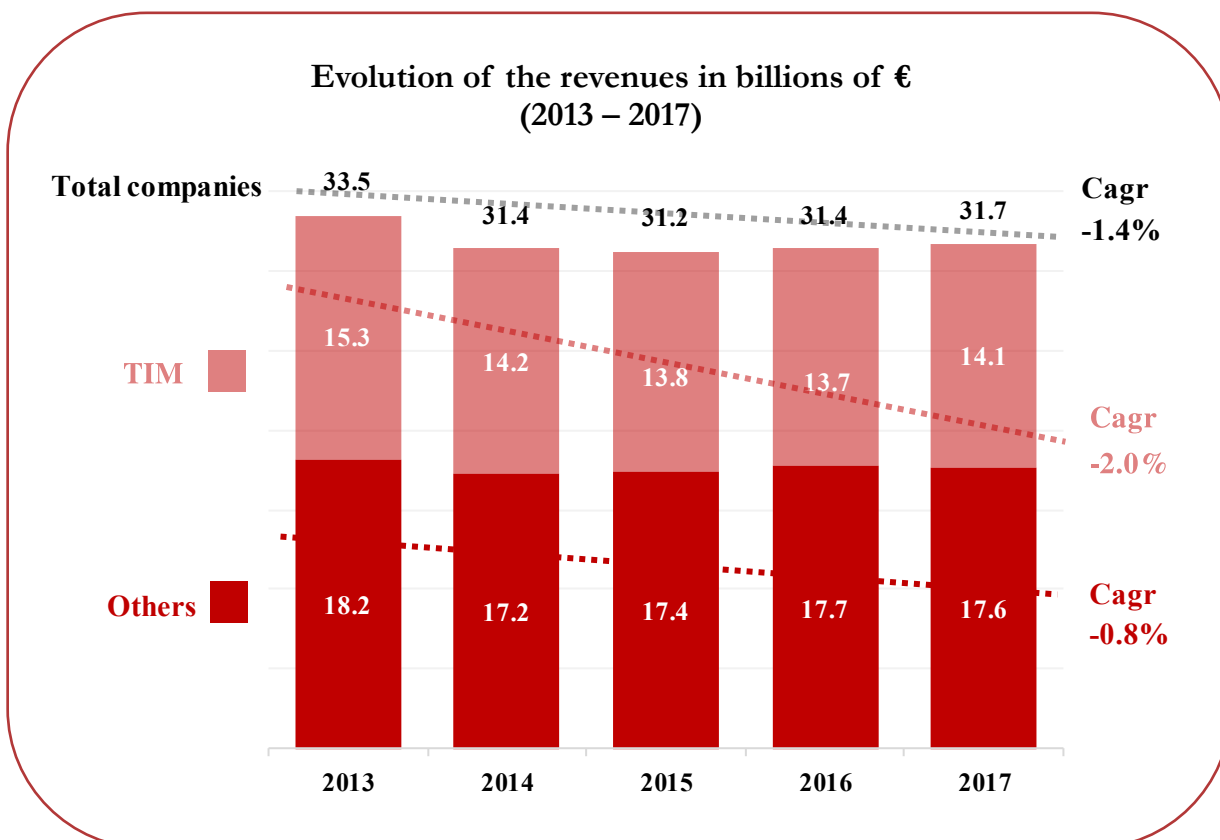


*This Focus is based on the accounting information of the main companies in the **Electronic communication services** sector for the period 2013-2017*

Revenues and number of employees

Revenues

i At the end of 2017, the overall value of revenues is estimated around **31.7** billion of € (-5.4% compared to 2013).



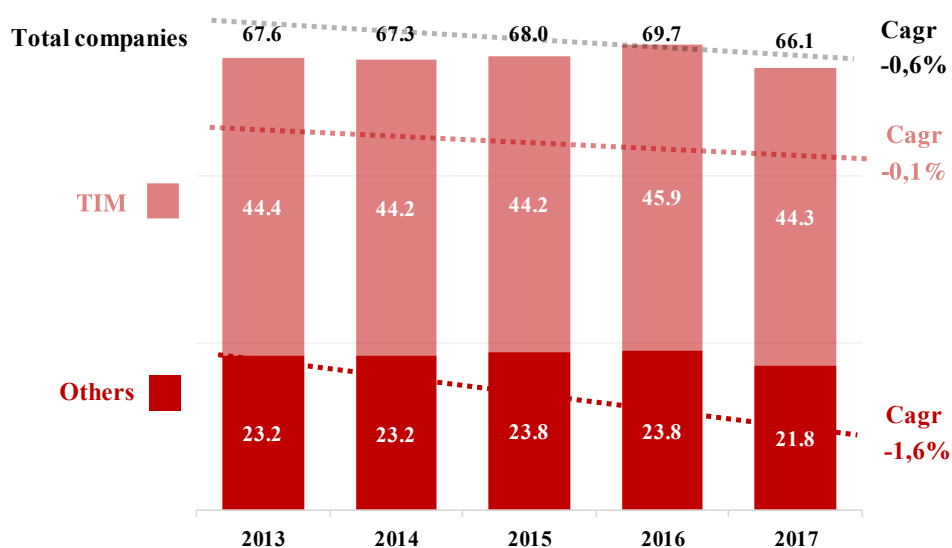
Number of employees



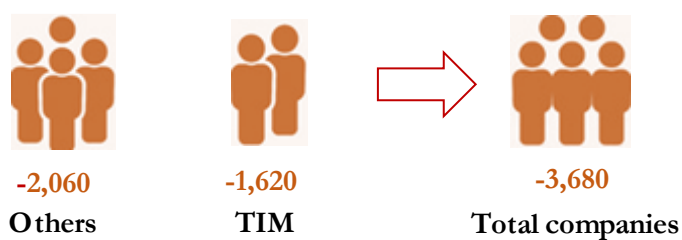
In the period under examination (2013 - 2017) the number of employees decreased at the average annual rate of **0.6%** with a reduction of the workforce of **1,500** units.

In the last year, employment shrank by **3,700** workers (**-5.1%**).

Evolution of the number of employees thousands (2013 - 2017)



Annual change in the number of employees (2016-2017)



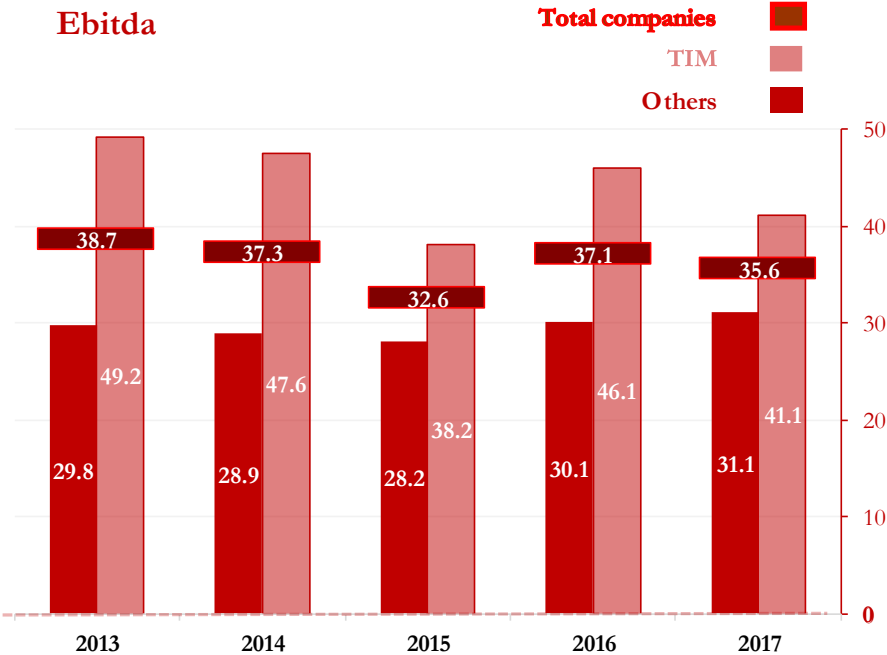
Profitability analysis

Operating margins

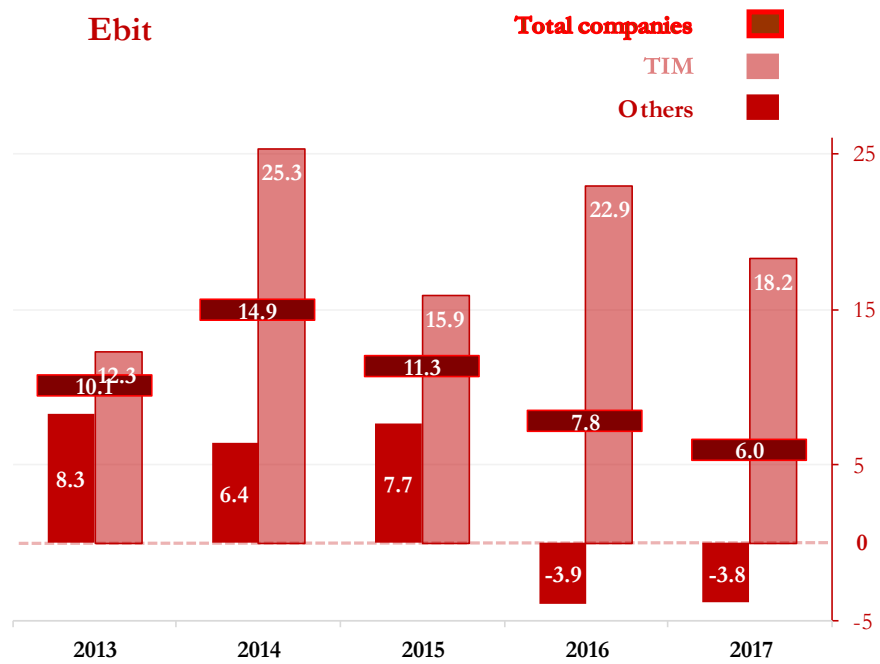
i The evolution of the operating margins of the main companies in the Electronic communication services sector shows, during the period considered, a downward trend, although for the gross operating margin (**Ebitda**), not including TIM, there has been an increase during the last year (from **28.2%** to **31.1%**).

The significant reduction in the net operating margin (**Ebit**) in the two-year period 2016-2017, is strongly related to accounting adjustments (amortization and write down of intangible assets, in particular those relating to radios frequencies) put in place by Wind Tre following the merger between Wind and H3G.

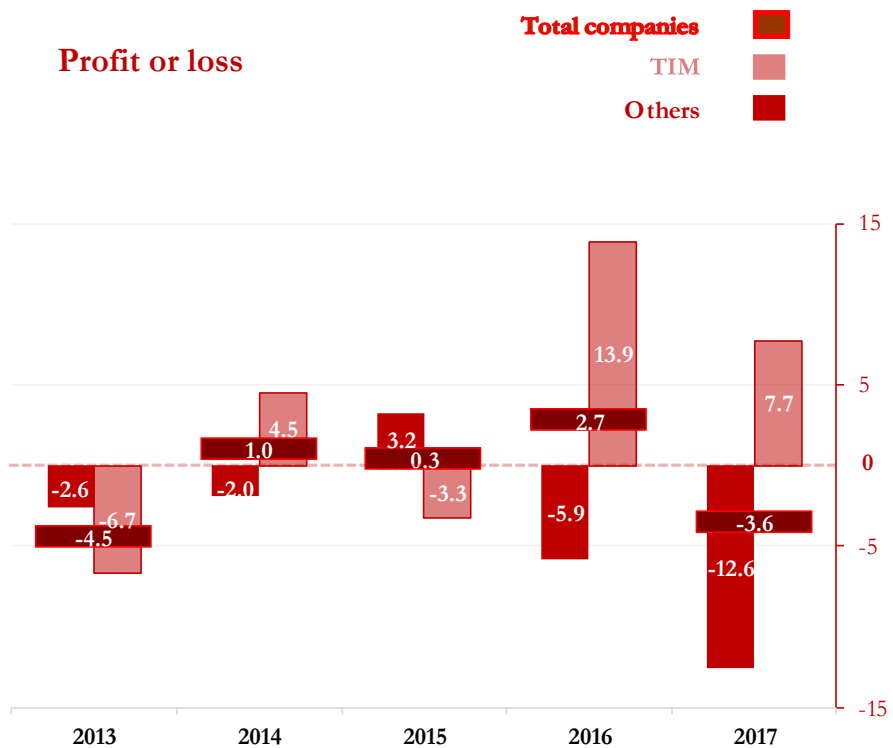
Evolution of operating margins as a % of net revenues (2013 – 2017)



Ebit



Profit or loss



Historical trend of profitability

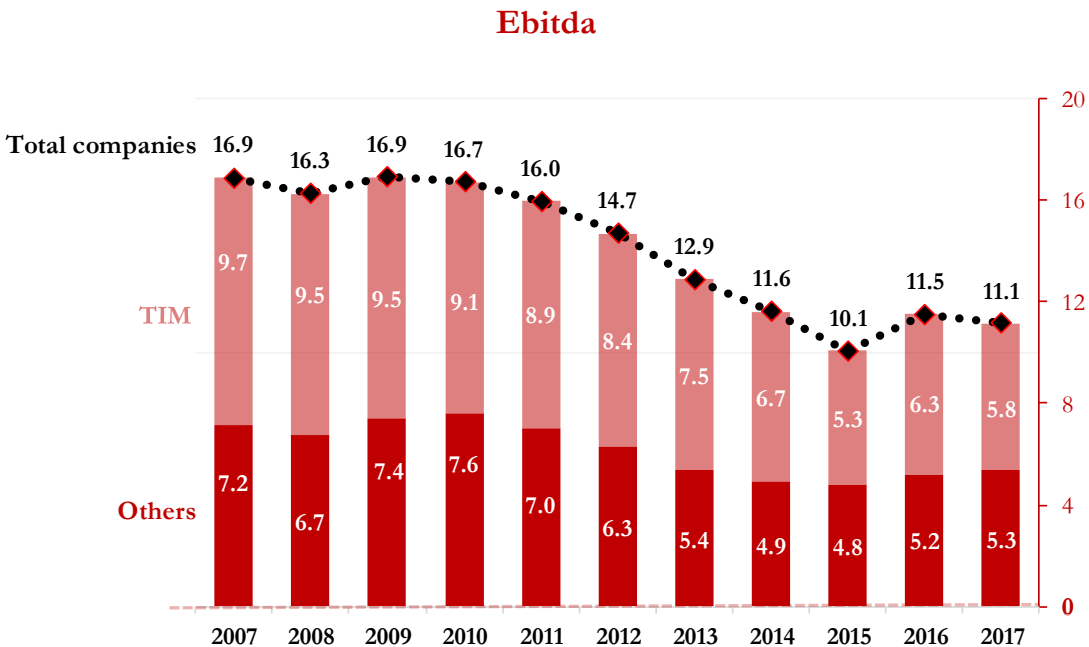
i The evolution of the gross operating margin (**Ebitda**) of the main companies in the Electronic communication services sector shows, during the period considered, a constant trend, between 2007 and 2009, followed by a reduction phase until 2015 and then start slightly to grow.

Regarding the net operating margin (**Ebit**), the significant reduction recorded between 2010 and 2011, is mainly due to the write down of intangible assets made by TIM, where the decline of the last two years, is affected by the accounting adjustments made by Wind Tre.

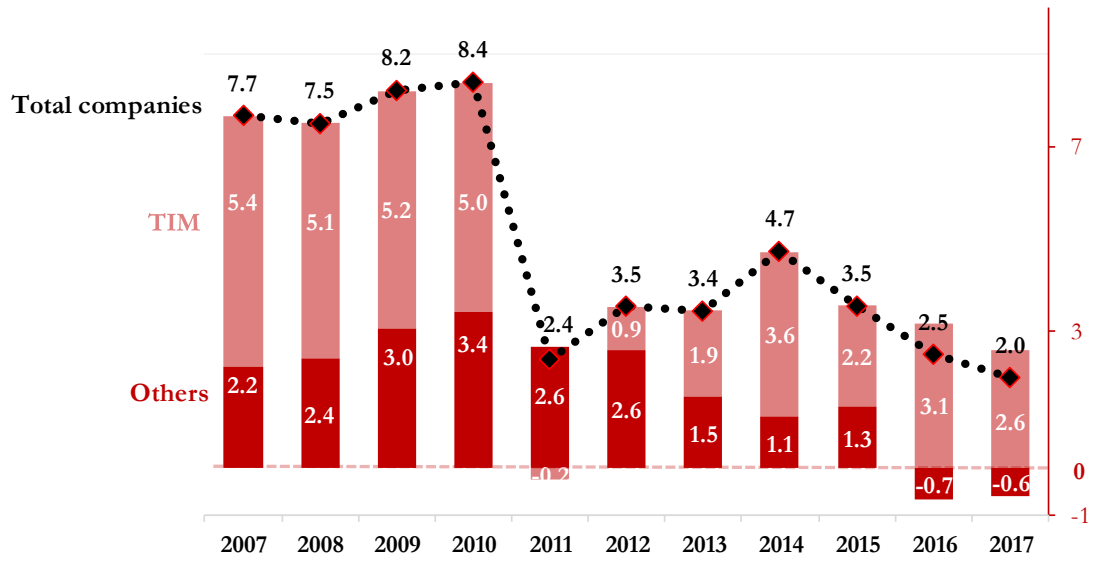
The aggregate operating result (**Profit or loss**) of the main companies in the Electronic communication services sector at the beginning of the period (2007) reached 2 billion of €; after a growth phase until 2010 (+0.7 pp), in the following year the value decreased considerably, and then slowly return to grow.

Note: next graphs are based on the data of the following companies: Brennercom, BT Italia, Colt Technologies Services, Fastweb, Infracom Italia, MC Link, Orange Business Italy, Retelit, TIM, Telecom Italia Sparkle, Tiscali Italia, Verizon Italia, Vodafone, Welcome, Wind Tre (for 2015-2017, and previously H3G and Wind separately)

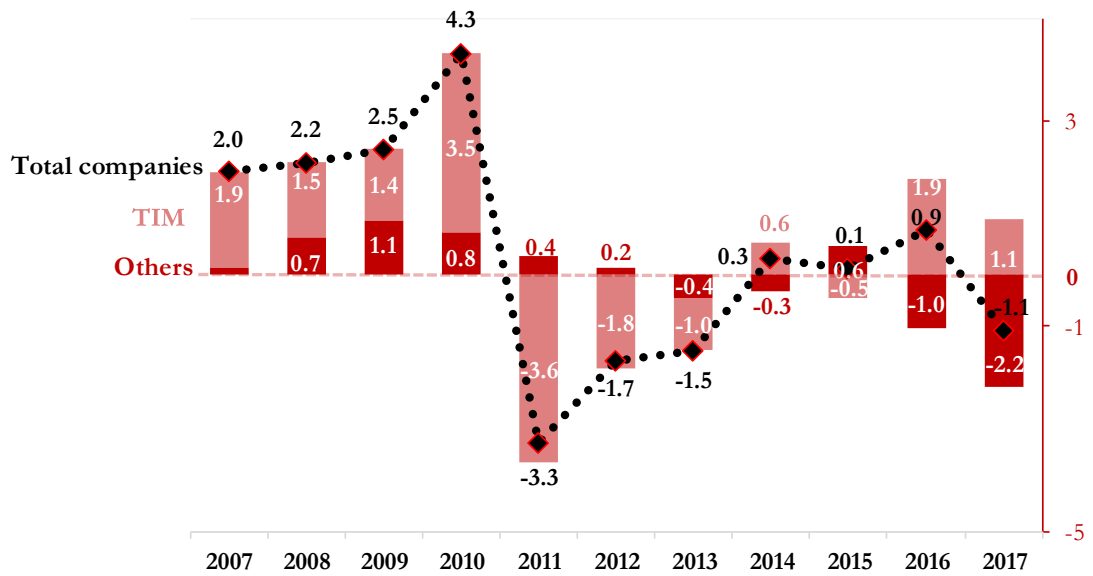
**Evolution of profitability margins in billions of €
(2007 - 2017)**



Ebit



Profit or loss

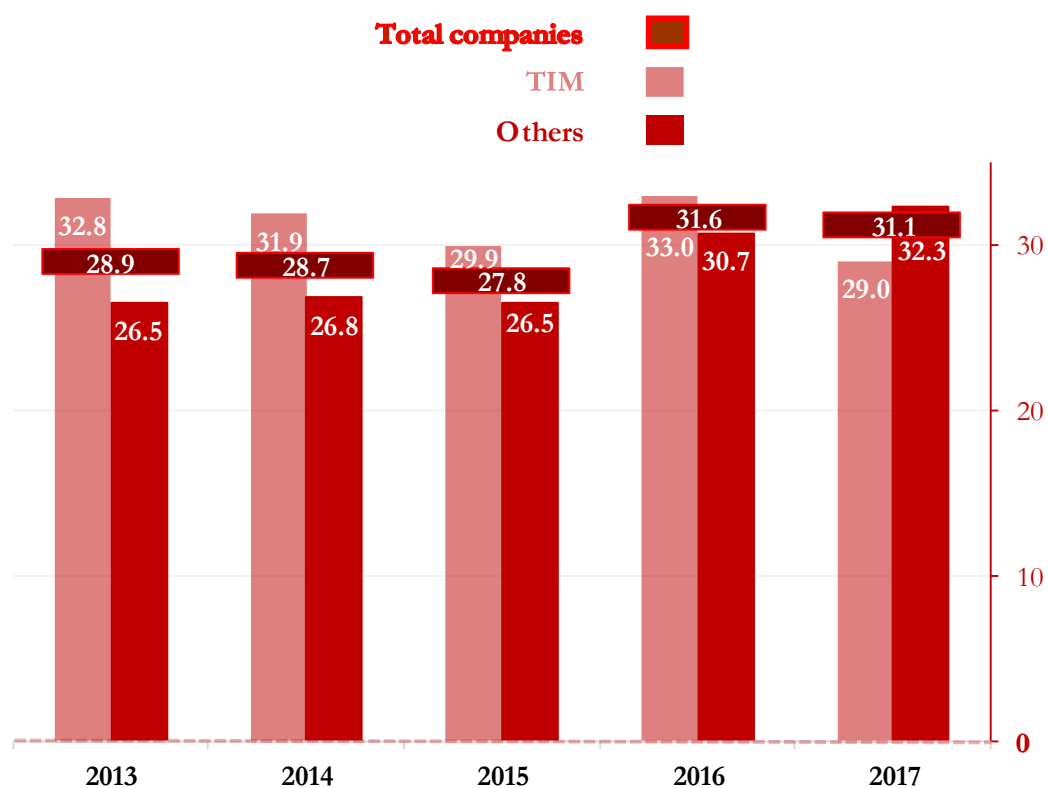


Level of capitalization and investments

Ratio between shareholders' equity and total liabilities

i Between 2013 and 2017, the use of equity (net capital) of the main companies in the sector grew by **2.2 pp** (from **28.9%** to **31.1%**)

Evolution of the ratio between shareholders' equity and total liabilities in %
(2013 – 2017)



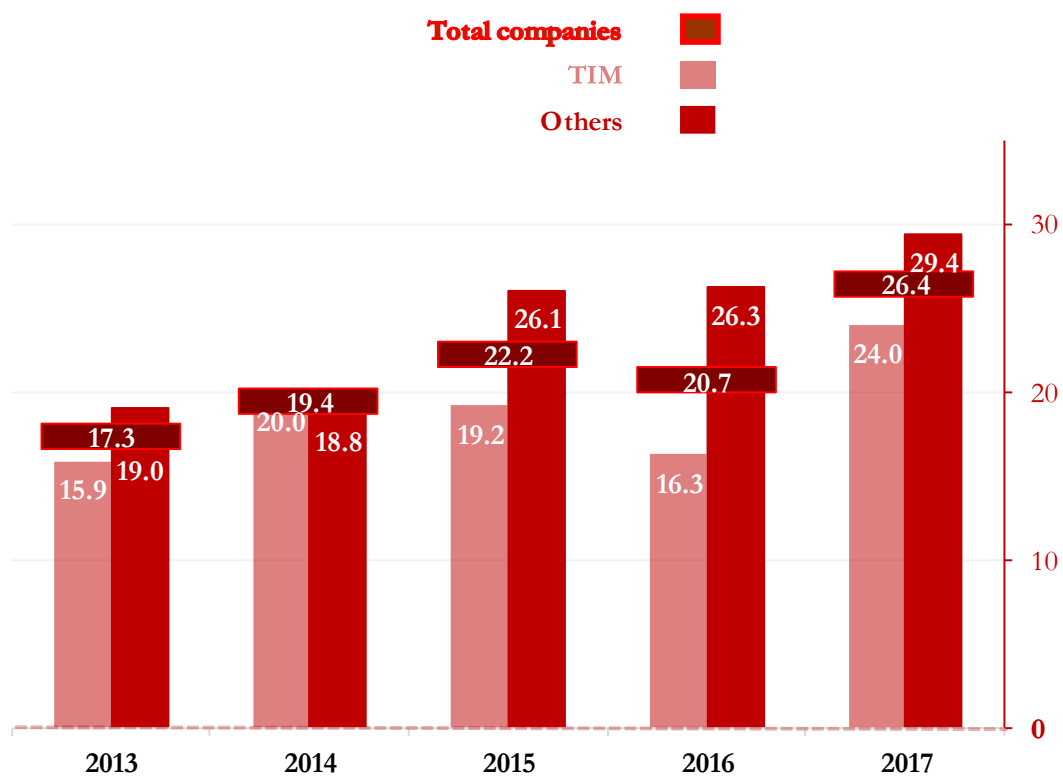
Ratio between investments and revenues



Between 2013 and 2017, the investments of the main operators were, on average, equal to **21.2%** of revenues.

A significant growth was recorded in the last year (**+5.7 pp**) which increased the ratio from **20.7%** to **26.4%**.

Evolution of the ratio between investments and revenues in%
(2013 – 2017)



Methodological note



This analysis, which is based on the accounting information available from the financial statements of the main companies of the sector, provides a set of documents differing from similar analyses carried out by the Italian Communications Authority (AGCOM) and by other research entities.

In particular, there are considerable differences in terms of purpose and information collection within the detailed studies proposed in the Focus by other analysis carried out for regulatory purposes (e.g. "market analysis") or, for instance, in preparing the AGCOM "Annual Report".

The main objective of the Budgets Focus is to provide a synthetic representation of the "health status" (income, assets and employment) of the sector by using duly elaborated information, derived from the statutory financial statements of the companies analysed. In other words, the findings of the Focus are obtained on the basis of all the activities carried out by the main subjects operating in the sector under consideration rather than on the subdivision of these activities by product group.

The quantitative findings emerging from the Focus do not enable comparisons with those made public by the AGCOM. These analysis, which are characterized by a higher level of technical specificity of the requested information, are indeed a methodological tool for a proper identification of the markets subject to the regulatory framework of the Italian Communications Authority (AGCOM) from a geographical and commodity-related point of view.

In particular, there are at least three main elements to be considered:

- the different sample size;*
- the different timing of data collection;*
- the request for off-accounts information characterising most of the specific requests for information that the AGCOM addresses to companies and which, therefore, are not always attributable to specific budget resources in compliance with the Italian Civil Code.*

*The **companies** analysed for this Focus are:*

Blg TLC, Brennercomm, BT Italia, Compagnia Italia Mobile, CloudItalia, Colt Technology Services, Daily Telecom Mobile, Digi Italy, Eolo, Fastweb, Go Internet, Infracom Italia, Intred, KPNQwest Italia, Linkem, Lycamobile, Mc-Link, Open Fiber, Orange Business Italy, Poste Mobile, Qcom, Retelit, TI Sparkle, TIM, Tiscali Italia, TWT, Verizon Italia, Vodafone Italia, Welcome Italia, Wind Tre.