CommsWire
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An iTWire publication www.itwire.com Editor: Stan Beer Wednesday 15 May 2019

OPTUS ANNUAL PROFIT DIVES, BUT Q4 REBOUNDS

CommsWire (ISSN 2202-4549) is published by iTWire Pty Ltd. 18 Lansdown St, Hampton, Vic, 3188
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OPTUS ANNUAL PROFITS PLUNGE, REBOUND FOR THE QUARTER

Australia's second largest telco Optus has suffered a drop in net profits for the year ended 31 March, with profits plunging by 15.8% on the previous year.

The telco saw its profits dive 15.8% from $782 million for the full year 2018 to $659 million for FY 2019, with the drop largely attributed by Optus to "temporary suspension" of NBN HFC migrations.

	Quarter		YoY	31 Mar		YoY
	Full Year		Chge	Full Year		Chge
	2019 A$m	2018 A$m	%	2019 A$m	2018 A$m	%
Operating revenue	**2,303**	**2,149**	**7.2**	**9,099**	**8,612**	**5.7**
Operating expenses	(1,583)	(1,479)	7.0	(6,535)	(6,075)	7.6
Other income	28	35	-20.4	134	186	-28.0
EBITDA	**748**	**705**	**6.1**	**2,699**	**2,724**	**-0.9**
- margin	*32.5%*	*32.8%*		*29.7%*	*31.6%*	
EBITDA & share of results of joint ventures	**748**	**705**	**6.0**	**2,699**	**2,724**	**-0.9**
Depreciation & amortisation	(373)	(363)	2.6	(1,483)	(1,436)	3.3
EBIT	**375**	**342**	**9.7**	**1,215**	**1,288**	**-5.7**
Net finance expense	(46)	(46)	0.0	(191)	(185)	3.3
Profit before exceptional items and tax	**329**	**296**	**11.2**	**1,024**	**1,103**	**-7.2**
Taxation	(101)	(89)	13.4	(309)	(325)	-5.0
Underlying net profit	**228**	**207**	**10.3**	**716**	**778**	**-8.1**
Exceptional items (post-tax)	(0)	(3)	-96.0	(57)	4	nm
Net profit	**228**	**204**	**11.7**	**659**	**782**	**-15.8**

"Net profit was lower due mainly to the impact of the temporary suspension of NBN HFC migrations together with higher depreciation and amortisation costs and exceptional items as Optus continues to transform its business," the telco said in its results announced on Wednesday.

For the quarter, Optus reported EBITDA was up 6% to $748 million, with net profit increasing by 12% to $228 million.

And the telco said it had recorded “strong results” for the quarter ended 31 March 2019, with operating revenue up 7% to $2,303 million driven by customer growth, higher equipment sales and higher NBN migration revenue following the resumption of NBN HFC migrations.

With mobile services, Optus reported mobile revenue increased 9%.

Optus says this reflected strong customer growth with 126,000 post paid mobile subscribers added for the quarter.

And in Mass Market Fixed, operating revenue was up 19%.

Optus said this was due to higher NBN migration payments and continued NBN customer growth, with 50,000 new customers added in the quarter.

Optus Chief Executive Allen Lew said Optus achieved a very strong performance in the fourth quarter “underpinned by a relentless focus on delivering exceptional network and customer value to drive customer growth and engagement”.

“We continue to differentiate ourselves through our exclusive content strategy,” Lew said.

“Optus content more than doubled with the UEFA Champions League, the UEFA Europa League, Euro 2020 and the UEFA Nations League.

“The next few weeks will be an exciting time for football fans as we broadcast the all-EPL finals of the Champions League and Europa League and the 2019 FIFA Women’s World Cup.”

The telco pointed to the fact that Optus Sport will be the only broadcaster covering all 52 matches of the Women’s World Cup and has also launched its improved NatGeo app, featuring Optus’ exclusive content “Only in OZ”.

The telco also said it has cemented its 5G “leadership position” by announcing Australia’s first commercial broadband service - Optus 5G Home Broadband, and completing a “ground breaking 5G video call, with augmented reality, between Singapore and Australia”.

“Optus is scaling its 5G network in preparation for a broader commercial launch later this year which will start to see this exciting next generation technology in the homes and hands of our customers,” Lew concluded.

Peter Dinham

HAWAIKI, TRUSTPOWER INK DEAL FOR USING SUBMARINE CABLE

New Zealand cable operator Hawaiki Submarine Cable has signed a deal with leading ISP and power utility Trustpower to provide the latter with significant capacity on the Hawaiki submarine cable system.

In a statement, Hawaiki said the deal with Trustpower was another indication of the growth of demand for capacity on the cable.

The Hawaiki Transpacific Cable System, which [began operations]() in July 2018, is claimed to be the fastest and largest capacity link between New Zealand, Australia, Hawaii and mainland US with a design capacity of 67Tbps.

Trustpower is partly owned by New Zealand infrastructure investor, Infratil, half of the consortium, which this week [announced]() it had bought Vodafone New Zealand for NZ$3.4 billion.

“Forming the relationship with Hawaiki was logical as we continue to grow,” said Vince Hawksworth, chief executive of Trustpower.

“As more customers connect to higher-speed plans and consume more data, there is a need to contract directly with asset owners to deliver sustainable and resilient Internet products and services to our customers.”

The deal allows Trustpower to expand its ISP network to the US, including a new point of presence in Hillsboro, Oregon.

“Hawaiki recognises the New Zealand market’s need for customised connectivity services that provide greater elasticity and improve revenue generation in a highly competitive market,” said Remi Galasso, chief executive of Hawaiki.

“We are proud to work with Trustpower, one of New Zealand fastest-growing ISPs, which shares our ambition to serve bandwidth-hungry customers with the most comprehensive and cost-effective solution.”

Sam Varghese

BLOOMBERG BLASTED: TERMS WHATSAPP ENCRYPTION 'A GIMMICK'

Well-respected security professionals have slammed the news agency Bloomberg for an op-ed it ran on Tuesday, claiming that WhatsApp's end-to-end encryption was a gimmick, after reports emerged that the app could be exploited by mobile spyware.

Author Leonid Bershidsky **wrote** that the finding that hackers could snoop on WhatsApp "should alert users of supposedly secure messaging apps to an uncomfortable truth: 'End-to-end encryption' sounds nice – but if anyone can get into your phone's operating system, they will be able to read your messages without having to decrypt them".

He added: "End-to-end encryption' is a marketing device used by companies such as Facebook to lull consumers wary about cyber-surveillance into a false sense of security."

His arguments were panned widely.

Former NSA hacker Jake Williams told ***CommsWire***: "Bloomberg's contributor arguing that end-to-end encryption is ineffective overall is a bad take.

"Just because one vulnerability was found in an application doesn't say anything about the security of the encryption.

"They are completely different threat models. End-to-end encryption protects against eavesdropping in transit, but the vulnerability discovered targeted a code execution vulnerability in the app itself."

The ***Financial Times*** reported that the spyware that could exploit WhatsApp in this manner was made by the NSO Group, a Israeli firm.

The company has been in the news **a number of times** for supplying its software to governments for spying on activists and journalists among others.

Williams, who runs his own security firm, Rendition Infosec, added: "These are completely different areas of application security.

“It's like saying that you police officers shouldn't wear bulletproof vests because a criminal could still hit them in the legs with a baseball bat."

Matt Blaze, a professor of Computer and Information Science at the University of Pennsylvania and a researcher in the areas of secure systems, cryptography, and trust management, said in a sarcastic tweet: "End-to-end encryption does nothing to protect against attacks on your endpoint, true.

“And seatbelts and airbags do nothing to prevent your car from being hit by a meteorite."

Well-known cryptography researcher Kenn White was even more severe. "Wow, Bloomberg business weighing in with the actively dangerous hot take on WhatsApp. Spoiler: No, end-to-end encryption is not 'pointless' you fetid baboons," he tweeted.

Bloomberg has earned the ire of many in the tech community over the last year or so. In October last year, the news agency **claimed** that China had infiltrated the technology supply chain by implanting a small chip on the server mainboards used by a company in the US, Supermicro Computer. To date, there has been no evidence produced to back up **these claims**.

Soon after that, Bloomberg ran a story that **claimed** a "major US telecommunications company" that allegedly encountered doctored hardware made by the US company Supermicro Computer. Again, there was no evidence to back up this story.

And more recently, Bloomberg **reported** this month that Vodafone had found what it called "hidden backdoors" in software that "could have given [Chinese telecommunications equipment vendor] Huawei unauthorised access to the carrier’s (Vodafone's) fixed-line network in Italy".

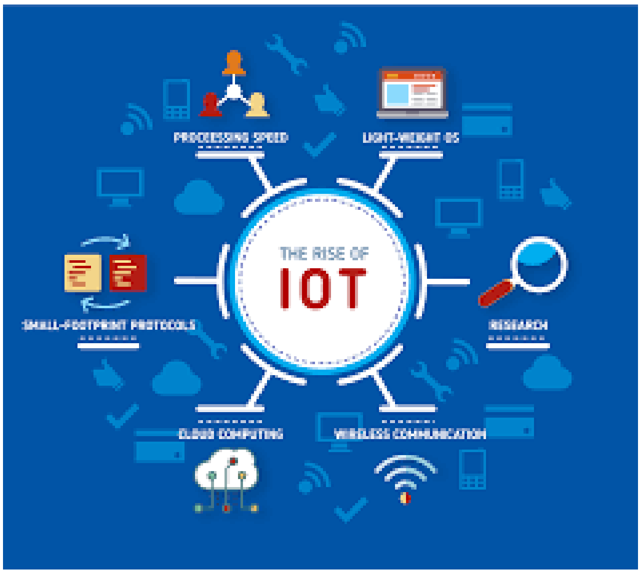
Vodafone **denied the claim**, telling ***CommsWire*** that the so-called backdoor that Bloomberg referred to was telnet, a protocol used for communication using a virtual terminal connection, adding that it was not exposed to the Internet.

Sam Varghese

AUSTRALIANS EMBRACE IOT@HOME, PUSH MARKET PAST $1 BILLION

The Australian Internet of Things at home market grew 57% during the past year to $1.1 billion in 2018 and is forecast to reach $5.3 billion by 2023, according to new research.

The research — Telsyte Australian IoT@Home Market Study 2019 — found more than five million Australian households — or more than 50% of total households — had started the smart home journey with at least one IoT@Home product installed by the end of 2018.



The increase of more than 30% — from around four million households in 2017 — was primarily due to surging adoption of smart speakers.

Among the five million IoT@Home adopters, Telsyte research found that about a quarter were considered “invested” in smart home technology, with at least five different IoT@Home products already installed – e.g. cameras, smart plugs, smart lighting and smart appliances.

This figure is set to grow even further, with Telsyte predicting the average household in 2023 would have 37 devices, around half being IoT@Home devices.

And at the end of 2018, the average Australian household had 17 connected devices, primarily made up of smartphones, computers, tablets and other gadgets.

Telsyte said these “invested” IoT@Home adopters were more likely to be younger families and tech enthusiasts who have a range of consumer devices, such as drones, VR headsets, and location tracking tags.

The research also shows rising energy costs have been driving adoption of smart energy solutions and government’s investment in renewable energy and subsidies for smart batteries are expected to boost the IoT@Home smart energy segment in the medium term.

And, the smart energy segment is now worth more than one-third of the total IoT@Home market by revenue.

Telsyte says that smart connected appliances (e.g. whitegoods) are expected to be the longer term IoT@Home market revenue driver beyond 2020, making up about 40% of the industry’s annual revenue by 2023.

Telsyte managing director Foad Fadaghi said there was a growing demand for smarter homes.

“Nearly a third of Australians are interested in modernising their current residence to make it smarter,” he said.

The research also found that among people looking to spend to make their home smarter, more than 40% of their budget is set to be spent on improving energy efficiency or making the home safer.

Telsyte says that while DIY IoT@Home solutions had been gaining in popularity, there were new opportunities for professional installers and services providers.

“The market is ready for professional services with Telsyte research showing 45% of Australians value an installer’s advice, and one in three households will require professional assistance to setup smart devices or appliances,” the company said.

Telsyte also said support services would be most important for sophisticated devices such as smart intercoms and smart locks and other smart sensor-based products such as smart water taps.

In fact, the analyst firm said the research revealed that one in three Australians were interested in monthly subscription IoT@Home services such as home security monitoring and energy monitoring and optimisation services.

And, Australia’s IoT@Home market continued to benefit from surging smart speaker adoption and Telsyte forecast the smart speaker category would continue to be the most successful IoT@Home product throughout 2019 with 2.5 million (26%) Australian households using smart speakers by end of the year, up from 1.6 million (16%) in 2018.

According to the research, there is also a growing number of people interested in smart speaker applications – with some one in four IoT@Home adopters and potential adopters interested in controlling IoT@Home and other connected devices, such as controlling lights and unlocking doors using smart speakers.

"Getting everyday info" overtook playing music as the most frequently used daily smart speaker application in 2018.

And while concerns remained around privacy and security, Telsyte’s research showed there was a growing acceptance of smart speakers having access to different applications, devices and data sources, particularly amongst entertainment-related apps and security cameras.

Google remained the leader in the smart speaker market in 2018 with more than 70% of the main smart speakers sold being the Google Home series.

Telsyte forecast Google and Amazon smart “assistant” speakers would continue to be the top two sellers during 2019.

Peter Dinham

INDIA BUCKS TREND, SMARTPHONE SHIPMENTS UP 7.1% IN 1Q2019

India's smartphone shipments for the first quarter of 2019 grew by 7.1% year-on-year, the global market intelligence provider IDC says, adding that 32.1 million units were shipped despite a 6% drop in global shipments for the quarter.

However, high channel inventory from the fourth quarter of 2018 resulted in a sequential decline of 8.4%. [Another research firm, Canalys, **reported** somewhat different figures, with shipments put at 30.1 million units, an increase of less than 2%.]

India Smartphone Market, Top 5 Company, Shipments in million, Market Share, Year-on-Year Growth, 2019Q1

Company	2019Q1 Shipment Volumes	2019Q1 Market Share	2018Q1 Shipment Volumes	2018Q1 Market Share	Year-Over-Year Unit Change (2019Q1 over 2018Q1)
1. Xiaomi	9.8	30.6%	9.1	30.3%	8.1%
2. Samsung	7.2	22.3%	7.5	25.1%	-4.8%
3. vivo	4.2	13.0%	2.0	6.7%	108.4%
4. Oppo	2.4	7.6%	2.2	7.4%	9.7%
5. Realme	1.9	6.0%	0.0	0.0%	
Others	6.6	20.5%	9.2	30.5%	-28.3%
Total	**32.1**	**100.0%**	**30.0**	**100.0%**	**7.1%**

“Despite the government’s new e-commerce rules, online channels managed to sustain their pace, registering 19.6% year-on-year growth in 1Q2019," **said** Upasana Joshi, associate research manager, Client Devices, IDC India.

"Fuelled by attractive offers and new launches by vendors like Xiaomi, Samsung, Realme, and Huawei, online sales reached 40.2% of the market in 1Q2019.”

Big shipments during 3Q18 and 4Q18, which is the time of year when festivals are celebrated in India, led to high channel inventory, leading to flat year-on-year growth in offline channels in 1Q2019

But new products still arrived in Samsung's A series and online-heavy vendors like Xiaomi and Realme expanded to offline counters.

IDC said average selling prices increased by 3.3% year-on-year to US$161.

The firm added that this could be attributed to growth in the US$300 to US$500 segment, which accounted for 6% of the overall smartphone market in 1Q2019.

This segment also did better than all other price bands due to the release of the vivo V15 Pro.

Joshi said: “Samsung surpassed Apple for the leadership position in the premium (US$500+) segment with an overall share of 36.0% in 1Q2019 due to its newly launched Galaxy S10 flagship series that was supported by huge marketing campaigns.

“OnePlus followed, as its OnePlus 6T was the top-selling model in India’s US$500+ smartphone segment in 1Q2019."

IDC said the feature phone market, which accounts for half the total mobile phone shipments, registered 32.3 million-unit shipments in 1Q2019, a sharp decline of 42.4% year-on-year.

A sharp drop was seen in 4G-enabled feature phones, which declined by more than 50% year-on-year due to channel inventory from previous quarters.

A sequential dip in 2G/2.5G feature phones was also witnessed.

Top five brand highlights:

- Xiaomi maintained its leadership position, growing by 8.1% year-on-year in 1Q2019. The brand had multiple new launches: the Redmi Note 7 series along with Redmi Go. Xiaomi also continued to dominate the online channel with 48.6% share in 1Q2019.

- Samsung retained second position with a year-on-year decline of 4.8%. The South Korean firm revamped its product strategy by launching its online-exclusive M-series - which raised its online share to 13.5% on the back of the Galaxy M20 - and its offline-exclusive A-series to keep Chinese vendors at bay.

- vivo kept its third position as its shipments doubled year-on-year in 1Q2019, driven primarily by its new flagship V15 Pro and affordable Y91.

- OPPO recaptured the fourth position with year-on-year growth of 9.7% in 1Q2019, backed by new models such as the K1 - the first online-exclusive model for India - and the F11/Pro series, as well as its ongoing affordable A-series.

- Realme dropped to the fifth position in 1Q2019 with the newly launched realme 3 series showing its highest shipments.

Sam Varghese