

FROST & SULLIVAN

2014 ASIA PACIFIC
ICT AWARDS



2014 FROST & SULLIVAN

ASIA PACIFIC

M2M SERVICE PROVIDER OF THE YEAR

TELSTRA

Asia Pacific IoT Market Overview

For 2013, total IoT spending in APAC is estimated to be \$4.6 billion, and is forecasted to grow to \$58 billion by 2020.

The convergence of telecommunications and Internet Protocol (IP) technologies has resulted in an increasingly connected world that is driving more interactions and collaborations in the business community.

Frost & Sullivan expects that by 2020, there will be approximately 80 billion connected devices globally and expects that every human will have an average of 5.1 connected devices. These devices will permeate into multiple facets of our everyday lives, and will fundamentally change the way we live our lives.

Asia Pacific [APAC] is the biggest telecoms market in terms of subscriber base and offers the largest opportunity for the M2M industry. Most of the countries in the region, have more than 100% mobile penetration. With such high levels of penetration, Frost and Sullivan foresees that the next phase of the subscription and revenue growth will come from adoption of Internet of Things [IoT] technologies for industry specific or cross-industry solutions such as mobile payments, mobile health, smart metering, and smart appliances.

Frost & Sullivan defines the Internet of Things [IoT] as the virtualization and ‘datafication’ of everyday objects, endowing the physical and virtual objects with an identity, and interconnecting the objects for the purpose of interacting with them.

While Machine to Machine [M2M] is a subset of the IoT and is defined as wireless or fixed communication between geographically distributed remote devices and sensors through a centralized platform. M2M can function autonomously with or without human intervention (e.g. alerts, notifications, & automatic machine response).

For 2013, total IoT spending in APAC is estimated to be \$4.6 billion, and is forecasted to grow to \$58 billion by 2020. The biggest chunk of the total spending will go towards the procurement of hardware. IoT services spending is expected to grow by 15 times, at a CAGR of 47.4% for the period 2013 – 2020. Indeed, IoT services spending will increase from \$1.38 billion in 2013 to \$20.87 billion in 2020.

APAC IoT Spending by IT Segment, 2013 - 2020

- SERVICES
- HARDWARE
- SOFTWARE

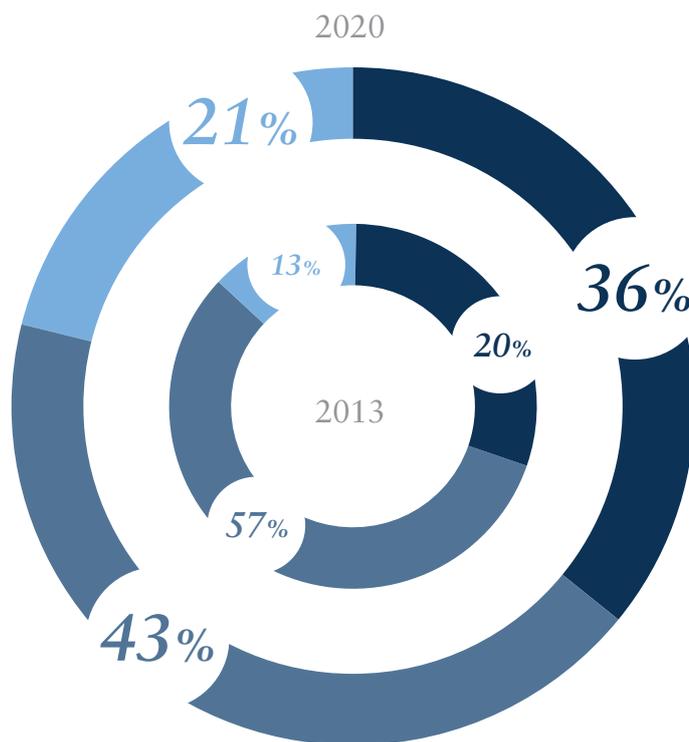


Chart 1: APAC IoT spending by IT segment, 2013 – 2020

In 2013, China contributed almost 45% of the total IoT spending in Asia Pacific, followed by Japan (33.4%), South Korea (7.8%) and Australia (3.8%).

Based on Frost & Sullivan research, at present, the average revenue per SIM for M2M services is very low as compared to ARPU derived from the mobile subscribers. This is because the current business model offers only the most basic data services. However the recurring revenue potential is significantly higher, when we consider the overall deployment opportunity across multiple industries.

Some of the early industry adopters of these services are logistics, transportation, and utilities companies, as these solutions are easy to deploy and offer substantial improvements to business efficiency. The more mature economies such as Japan, South Korea, Australia, and Hong Kong, will drive the evolution of M2M services to cross-industry solutions.

As these services develop in terms of the business model, many more industries including manufacturing, consumer electronics, retail, healthcare, security and surveillance, and agriculture, will see rapid adoption.

Drivers & Inhibitors

With the growing interest from the industries in the region, the factors that are expected to drive M2M services adoption are:

- Miniaturization and falling cost of devices;
- Ubiquitous data connectivity;
- Proliferation of smart devices;
- Cloud based cost-effective solutions; and
- Advanced analytical and data management technologies

However, data privacy and security, lack of return on investment (ROI) clarity, and challenges in integrating multiple technology standards are the key concerns inhibiting M2M adoption.

To address these challenges, to offer a seamless M2M experience across multiple geographies, to leverage each other's competencies, and to fight against increased competition, telecom operators across geographies are partnering to develop a bigger and better eco-system. Some of the globally recognized M2M alliances include M2M World Alliance, Bridge Alliance, and Global M2M Association. A short profile of each of these alliances is described below:

① M2M World Alliance is one of the key alliances that include 8 leading mobile service providers as its members across the globe, having presence in almost 60 countries. The Mission of the Alliance is to enable a global, unique seamless solution to multinational customers. Alliance leverages a common M2M platform and offers seamless international M2M solutions through single SIM that can work on all member networks. Telstra, SingTel and NTT DoCoMo are the alliance members in Asia Pacific region.

② Bridge Alliance, which was formed by 7 Asian mobile service operators, is one of the most prominent groups in the Asia Pacific region. At present, it has 36 mobile operators as its partners (including 13 leading Asian operators) with over 660 million mobile subscriptions. Key objectives of the group are to leverage industry best practices, build an ecosystem of technology partners, reduce the time to market, and overcome the inhibitors that are unique in the region. The alliance members also aim to offer a seamless experience across geographies through the member networks.

③ Global M2M Association (GMA) originated from the partnership and cooperation agreement between TeliaSonera, Orange, Deutsche Telekom and Telecom Italia. The objectives of the group are – to deliver best-in-class, seamless M2M services, and to maximize the business benefits to its customers. In November 2013, Bell Mobility and Softbank Mobile joined the group to extend its cooperation in North America and



SUMMARY

Asia Pacific is the biggest telecoms market in terms of subscriber base, with almost 50% of the world's mobile subscribers. With an increasingly saturated market, and declining traditional mobile voice and SMS revenues, operators are exploring new business models as part of their growth strategy. Commoditization of data services and declining device costs also drive the ecosystem to explore new possibilities through connected devices.

The mature economies such as Japan, South Korea, and Australia, will drive M2M business innovation however China, Japan, and India will be the major revenue contributors.

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TELSTRA



Award Description

The Frost & Sullivan Asia Pacific ICT Award for 'M2M Service Provider of the Year' recognizes the exemplary growth, performance and achievement in the telecommunications market. The contenders of this Award were evaluated on the following key criteria:

- M2M SIMs and revenues
- Breadth of products and solutions
- Industry coverage
- Key features
- Key innovations/achievements

Methodology

CREATING A SHORTLIST OF NOMINEES

The companies short-listed for each of the Frost & Sullivan awards were selected by Frost & Sullivan analysts, based on their expert knowledge and analysis of the market. The companies were typically evaluated on their revenues, product/service innovation, capabilities, and overall contribution to the industry. The short listed companies were interviewed, and the analysts benchmarked the data collected with proprietary Frost & Sullivan resources, as well as secondary research available from public sources.

SELECTING THE AWARD RECIPIENT

The companies' profiles were presented to an independent panel of judges to determine the most deserving recipient for each Frost & Sullivan Asia Pacific ICT award category.

Award Analysis for Telstra Corporation Limited

The M2M Service Provider award is a new category introduced in the 2014, as Frost & Sullivan anticipates rapid uptake of these industry solutions over the next few years.

The 2014 Frost & Sullivan Asia Pacific 'M2M Service Provider of the Year' award is presented to Telstra Corporation Limited ("Telstra") for its exemplary performance in the region.

Telstra is the largest telecoms company in Australia with 15.8 million service subscribers. It has the largest and fastest mobile network in Australia with more than 99% 3G-HSPA+ coverage and 85% 4G coverage of the Australian population. With its 4.1 million 4G mobile devices, it experienced one of the fastest up-takes of 4G mobile services in the world. It continued to invest in its core business with a strong focus on new growth initiatives.

For CY2013, Telstra saw considerable improvements in most of its business performance metrics, by pursuing its three pillar strategies; 1) Improve customer advocacy; 2) Drive value from the core; and 3) Build new growth businesses.

Telstra acknowledges that the Mobile Internet, Cloud Solutions and Internet of Things (IoT) are key influencing technologies, and they are included in its strategic framework.

AUSTRALIAN IOT MARKET

According to Frost & Sullivan research, Australian IoT spending for the year 2013 was \$176 million and this will grow at a CAGR of 67.5% to reach \$1,382 million by 2017. Logistics and transportation contributed 90% of the total IoT spending in 2013. The consumer industry, manufacturing and utilities will see rapid deployment of M2M solutions by 2017 and will be among the top 5 IoT spending industries, other than logistics and transportation.

TELSTRA M2M BUSINESS OVERVIEW

Telstra has been highly successful in delivering a wide array of M2M business solutions to several industries. Its ability to offer a complete suite of M2M business solutions (including consulting, application development, device deployment and data provisioning) position Telstra as the M2M services leader in the region.

Its M2M control center offers its customers, full control of their devices that simplifies the testing and deployment of the devices. It also delivers cost-effective business and operations management tools for efficient usage and cost control.

With these comprehensive and integrated services, Telstra creates significant opportunities for its customers and helps them to improve their business efficiencies. It also supports its customers to derive more value from the M2M platform than they could do by themselves.

To offer such comprehensive offerings, it has partnered with application providers, system integrators, hardware (device) providers, M2M platform providers and value added resellers [VARs] to develop the entire ecosystem. At the same time, it has also benefitted from being part of the M2M World Alliance.

Some of the key solutions offered and implemented by Telstra are - fleet management, remote meter reading, supply chain management, video surveillance, and telemedicine. It also offers specialized services across multiple industries including transport and logistics, energy and utilities, government, retail, public safety and security, financial services, and agriculture.

CONCLUSION

Telstra continued to show significant growth in the M2M market, in terms of deployment and service revenues, by aligning itself with technological advancements and business innovation. Through its extensive product portfolio, ability to offer innovative solutions and outstanding M2M performance during 2013, Telstra has emerged as the M2M leader in the region.

Frost & Sullivan congratulates recipient of the '2014 Asia Pacific M2M Service Provider of the Year' award - TELSTRA

TELSTRA M2M BUSINESS PERFORMANCE

In 2013, Telstra grew its M2M SIOs deployment by 22.3% from 0.89 million to 1.09 million. These SIOs are deployed across multiple industries, such as transport and logistics, utilities, and manufacturing.

It continued to monetize its M2M platform and offer multiple price plans to suit specific business requirements depending upon the data usage. Its basic M2M plan starts at \$3 per month for 1 MB of monthly data; however other plans offer up to 26GB of data per month for data intensive services such as video surveillance. It also offers shared data plans for grouped applications/devices. It offers flexibility to its customers by offering 24 month installment plans for its M2M devices.

During the year, its M2M revenues grew 10.7% y-o-y from \$84 Mn to \$93 Mn. Its M2M ARPU declined 8.5% to \$7.9, but this is among the highest M2M ARPUs in the APAC region.

BEST PRACTICES
AWARD ANALYSIS

F R O S T  S U L L I V A N

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies?

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