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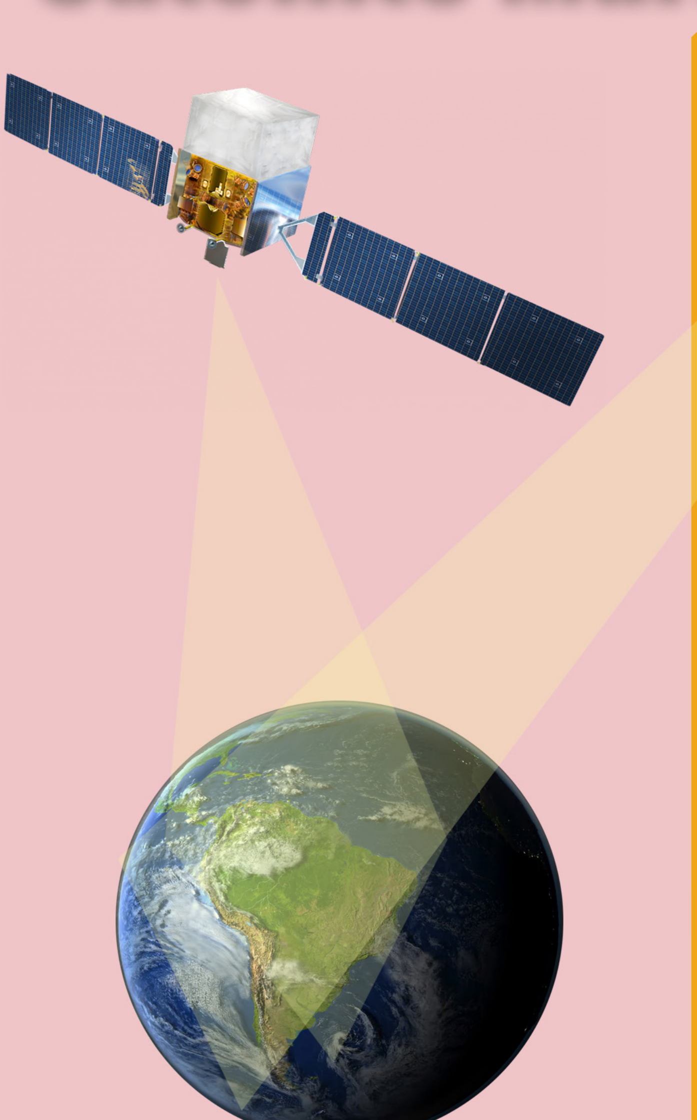
MARKET Briefs

Executive Summaries of Market Trends and Opportunities in Key Market Segments and Regions Worldwide

The Latin American Satellite Market



Latin American Market Trends

by Bernardo Schneiderman

The Satellite Market in Latin America is moving to a new era marked by overcapacity with major satellite operators focusing in the major verticals market to promote growth. The major players are expecting for 2019 with new governments in power in Brazil and Mexico (key major markets for Latin America) a new demand is coming back in all verticals (Residential, Corporation, Government and Defense).

In terms of the economy outlook based in the IMF report Growth in Latin America and the Caribbean is picking up, thanks to a stronger demand at home and favorable Global Environment helped also by rebounding commodity prices. But to secure more durable growth with widespread benefits, the region needs to invest more in key sectors, like infrastructure and education to boost productivity over the longer-term, the IMF said in the latest regional assessment. The Regional Economic Outlook for the Western Hemisphere estimates growth for the region to increase from 1.3 percent in 2017 to 2 percent in 2018. For 2019, the report forecasts growth to continue to pick up to 2.8 percent. Following the recovery in private consumption in 2017, business investment is expected to rise and become the main driver of economic activity, after a three-year contraction. Despite this rebound, investment levels are expected to remain below the levels as seen in other regions, limiting the region's growth potential, according to the report.

Pay TV

Pay TV continues to be a growth area in the Latin american market. Latin American SVOD (subscription video on demand) subscriptions are forecast to reach 51.10 million by 2024; almost double the 27.12 million recorded at end-2018. The top six regional platforms will account for 85% of the region's paying SVOD subscribers by end-2024.

Netflix will remain the largest pan-regional SVOD platform by some distance, with an expected 26.30 million paying subscribers by 2024 – or half the region's total (down from a two-thirds share in 2018).

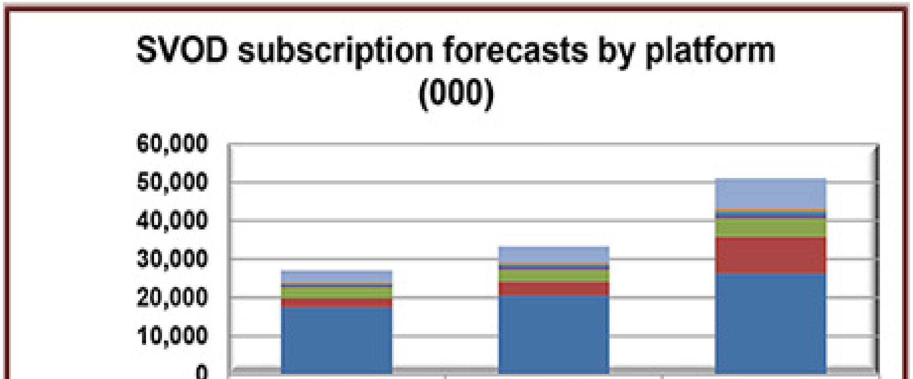
According to Simon Murray, principal analyst at Digital TV Research, the Latin America OTT TV and Video Forecasts report only covers paid-for services. "Several mobile and pay TV operators provide free and limited SVOD platforms to their top paying subscribers. This stifles paid SVOD take-up," he said.

OTT TV episode and movie revenues for 19 Latin American countries will more than double to $8.25 billion in 2024; up from the $3.33 billion recorded in 2018. SVOD will remain the region's largest OTT revenue source; contributing $6 billion by 2024, the report said.

The report also predicts that Brazil will remain the SVOD revenue leader by 2024 – supplying 40% of the regional total. Mexico will provide another 24%, so Brazil and Mexico will together take two-thirds of the region's SVOD revenues by 2024.

Two operators dominate Latin American pay TV. America Movil and DirecTV/Sky accounted for nearly half of the region's pay TV subscribers by end-2018.

Simon Murray, Principal Ana-



	2018	2019	2024
Others	2,985	4,188	7,901
Movistar Play	373	435	573
Blim	441	523	876
HBO	607	785	1,159
Claro Video	2,777	3,166	4,794
Amazon	2,304	3,698	9,494
Netflix	17,631	20,509	26,303

Source: Digital TV Research

lyst at Digital TV Research, said: "DirecTV/Sky had 21.43 million subscribers by end-2018 – or just under 30% of the region's total. The company has increased its base due mainly to the popularity of its prepaid offer. Slow growth will push its count to 22.18 million subs by 2024."

America Movil had 13.69 million pay TV subscribers (mostly under its Claro brand) by end-2018. This is down by 890,000 since end-2016. The operator will lose subscribers again in 2019 before returning to growth from 2020. However, its 2024 total will still be lower than 2016. Although the economic recession waned somewhat in 2017, the pay TV sector is still far from buoyant. The number of pay TV subscribers was flat year-on-year in 2018.

Only about 5 million more pay TV subscribers are expected between 2018 and 2024 – bringing the total to 77 million. Pay TV penetration will not climb beyond the current 44% of TV households.

Brazil lost 2 million pay TV subscribers between 2014 and 2018. Its peak year of 2014 will not be bettered until 2024.

Mexico has more pay TV subscribers than Brazil despite having half as many TV households. However, Mexico has lost subscribers since its peak year of 2016.

Pay TV revenues in Latin America will fall by 2.1% (or US$ 381 million) between 2018 and 2024 to US$ 17.82 billion. Brazil (US$ 5.57 billion in 2024) will remain the top country for pay TV revenues by some distance, followed by Mexico (US$ 3.04 billion) and Argentina (US$ 3.03 billion). However, Brazil's 2024 total will be lower than 2018 and its peak year of 2014.

VSAT Market

Hughes in Brazil maintains the strategy of focusing on the retail market for its satellite broadband service, HughesNet, and plans to increase capacity for that purpose. The company has already announced that in June 2018 it will have a second satellite in partnership with Telesat, using the Telesat 19, which goes up in 2018, to double Ka band capacity in Internet service provision. According to the operator the plan was expanded with a recent contract with another satellite for 2021 and that brings great capacity to Hughes in Brazil, with capacity over 70 Gbps. Hughes Brazil which launched the satellite broadband service to consumers in June 2016, currently has a base of 60 to 65 thousand subscribers. Hughes plan to expand the same services for other countries in Latin America during the next 2 years.

Satellite operator Yahsat is another player in the VSAT market in Brazil. But has adjusted its plans to start acting in Brazilian retail with YahClick, its consumer service via the Ka band. The launch of the AlYah 3 satellite, originally planned for 2017, is due to take place in the first quarter of 2018. As a result, the start of broadband service operations is expected to start in the second quarter. The expectation is that, one month after reaching the orbital position 20º West, the satellite can already begin to do the alpha and beta tests.

The satellite with 58 spot-beams covering 95% of the Brazilian population, with a total of 50 GB capacity: 30 GB for Africa, 20 GB for Brazil. Since joining the Brazilian market in mid-2014, Yahsat has invested US $ 200 million in the country. The amount includes the auction of the orbital position, SATELLITE Markets & Research

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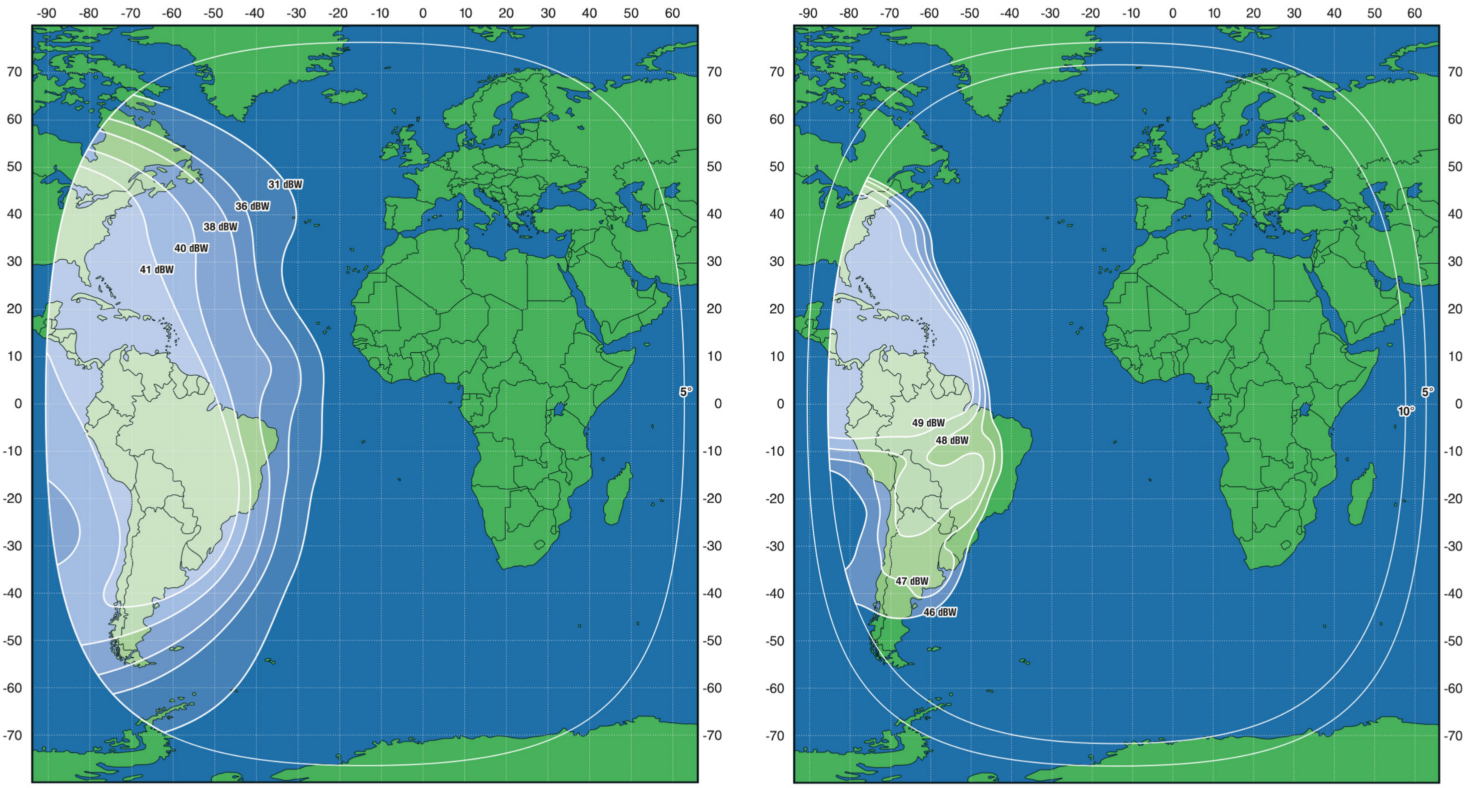

The Russian Satellite Communications Company's (RSCC) Express-AM8 satellite has very goods coverage in both C– and Ku-Band of the Americas including all of South America.

VSATs, land gateway and positive launch.

Backhaul Market

Satellite operators see opportunities in the backhaul market, whether for the need for off-site telephones for 3G and 4G antennas, or for retail broadband. The industry recognizes that there is currently a "bandwidth" overcapacity with the increasing supply of high throughput satellites (HTS). The bet is that soon will be justified by the increase in demand. The theme was discussed at the Latin American Satellite Congress last September in Rio de Janeiro, Brazil

For the commercial director of Intelsat, Márcio Brazil, the demand will arrive as the economic crisis cools. "We will resume and we will be prepared to meet the needs, we expect a very large demand from mobile operators, which is sure to grow a lot due to the need for coverage obligations," he says. With HTS satellites, it expects to reach capacity and cost "very close" to those offered by terrestrial infrastructure. "This will increase satellite demand, and that traffic is getting bigger and bigger," he says, stating that the numbers are "astronomical" for the demanded megabit capacity. "In a few years, this will show that carriers were right to make investment."

As part of Embratel and the América Móvil group, StarOne sees the provision of satellite backhaul mobile capacity as a priority route. The company has recently announced a new satellite, the D2, which will be in the 70-degree position and will have capacity in the bands C, Ku, Ka and X. The president of the operator, Gustavo Silbert said Claro will already occupy much of the D2's capacity, but Silbert points out that all satellites always have part of the capacity sold to third parties as well.

The director of Hispamar, Sérgio Chaves, estimates that satellite backhaul is expected to double in five years, also on account of residential broadband. "We believe that, despite everything, it has demand," he says. The operator launched Amazonas 5 for the broadband market last November, but he points out that it will not go

Interview with Andrey Kirillovich
Director of Integration Services and Projects, RSCC

How do you see the Latin American satellite market in the next few years?

Latin America traditionally has been heavily used satellites in communications and broadcasting for decades. Difficult terrain, a lot of mountains and remote settlements are good reasons for implementation of satcom applications all across the region: in the mountains of Peru, jungles of Brazil or on distant islands spread across Caribbean Sea. That is why the demand for satellite services will continue to be strong. With more focus on the fast growing Ku/Ka multibeam HTS offerings, but traditional wide beam C/Ku band applications will still play a pivotal role in providing telecom infrastructure. C-band will continue to be an important part of connectivity in the region by providing video distribution, cellular backhaul and trunking links to tropical regions. As well as in energy, mining and mobility verticals. While Ku will prevail in enterprise data, non-tropical cell backhaul, maritime, DTH and government digital inclusion programs. Emerging vertical market of residential users (Ka-band consumer broadband access) may face some problems in maintaining high growth rate, after saturation of high-end market segment.

What market segments (ie. telecom companies, vsat providers, etc) are you targeting in Latin America and what unique service proposition do offer each of these market segments?

Latin America is a market with a high entry ticket for new players. The market is quite mature, with a few dominated players and strong national satellite plays in some countries. All new entrants are targeting specific niche markets or verticals (consumer broadband, trans-Atlantic connectivity, mobility, and etc.). Russian Satellite Communications Company (RSCC) has got a fleet of a dozen GEO satellites operated in C-, Ku- and Ka- bands with almost global coverage, customers in 55 countries and 50% of revenue coming from international sales. In Latin America our prime asset is Express-AM8 satellite located in 14 West orbital slot. Launched in the end of 2015 this bird is designed to provide video distribution, occasional use, IP trunking and cellular backhaul services, as well as corporate VSAT and mobility applications in EMEA, across the Atlantics and in Latin America. Footprints and location make Express-AM8 a perfect tool for covering events from both sides of Atlantics: in North and South Americas, as well as in EMEA region. Satellite was heavily used in summer 2018 by South American broadcasters for delivering the feeds from FIFA World Cup in Russia to Peru, Columbia and other countries in South America. On the opposite European broadcasters used Express-AM8 for covering the recent G20 summit in Buenos Aires (Argentina) in the end of 2018. Besides that Express-AM8 has got a strong value proposition for Latin American Telcos and Mobile network operators for trunking and backhaul applications.

What are RSCC's plans for the Latin American region?

RSCC has been working steadily on expanding the presence in the region. Besides events coverage we are already providing services in Latin America for maritime, broadcasting and enterprise VSAT applications, both for international and local customers. In second half of 2018 RSCC obtained a license for Express-AM8 satellite to operate in Brazil in C- and Ku-bands from local regulator - Anatel. So now we are working on expanding our customer base by acquiring Brazilian customers. Our future plans include further expansion across the region and verticals by direct sales, partnerships or turnkey project implementations. Right now we are working on various business models with selected partners in the region, but we are open to any kind of cooperation with regional telecom and media players.

directly to the final consumer.

"The backhaul market has enormous potential," says SES VP of Marketing for Latin America, Jurandir Pitsch. "When you reach a price limit that is compatible with the market needs, the demand for the Internet will be very high and in Brazil there is a lack of infrastructure in the North and Northeast.

With more focus on the fast growing Ku/Ka multibeam HTS offerings, but traditional wide beam C/Ku band applications will still play a pivotal role in providing telecom infrastructure. C-band will continue to be an important part of connectivity in the region by providing video distribution, cellular backhaul and trunking links to tropical regions," Andrey Kirillovich Director of Integration Services and Projects, RSCC.

Broadband

The Latin America broadband industry is heading into 2019 with positive headwinds. Demand for convergent services and economic recovery in larger markets should drive industry growth in 2019. The big caveat is the economy, with external shocks threatening to decelerate economic growth. Amid this environment, we expect the M&A market to remain active, with transactions in Mexico and Central America highly likely. New virtual multichannel, satellite broadband and IPTV services should also gain a foothold in the region according to S&P Global Market Intelligence.

Satellite operators see opportunities in cellular backhaul in Latin America, among others.

Pay TV and broadband growth trend strengthens in 2019

Kagan estimates Latin America's multichannel and broadband subscriber bases should expand during 2019, with broadband net adds projected to be almost double those of multichannel.

Conclusion

Not without its challenges, the Latin American satellite market is still full of potential and will be a key market for the satellite industry in the years to come. It is estimated by various research companies that the Latin America satellite market will grow at nearly 10 percent per annum in the next decade. The opportunities for growth are in key verticals like briadband access, cellular backhaul and mobility markets, among others.

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Russian Satellite Communications Company

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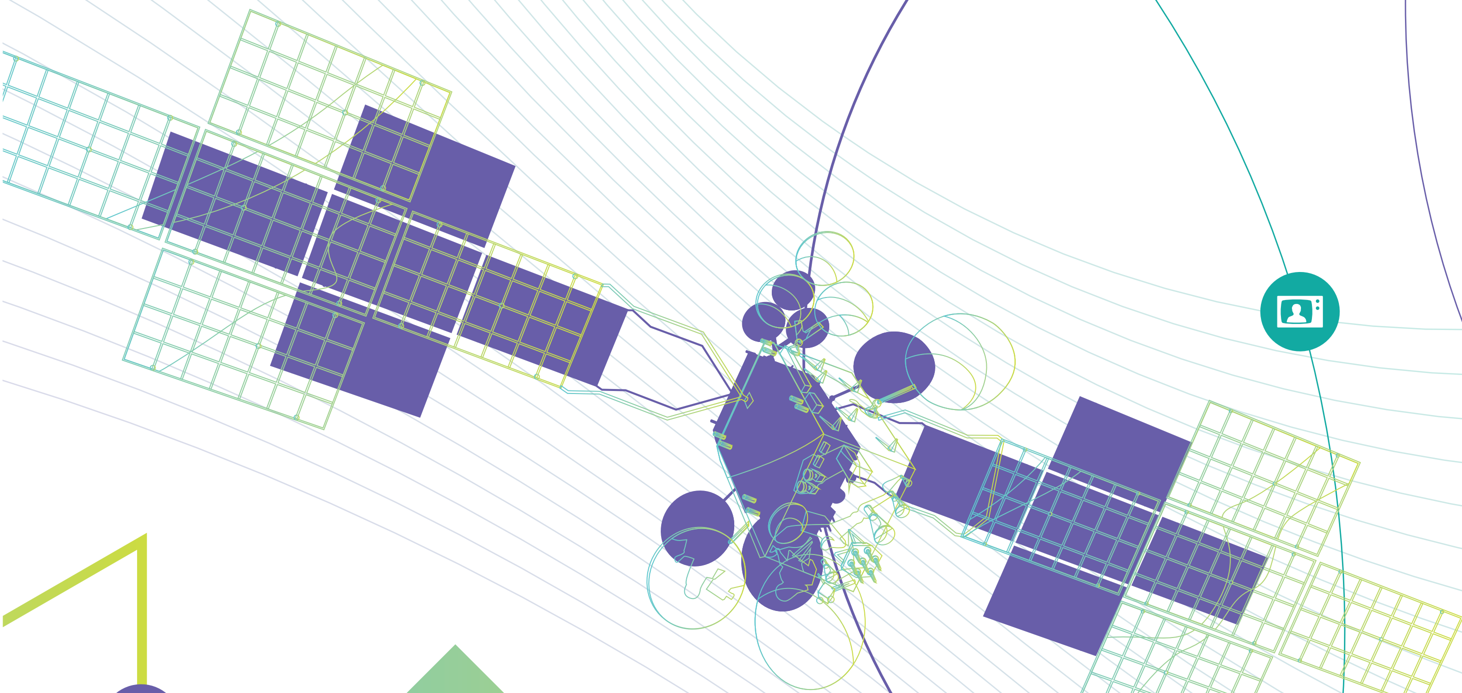

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