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State of the UK MVNO market

mobilise
CONSULTING
TAKING BUSINESS MOBILE

Overall scale of market

£2.1bn
Market value

1 in 7 mobile phones are connected through an MVNO*

104 active UK MVNOs

13.5m customers

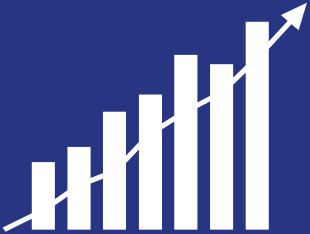
*Ratio of 1 in 7 mobile phones connected through an MVNO is based on UK market estimates and includes M2M MVNOs connections

Data provided is as of January 2017

- The MVNO market is a hugely significant aspect of the wider UK mobile market place.
- It is widely accepted that 'MVNO' is now the 5th option from a customer choice point of view, has real influence in relation to service innovation and value for money, and is able to better represent certain segments that the UK MNOs struggle to penetrate.
- UK MVNO been seen as an attractive target for investment for c.10 years now as evidenced by the 150 MVNOs that have launched in the UK in that period.

Market Dynamics

86% of customers are with the **Top 6 MVNOs**



Tesco Mobile
4.6m customers
(reported)

Virgin Mobile
3m customers
(reported)

Giffgaff
2m customers
(estimated)

Lycamobile
<1m customers
(estimated)

Lebara Mobile
<1m customers
(estimated)

TalkMobile
<1m customers
(estimated)

Data provided is as of January 2017

- Our analysis suggests the market is ripe for further consolidation, we expect a few prominent players to leave the market within the next 24 months and forecast that the overall marketplace will simplify in the same timeframe.
- The Top 6 MVNOs are now deeply established in their target segments, leaving the other c15% of the market to be covered by niche and disruptive operators.
- At the top end of the market we are increasingly seeing the boundaries between MNOs and MVNOs blurring (ie BT Mobile, Virgin Mobile) and while this will simplify somewhat as a result of recent transactions, we could certainly envisage one of the independent* MVNOs acquiring spectrum as part of a spectrum rebalance.

* Independent means non- wholly owned by a mobile operator.

Segment Focus

57%

focused on 3 segments:

Migrant, Roaming & Business

(based on GSMA categories)

Business segment is most prevalent

21%

Data provided is as of January 2017

- The UK shows a somewhat different segment focus vs. the Rest of World certainly in relation to the number of business and migrant segment focused operators.
- If there will be a real impact on segmentation as a result of Brexit, only time will tell.
- We also await to see whether changes in roaming regulation (i.e. roam like you're at home) will unhinge the business case for the roaming MVNOs?
- If so, the Business segment could be the target segment, where mobile can be combined within a wider comms or connectivity service offering, and establish the MVNO offering as part of a wider IoT landscape.

Data Growth Story

Average customer monthly data usage to grow to

18GB by 2021

- The vast majority of MVNOs are now offered 4G by their host network reflecting the growing importance of data revenues to operators; however this is not always the same speed or quality of service as the networks retail service.
- Demand for data usage from MVNO subscribers will continue to challenge MVNOs as ARPU declines and data demand increases. In this context the need for strong revenue assurance capability becomes increasingly important.
- MVNOs likely to be disadvantaged by 5G spectrum release, with probably at best a 6 months delay in extending 5G to MVNOs.
- Intensive need for intelligent data off-loads options, especially as OTT services continue to grow rapidly (in particular VOIP activity).

Source: www.ericsson.com/res/docs/2016/ericsson-mobility-report-2016.pdf

About Grant Thorton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. We help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice.

Our underlying purpose is to build a vibrant economy, based on trust and integrity in markets, sustainable growth in dynamic businesses and communities where businesses and people thrive.

Grant Thornton's dedicated technology, media and telecommunications (TMT) team have a strong track record of working with successful and dynamic organisations throughout the TMT industry both in the UK and internationally. We understand the issues facing organisations in the sector and offer personalised solutions to clients to help them unlock their potential for growth. www.grantthornton.co.uk.

About Mobilise

Mobilise Consulting is an established consulting and software company with proven expertise in launching and developing solutions for MVNOs.

Clients engage us to support their full mobile services lifecycle: from strategy consulting, products and services development, and solutions design, through to project management, software development, and operational support services.

Our MVNO clients include the likes of Carphone Warehouse, Freedompop, and UPC. To find out what Mobilise could do for you, please get in touch. www.mobiliseconsulting.com.

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