

## SERVICES

### Information and Communications Technology (ICT)

#### ICT sector income dynamics

- Telecommunication services recorded sturdy revenue generation throughout the Covid-19 pandemic. In 2020, revenue increased by 3.6% to ZAR 201.3 billion, driven by mobile services revenue (+7.8%).
- Broadcasting services revenue declined by 6.6% to ZAR 35.8 billion in 2020, affected mostly by declining subscription and sponsorship revenues despite the increase (+7.8%) in pay-TV subscriber numbers. The revenue of the postal services segment increased by 3.6% to ZAR 5.9 billion in 2020, driven by improved efficiencies.

#### ICT sector development highlights in 2020

- The fixed-line segment of the telecommunications industry is dominated by Telkom, while the mobile segment is led by Vodacom and MTN (over 70% combined market share), with Cell C and newcomers Telkom Mobile and Rain as smaller competitors.
- Telecommunications investment fell by 6% in 2020, the first year of the pandemic, but remains elevated and largely directed at expanding network coverage, raising speed and improving quality for enhanced firm competitiveness in the market.
- National population coverage for 3G and 4G/LTE increased to 99.8% and 96.4% respectively in 2020, while 5G coverage stood at 0.7%. Broadband access continues to improve due to investments in submarine and terrestrial fibre-optic networks, which have increased capacity and coverage.
- Policy reform, particularly the imminent increase in high demand spectrum allocations, is expected to have a highly beneficial impact on future investment in the sector.



#### Enhanced value proposition of investment opportunities

##### Digital technology offerings

##### Conducive regulatory environment and strategic direction

##### Opportunities for expanding operations into the continent

- ICASA, the regulatory authority, is in the process of auctioning high demand spectrum following the policy directive from the Minister of Telecommunications and Digital Technologies and the temporary allocation which will expire in November 2021.
- Government has created a favourable environment for investment in internet infrastructure and continues to establish regulations (digital migration, Protection of Personal Information Act, Spectrum Auction, Cloud Policy Development) to support the sector's growth.
- The ICT and Digital Economy Masterplan sets out the key objectives, enablers and ambitious action plans to realise the numerous opportunities that South Africa could potentially realise in the digital age.
- South African companies and locally-based subsidiaries of international companies are supplying most of the new fixed and wireless telecommunications networks established across the continent in recent years.

#### Some of the investment opportunities

- Spectrum licensing is imminent, opening up investment opportunities in the digital and telecommunications industries.
- Investment in advanced telecommunication applications: Internet of Things applications such as telematics and smart devices; inter-device communications technology.
- Big data tools for reporting and analytics.
- Business franchising opportunities in Voice over Internet Protocol solutions.
- Data centres.
- Opportunities for consolidation or investment in fibre internet service providers.
- Connected living opportunities arising from the roll-out of fibre and cheaper data costs.
- Widespread internet adoption provides significant opportunities for e-commerce websites on mobile devices.
- e-services across industries (e.g. technology/applications for government and e-health).
- Development of security products.
- Cloud computing opportunities due to improved bandwidth availability, security and lowered cost of broadband, as well as additional internet providers competing in the market.
- Frontier ICT technology skills development.



Inspiring new ways

## SERVICES

### Finance and insurance services

- South Africa has a well-developed financial ecosystem comparable to, and in some cases surpassing, those of certain advanced economies.
- The country's world-class financial services sector with globally integrated deep capital markets has propelled economic development over the years.
- The sector is one of fastest growing in South Africa, providing all forms of financial intermediation including commercial and retail banking, investment asset management, insurance and pension funding management activities.
- The major banks are Standard Bank, Absa Group, FirstRand, Nedbank and Capitec, some of which provide commercial, retail and investment banking services throughout Africa.
- The country is host to Africa's largest financial exchange - the Johannesburg Stock Exchange - which is ranked among the world's top 20 stock exchanges by market capitalisation and offers investors an efficient platform for capital raising. Alternative exchanges have been launched such as A2X.



### Enhanced value proposition of investment opportunities

#### Highly developed banking sector

#### Significant domestic & regional market growth opportunities

#### Sound regulatory environment

- Well-functioning and strongly regulated financial services industry with a strong banking sector that offers commercial, retail and investment banking services throughout the continent.
- Proliferation of technological innovations and fintech offers significant investment growth opportunities for the provision of value-adding financial services to mainstream as well as underserved segments of the population both domestically as well as in other continental markets.
- South Africa's insurance industry accounts for approximately 80% of total direct insurance premium income generated on the African continent.
- Strong, credible regulatory system comprising the central bank (South African Reserve Bank) and Financial Services Board (FSB) providing independent regulatory oversight over the banking and non-banking financial services sectors respectively.

### Some of the investment opportunities

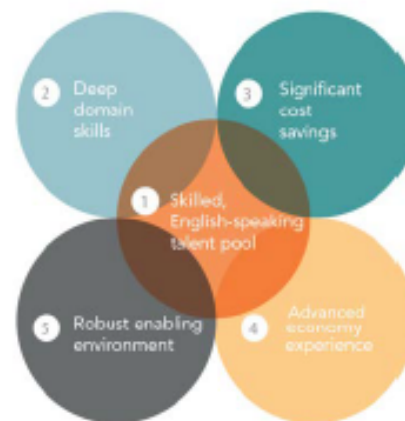
- Strong growth opportunities for provision of financial services to the lower ends of the domestic consumer market, underserved by a concentrated domestic banking industry structure.
- Private equity investment opportunities to leverage domestic industrial development opportunities.
- Expanding middle class provides growth opportunities for asset management services.
- Insurance services growth opportunities from rising non-life.
- Fintech development opportunities in both banking and non-banking segments in the sector, e.g. insurance innovations such as pay-per-use and insurance combined with consumer financing solutions.
- Technological solutions for specialised data management services.

## SERVICES

### Business services, including Business Process Outsourcing (BPO)

- South Africa has a highly diverse business and professional services sector, among the largest in the economy.
- The country is endowed with strong professional services capabilities including legal, accounting, engineering and architectural services; real estate activities; renting of machinery, equipment, personal and household goods; BPO; computer and IT services; advertising; and, among others, business consulting services.
- South Africa has a mature market for BPO services that is supported by world-class telecommunications, financial and legal infrastructure. BPO services are concentrated in the financial services industry, telecommunications and ICT.
- A robust business services ecosystem has seen South Africa develop as one of the world's major investment hubs for BPO. This has enhanced overall business processes and productivity for numerous multinational corporations.

#### Factors driving SA's attractiveness as a BPO investment destination



#### Enhanced value proposition of investment opportunities

##### Structural trends towards outsourcing

##### Domestic and global economic recovery

##### Rising continental business services demand

##### Supportive ecosystem

##### Government investment incentives

- South Africa's highly developed business services sector is well positioned to benefit from the structural trend, both domestically and globally, towards outsourcing of non-core business activities.
- The post-pandemic economic recovery locally and globally, the reformatting of industries towards a greater remote working environment orientation, and the proliferation of new generation technologies provides lucrative business services investment opportunities.
- South Africa's infrastructure intensive Economic Reconstruction and Recovery Plan will catalyse domestic demand for business services.
- South Africa's cost-effective BPO services, supported by world-class telecommunications, financial and legal infrastructure, is attracting growing demand in external markets, particularly in other high-growth African countries.
- From a global perspective, South Africa is regarded as one of the most attractive countries for offshoring services provision, presenting a multitude of opportunities such as back-office hubs; knowledge process outsourcing; and, among others, legal process outsourcing.
- Investment into the BPO industry benefits from strategic governmental support via the Business Process Services incentive scheme which contributes to lowering investment costs for foreign investors.

#### Some of the investment opportunities

- Establishment of back-office hubs for multinational corporations.
- Back-office processing facilities.
- Establishment of call centres.
- Provision of shared corporate services.
- Knowledge process outsourcing (technical and legal).
- Enterprise risk, fleet and asset management solutions.
- Engineering and other technical services to leverage the large public infrastructure development programme currently underway.
- Evolution of the industry from voice-driven towards omni-channel delivery of services has expanded investment prospects.
- Analytics solutions services enabled by South Africa's skills capability, including root cause analysis, predictive analytics, knowledge process outsourcing and digital investment platforms.