



Market overview

We are dedicated to emerging markets and committed to building on our success in bringing The Digital Lifestyle™ to our customers in these markets. We see exciting opportunities to continue growing together with the economies and markets that we operate in.

Underpinning our strategy is the knowledge that we operate in a fast-moving, continuously changing industry.

Millicom plays a leading role in connecting people who previously have had no access to the internet, either fixed or mobile. We are enabling them to move swiftly from mainly voice-call and text messaging based services towards new communications primarily based on data, so they can use the internet and access social media while on the move, download and upload photos and videos from their mobile devices, download and play games, and utilize the enormous range of specialist consumer and business applications that can now be accessed at any time and from anywhere.

In the residential market, the range of fixed-line services that customers demand is expanding rapidly beyond telephony and the traditional linear TV viewing model, into a world of high-speed broadband, with all of the two-way capabilities and vast array of information and services on offer.

Market overview – continued

For businesses, both large and small, commercial success increasingly depends on being connected – offering online distribution and sales channels, enabling web-based customer communications and service, and operating business-critical functions in the cloud.

New research by Oxford Economics forecasts that the middle class in our markets will grow by around 5% per annum over the next ten years. This will drive a major increase in demand for digital products and services.

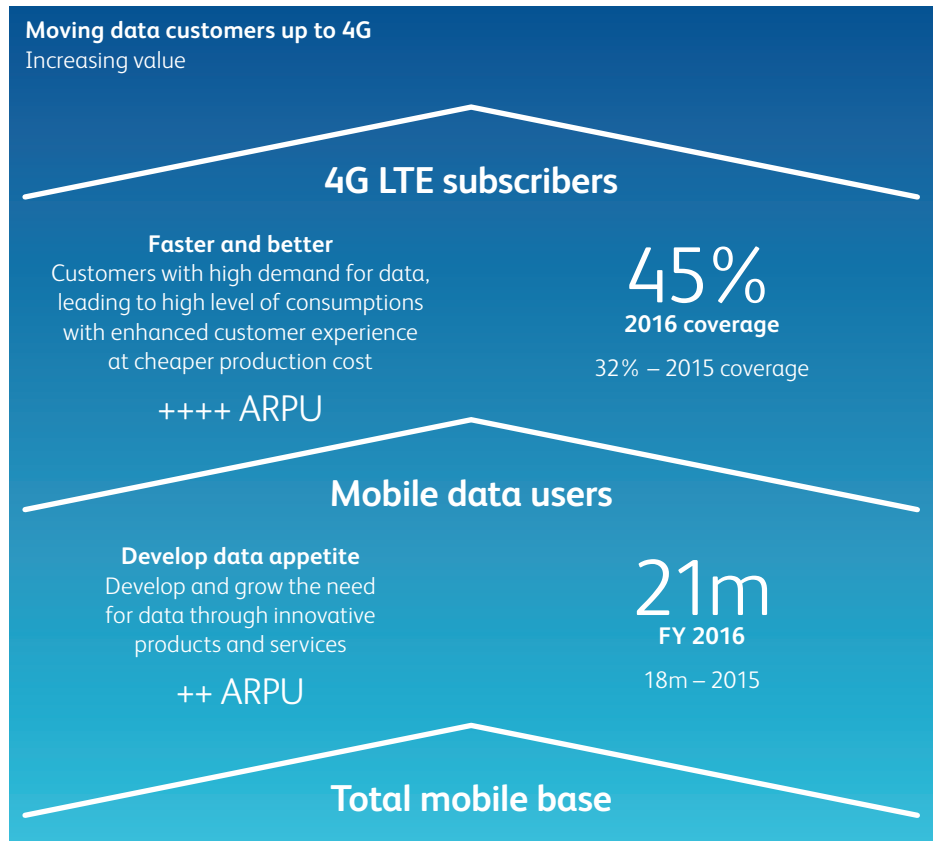
For example, Cisco’s latest index forecasts predict internet traffic growth of more than 5% year-on-year in Latin America between now and 2020, with customers expected to triple the time they spend on mobile devices.

As well as wanting more data, consumers and businesses will increasingly expect the same services to be delivered through all of their terminals and devices, blurring the distinction between fixed-line and mobile data services.

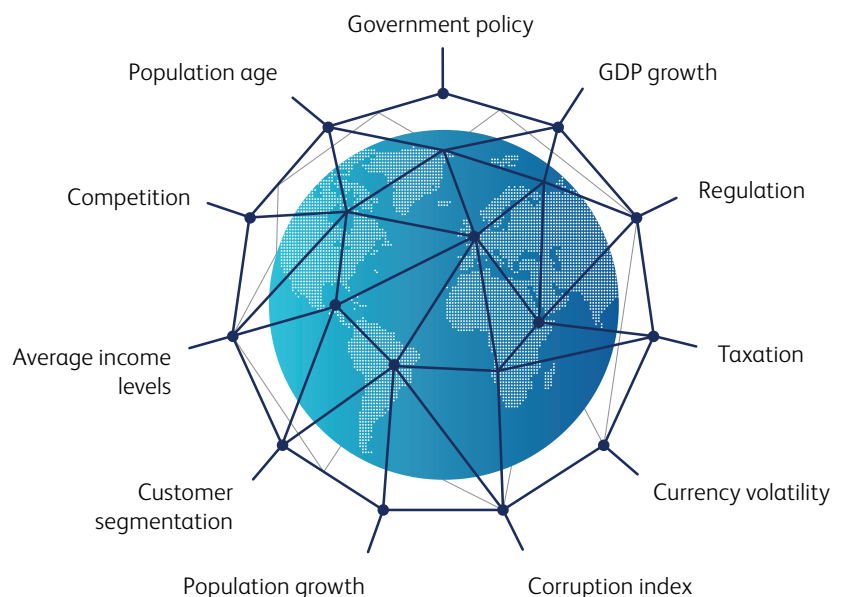
To enable this convergence of fixed and mobile products, we are rapidly expanding our state-of-the-art fixed networks in Latin America, and increasing our broadband and PayTV footprint. We have also created strategic partnerships with a number of global and local digital players to provide relevant content for our customers, including sports, movies and music.


Our work to expand our 4G mobile network, increase smartphone penetration and grow new mobile data and digital revenue streams, is also capitalizing on the rapid adoption of data services.

We have seen a decline in Voice and SMS services, which had an impact on revenues in our Latin American markets. However, our strategy is built around this evolution of data and is fully focused on exploiting the new opportunities presented by the rapid growth of data services.



Our market forces



 [Read more about our strategy see pages 13-24](#)

Market overview – continued

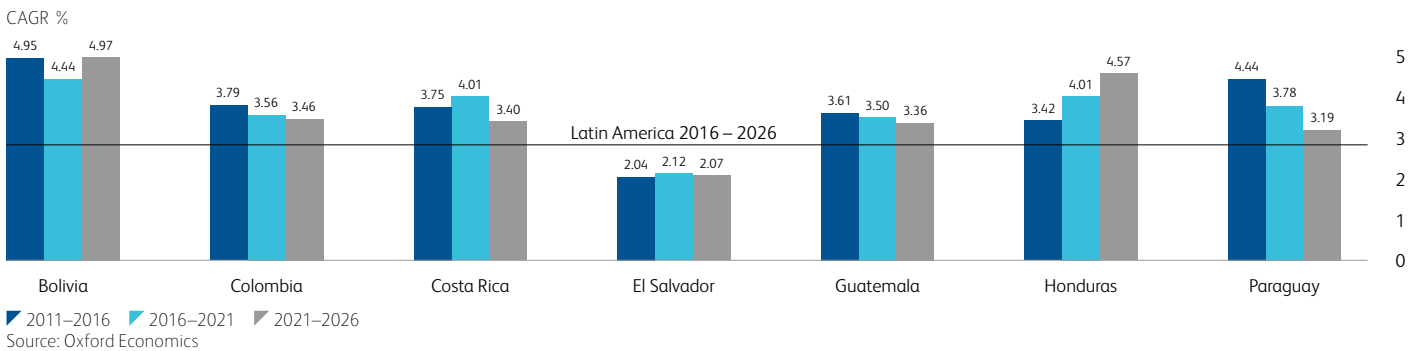
Understanding the macro-economic drivers in Latin America

In 2016, Millicom commissioned Oxford Economics, a leading macro-economic forecaster, to provide a long range review of the growth prospects and economic environments in each of our markets.

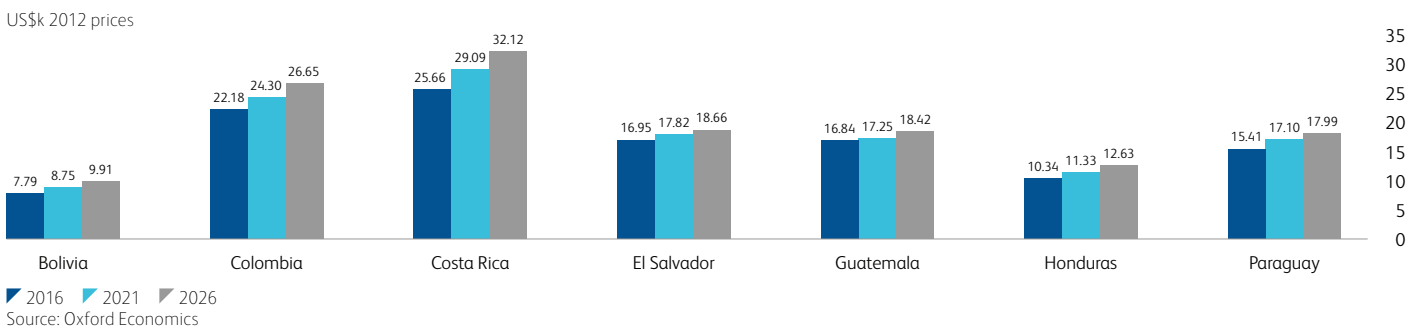


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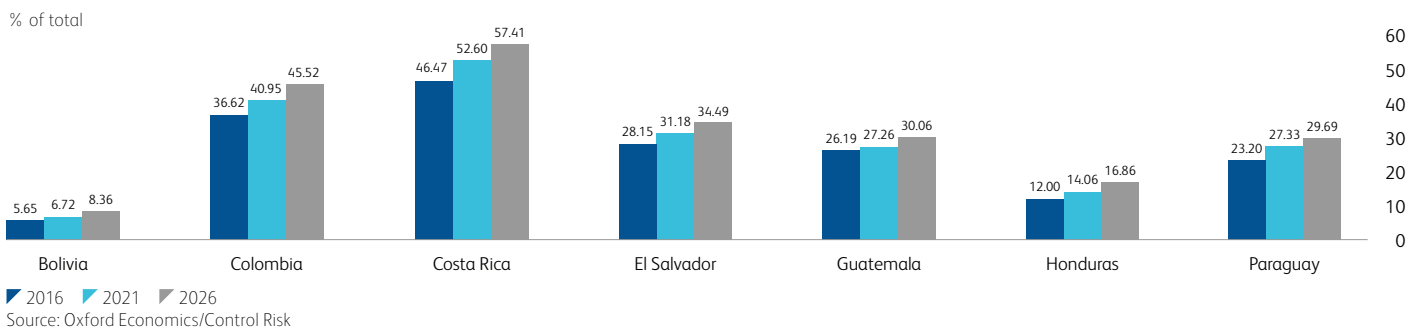
GDP



Average household disposable income



Households with income >\$20k



Market overview – continued

Commodity prices and foreign exchange rates have continued to influence our markets. Other challenges have included managing development in areas of poor security, weak infrastructure, and evolving regulatory requirements. For more detail, see page 45 Regional Review.

The need for differentiation

Competition has become tougher in some of our markets. Here, we have sought to maintain our competitive position by focusing on providing innovative offers across fast, reliable networks, and by leading on significant positive initiatives that reflect our commitment to sustainability and to acting ethically at all times.

Our customer is front and center of everything we do. Our aim is to provide an efficient, first-time-right service that delivers real value.

By building partnerships with major global content developers, we are able to connect our customers to a near-limitless world of audio, video and other online media. By continuing to innovate with our platforms, developing our services and expanding our infrastructure, we can offer better ways to work, shop and play.

This connectivity and the surge in the use of smart devices will continue to open up access to services.

Focused on convergence

Where the convergence of mobile and fixed networks was once largely focused on Voice, over the past few years it has rapidly expanded to include the internet and entertainment. All now must be seamlessly connected at work and at home.

Millicom is building this convergence, often leading the way in terms of access and technology.

As well as improving and expanding our fixed network, we have also invested in building a number of data centers to consolidate and grow our B2B sector. Our cloud technology is already helping to support a diverse range of small and medium-sized businesses, large national corporations, governments and multinationals in our markets.

And through our partnerships with other global businesses, such as Microsoft, we are able to offer best-in-class solutions.

Engaging with regulatory authorities

In much of our footprint, regulation around telecom and digital services – as well as the legal and tax environment – is continuously evolving, creating a level of uncertainty. Issues such as cybersecurity, data privacy, and spectrum allocation are the subject of increasing regulations by policy makers.

Because we believe regulation must strike a balance between investment stimulation and consumer benefit, we take an active role in working closely with governments and policy-making bodies to drive best practice.

Acting responsibly

Our markets and customers are increasingly interested in how we do business and deliver wider value to our communities.

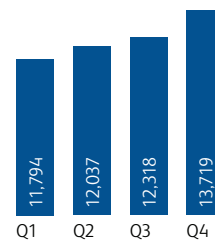
It is Millicom's objective to be a responsible agent for positive change wherever we operate. Being a responsible business is not only the right thing to do, it is central to managing risks in our operating environment and to strengthening trust with customers, investors, employees and other stakeholders.

Our partnership with UNICEF on child online protection and our work on privacy and freedom of expression are fundamental to our corporate responsibility aims, as is our investment in the communities in which we work.

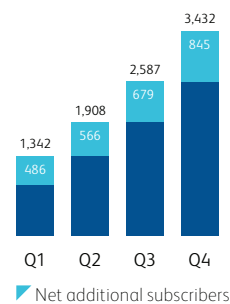
You can read more about our approach and the eight key corporate responsibility issues in Corporate Responsibility Performance Review starting on page 60.

Our customers: moving up the value ladder

Total data subscribers '000



Total 4G subscribers growth '000



Market trends in Latin America and Africa

Latin America

The markets where we operate have higher medium-term growth outlooks than the LatAm average.

Costa Rica, Colombia, El Salvador, Guatemala and Paraguay are all expected to have average household incomes approaching or above US\$20,000 within the next ten years, helping to fuel the growth of the middle class and greater purchasing power.

However, overall GDP growth has slowed in most Latin American countries as the region has been buffeted by weak commodity prices, with many countries having limited scope for policy response.

In the short term, we expect to see continued strengthening of the US dollar against many of the local currencies where we operate, especially those countries with high exposure to commodity prices.

Market overview – continued

Most of our markets offer strong growth potential. Indeed, in B2B specifically, half of our revenues came from Colombia, where we anticipate growth in B2B to continue to exceed average market growth.

We have seen our Voice services decline faster than expected over 2016, but this has been offset by a faster take-up of our digital services.

Our focus on providing accessible, secure digital platforms, channels and ongoing innovation has been key and will continue as a priority in 2017.

In Latin America, we have put great focus on enhancing our network capacity and improving our customer experience. Better customer experience helps boost data consumption and brand perception and hence, our data traffic has increased. Additionally, we have achieved and surpassed our 2016 aim to build and monetize fixed networks, passing over eight million homes.

Africa

In Africa, we operate in five diverse markets, where smartphone and data penetration vary widely. Greater market maturity and more intense competition mean that we have concentrated our focus on attracting high-value customers and on providing better coverage and a reliable network.

Revenue from Voice is still growing in our markets here and so we will continue to capture Voice value as well as driving a trend away from multi-SIMs. At the same time we will monetize data growth and develop our B2B opportunities.

Over the past year, we have invested in network modernization and upgrades across our African footprint. This acceleration program has achieved its aim of simplifying and speeding up the pace of our African operations, creating efficiencies and centers of excellence to drive revenue growth.

On a country-specific level, Ghana showed very positive momentum with a more stable currency and Rwanda and Senegal also delivered strong performances. Chad suffered macro-economic and security issues, and growth was flat. In April 2016, our Democratic Republic of Congo operation was sold to Orange.



Our acceleration program in Africa has achieved its aim of improving revenue growth.”

Our biggest African country by revenue, Tanzania, has also been the one facing the biggest challenges. Growth remains good, but we faced a number of headwinds: aggressive competition from a new mobile operator, as well as changing government policies. However, our strong Tigo brand perception helped us move ahead to become the largest operator by market share.

A key focus in 2017 is to grow market share in B2B and to comply with government regulations to list the business on the local stock exchange. We believe we can play a significant part in the growth of this market in the region.

Connected women

Worldwide, the GSMA estimates that 200 million fewer women than men own a mobile phone in low and middle income countries. Closing this gender gap could unlock up to US\$170 billion globally for the mobile industry before 2020. This is also a great opportunity for Millicom in our markets.

GSMA's Connected Women Initiative is working to help the industry to address the barriers in connecting women and reducing the gender gap in the use of mobile internet and mobile money services.

In July 2016, Millicom became the first operator to commit all its Africa operations to the initiative. Later in the year, Tigo Paraguay became the first operator in Latin America to sign a commitment to reduce the gender gap in its mobile data customer base.

 [Read more here](#)

