

2024 Trends to Watch: Service Providers Markets in Latin America and the Caribbean

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Contents

- Omdia view
- Key messages
 - 2024 will be the 5G acceleration year in Latin America
 - Fiber will be the telco growth engine in Latin America beyond Brazil
 - New infrastructure companies will bring a new dynamic to the market in Latin America
- Key recommendations

Key messages

1

In Latin America, 2024 will be the 5G acceleration year.

Argentina, Colombia, and other markets will launch 5G, while more advanced countries like Brazil, Mexico, and Chile will accelerate 5G adoption. Focus on the enterprise sector will be crucial for 5G's success, so operators must become more sophisticated in their sales approach and develop an ecosystem.

Source: Omdia

2

Fiber will be the telco growth engine in Latin America beyond Brazil.

Brazil will remain the largest fiber market in the region. However, after several years of adding more FTTH connections than all other markets combined, net additions (adds) from different parts of Latin America will surpass Brazil. That indicates Latin America will have a more balanced fiber market.

3

New infrastructure companies and partnerships will instill new competitiveness.

Creating these new wholesalers is changing the dynamics of the telecoms markets in Latin America. Once the new fiber company is established, the "monopoly" telcos had on the fiber network is over. Thus, it can accelerate the FTTH broadband market in Latin America by opening access to new players.

4

Some markets have yet to get back to pre-pandemic revenue levels, those will struggle to invest.

Some Latin American markets still have revenues below 2020 levels, indicating they have yet to recover from the impact of the pandemic.

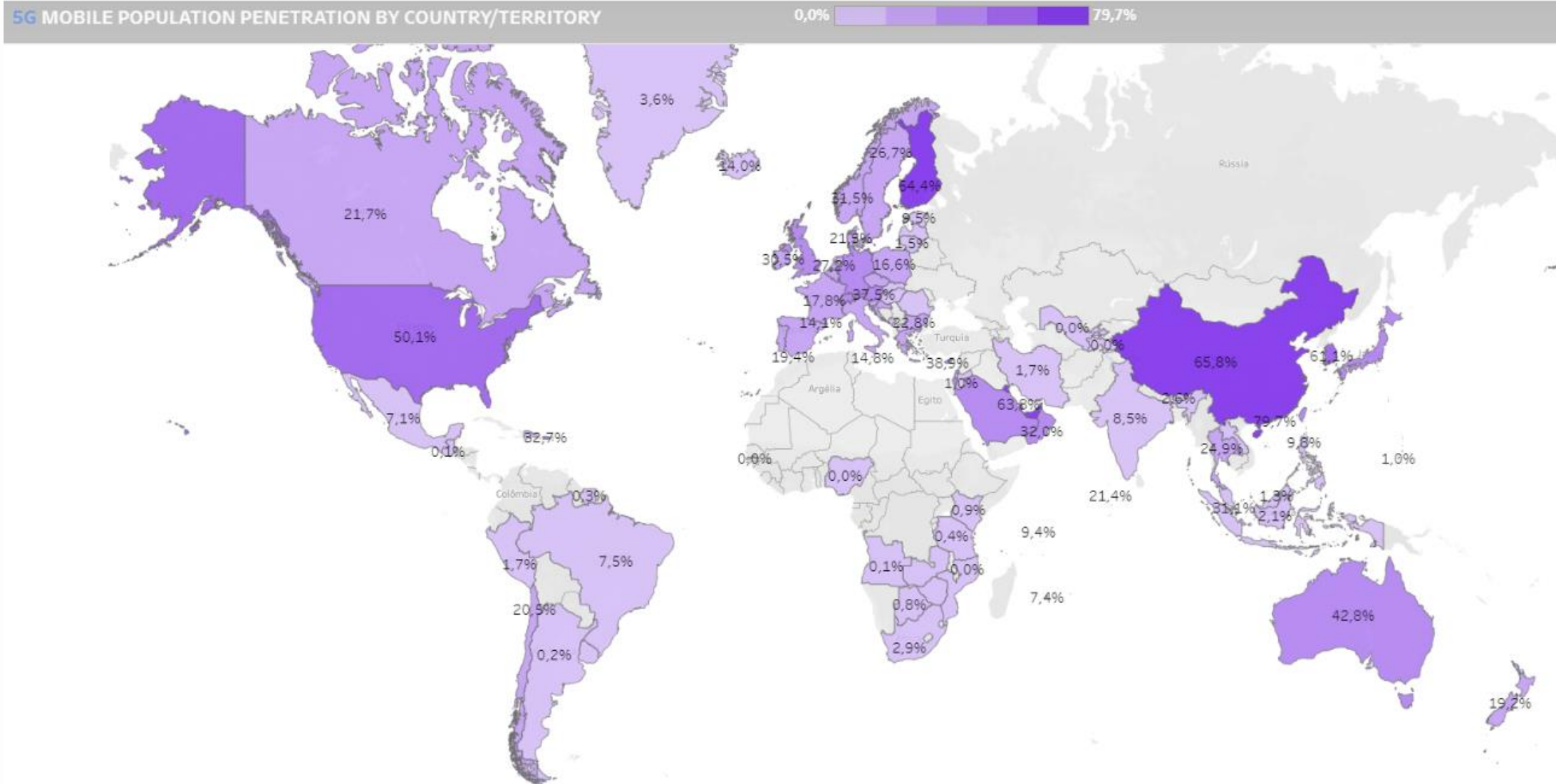
Operators in these markets will find difficulties in justifying CAPEX budgets for services like fiber broadband and 5G.

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2024 will be the 5G acceleration year in Latin America

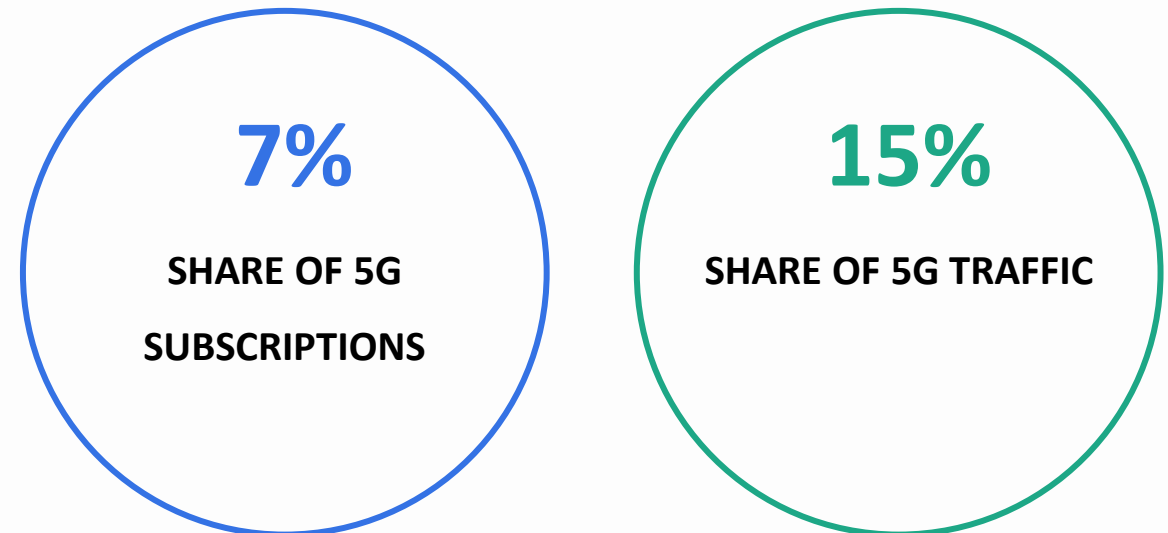
5G population penetration rate by country in 3Q23



5G will be available in most Latin American markets in 2024

- 5G launches have so far mainly been in advanced markets. Varying in adoption, Chile, Brazil, and other markets are the leaders. Regulators are speeding up spectrum auctions or spectrum authorizations (with available spectrum). In 2024, most Latin American markets will have 5G, while operators will continue to expand their networks in the main Latin American markets.
- By the end of 2023 and 2024, Omdia foresees launches in Argentina, Colombia, Costa Rica, among other markets. Omdia estimates that by the end of 2024, most Latin American markets will have 5G networks.
- In 2024, Omdia estimates that 7% of total connections in the region will be 5G and will generate 15% of total mobile network traffic. In more advanced countries like Chile or Brazil, 5G subscribers are forecast to be roughly 30% and 21%, respectively.
- Thanks to India's and China's growth, a key enabler of 5G adoption is the low-cost 5G smartphones. By 2Q23, 5G smartphones already accounted for more than 65% of total global shipments
- FWA is still a niche but interesting market, particularly for B2B (branches) and certain geographic areas.

5G forecast in Latin America 2024




5G will start to gain relevance and scale in Latin America in 2024.

5G markets: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Suriname, Trinidad & Tobago, US Virgin Islands, Uruguay, Venezuela

Source: Omdia

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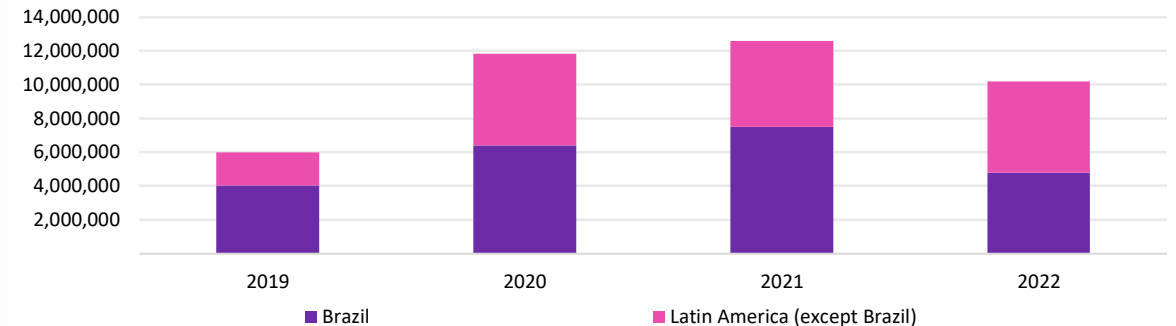


Fiber will be the telco growth engine in Latin America beyond Brazil

New momentum for fiber in Latin America beyond Brazil; growth in other markets will compensate for the decline in growth rates in Brazil

- Latin American markets have been among the world's fastest-growing fiber markets; Brazil and Mexico, for instance, are among the top 10 countries by total fiber net adds. These two markets are on a favorable dynamic, combining high growth rates and relatively low penetration rates.
- Growth has remained high during the last few years in Latin America, but there is concern that the growth rate is reducing. Fiber broadband net adds declined in 2022, from 12.6 million in 2021 to 10.2 million in 2022. Brazil's slowdown was the main reason behind this trend. Brazil moved from 7.5 million adds in 2021 to 4.8 million in 2022, a 36% reduction in net adds. In the rest of Latin America, fiber net adds have maintained stable growth of roughly 5 million yearly net adds for the last three years.
- Entrants and smaller ISPs are driving fiber growth. In Latin America (excluding Brazil), smaller ISPs account for less than half of fiber net adds but are gaining relevance.
- Thanks to incumbents' unwillingness to invest outside the largest urban areas, it was possible for new entrants to be very successful in the region, but incumbents are starting to catch up.

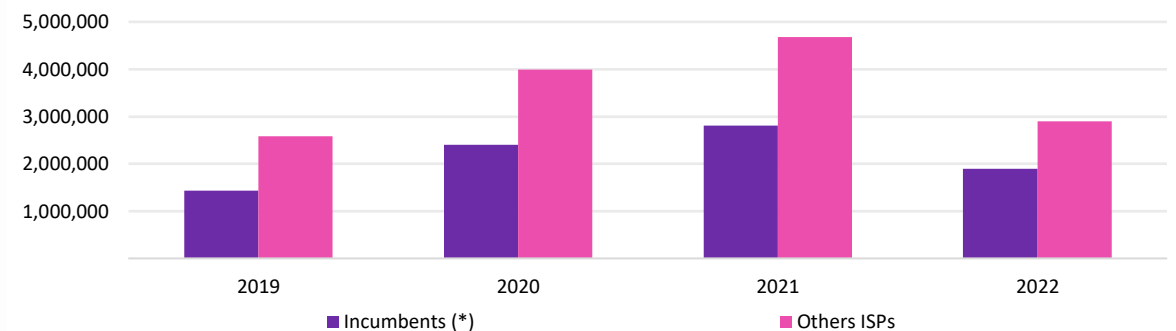
Latin America fiber broadband net adds (2019–22)



Source: Omdia

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Latin America fiber broadband net adds (except Brazil) (2019–22)



Source: Omdia

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**New infracos will bring a
new dynamic to the
market in Latin America**

Fiber wholesalers will bring a new dynamic to the telecoms market in Latin America

- **Creating these new wholesalers is changing the dynamics of the telecoms markets in Latin America.** Once the new fiber company is created, the “monopoly” the telco had on fiber network is over. To maximize its ROI in the infrastructure, the wholesaler offers that network to the broader market. Thus, it can potentially accelerate the FTTH broadband market in Latin America by opening access to the fiber network.
- **For the incumbents, the name of the game is differentiation.** Having granted favorable conditions as anchor customers to the new wholesalers, incumbent telcos will have a head start against the new tenants of these networks. However, in the end, any new tenant will have access to the same network the incumbent used to have when it was the sole owner of the fiber network. Therefore, the network will no longer be the source of differentiation to incumbents. Instead, they will need to concentrate on customer experience.
- **The wholesalers will share the responsibility for building new fiber networks.** Virtually all new wholesalers plan to expand their fiber networks. Going forward, they will be important in the discussions about fiber expansion in Latin America. In Brazil, for instance, these wholesalers are already responsible for 18% of fiber broadband connections.
- **Fiber wholesalers will quickly open the market for new entrants, but the window of opportunity will close relatively soon.** Fiber wholesalers in Brazil demand tenants agree with occupancy ratios between 20% and 25%. That favors the first tenants and will complicate business cases for third or fourth entrants. If that model persists and more companies adopt it, it is possible to predict that the market will witness fast growth in the first years of these wholesalers, quickly followed by a relatively stable growth rate.

New infrastructure companies will still be consolidating their businesses in 2024

Network	Country	Seller	Acquirer	Stake acquired	Date of deal	Deal (\$)	Homes passed
On Net Fibra	Chile	Telefónica	KKR	60%	July 2021	\$1bn	3.7m
On Net Fibra	Colombia	Telefónica	KKR	60%	January 2022		2.4m (1.2m in 2022)
Telefónica	Argentina	N/A (not a sale, strictly infrastructure sharing deal)	N/A (deals with: SION, Metrotel and Iplan)	N/A	August 2021, October 2022, March 2023	-	-
Entel Fiber	Chile	Entel	On Net Fibra	100%	October 2022 (announced)	\$358m	1.2m
I-Systems	Brazil	TIM Brasil	IHS Towers	51%	November 2021	\$295.7m	6.4m
V.tal	Brazil	Oi	BTG Pactual	Initial stake: 57.9% Current stake: 65.27%	May 2022	\$2.6bn	16m (18m by 3Q22)
FiBrasil	Brazil	Telefónica	CDPQ	50%	July 2021	\$306m	1.6m (3.3m by 3Q22)
PangeaCo (TEF), Telefónica, Entel	Peru	Telefónica Entel	KKR (On*Net Peru)	54% (36% TEF and 10% Entel)	July 2023	-	2m (1Q23) (5.2m by 4Q26)

Source: Omdia

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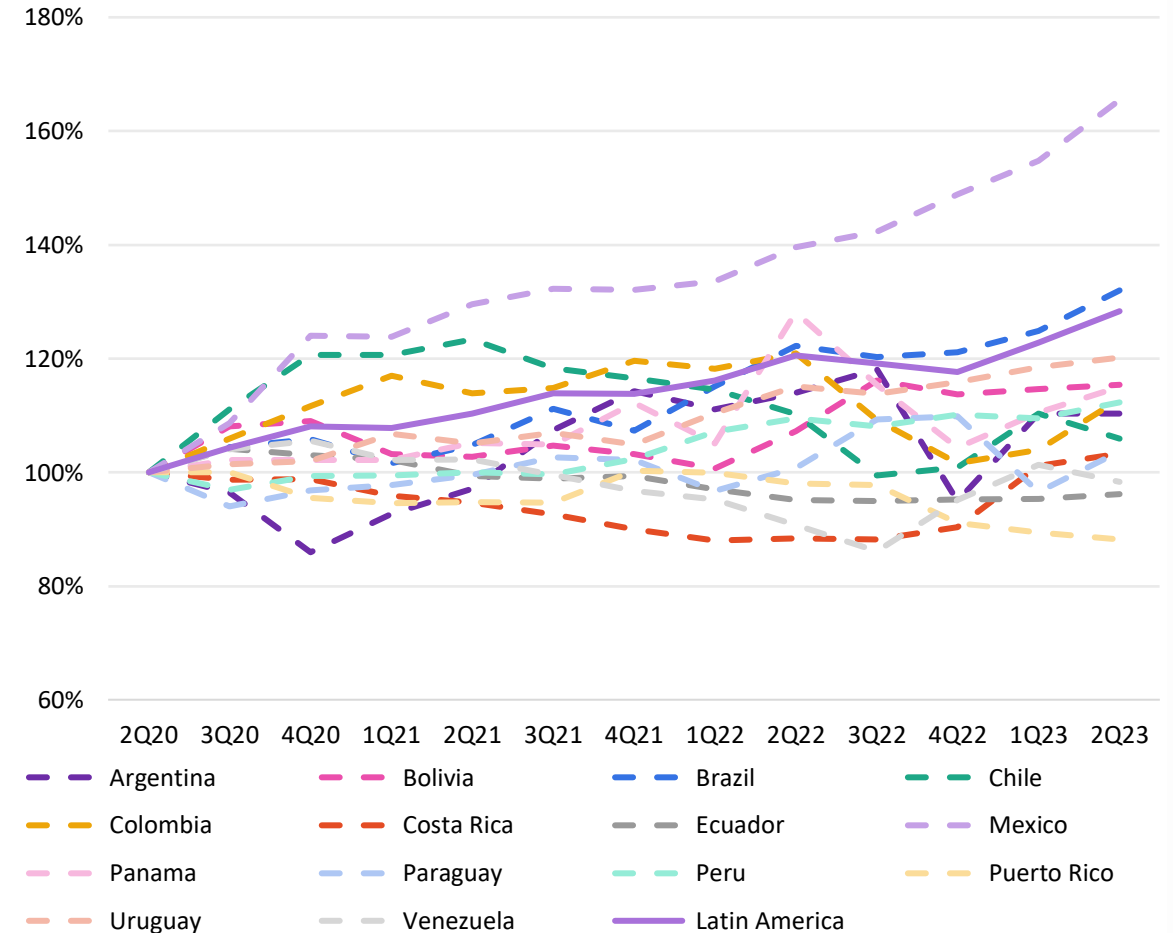


Revenue performance will follow operators' goals for 2024

Revenue performance will conform operators' goals for 2024

- Latin American markets will start 2024 at very different starting points regarding revenue growth. The lowest point for revenues in the last years was during 2Q20 when the COVID-19 pandemic hit the sector the hardest.
- The compounded effect of operational performance, inflation, and currency fluctuation were the main drivers for revenues. Nonetheless, the chart shows how those factors resulted in different regional performances. Remarkably, the two largest markets, Brazil and Mexico, had higher revenue growths than the regional average. Others, like Chile, Costa Rica, Panama and Paraguay, were barely above 2Q20 levels. Finally, Puerto Rico, Venezuela, and Ecuador quarterly revenues in 2023 were below 2Q20 level.
- In 2024, that performance will conform to the objectives for operators in the region. Markets like Brazil and Mexico have been able to grow revenues, and, more recently, strengthening their currencies helped in their growth. Thus, operators will enter 2024 focused on tapping into new opportunities thanks to the acceleration of the deployments of 5G and FTTH networks.
- However, in other markets, there will be a focus on cost reductions and tight control of investments, given the difficulties in growing revenues.

Total telecoms service revenues for selected countries Latin America, indexed to 2Q20



Source: Omdia

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Key Messages

Key recommendations



Service providers

- **Step up efforts to communicate the 5G value proposition.** 5G will open new opportunities for telecom operators; 5G fixed wireless access (FWA), for instance, will allow them to offer a broadband service similar in performance to FTTx. The global first-movers have bet on services like 4K video, cloud gaming, and augmented reality (AR)/virtual reality (VR). Latin American operators must learn from these examples and develop partnerships to deploy these new services in the region. However, they have been shy about innovative 5G services so far.
- **Accelerate public-private sector collaboration.** Continuous and constructive dialogue with the whole information and communications technology (ICT) ecosystem and focusing on governments and policymakers should be a priority. It is key to find new ways to collaborate and develop partnerships with governments and all participants of the ICT ecosystem.
- **Explore innovative approaches towards infrastructure.** Governments and service providers must analyze different investment and co-investment strategies for 5G and fiber networks. The neutral infrastructure providers offer interesting alternatives to reduce debt and move to a lighter model based on infrastructure as a service (IaaS).

Appendix

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Omdia Consulting

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