

9 KEY TAKE-AWAYS FROM capacity

LATAM 2020

DRIVING FUTURE CONNECTIVITY IN LATIN AMERICA



I. INTRODUCTION

During the last 10 years, the public and private sectors across Latin America have boosted investment on digital infrastructure to bridge the connectivity gap and accelerate digital transformation. Latin America is a region that continues to rise in global prominence and with a population of over 600 million, the region offers telecommunication companies significant opportunities to grow and expand. Over the last 17 years, **Capacity LATAM** has brought together C-level leaders and their teams to discuss the latest trends in the market, new investments and successful business models. This year was no exception and with over 35 speakers, the event featured a whole host of information about the direction the industry is heading.

In this whitepaper, we bring you the 10 key take-aways from **Capacity LATAM 2020**. From new subsea routes to data centre outages and digital transformation, we will cover the main drivers of conversation during the event this March.

We do hope you enjoy this and find it as insightful as many of our attendees did.

Best regards,

Ivan Suarez

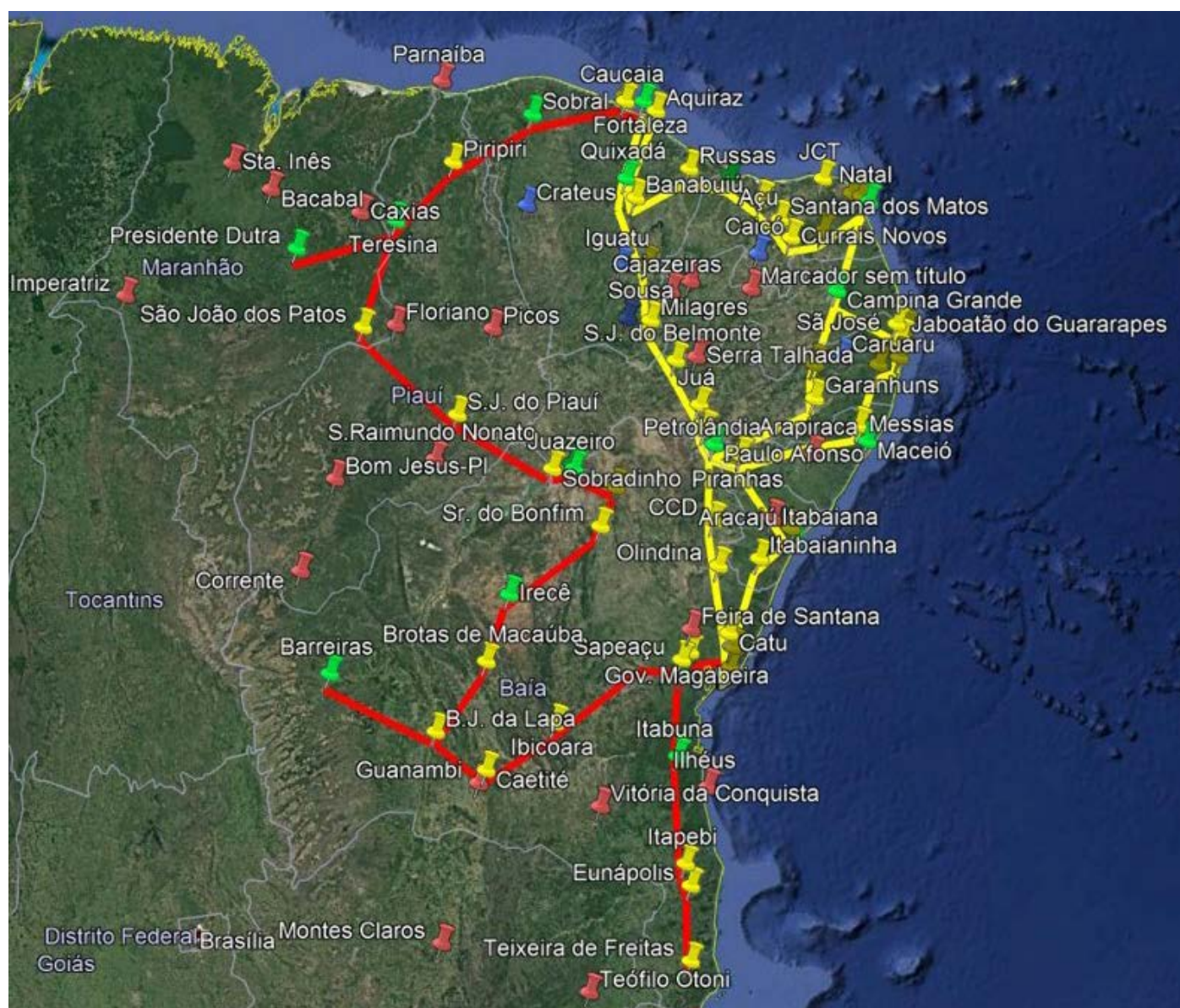
Content Manager

CAPACITY MEDIA



1. Digital transformation and telecommunications in Brazil

Future initiatives include: Connected North and Connected Northeast. Connected North includes backbone deployment in the Amazon region, with an expectation of 4,959 km of fibre optic cable. Connected Northeast includes fibre optic infrastructure activation in the Northeast of 100Gbps, with the coverage reaching 16 cities in addition to 67 cities reachable through partners.



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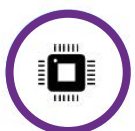
Connected North

2. Paulo Spaccaquerche, President, Brazilian IoT Association round up

IoT is already a reality, as there are already more than 15 billion things or objects connected on the planet. In terms of technology, the different types of devices and sensors can be highlighted, which have the potential to create a large electro-electronic industry in the world; telecommunications networks, including the new data transmission networks - LPWANs; software running on cloud servers, Applications, Big Data, Analytics, Artificial Intelligence and Blockchain.

LPWAN networks, like Sigfox and LoRa, are growing rapidly in several countries and market segments. In the second half of 2019, 5G was in 32 countries with +50 operators for various devices. There were four chipsets available: Qualcomm, Samsung, Mediatek and Huawei.

In regards to connectivity in Brazil, there is still a lot of solution that needs to migrate from 2G, according to Spaccaquerche.



Hardware



Connectivity
Networks



Cloud



Data
Analytics



Artificial
Intelligence



Corporation



House



Car



Industrial



Cities

Source: IoT Brazil

3. EllaLink's new route revolution

A diverse geographical route bringing up to 50% latency reduction between Latin America and Europe with direct City-to-City connectivity. EllaLink revealed that in regards to its turnkey construction contract with Alcatel Submarine Networks, its network construction progression is 60%.

The company said that four cable faults are present in the vicinity of the CRS route – all attributed to fishing activity and are around 1,300m WD. EllaLink route has been selected to avoid cable crossing and ensure proper and uninterrupted burial until 1500m WD is reached. Its Sines CLS on 10,000m² of land is ready to accommodate other CLS.



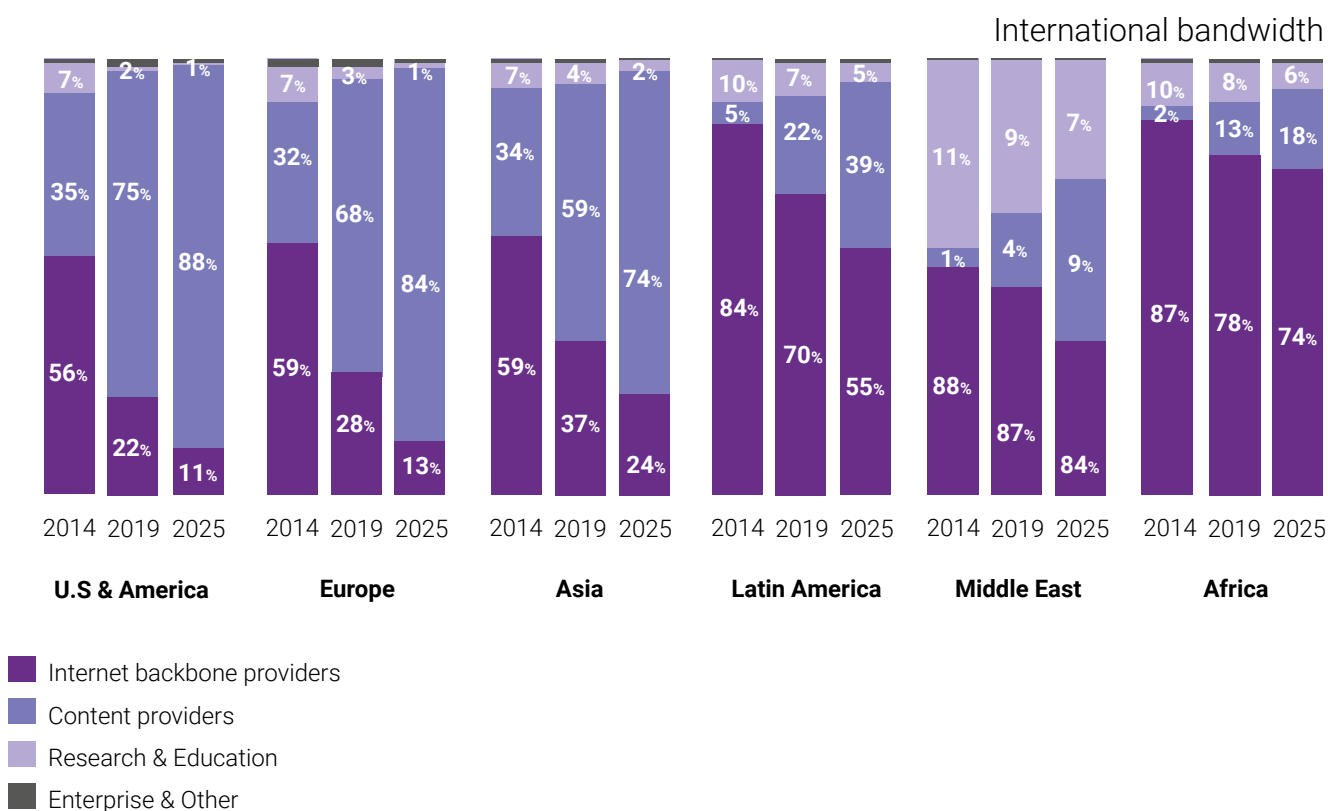
Source: EllaLink

4. Key drivers for growth in the LATAM market for 2020

Global telecom investment estimated at \$382 billion in 2019 according to the Economic Intelligence Unit. Ariana Batori, Global Broadband Lead / Investment Officer, International Finance Corporation said that the Latin American telecoms sector is attractive overall, but is still significantly unequal between countries.

Content providers are key drivers of international bandwidth growth, and the internet penetration in Latin America is at par with the global average, despite the usage of household broadband being low. She highlighted that operators continue to invest heavily in the deployment of 4G, and 5G is on the horizon in the region, but it is trailing behind the adoption from other countries. Growth in IoT is being driven by smart home and smart building applications, and Latin America is set to represent 5% of global connections by 2025.

Content providers are key drivers of international bandwidth growth - Regional Comparison



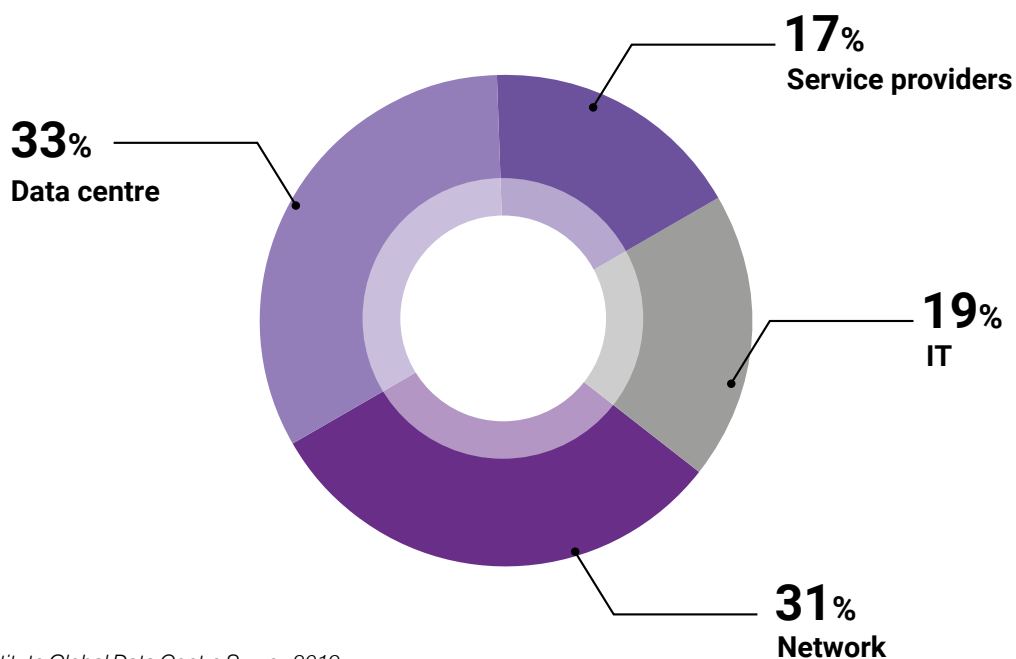
Source: TeleGeography

5. Data centre outages

Uptime Institute revealed that its mission requires expanding its vision, because IT now uses many more places of execution. Organisations struggle with service disruptions with different root causes. The Uptime Institute accompanies organisations on their journey to create measurable and resilient digital infrastructure.

Most organisations do not evaluate the delivery of services that cover digital infrastructure; instead, focus on the quality of each discrete component or rely on SLAs as a base, according to the company.

Root cause of outages 2019



Source: Uptime Institute Global Data Centre Survey 2019

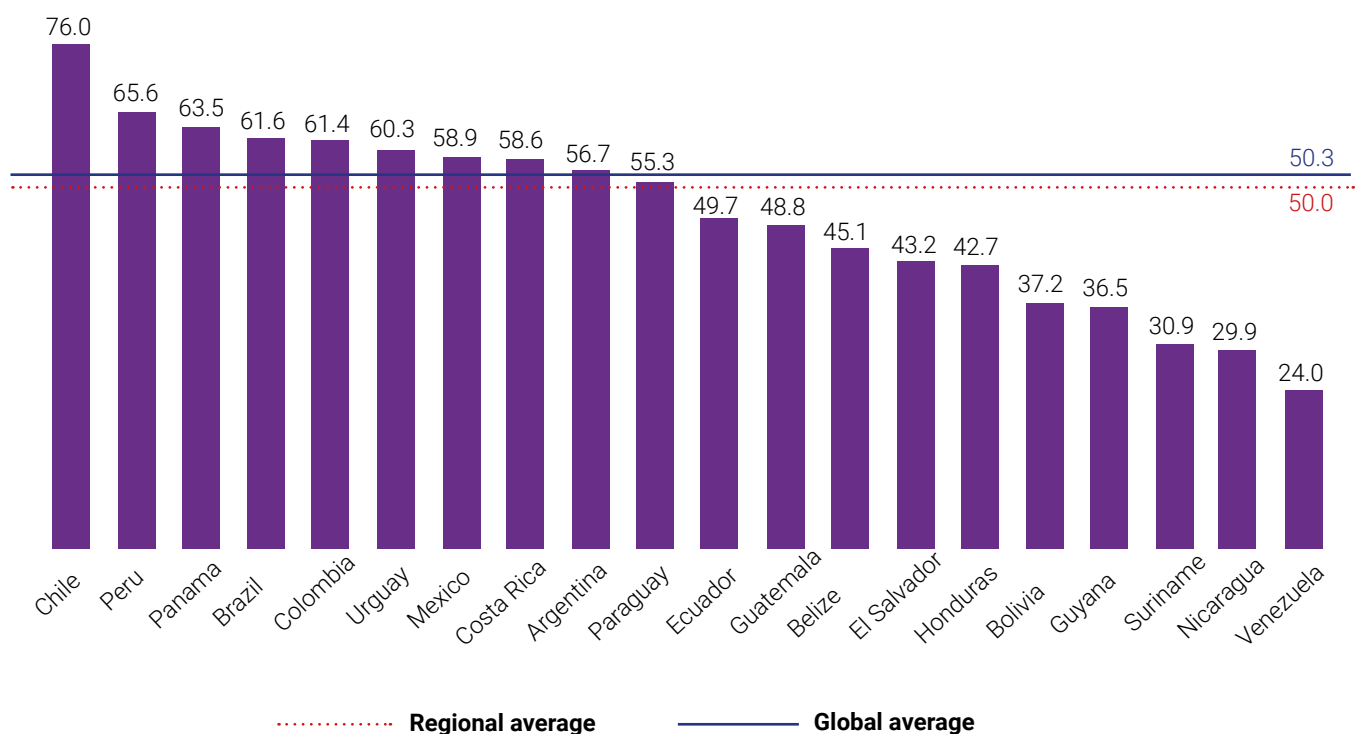


6. IFC investment outlook

Investment in Latin America is actually led in terms of risk by Chile, Peru and Uruguay which present themselves as suitable destinations to deploy capital in Telecommunications. Nevertheless, in terms of volumes Brazil remains the most profitable destination for investors. The projection is that by 2025 investment in OTTs will be paired with telecoms and IT infrastructure, leaving behind some backbone needs. This is expected across the continent. From our end, and servicing this trend, we will be hosting a collocated platform for datacentres hosted by BroadGroup world's leading brand for Cloud, Edge and DC Infrastructure.

Latin America telecom sector attractive overall, but unequal between countries

Fitch Latin America Telecommunications Risk/Reward Index



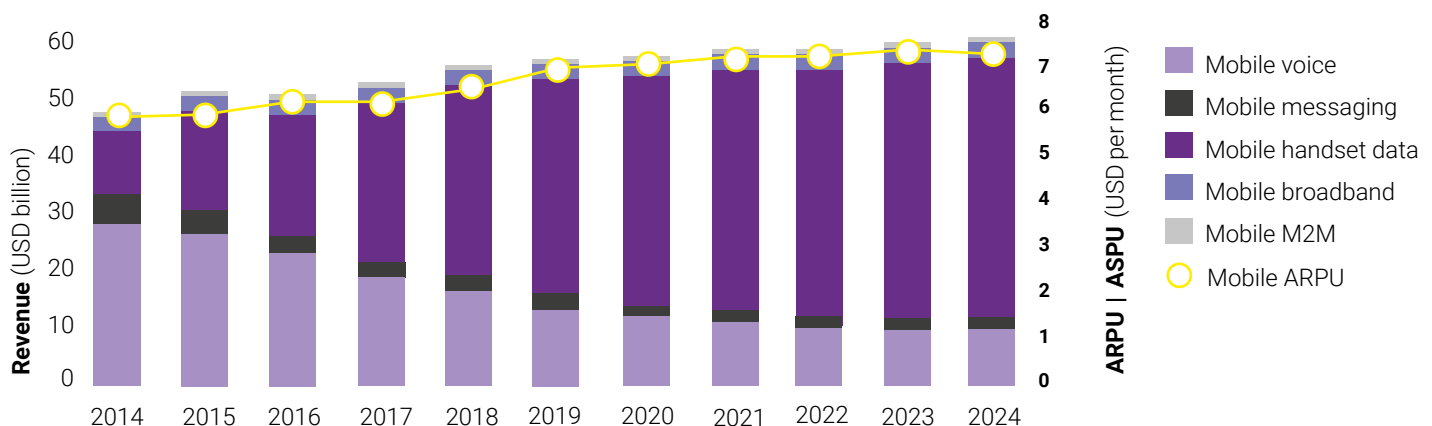
Source: Fitch

7. Boosting the consumer-base

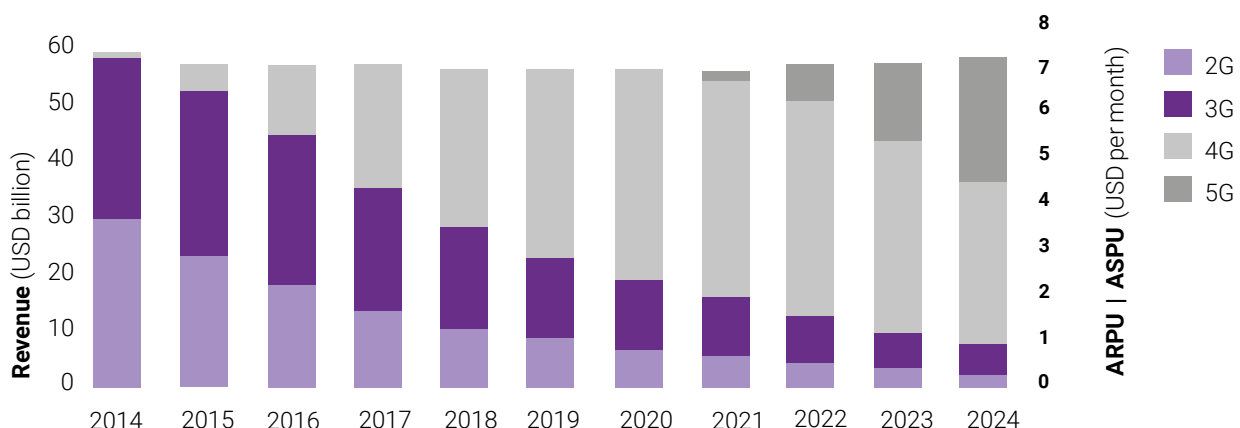
Brazil has improved its connectivity penetration for businesses, and that is great news for servicing companies that can maximize the outreach to provide IT solutions. Yet only 30 to 40% of users has access to the internet. With businesses demanding faster and more reliable connectivity, a debate took place: should the market really focus on rolling-out 5G development rather than pushing 4G roll-out further for the consumer-base. The latter is argued to be a key condition for further consumption online and digitalization of the economy, in a market where the problem is not necessarily the cost of connecting, but whether the outreach has expanded to certain regions.

In LATAM, the telecoms retail revenue growth is expected to reduce in the next 4 years, being sustained by data services

Telecoms retail revenue by mobile service type, and mobile ARPU, Latin America, 2014 - 2024



Telecoms retail revenue and growth rate by service type, Latin America, 2014 - 2024



Source: Analysys Mason; excludes IoT

8. M&A revolution for ISPs

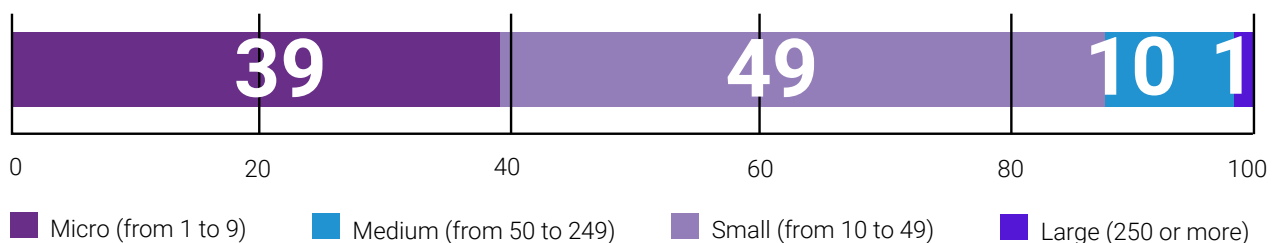
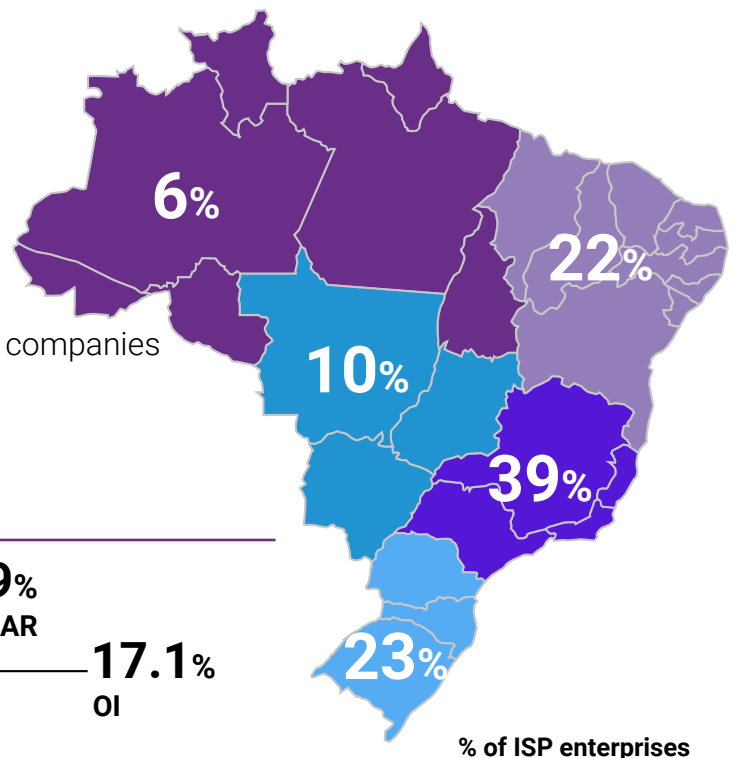
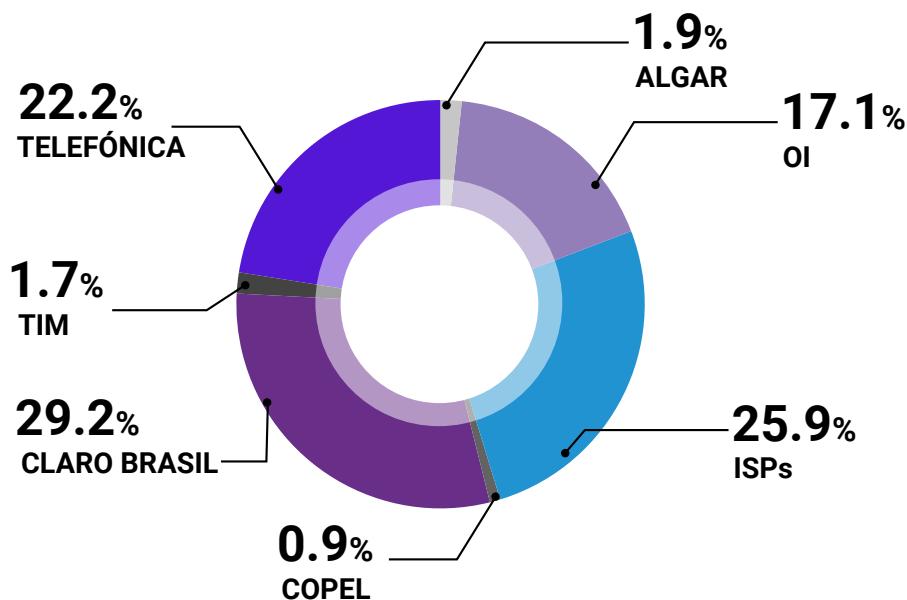
It is well known that most ISPs in Brazil are either international giants such as Telefonica or local players (regional Brazilian). However, this structure will be challenged – during Capacity LATAM a prediction was made: all other factors remaining equal, which is seldom the case in Brazil, 2021 would be the playground for a M&A wave from international players and local in the largest Latin American market. In September 2019, approximately 175,000 new contracts for broadband use were signed, opening access for more than 32,000 users and regional ISPs benefited the most from it.

Internet service providers in Brazil

39% of the ISP are in the Southeast region of Brazil

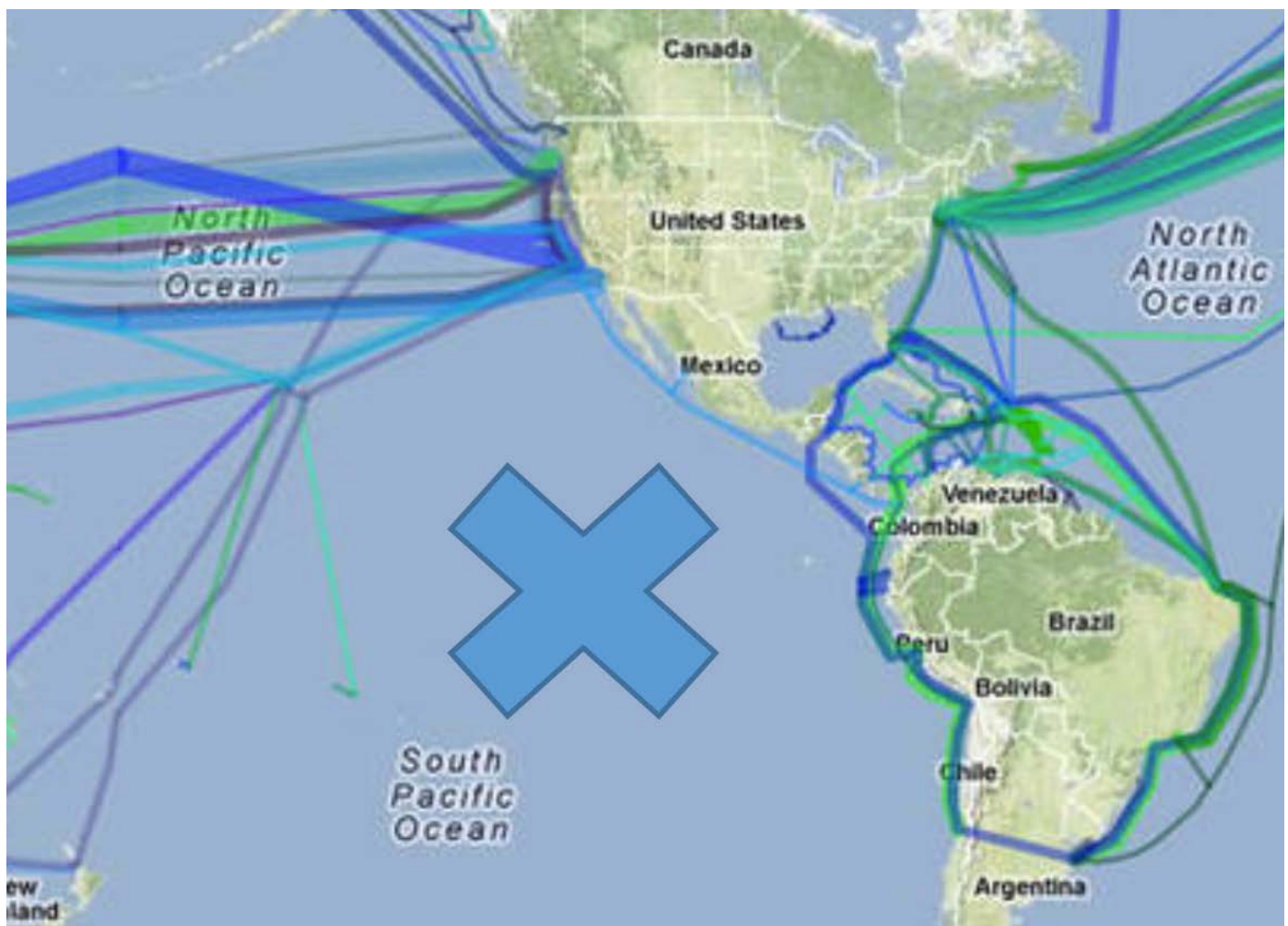
88% of the ISP in Brazil are micro or small companies (1 to 49 persons employed)

Market share - set/19



9. Connecting Chile and Asia

Huawei submarine has the ambition of connecting Asia and Latin America, they reiterated their commitment and explained the viability at Capacity LATAM. Whether the Government of Chile – the country where the cable will land – is reviewing the bid at this stage is still unknown, but Huawei's advocacy has been strongly since last year when the company suggested the Government moves its operations to their cloud. For this, the company opened a data centre in Santiago de Chile, late in 2019, investing more than USD 100 million.



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