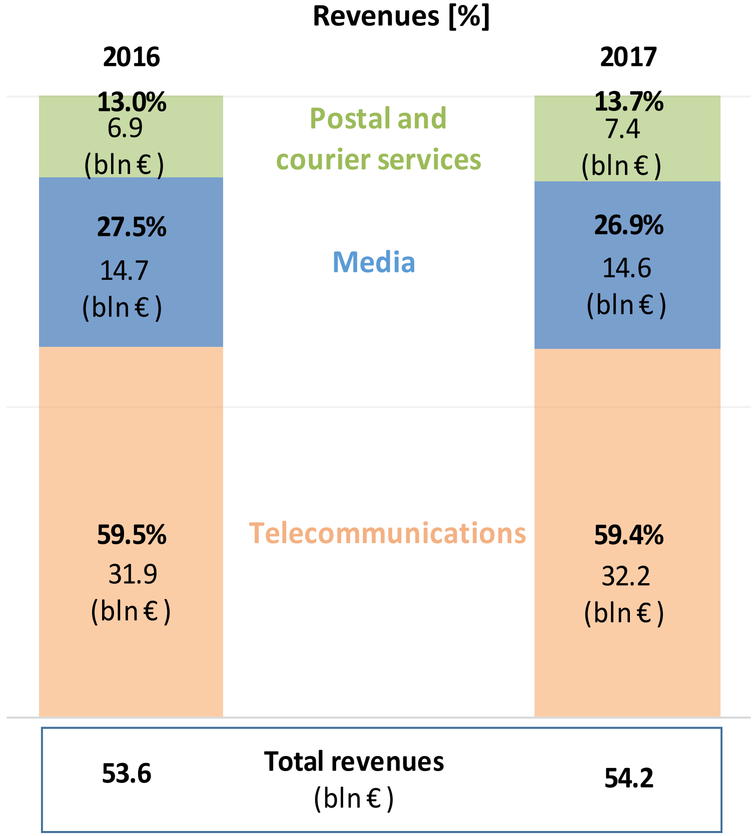
COMMUNICATION MARKETS MONITORING SYSTEM

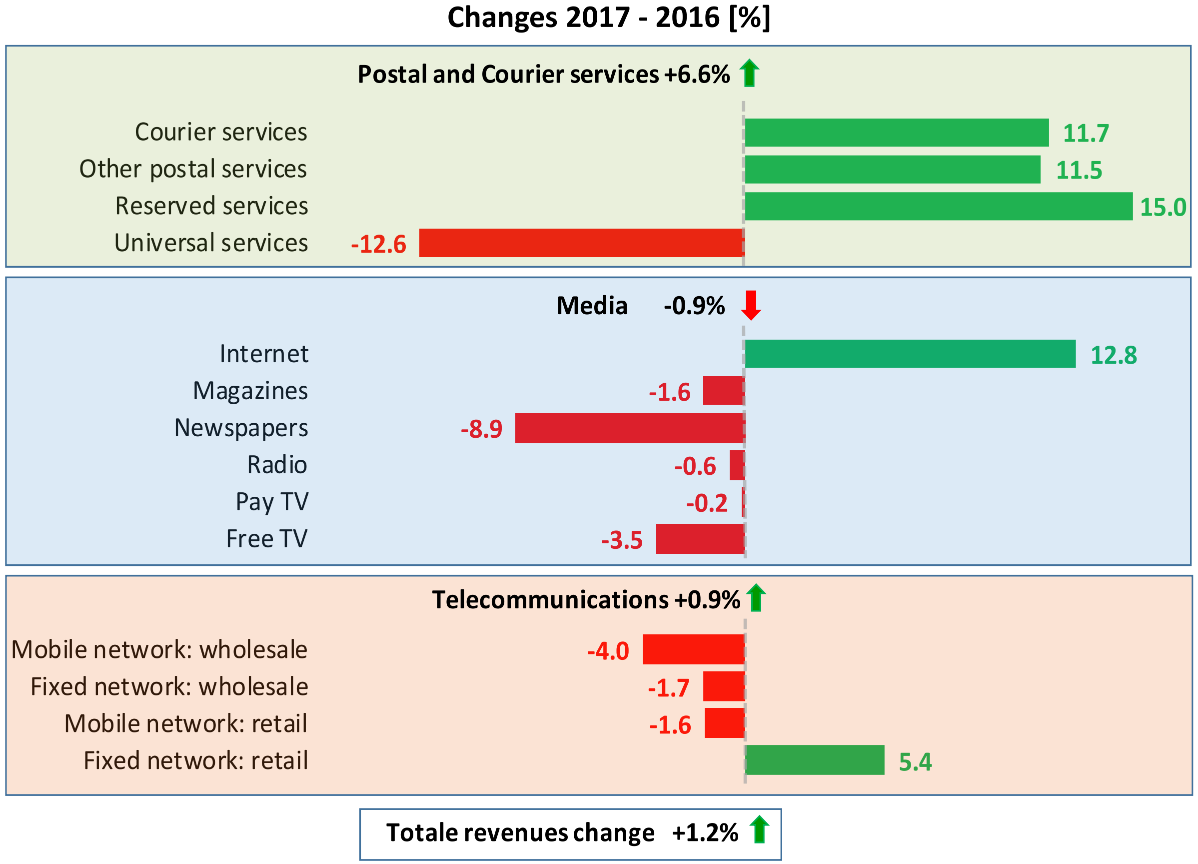
no. 2/2018

Index

The following figures are based on AGCOM's elaborations on firms' data and other sources (updated to March 2018). Due to changes in firms' accounting methods, some figures cannot be compared directly with those reported in previous issues.

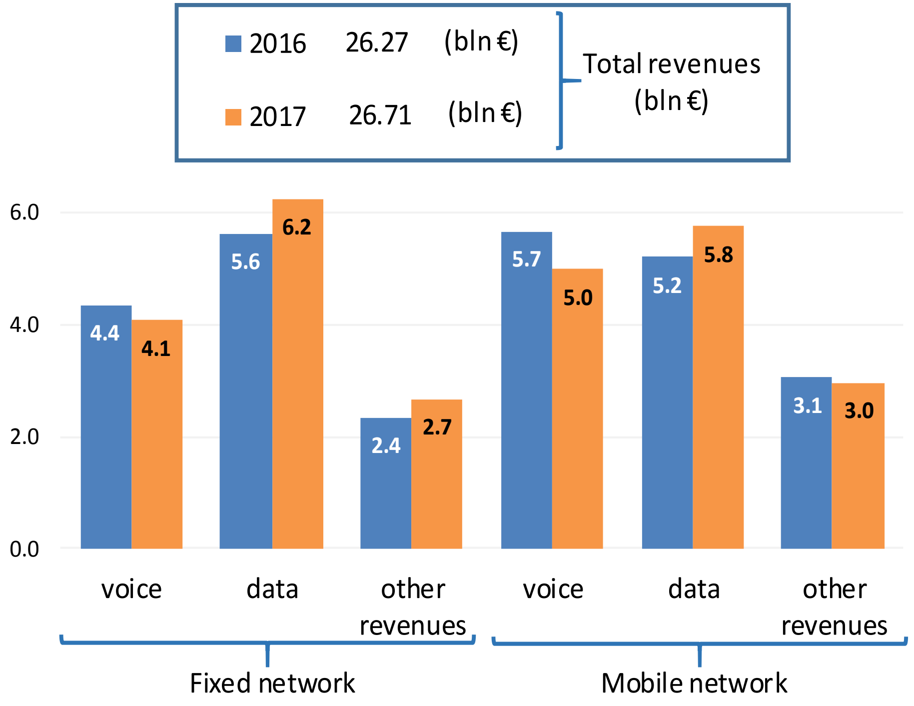
1.1 Communications sector by macro area



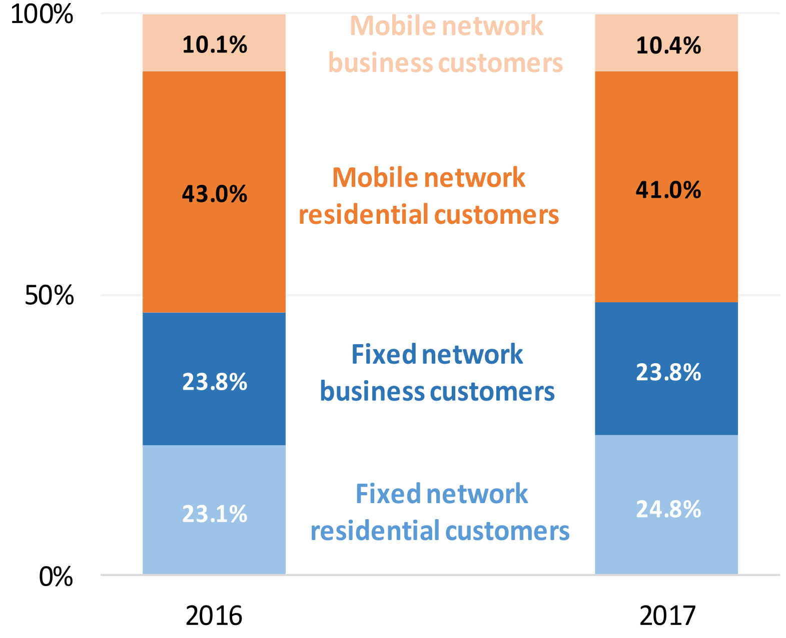


- At the end of 2017, total revenues amounted to approximately € **54.2** billion, with an YoY increase of 1.2%, corresponding to **3.16%** of gross domestic product
- The weight of telecommunications sector in the total revenues is about **59%**, followed by media (**26.9%**) and by postal and courier services (**13.7**%)
- Overall, telecommunications revenues grew by **0.9%** (YoY), thanks to the good performance of landline retail services (**+5.4%**), whereas the highest loss (**-4.0%**) was observed for wholesale mobile services
- In the media sector, Internet has increased by **12.8%** (YoY), whereas the other components show a declining trend
- In the postal and courier services sector, total revenues show a growth of **6.6%** (YoY); revenues from universal services decreased by **12.6%** (YoY)

Final expenditure of residential and business users [€ billions]

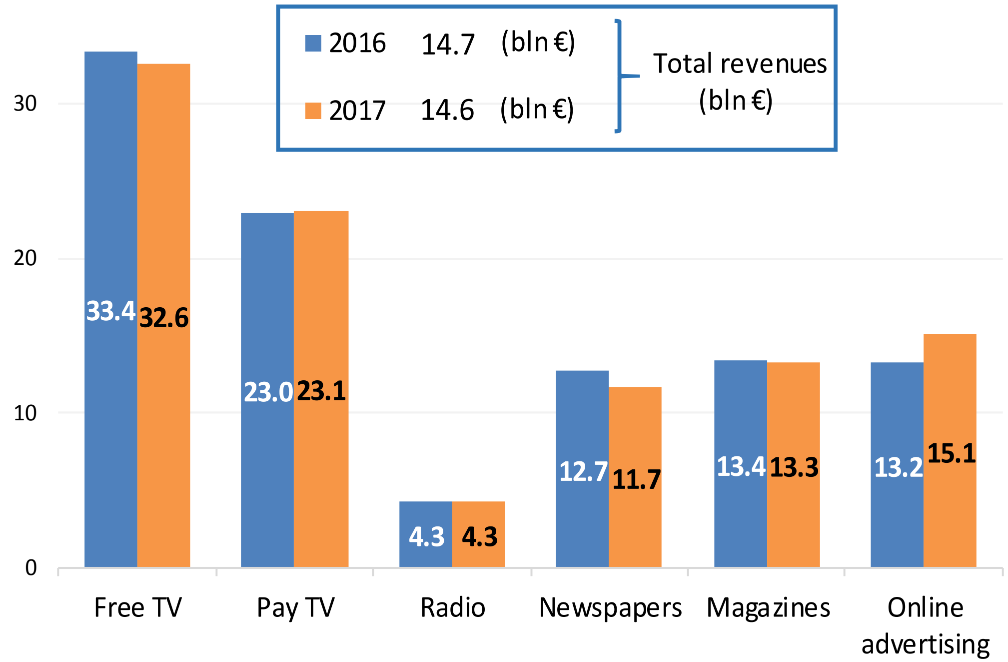


Final expenditure of residential and business users [%]

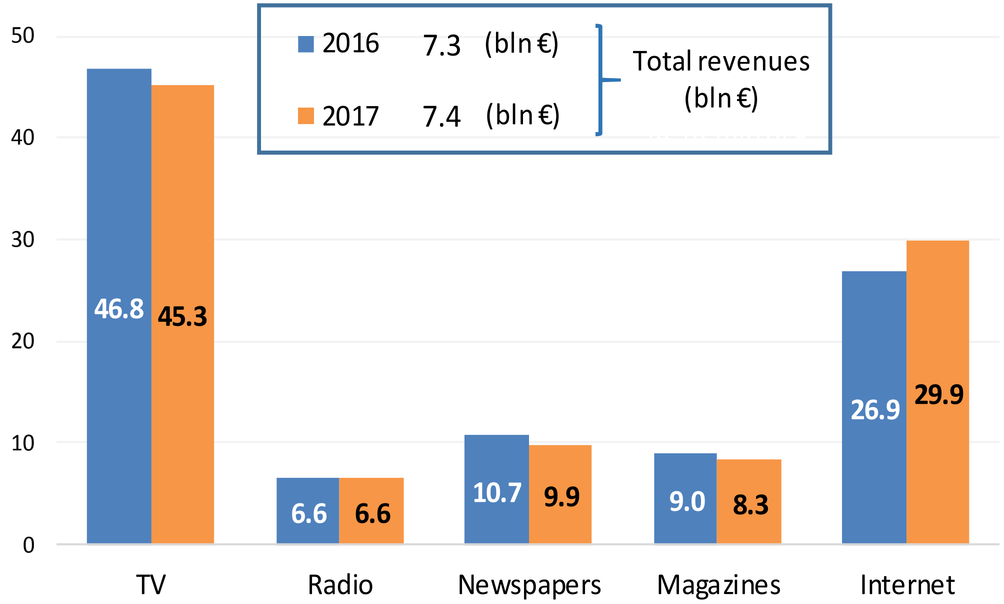


- The final expenditure of residential and business users grew by 1.7% (YoY), reaching **€ 26.7** billion
- Revenues from data services grew by 10% (YoY), whereas revenues from voice services showed a decline of 6.3% (YoY)
- The contribution of revenues from business customers grew slightly, from **33.9%** to **34.2%** (YoY)
- Between 2013 and 2017, fixed network data traffic grew by more than 250%, while mobile network data traffic has increased fivefold
- Investments (€ **7.15** billion in 2017) grew by around 1%

Revenues by media type [%]

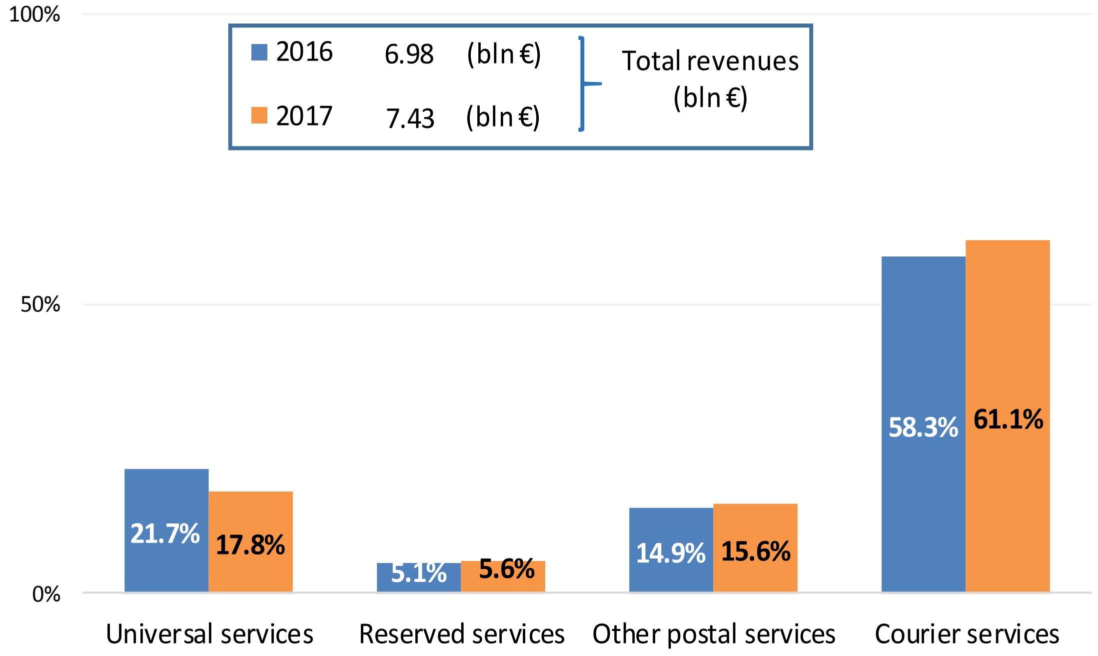


Advertising revenues by media type [%]

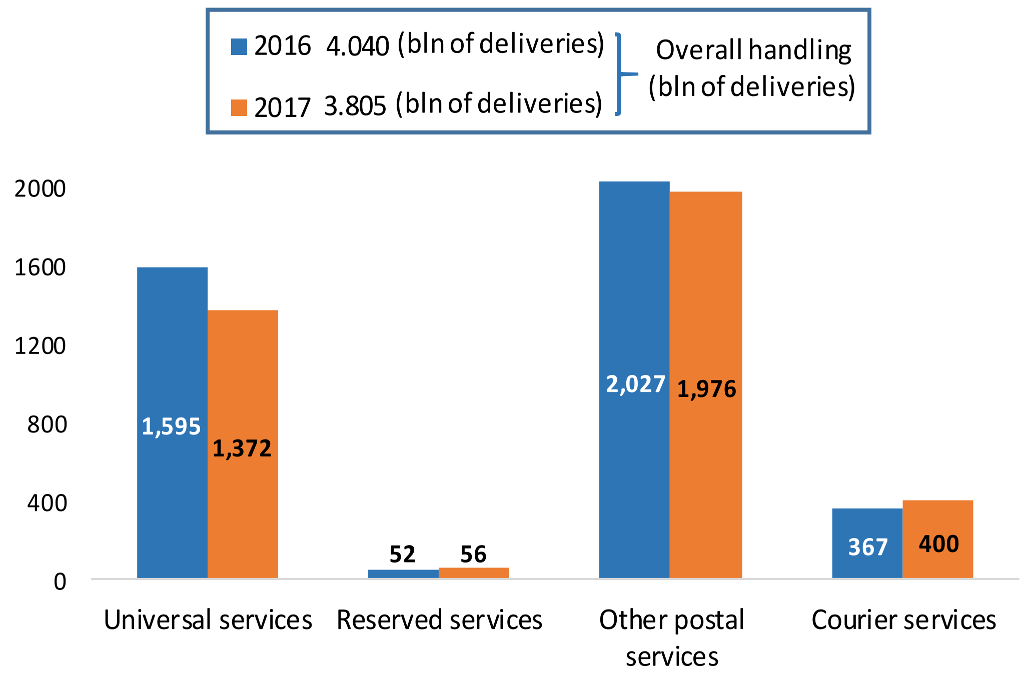


- At the end of 2017, media sector total revenues were stable compared to 2016, reaching **14.6** billion of €
- TV sector (free TV + pay TV) revenues reached **55.7%** of total media revenues, with a decrease of **2.1%** (YoY) (**-3.5%** for Free TV)
- Revenues in the press sector (newspapers and magazines) decreased by **6%** YoY, now accounting for **25%** of total media revenues
- In the media sector, advertising is the main revenue stream; at the end of 2017, it represents half (€ **7.4** billion) of the total media revenues, showing a growth of **1.5%** compared to 2016
- **45.3%** of total advertising concerns TV (**-1.7%** compared to 2016)
- Online advertising accounts for **30%** of total media revenues (**2.2** billion of €), **+12.8%** compared to 2016

Revenues by type of service [%]

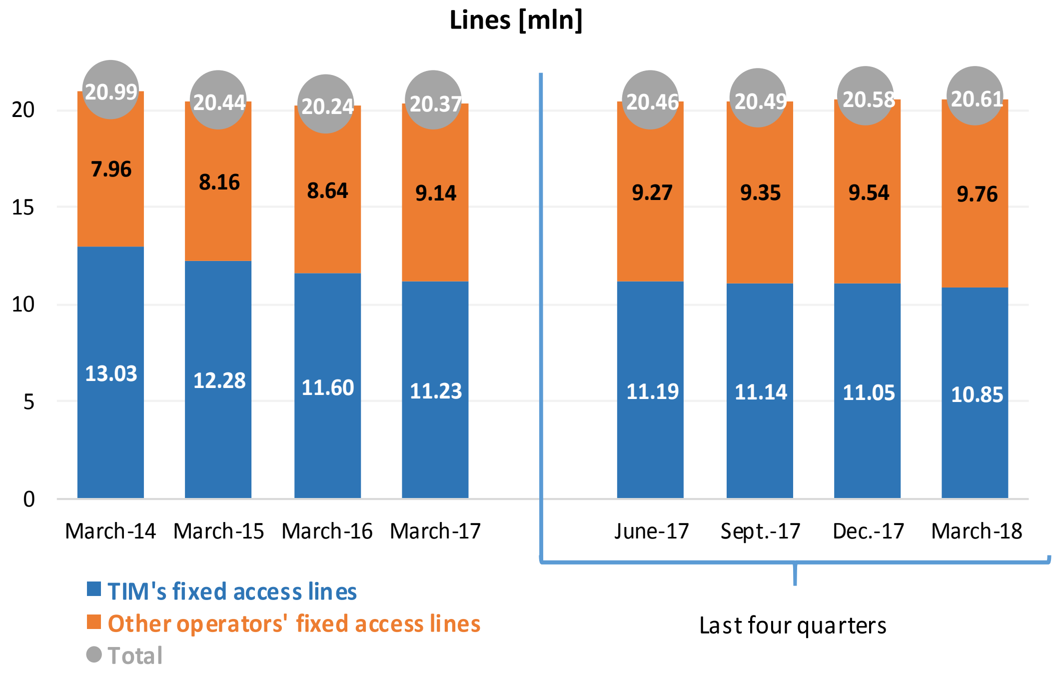


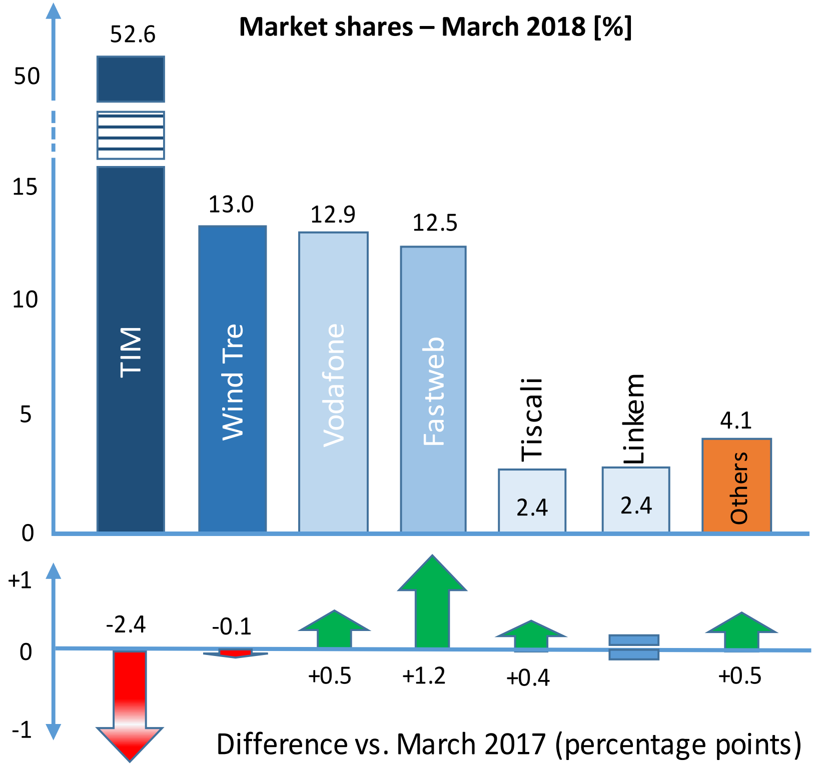
Volumes: deliveries by type of service [million of units]



- At the end of 2017, postal and courier services total revenues were **7.43** billion of €, with a YoY increase of **6.5%**
- Revenues generated from the provision of Universal Service obligations have declined, YoY, by **12.6%**
- The trend of volumes shows a decrease of **5.8%**
- This trend is the effect of the decline of both the revenues deriving from the Universal services (**-14%**) and those deriving from other postal services (**-2.5%**), which was offset by the growth of innovative services included in the reserved services (**+7.7%**)

2.1 Total fixed access lines

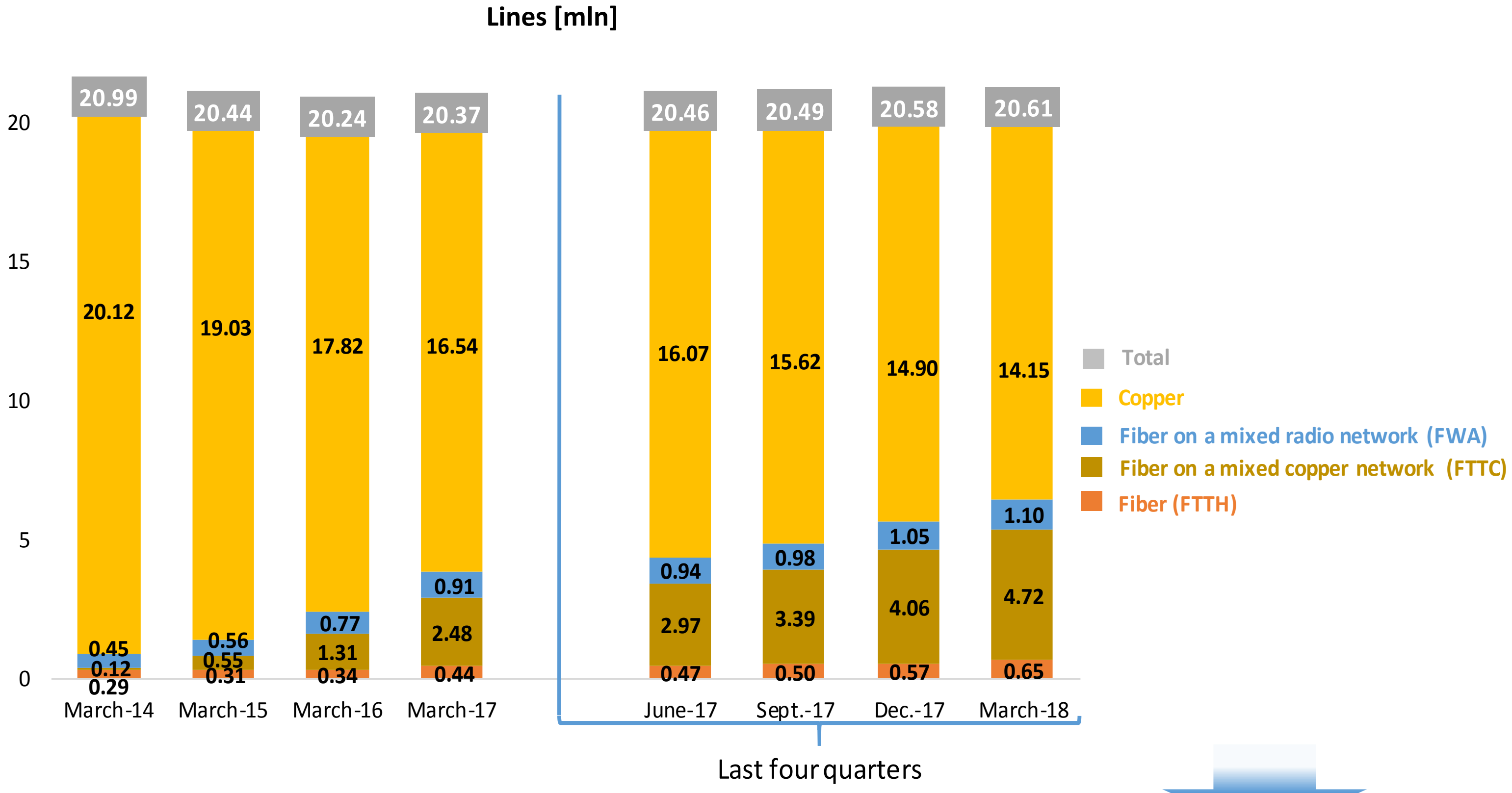




- An increase in the total number of lines is recorded in the last quarter (the sixth consecutive)
- While Telecom Italia's access lines have decreased by **380** thousand units, other operators' access lines have increased by about **630** thousand units

- TIM's market share dropped to **52.6%** at the end of March 2018 (**-2.4** pp YoY)
- Wind Tre's market share has reached **13.0%**, with a decrease of **0.1** pp (YoY); Vodafone's market share has reached **12.9%** with a growth of **0.5** pp, and Fastweb's market share **12.4%** with a growth of **1.2** pp
- Other operators have, as a whole, increased their market share by **0.9** pp (YoY); the increase has been more evident for Fixed Wireless Access (FWA) operators

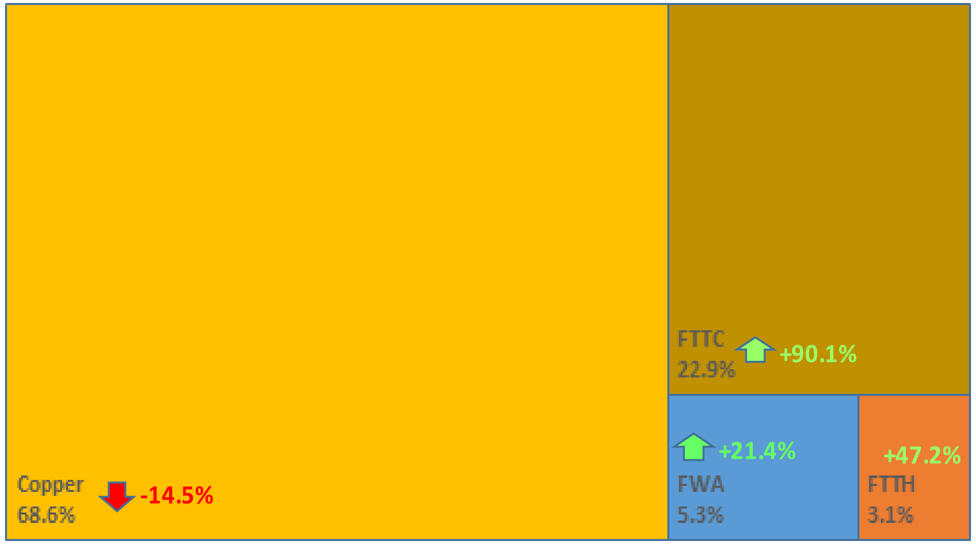
2.2 Access lines by infrastructure



Distribution of fixed access lines by infrastructure and its trend compared to March 2017 [%]

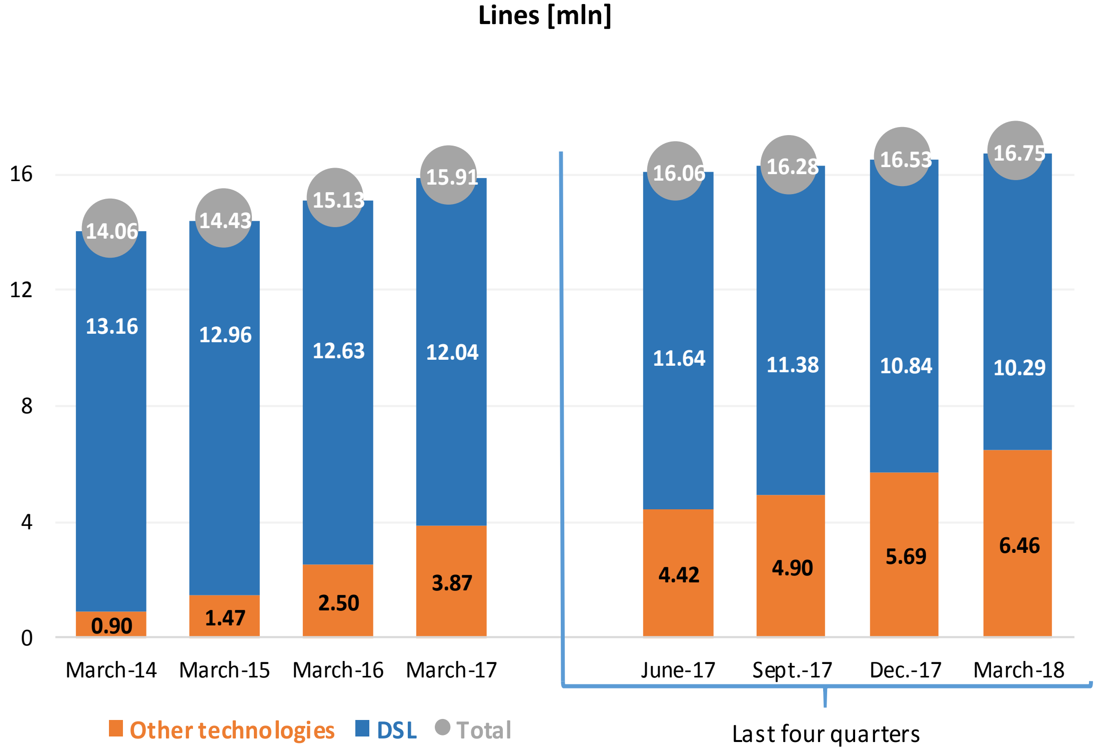
Total lines:
- March 2018: 20.61 million access
- Rate of change March 2018 - March 2017 +1.21%

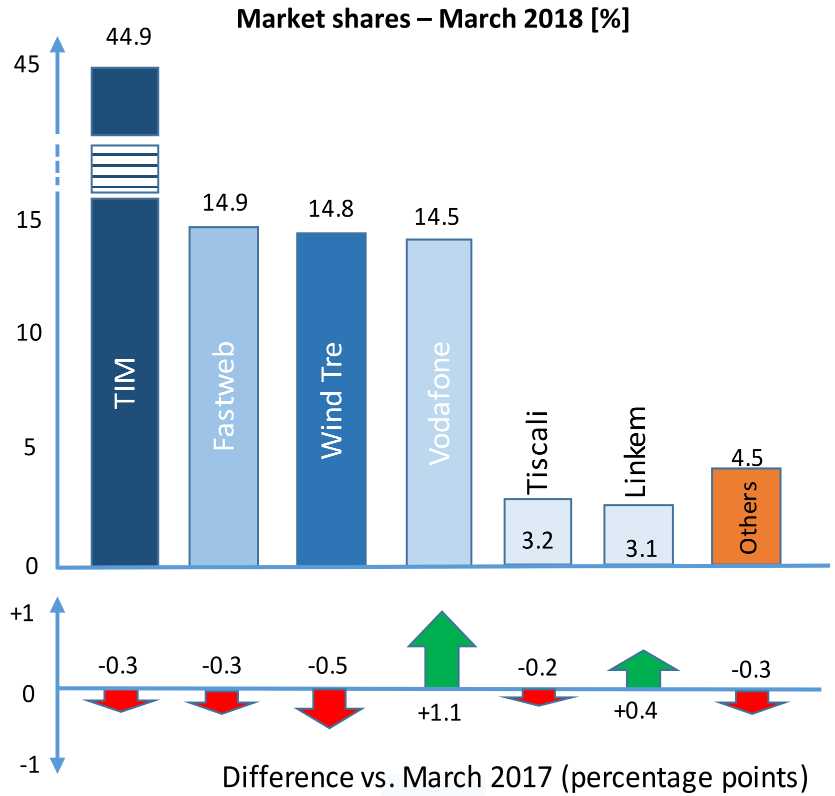
Rate of change
March 2018 - March 2017



- Access lines through TIM's copper network decreased by **14.5%** (YoY)
- The increase in the number of total accesses (**+1.2%** YoY) reflects primarily the increase in FTTC access services (**+90%** YoY), thanks in particular to the growth of the wholesale services offered by TIM, and in FTTH access services (**+47%**), driven by the growth of services offered by Open Fiber
- Over the entire period observed, the weight of FTTC + FTTH accesses has increased from less than **2%** to around **26%** of total access lines
- FWA lines have increased by **190** thousand units (YoY), reaching an amount of **1.1** million units

2.3 Broadband and ultrabroadband fixed lines



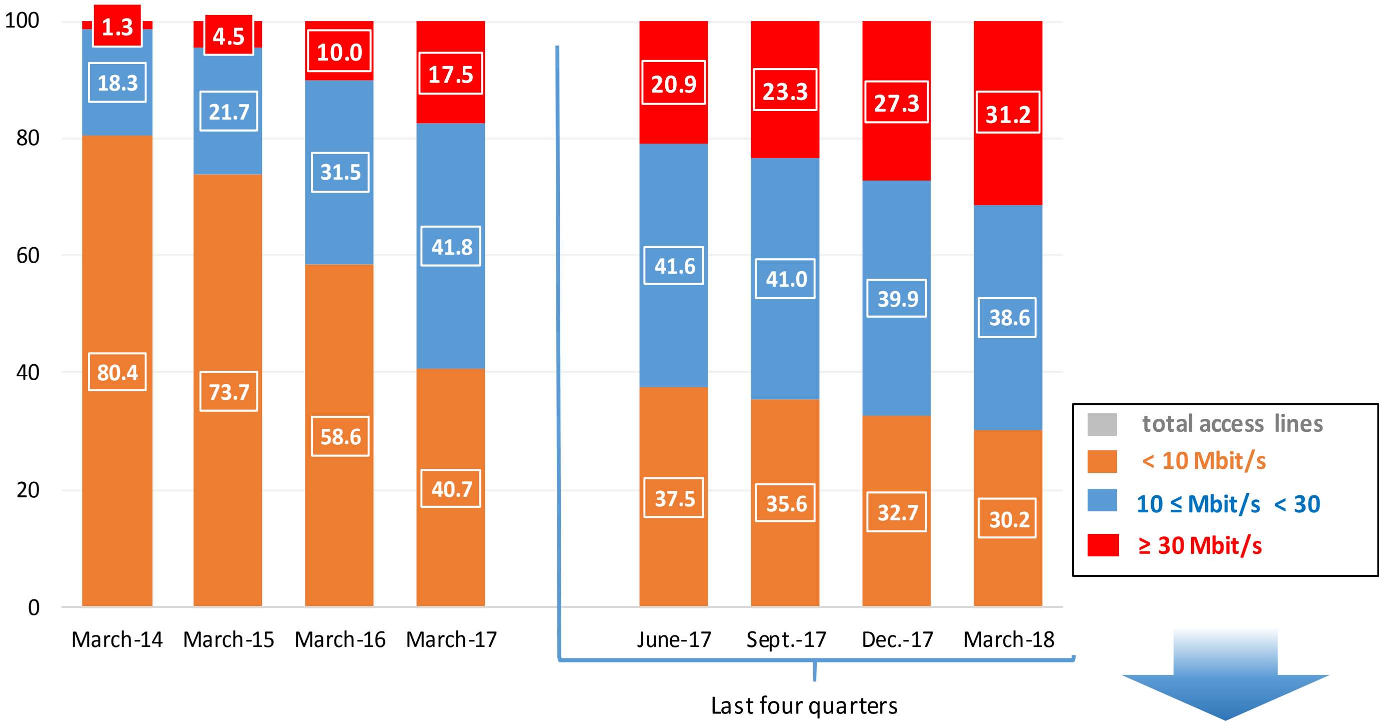


- Broadband lines have increased by about **840** thousand units YoY
- DSL lines (**10.29** million lines) have decreased by about **1.76** million units (YoY), now accounting for the **61%** of broadband lines
- Other technologies, in particular NGA lines, grew from **2.9** to **5.3** million units (YoY)

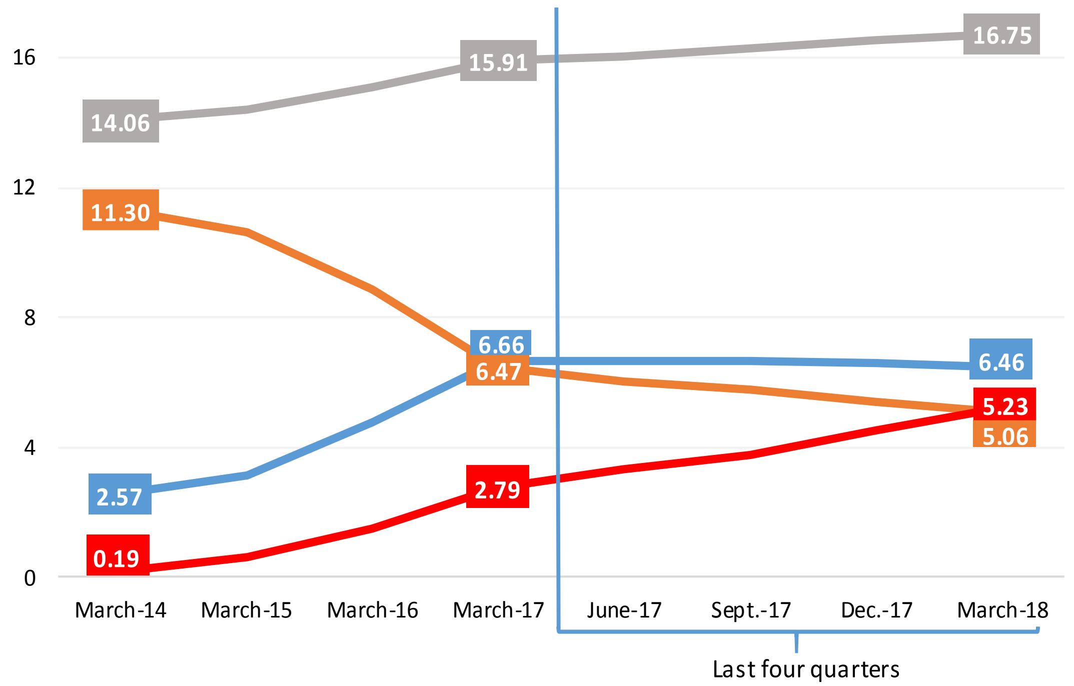
- TIM's market share has reduced by **0.3** pp (YoY)
- Fastweb's and Wind Tre's market shares have decreased respectively by **0.3** and **0.5** pp (YoY), while Vodafone's market share has increased by **1.1**
- The cumulative growth of Linkem and other operators' (**+0.1** pp) market share is essentially due to the increase in the number of FWA lines

2.4 Broadband fixed lines by speed

Broadband access lines trend by speed classes [mln]

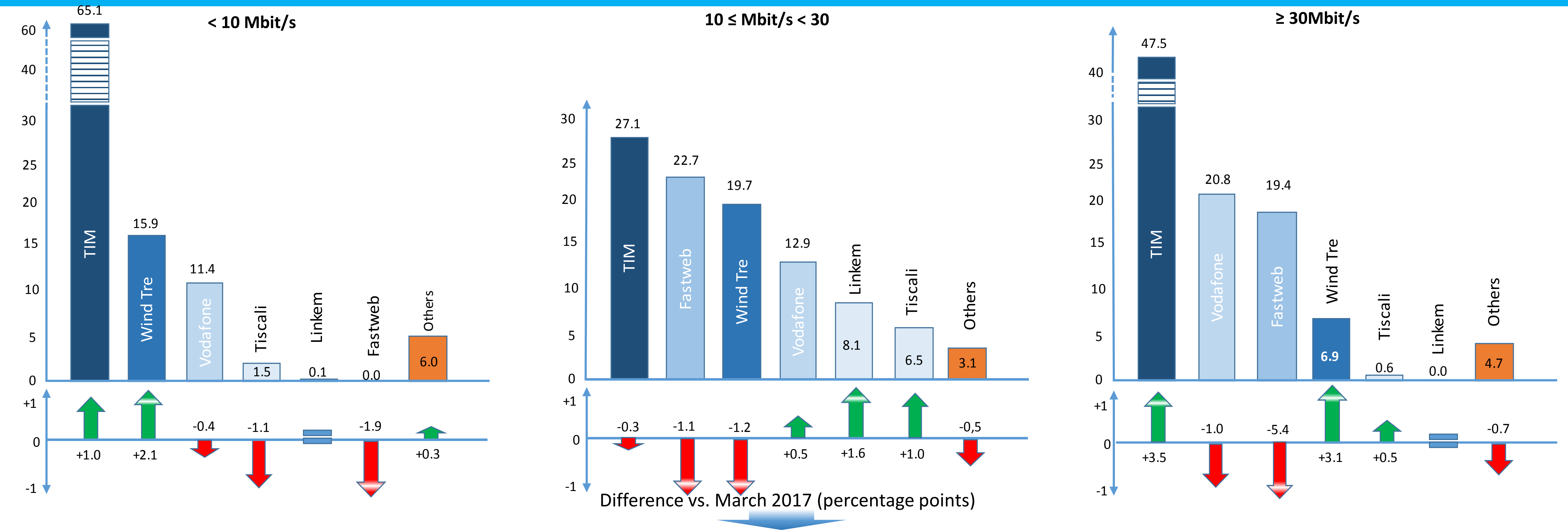


Access lines by speed classes [%]



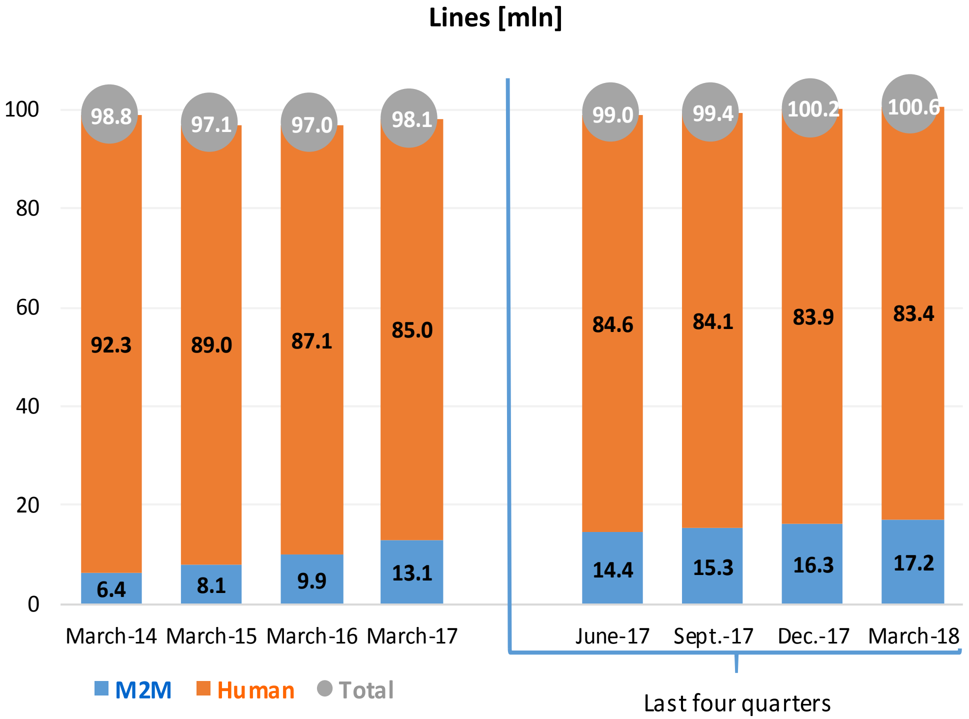
- In March 2018, lines faster than 30 Mbps have increased by **2.4** million units and now account for **31.2%** of total broadband lines; this trend is attributable, in equal measure, to the growth of lines faster than 30 Mbps but below 100 Mbps (**+1.25** million of lines), now accounting for **3.1** million of units, and to the growth of lines faster than 100 Mbps (**+1.19** million of lines), now accounting for **2.1** million of lines
- Broadband lines faster than 10 Mbps but below 30 Mbps have decreased by **200** thousand units YoY and now account for approximately **38%** of total broadband lines
- TIM recorded the largest increase in accesses with speeds exceeding 30 Mbps (**+1.3** million lines), followed by Vodafone (**+480** thousand lines) and Fastweb (**+323** thousand lines); Fastweb accounts for about 50% of the growth of lines faster than 100 Mbps

2.5 Broadband fixed lines by speed and operator

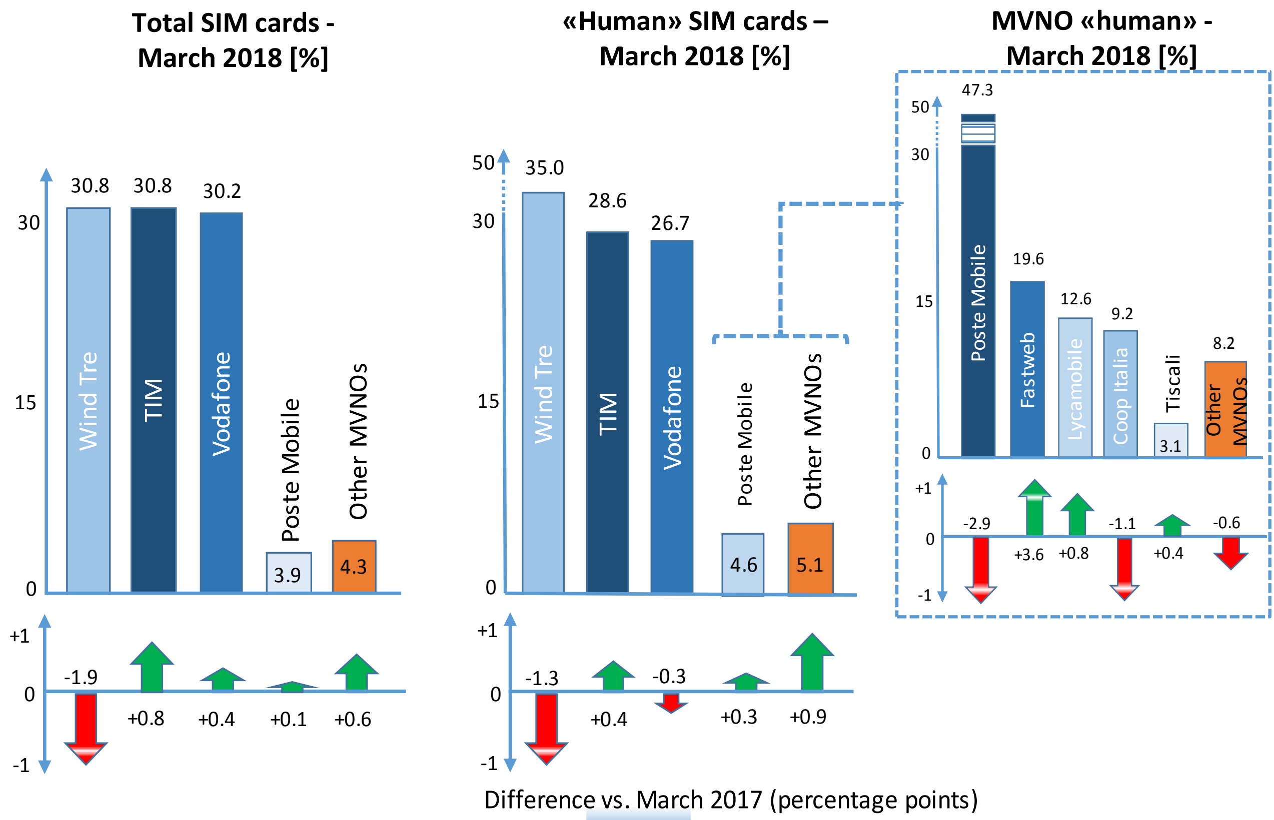


- In the segment of lines with speed <u>below 10 Mbps</u>, TIM, as a consequence of its historical monopolistic position, still holds **65%** of lines
- TIM's share in the segment of lines <u>faster than 10 Mbps but below 30 Mbps</u>, remained almost stable around **27%** of lines
- In the segment of lines with speeds exceeding 30 Mbps, TIM's share reached **47.5%**, whit an increase of **3.1** pp, while those of Vodafone and Fastweb declined respectively by **1.4** pp and **5.4** pp
- Among the "others", the operator Eolo represents the **3.6%** of total lines; this share rise to **6%** within the specific segment of the lines faster than 30 Mbps and below 100 Mbps
- With reference to accesses lines with speed <u>higher than 100 Mbps</u> Fastweb is the most significant operator with **48.4%**, followed by Vodafone with **34%** and Wind Tre, whose weight in the specific segment has increased by **10** pp YoY reaching **15%**

2.6 Mobile subscribers



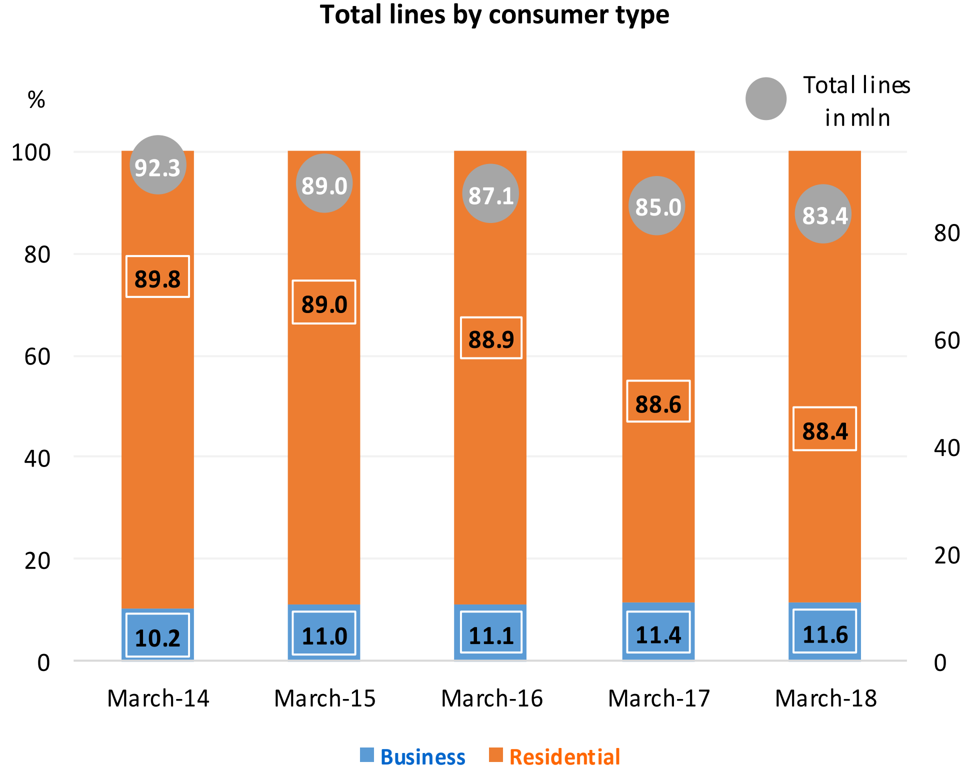
M2M SIM CARDS: Machine-to-Machine SIMs are based on the technologies that enable devices and sensors or "things" (within the IoT) to communicate with each other and with other Internet-enabled devices and systems.

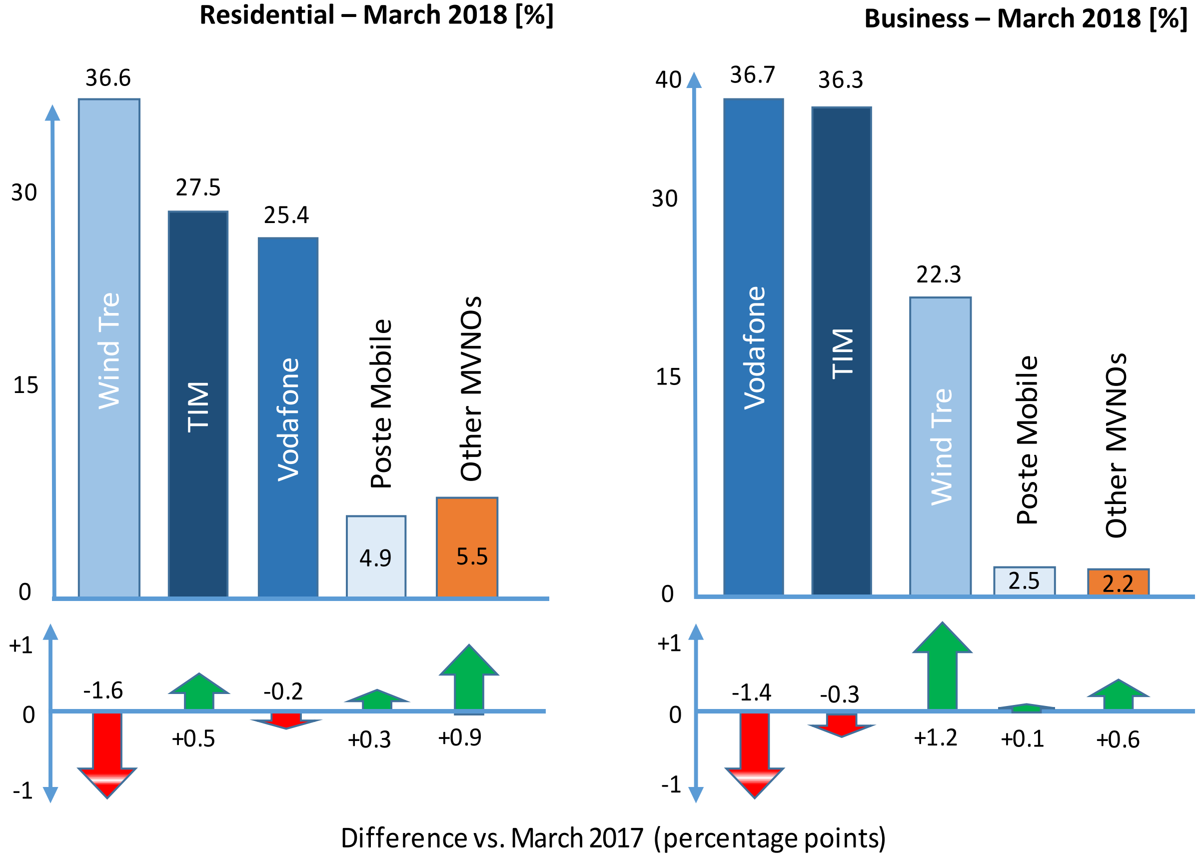


- Mobile lines have increased by about **2.5** million units YoY
- Over the last four years, «M2M» SIM cards have increased by **10.8** million units, now accounting for **17.2** million lines

- Wind Tre's market share has reduced by **1.9** pp (YoY), while TIM's and Vodafone's market shares have increased respectively by **0.8** and **0.4** pp
- Other MVNOs' market share show an overall increase of **0.7** pp
- Among MVNOs, Poste Mobile holds a share of **47.3%**

2.7 Mobile subscribers by type of consumer

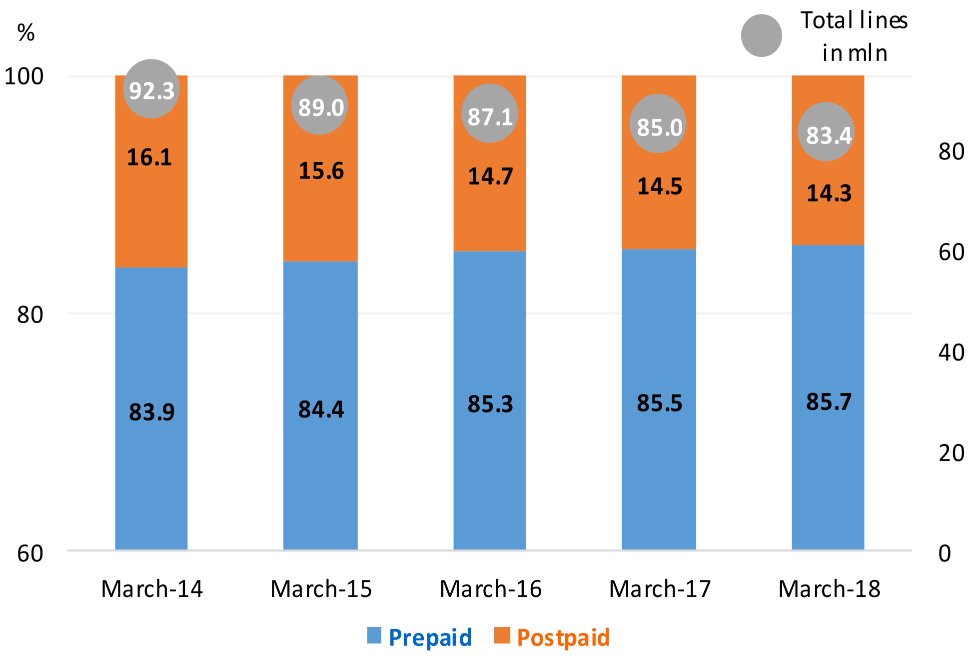


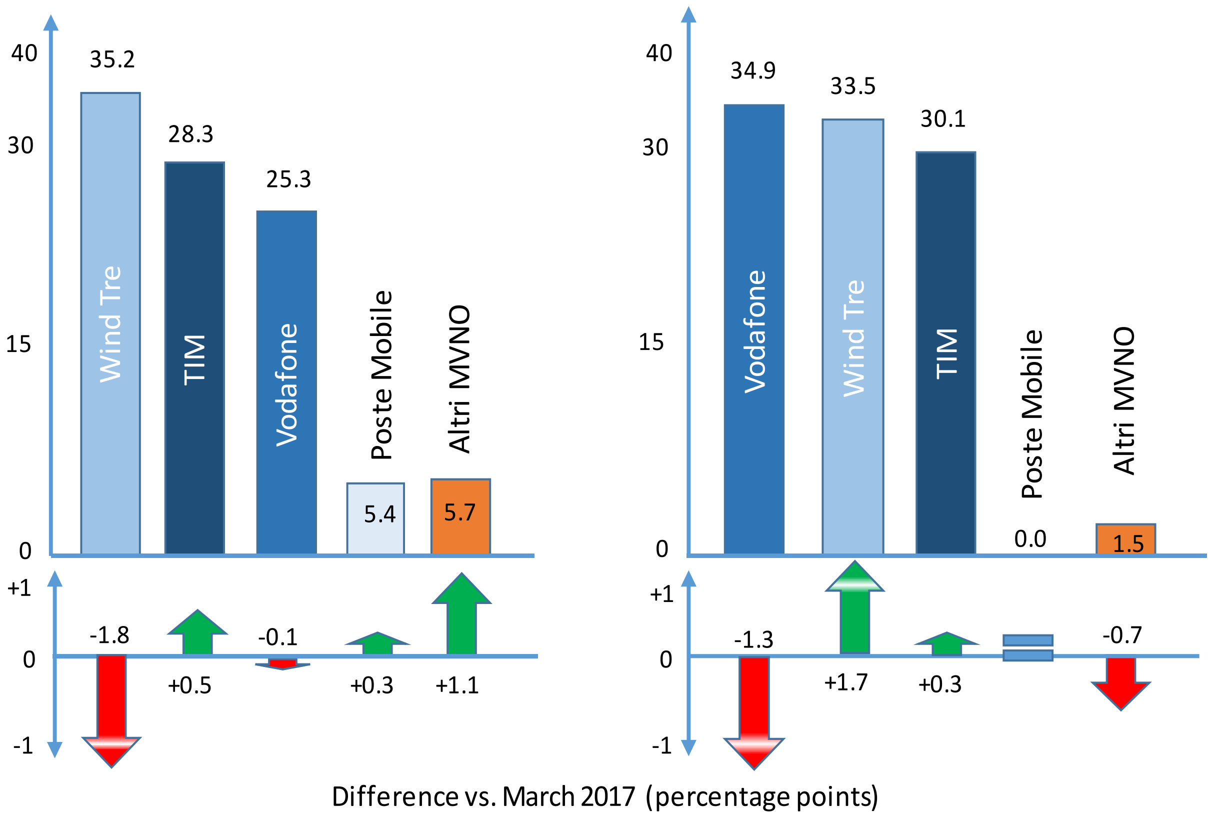


- Non residential SIM cards (**9.7** million units at the end of March 2018) have remained more or less stable YoY
- Residential SIM cards (**75.3** million units at the end of March 2018) have decreased by **1.5** million units (YoY)

- In the residential segment, Wind Tre's market share has reduced by **1.6** pp, while TIM's market share has increased by **0.5** pp, reaching **27.5%**
- In the business segment Vodafone maintained its leading position with a market share of **36.7%** (**-1.4** pp)

2.8 Mobile subscribers by type of contract

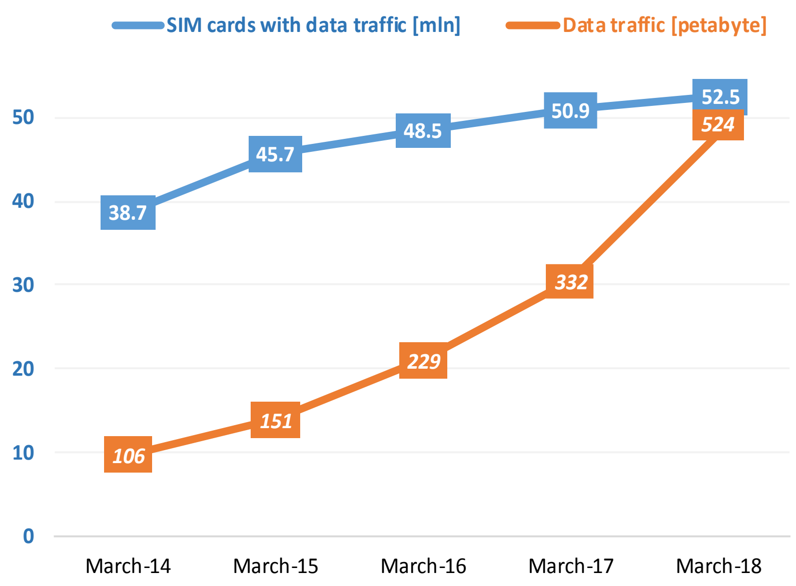




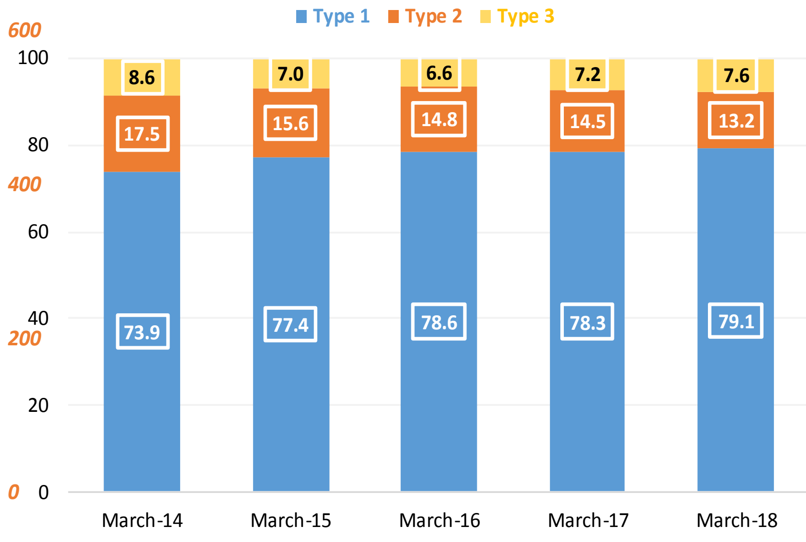
- At the end of March 2018, **prepaid SIM** cards reached **71.5** million units (**85.7%** of total lines), with a decrease of **1.2** million units YoY
- At the end of March 2018, **postpaid SIM** cards reached **12.0** million units (**14.3%** of total lines), with a decrease of **0.4** YoY
- In the **prepaid segment**, Wind Tre, despite a reduction (**-1.8** pp), retained the leadership position with a market share of **35.2%**;
- Similarly, in the **postpaid segment**, with a share of **34.9%**, despite a reduction (**-1.3** pp), Vodafone leads the segment

2.9 Mobile data traffic

Data traffic since the beginning of the year



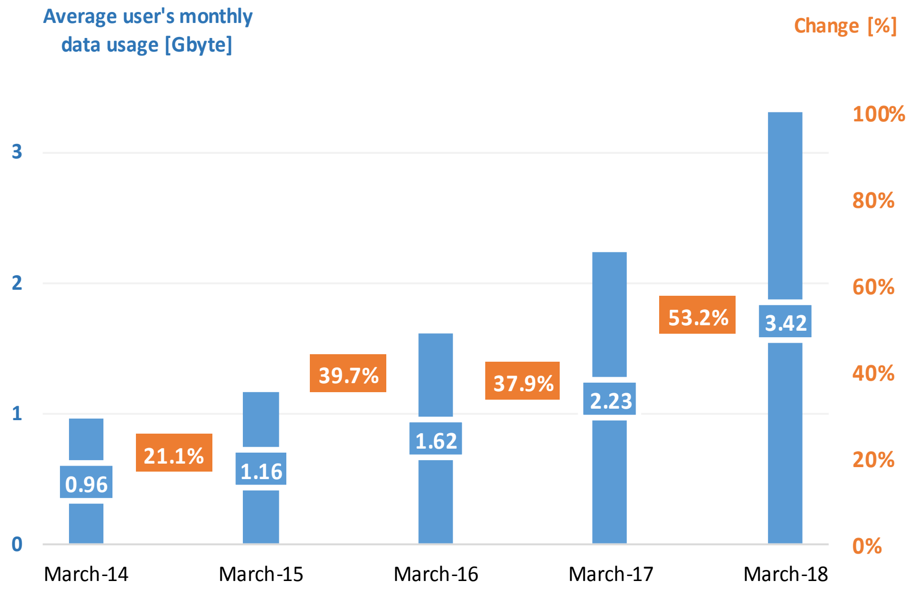
SIMs with data traffic by contract type [%]



According to European Commission definitions (CoCom):

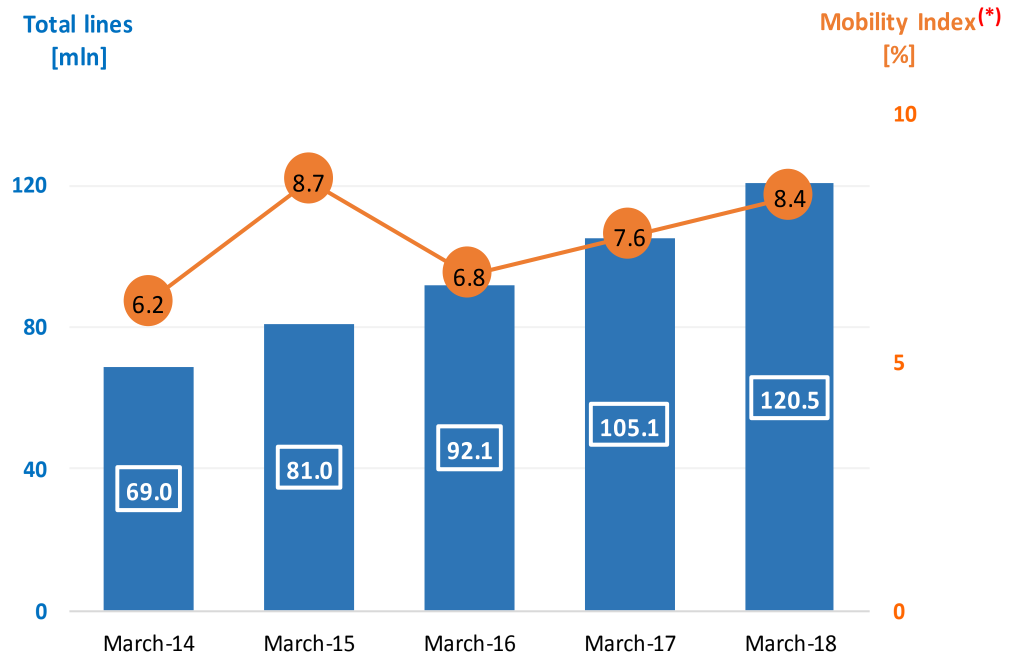
Type 1: “dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription”
Type 2: “dedicated data subscriptions for stand-alone services”
Type 3: “actual usage of standard mobile subscriptions”

Average mobile data consumption

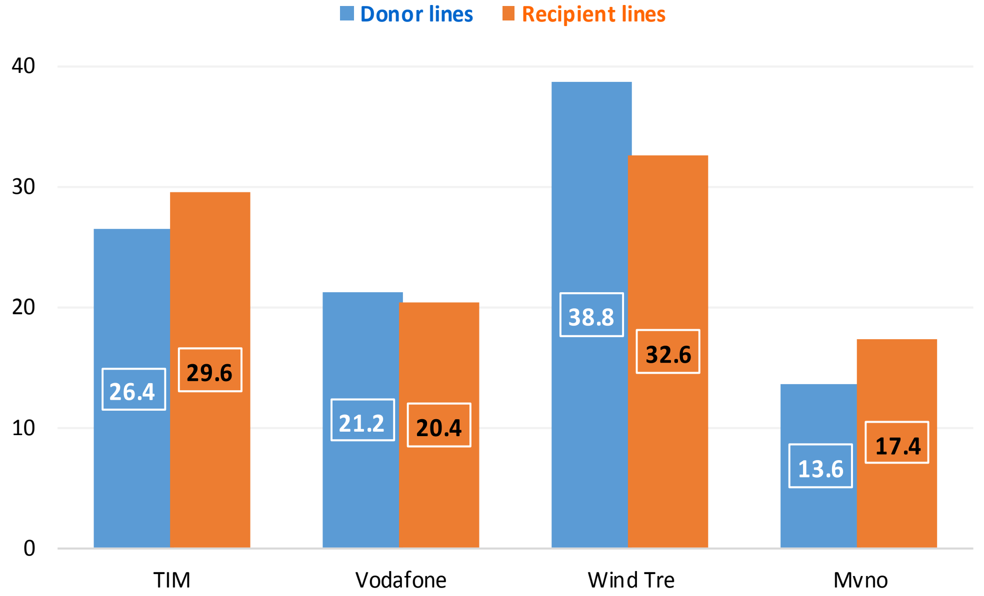


- Since March 2014, the number of SIM cards with data traffic has increased from **41.9%** to **63%** of the overall «human» SIM cards
- Over the last year, the number of SIM cards with data traffic has increased by **3.2%** reaching **52.5** million units
- Overall data traffic increased by about **57.8%** compared to March 2017
- At the end of 2018, the average mobile data consumption per smartphone increased by over than **50%**, from **2.23** to **3.42** Giga byte per month

Number portability (since the beginning of the year)



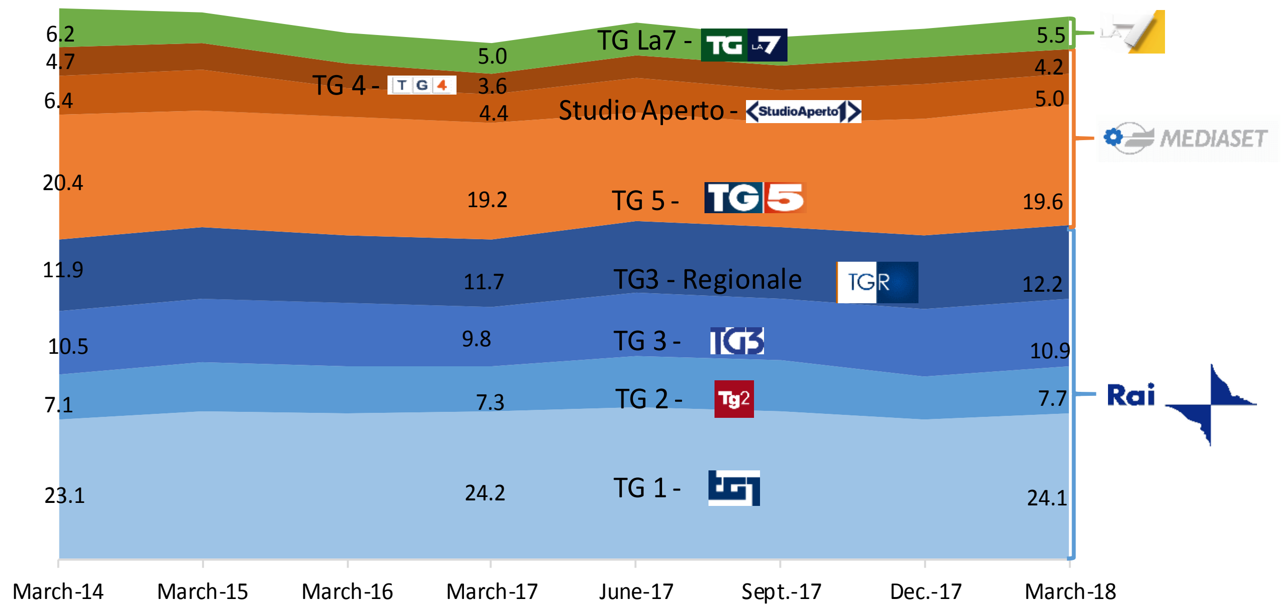
Distribution of donor and recipient lines – March 2018 [%]



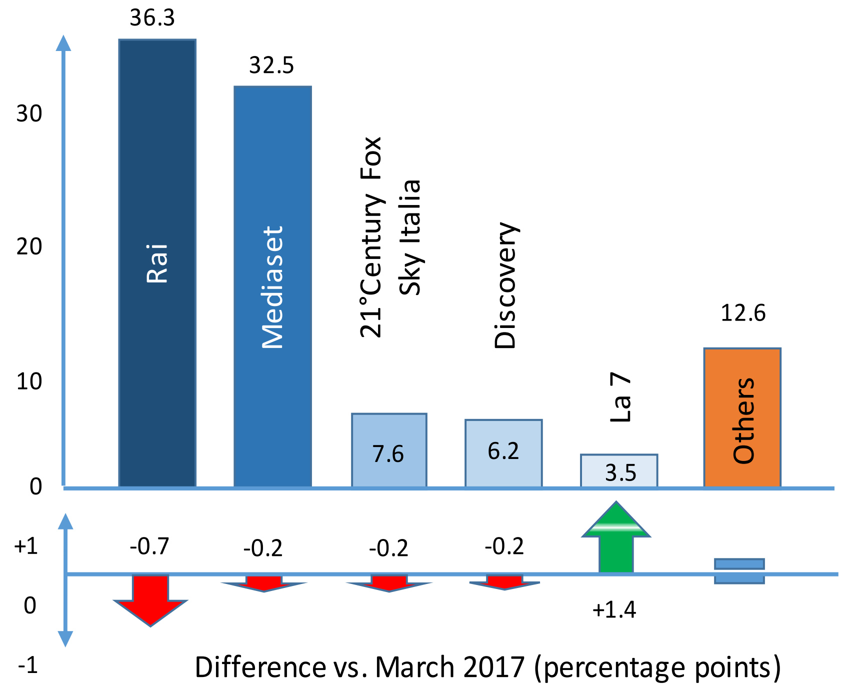
- At the end of March 2018, the total amount of mobile number portability operations exceeded **120** million
- On a yearly basis, the net «donating-recipient» balance has improved for TIM (**+486** thousand lines) and for MVNO operators (**+587** thousand lines), whereas it has worsened for Wind Tre (**-957** thousand lines) and Vodafone (**-116** thousand lines)
- At the end of March 2018, the «Mobility Index»(*) was **8.4%**, slightly increased as compared to the previous years 2017 and 2016

(*) – Ratio between (i) total donating lines plus total recipient lines since the beginning of the year, and (ii) the corresponding average costumer base

Evening news programs audience on an average day - (March 2014 – March 2018) [%]



Audience on an average day – March 2018 [%]

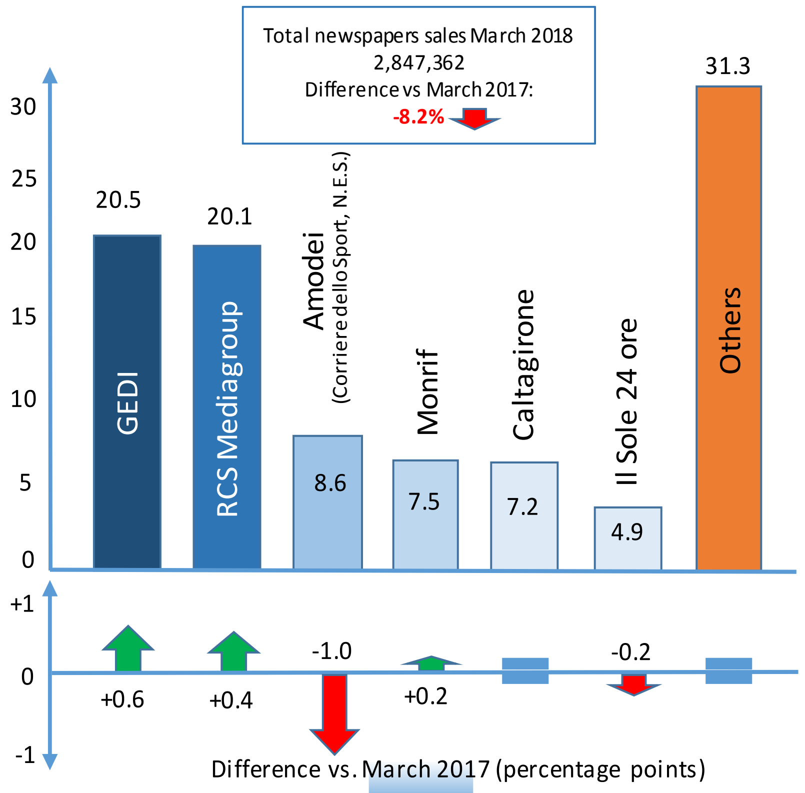


Source: Agcom elaboration on Auditel's data

- Over the whole period considered, from March 2014 to March 2018, the evening news program audience of the two most important players, Tg1 and Tg5, has respectively increased for the former (**23.1%** to **24.1%**) and decreased for the latter (**20.4%** to **19.6%**)

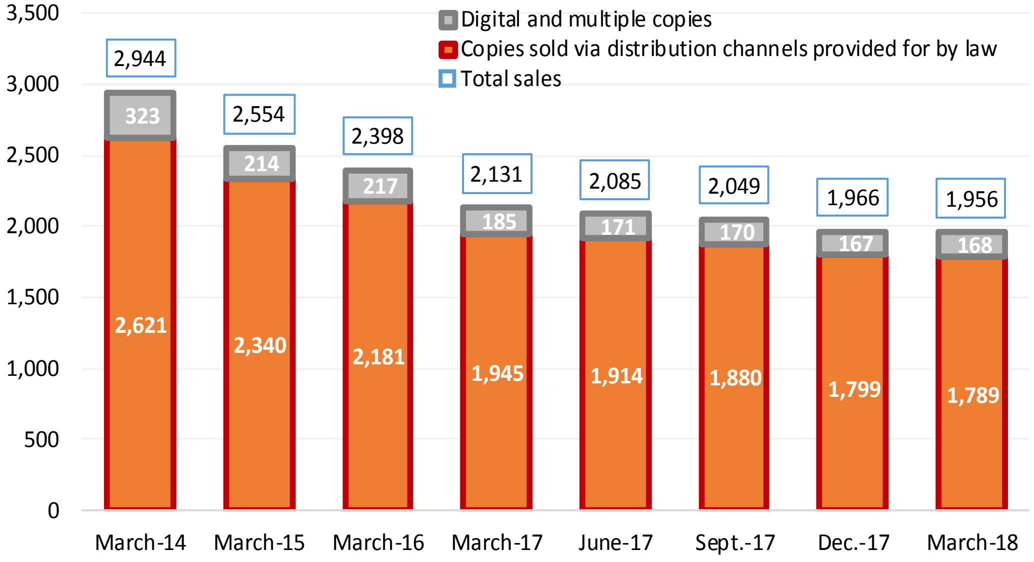
- Rai, with over **4** million viewers on the average day, continues to hold the leadership in terms of share (**36.3%**), despite the decrease of **0.7** pp
- In the same period, the audience of Mediaset (**-0.2** pp), Sky (**-0.2** pp) and Discovery (**-0.2** pp) have decreased, while the audience of La7 has increased (**+1.4** pp)
- Smaller operators maintain an audience of **12.6%**, stable compared to last year

Newspapers' sales by editorial groups – March 2018 [%]



Source: Agcom elaboration on data from ADS and IES

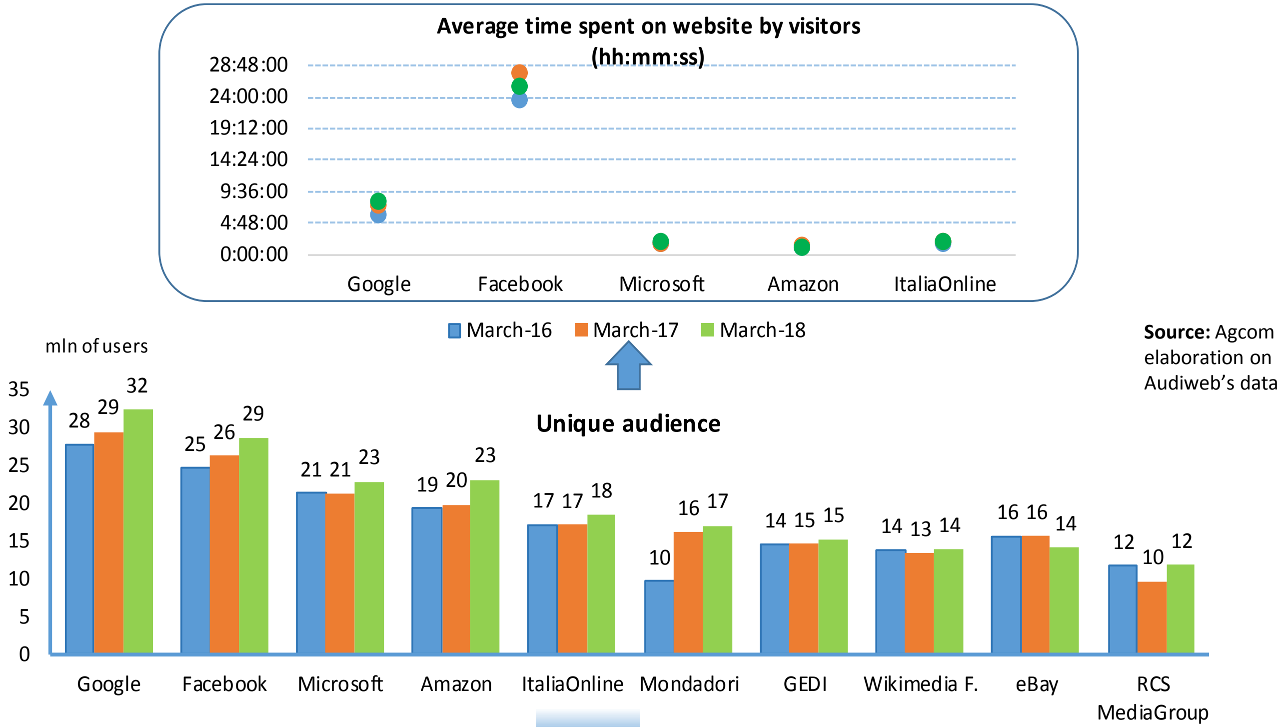
Newspapers' sales by 6 major editorial brand and type of distribution channels – March 2018 [%]



- Newspapers' sales showed an overall **8.2%** reduction YoY (**-250** thousand units)
- Both the share of GEDI, leader in the sale of newspapers, and that of RCS, in second place, show positive changes (**+0.6** pp and **+0.4** pp)

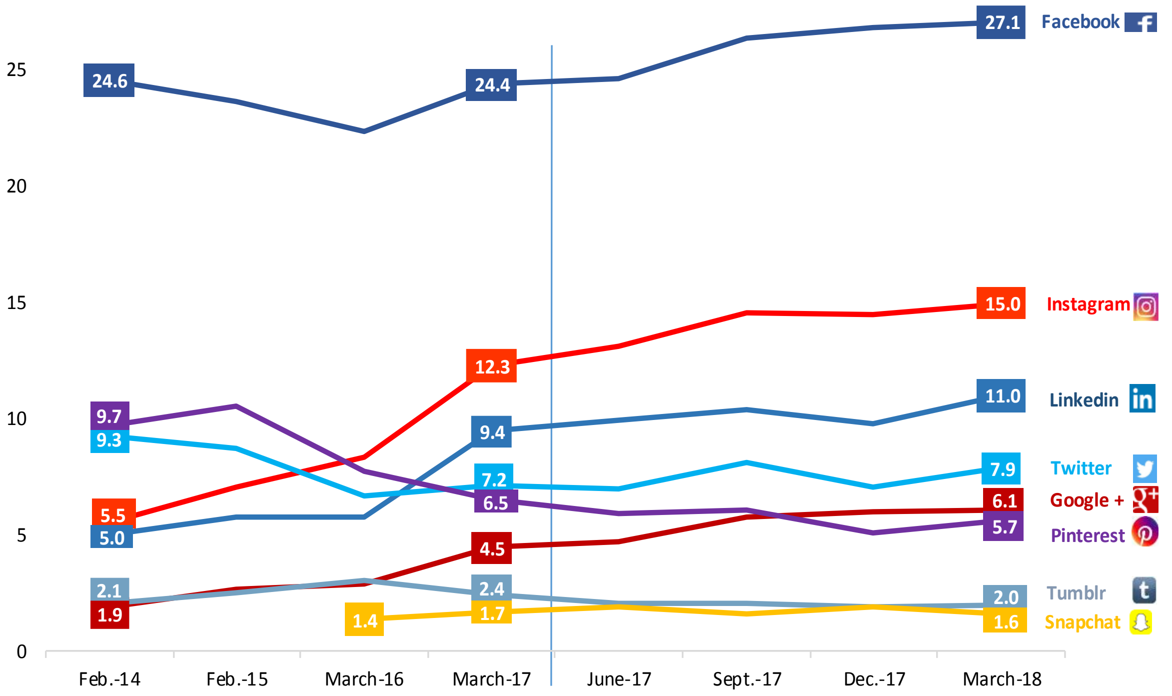
- Printed newspaper sales show a structural reduction of **8%** from March 2017
- In March 2018, digital copies remained stable compared to December 2017, whereas, compared to March 2014, digital copies decreased by **48%**

Audience on an average day and average time spent on website by visitors - March 2016, March 2017 and March 2018 - [%]



Source: Agcom elaboration on Audiweb's data

Audience of the major social network – March 2018

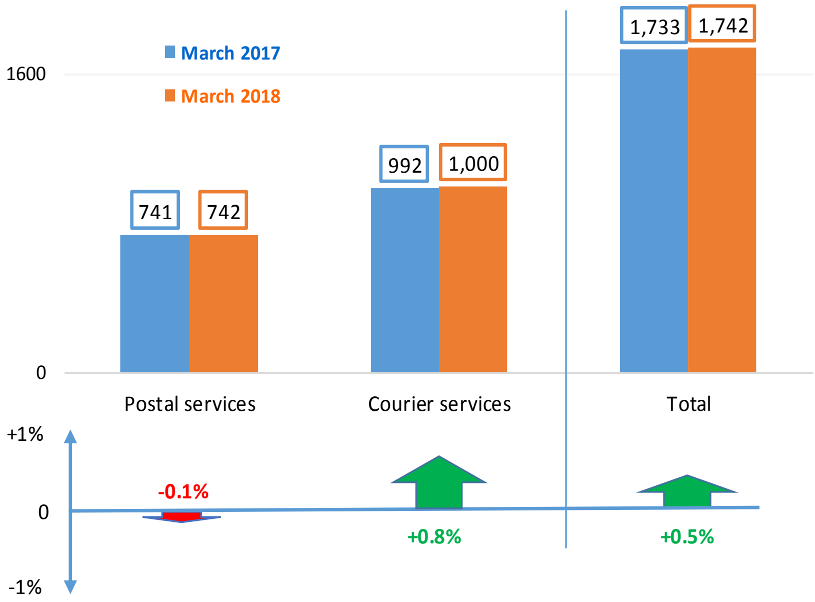


- Google and Facebook parent entities (brands aggregation) hold the leadership in terms of unique reach, confirming a trend of several year steady growth
- Overall, the unique audience of the national platforms (Italiaonline, Mondadori, GEDI, RCS and Mediagroup) show a growth
- In March 2018, Facebook has experienced a decrease in the average time spent on its web page compared to March 2017

- Among social networks, the daily audience of Facebook is almost twice that of Instagram, the second most relevant social network
- Instagram recorded the highest increase in daily audience: from 5.5 to 15.0 mln of unique users (**+172.7%**) between February 2014 and March 2018
- In March 2018 Linkedin reaches 11 mln unique users (**+1.6** mln surfers compared to March 2017)

4.1 Postal services and express couriers: revenues

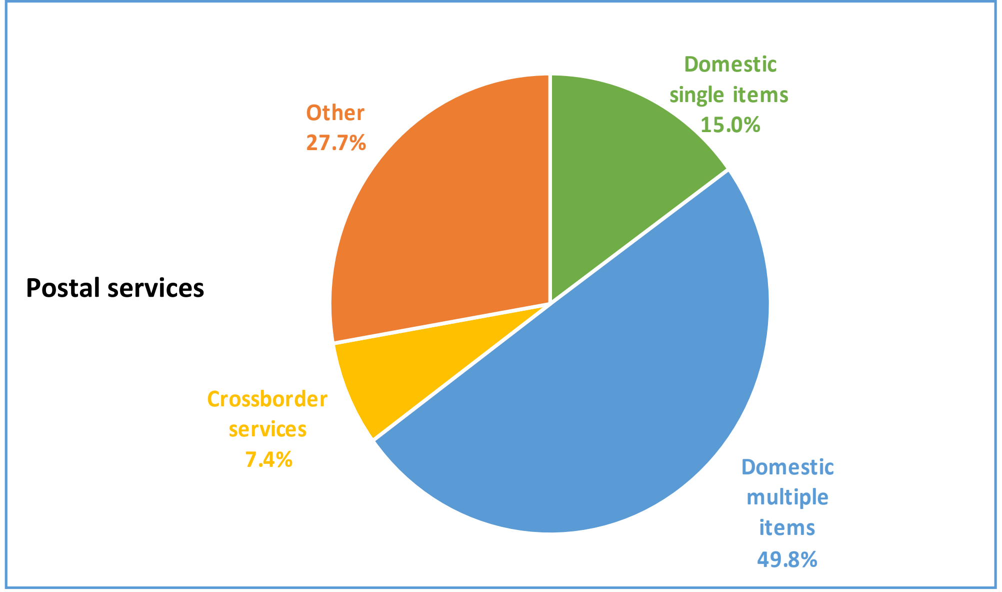
Revenues since the beginning of the year [million of €]

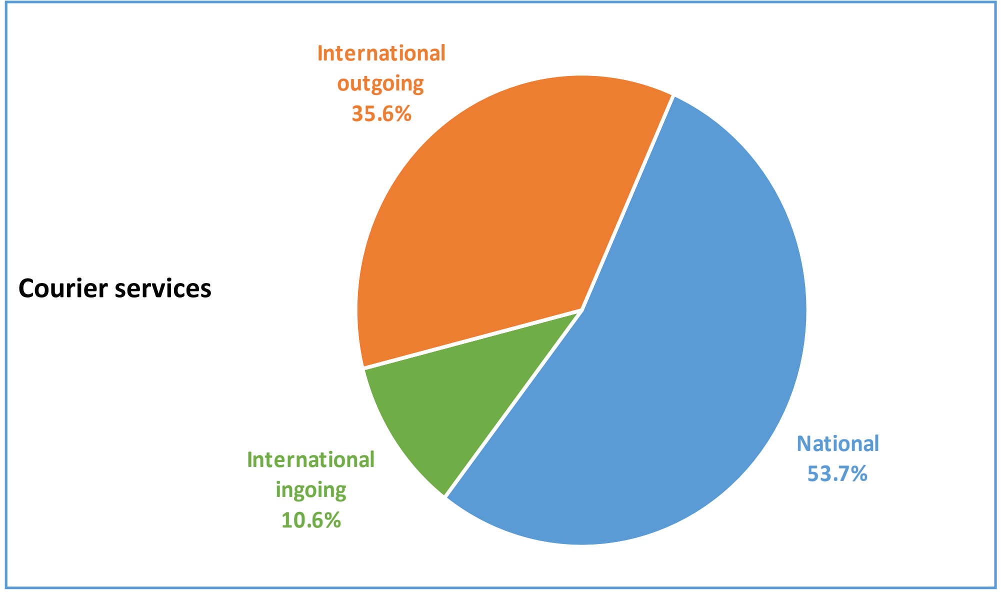


Changes in revenues [%] - (March 2018 vs. March 2017)

Note: The figures relate to the following companies: Bartolini, Citypost, DHL Express, Federal Express Europe, Fulmine Group, Nexive, Poste Italiane, SDA, TNT Global Express, UPS, GLS Italy

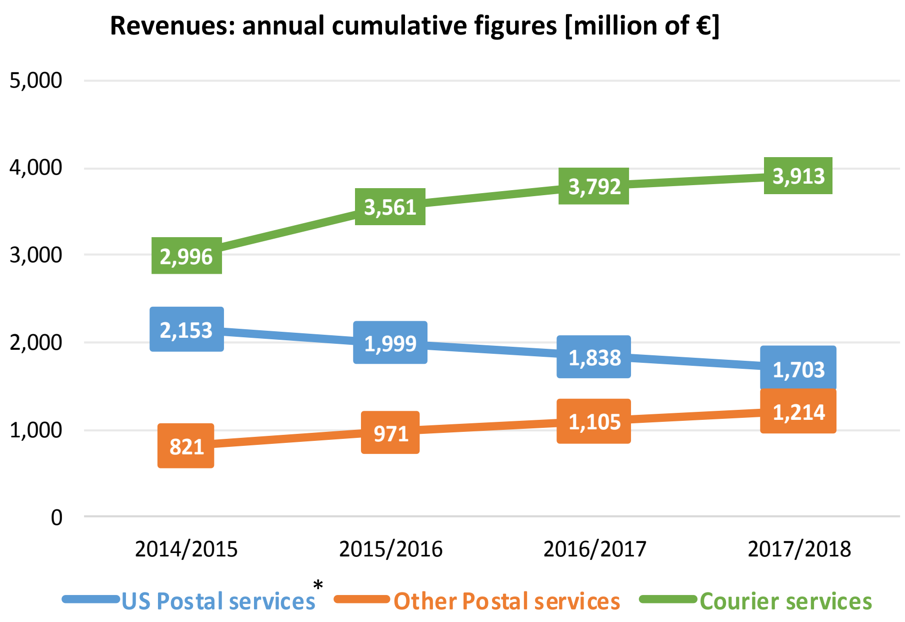
Revenues by source type - March 2018 [%]



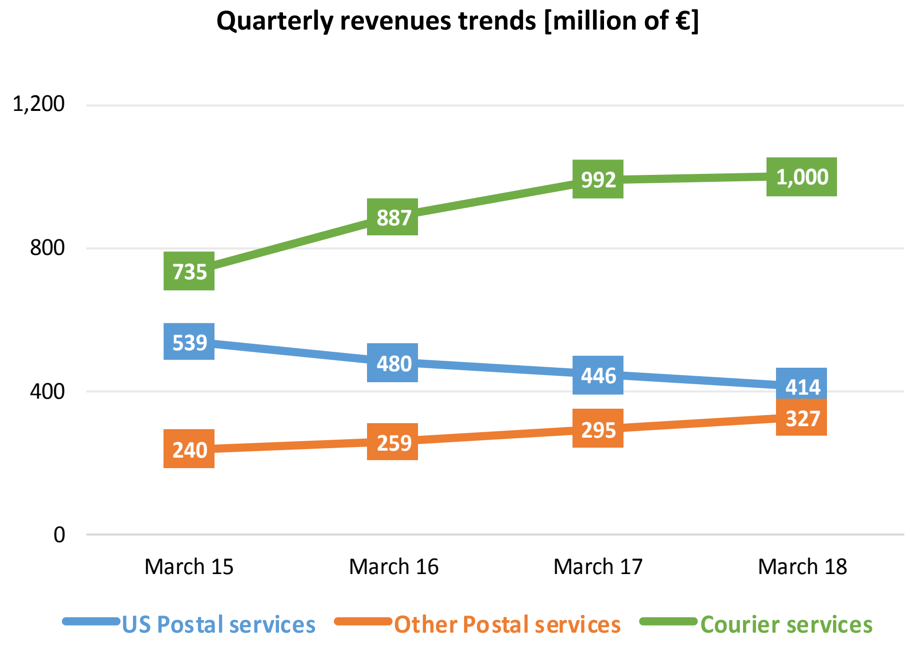


- At the end of March 2018, overall revenues are about **1,742** million of €, with an increase of 2.9% YoY
- YoY, postal services’ market has shown a decline in revenues (0.1% YoY); about **50%** of revenues are represented by “Domestic multiple items” (-4.3% YoY). Revenues from "Other” services increased YoY (+13.5%), mainly due to "exclusive services" and “parcels delivery”
- YoY, courier services’ market has shown a growth in revenues (0.8%); over **53%** is represented by revenues from services with national sender and receiver (+2.2%). Overall international deliveries reduced by 0.7%, due to the increase in revenues from “ingoing" deliveries (+12.5%) and a reduction in "outgoing" deliveries (-4.1%)

4.2 Postal services and express couriers: revenues historical trend



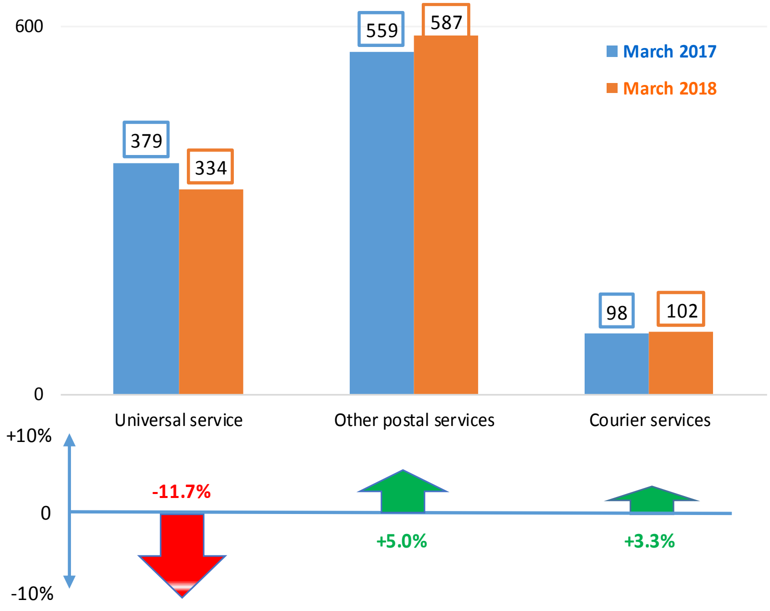
* US = Universal Services



- Postal services: over the last four years, revenues from Universal postal services (US) have decreased by **20%**, while revenues related to other postal services have grown by **50%**
- Courier services: over the four years, it is possible to observe a **30%** increase in revenues

- Postal services: over the whole period considered, a gradual convergence process between universal services' (**-23.1%**) and other postal services' (**+36.6%**) revenues is ongoing
- Courier services: quarterly revenues shows a **36%** increase compared to the quarterly value of 2015

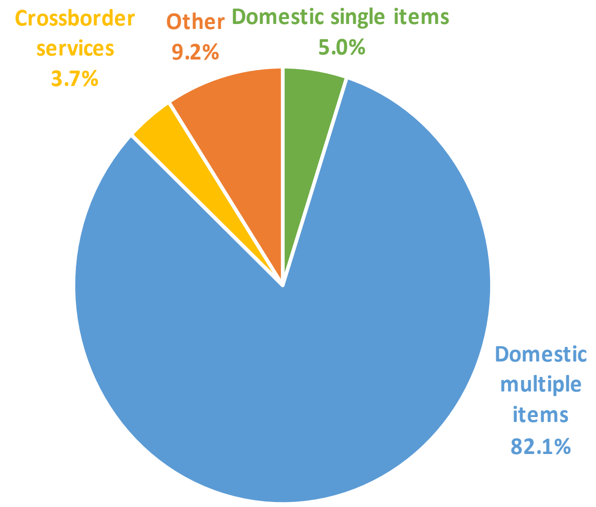
Volumes since the beginning of the year [mln of units]



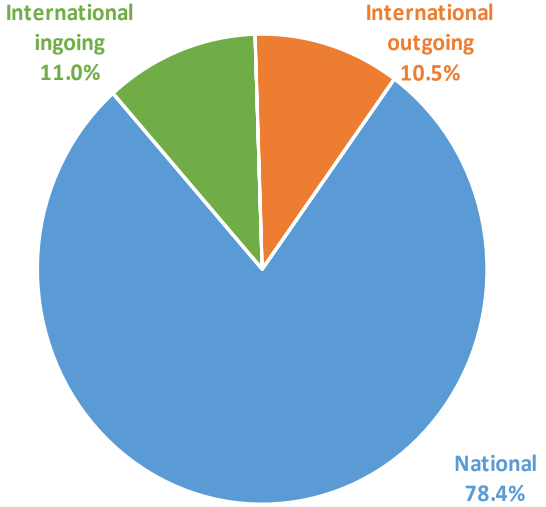
Changes in volumes [%] - (March 2018 vs. March 2017)

Note: The figures relate to the following companies: Bartolini, Citypost, DHL Express, Federal Express Europe, Fulmine Group, Nexive, Poste Italiane, SDA, TNT Global Express, UPS, GLS Italy

Postal services

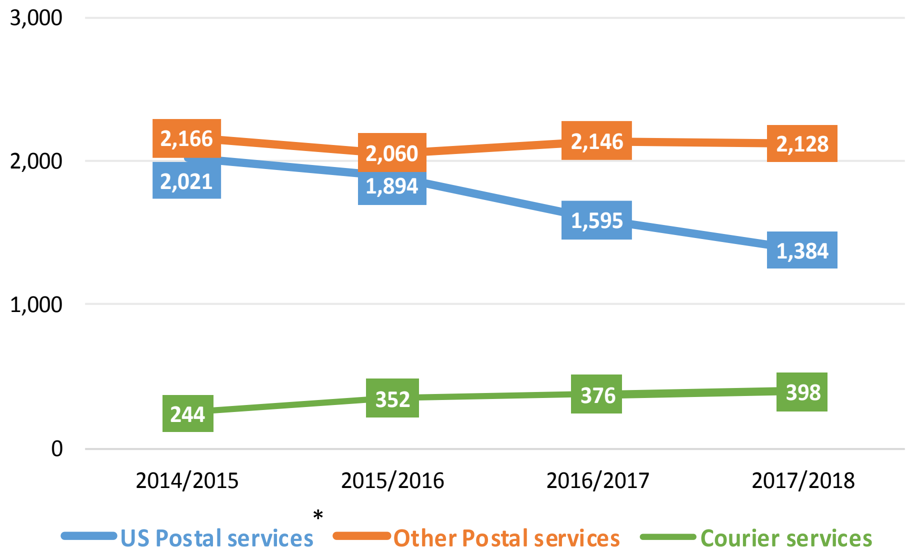


Courier services



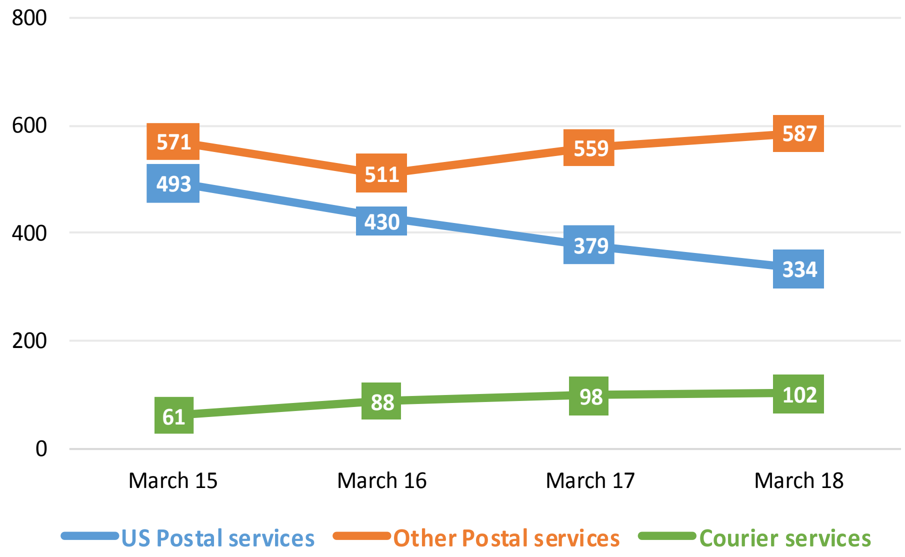
- At the end of March 2018, volumes of universal services (US) amounted to **334** million units, showing a contraction of 11.7% YoY, while volumes have increased by about 3.3% YoY for the courier services segment (**102** million units from the beginning of the year) and for other postal services 5.0% YoY
- Postal services: despite a reduction of 1.4 pp, "domestic multiple items" account for more than **82%** of total volumes
- Courier services: volumes on a national basis grew by 1.3 pp YoY, now accounting for **78.4%** of total volumes; over the same period, the volumes of services based on delivery or reception to and from foreign countries shows an higher growth rate (+11 pp)

Volumes: annual cumulative figures [million of units]



* US = Universal Services

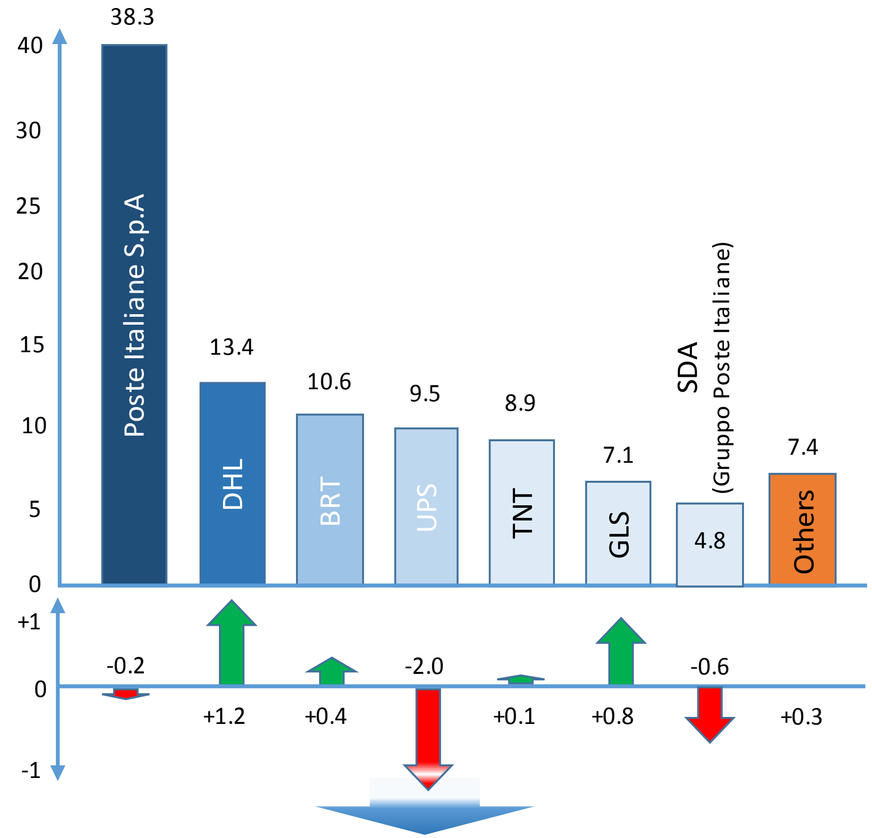
Quarterly volumes trends [million of units]



- Postal services: over the last four years, volumes from US have decreased by more than **30%**; also the volumes related to other postal services shows a reduction, but less pronounced (**-1.7%**)
- Courier services: over the four years, it is possible to observe a **60%** increase in volumes

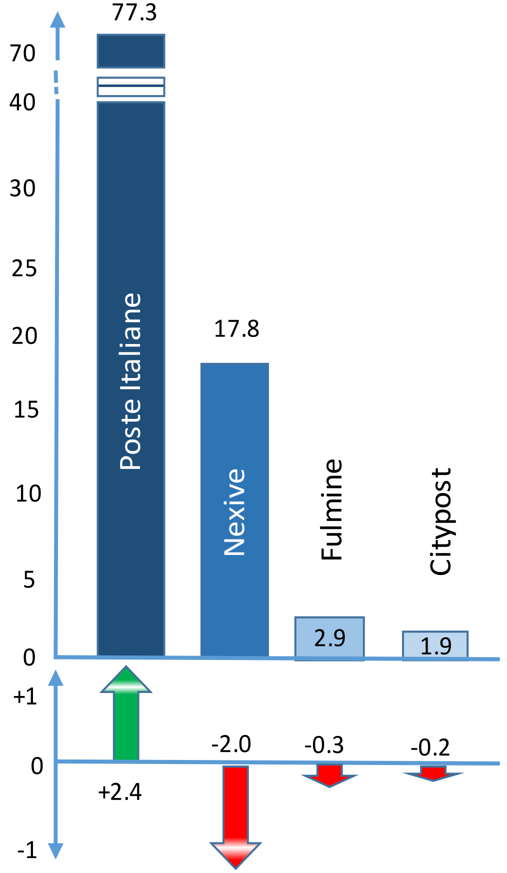
- Postal services: over the whole period considered, it is possible to observe an average reduction of **13.5%**, due to the decrease in US volumes (**-32.2%**) and to the increase in other postal services volumes (**+2.7%**)
- Courier services: quarterly volumes shows a **66%** increase compared to the quarterly value of 2015

Total postal services (including express couriers)



- Poste Italiane is still the first postal operator, but its share has shown a slight decrease (**0.2** pp YoY)
- The aggregate market shares of DHL, UPS, BRT and TNT is **42.4%**

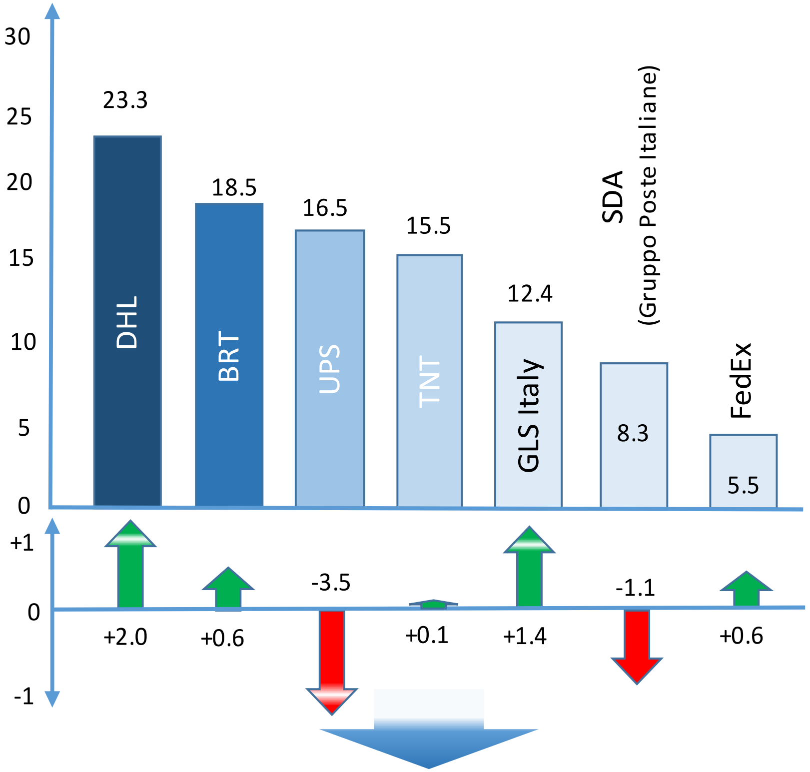
Services not included in the universal postal services category



Difference vs. March 2017 (percentage points)

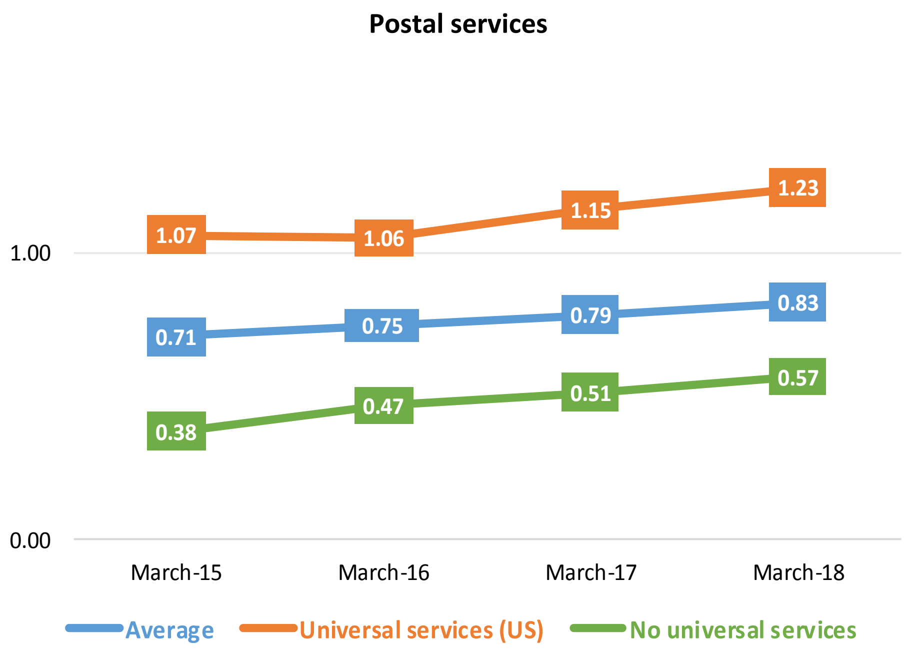
- In the segment of services not included among the US, Poste Italiane, as a consequence of its historical monopolistic position, still holds **77.3%**

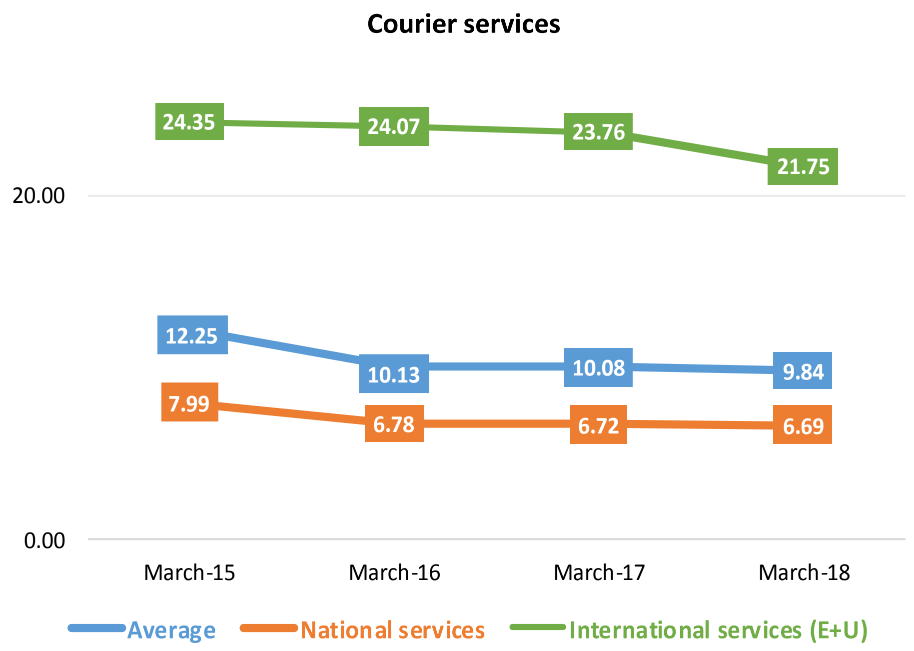
Express couriers



- The market share's scenario of express courier services at the end of March 2018 shows a stronger competition among operators
- The differences between market shares are less noticeable as compared to other segments

4.6 Postal services and express couriers: unit revenue historical trends (€)

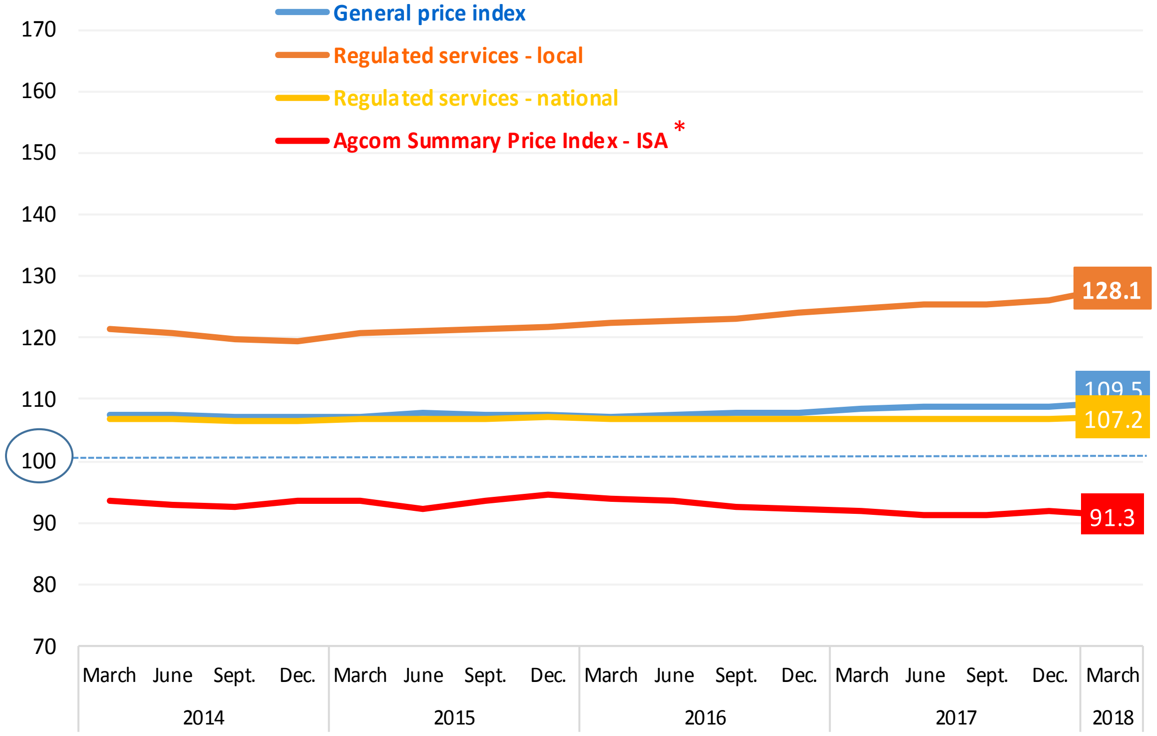


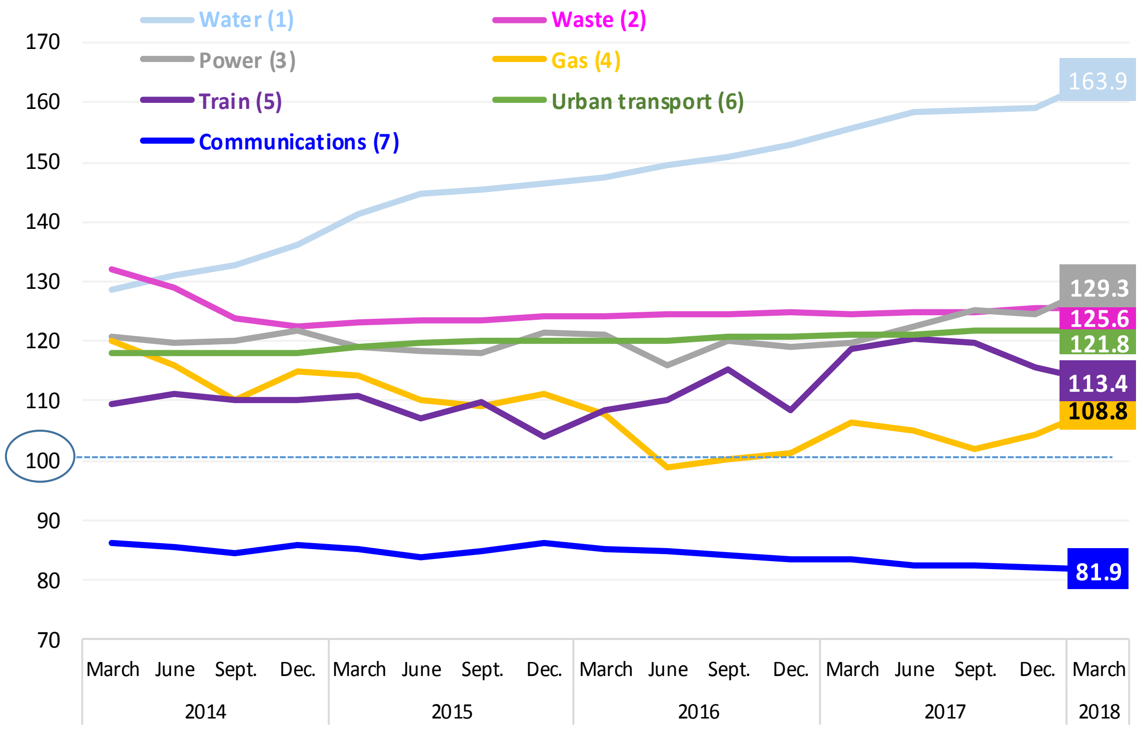


- Over the last four years, the average unit revenue has grown by 16.8% and is equal, in March 2018, to **€ 0.83**
- Unit revenue of services included in the US is above the average (**€ 1.23**), while that of other services is below the average (**€ 0.57**)

- Over the last four years, the average unit revenue has decreased by 19.7% and is equal, in March 2018, to **€ 9.84**
- Unit revenue of international services is above the average (**€ 21.75**), while that of national services is below the average (**€ 6.69**), and both show a reduction as compared to March 2015

5.1 Harmonised consumer price index and other utilities price indices



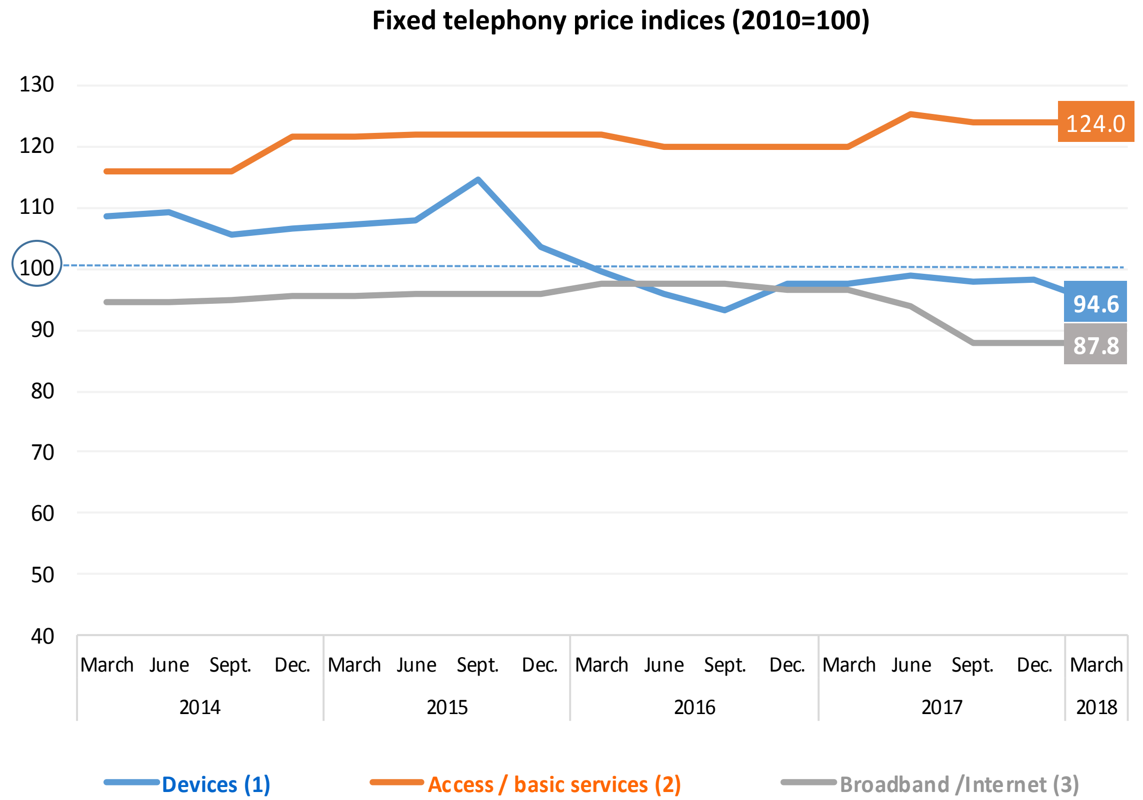


Istat Services Codes:

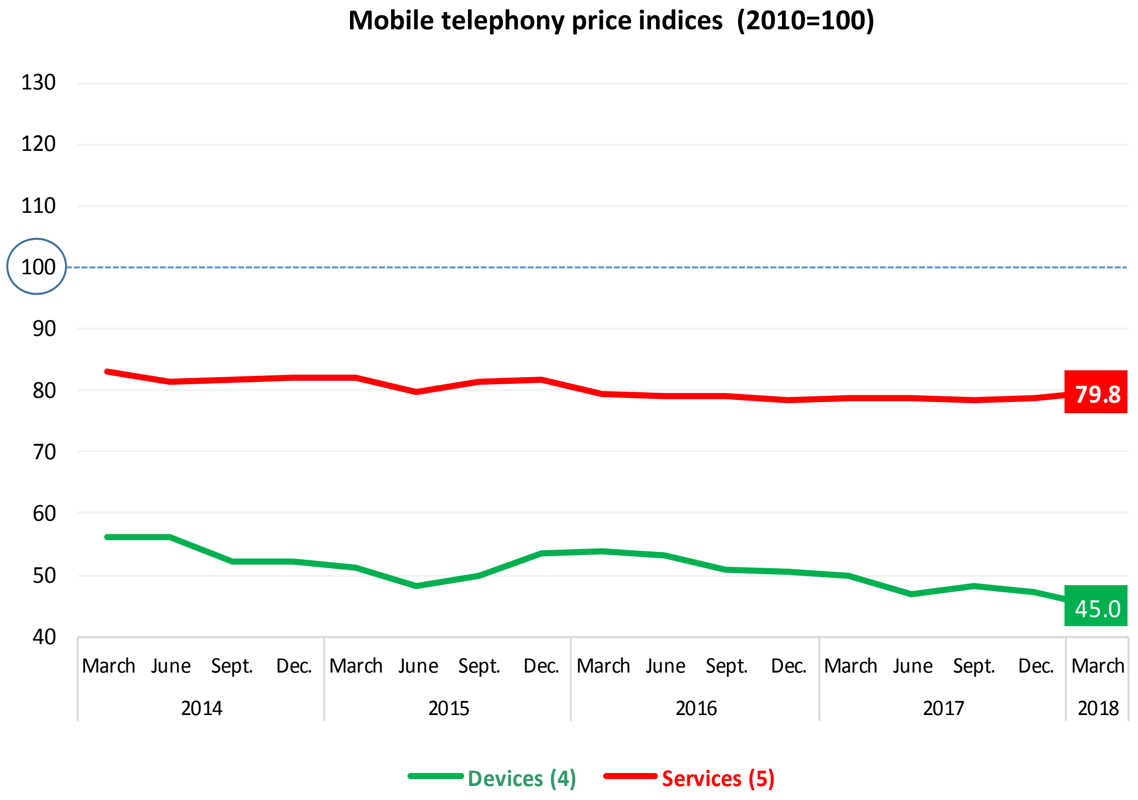
(1)	04 41	(5)	07 31
(2)	04 42	(6)	07 32 11
(3)	04 51	(7)	08
(4)	04 52		

* The ISA («Indice Sintetico Agcom») price index includes postal services, services and devices for fixed and mobile telephony, public TV license fee, pay TV, newspapers and magazines (10 items). In compliance with the procedure adopted by ISTAT for the indices of consumer prices, the aggregate communications index is calculated by the "method of chaining", by which the system of weights assigned to the items is updated yearly.

5.2 Mobile and fixed telephony price indices

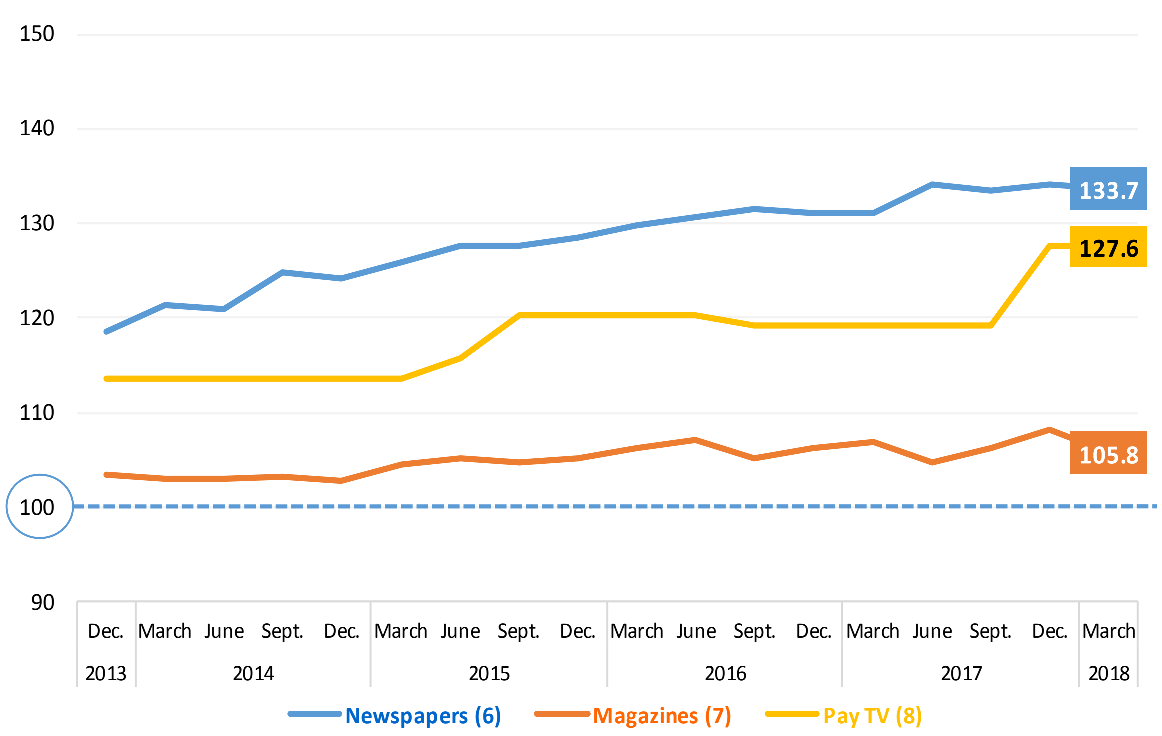


Istat services codes:
(1) 08 20 10
(2) 08 30 10
(3) 08 30 30



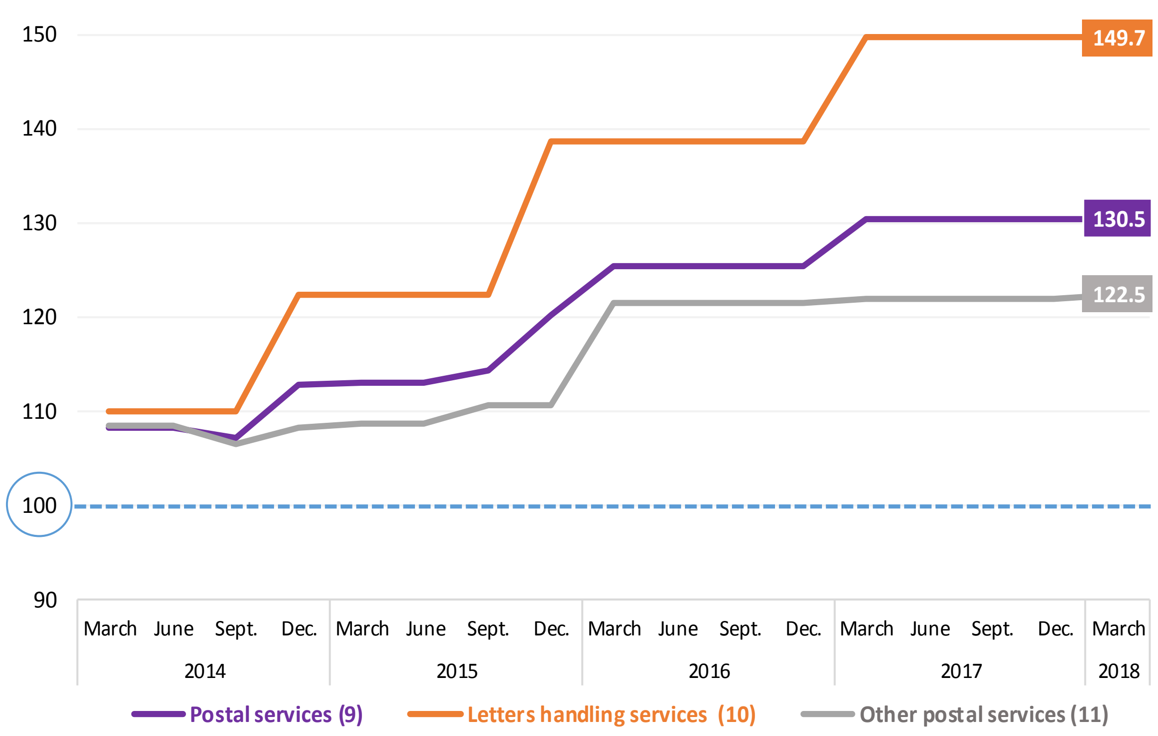
Istat services codes:
(4) 08 20 20
(5) 08 30 20

Newspapers, magazines, Tv price indices (2010=100)



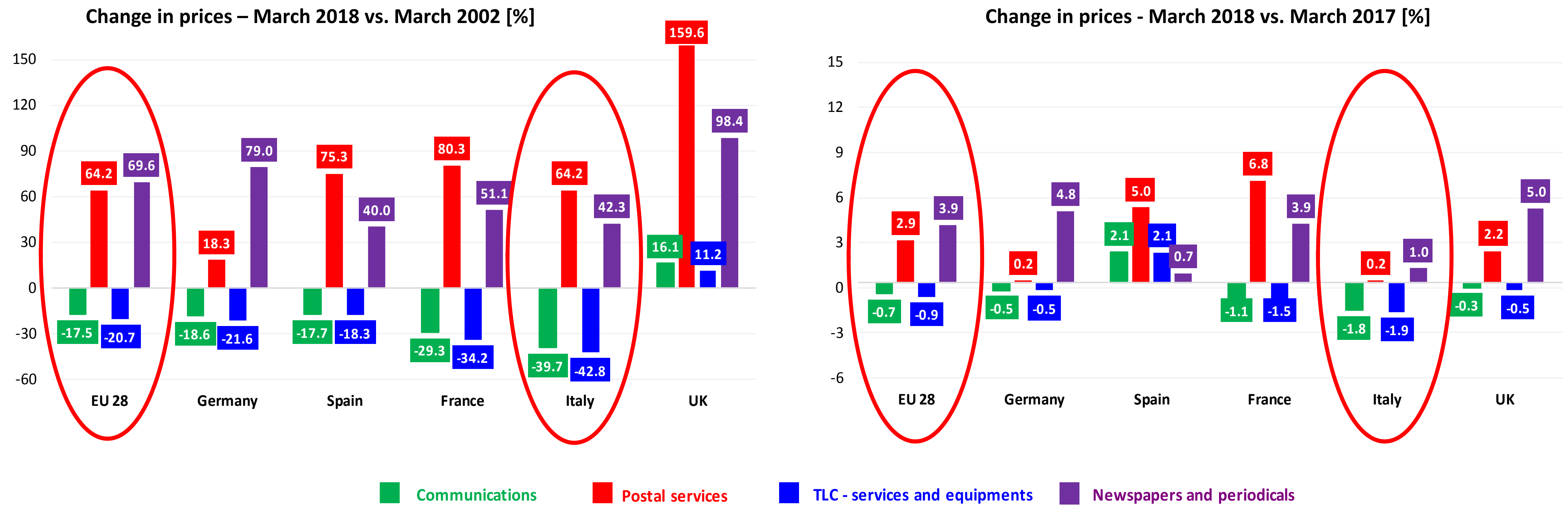
Istat services codes :
(6) 09 52 10
(7) 09 52 20
(8) 09 42 30

Postal services price index (2010=100)



Istat services codes
(9) 08 10 00

5.4 International benchmark



- Since March 2002, in Italy the communications price index has decreased at a faster pace than the EU average: -**42.8** and **-20.7** pp, respectively
- Since March 2002, the Italian inflation rate of postal services (**+64.2** pp) is in line with that of EU; among the countries analyzed, Germany show the lowest increase (**+18.3** pp)
- Since March 2002, in Italy the newspapers and periodicals price index has increased (**+42.3** pp) less than the EU average (**+69.6** pp)

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