Telco Transformation LATAM Rio de Janeiro 2023

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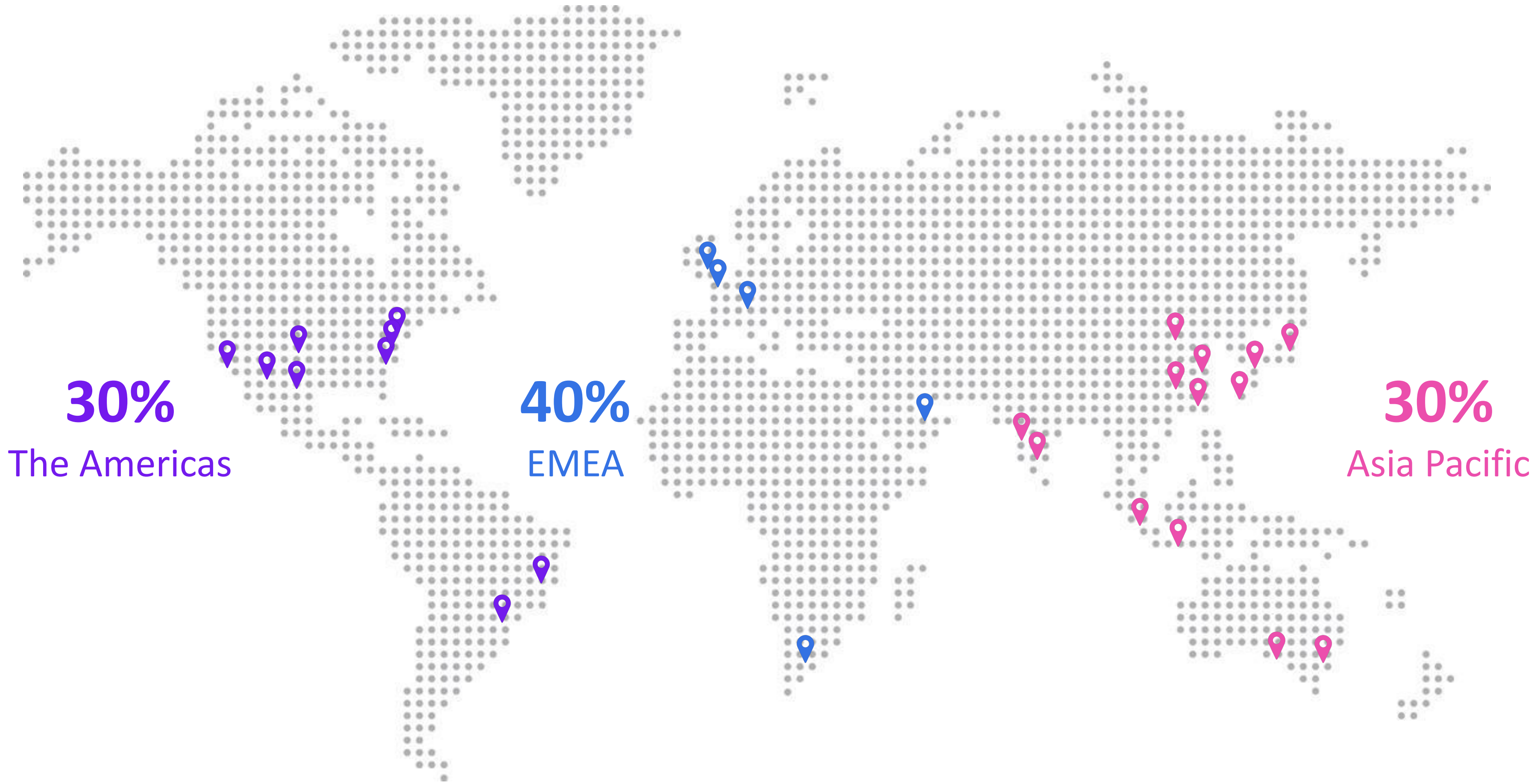

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Americas

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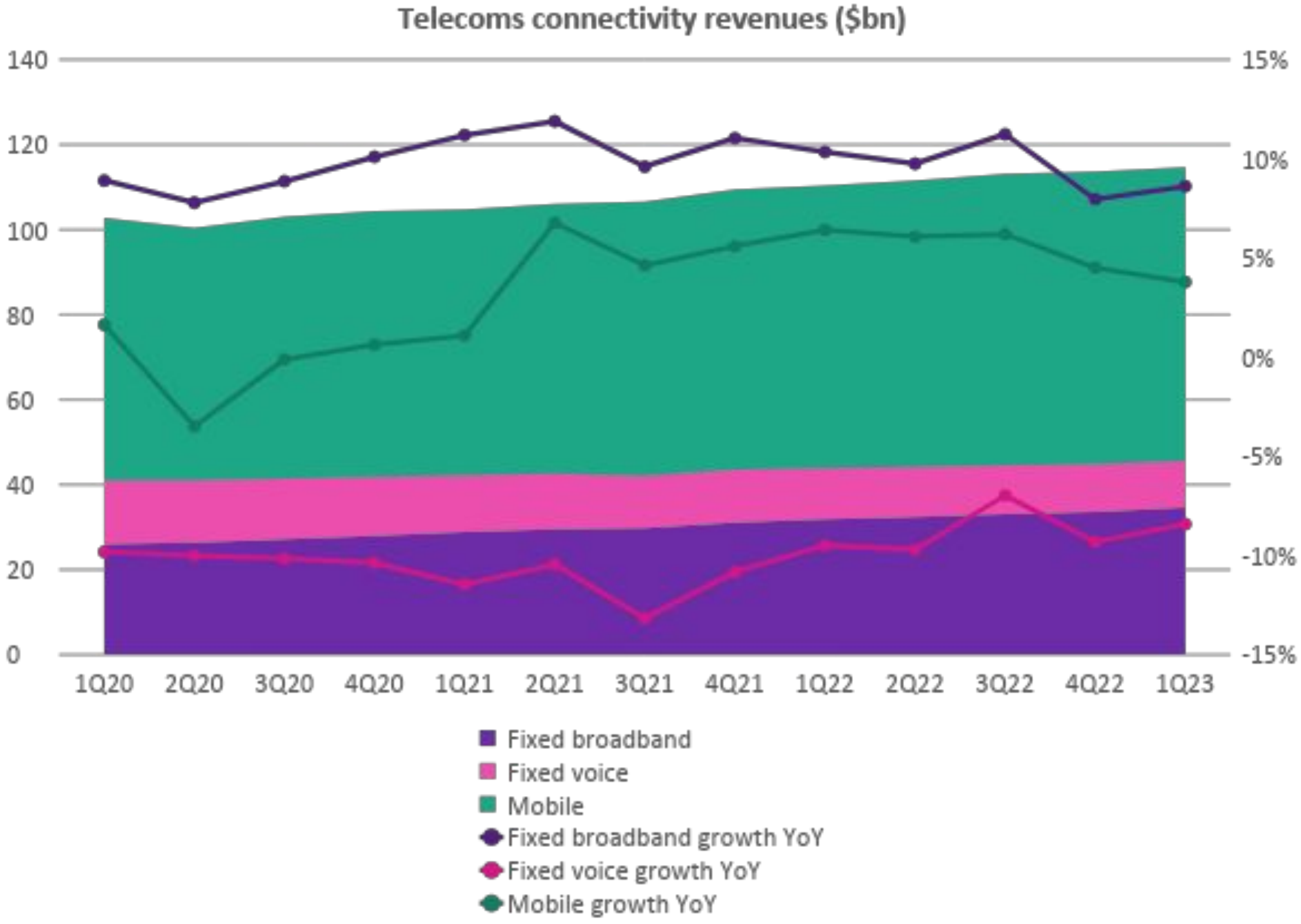
Q1 2023 results

- Total telecoms connectivity revenues in Americas have been posting solid growth for the past years, reaching total revenues of $114.7bn in 1Q23. This represents a 3.9% YoY and a 0.9% QoQ growth rates. This performance was driven by:
  - 5G in the US , where it corresponds for 38% of connections, and places the country among the few countries above the 20% threshold for 5G share.
  - US operators posted ARPU gains, which positively impacted mobile service revenues growth in the quarter.
  - Fixed broadband revenues grew by 8.6% year-on-year in 1Q23. Despite remaining the strongest growth engine for Americas, thanks to investment in fiber, it is important to note that fixed broadband has been showing a gradual decline since the peak in 2Q21.



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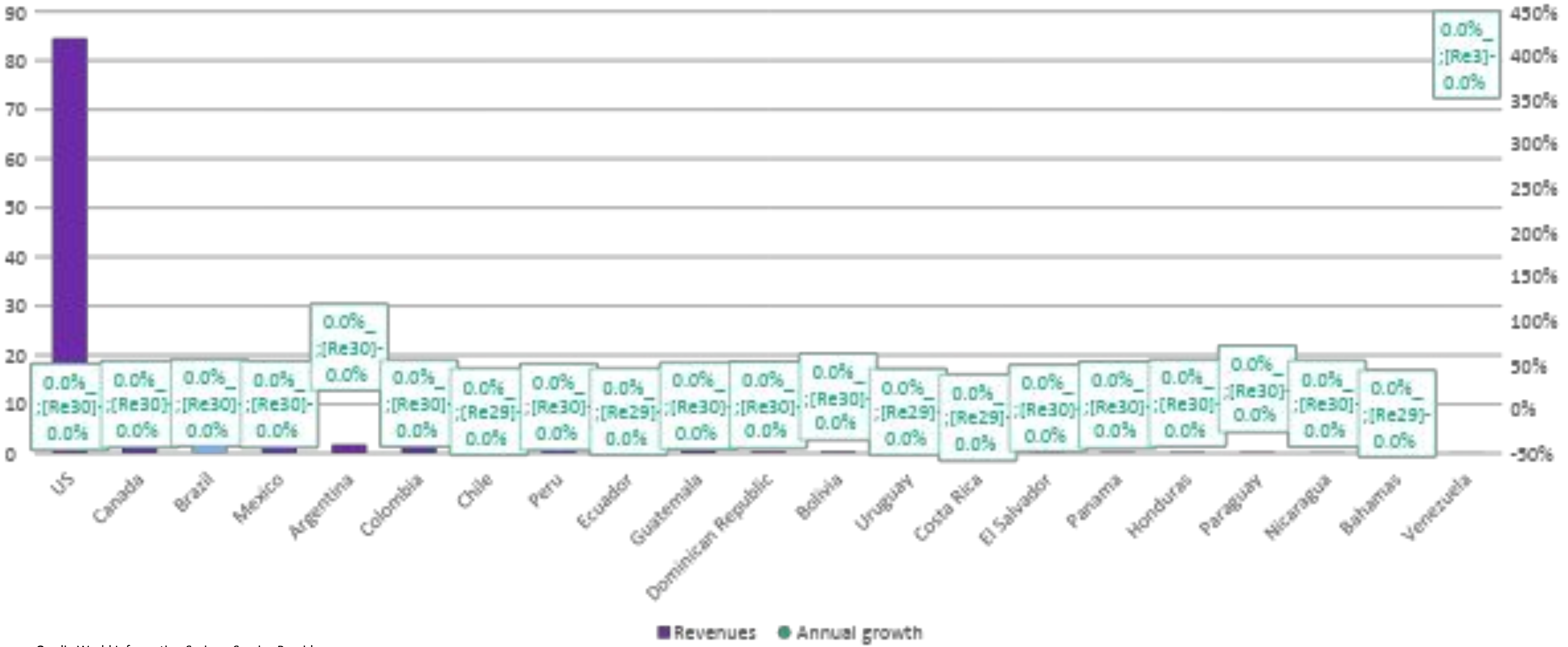
Key markets



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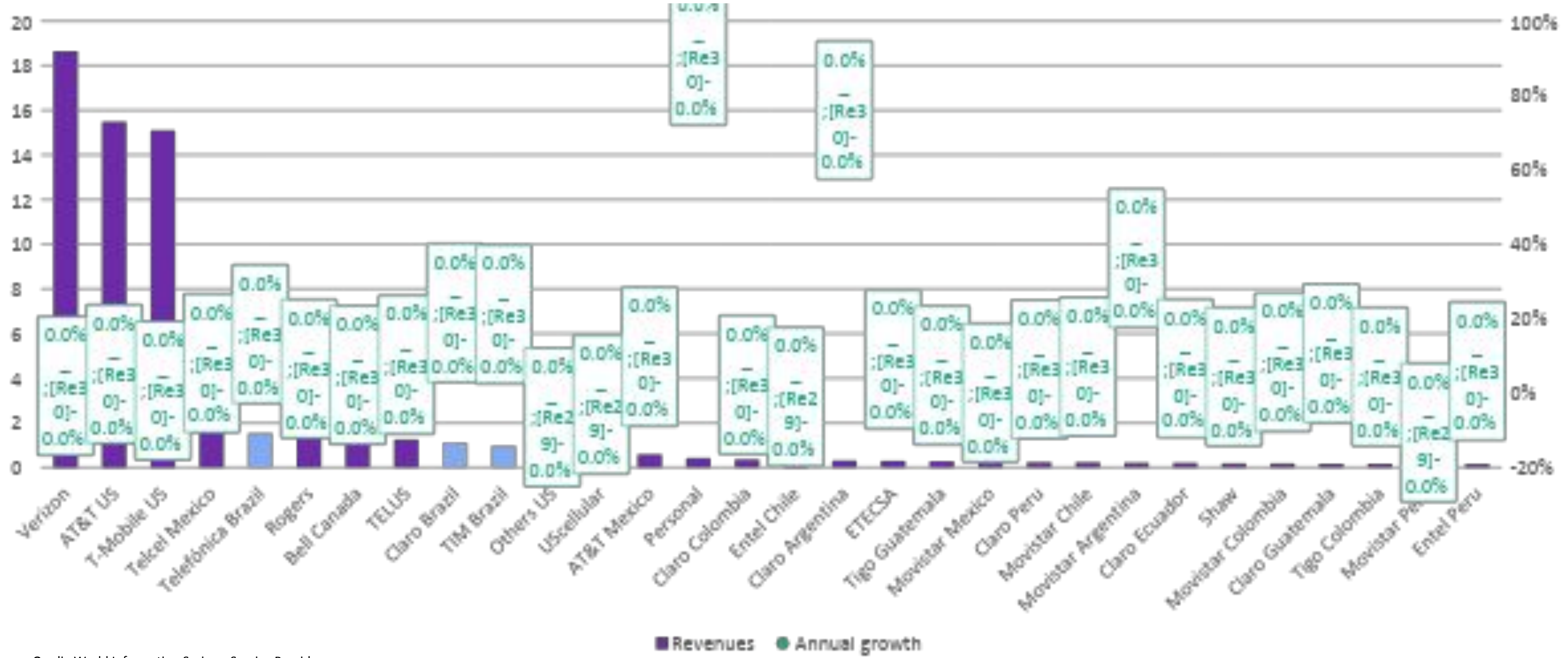
Company performance – Mobile



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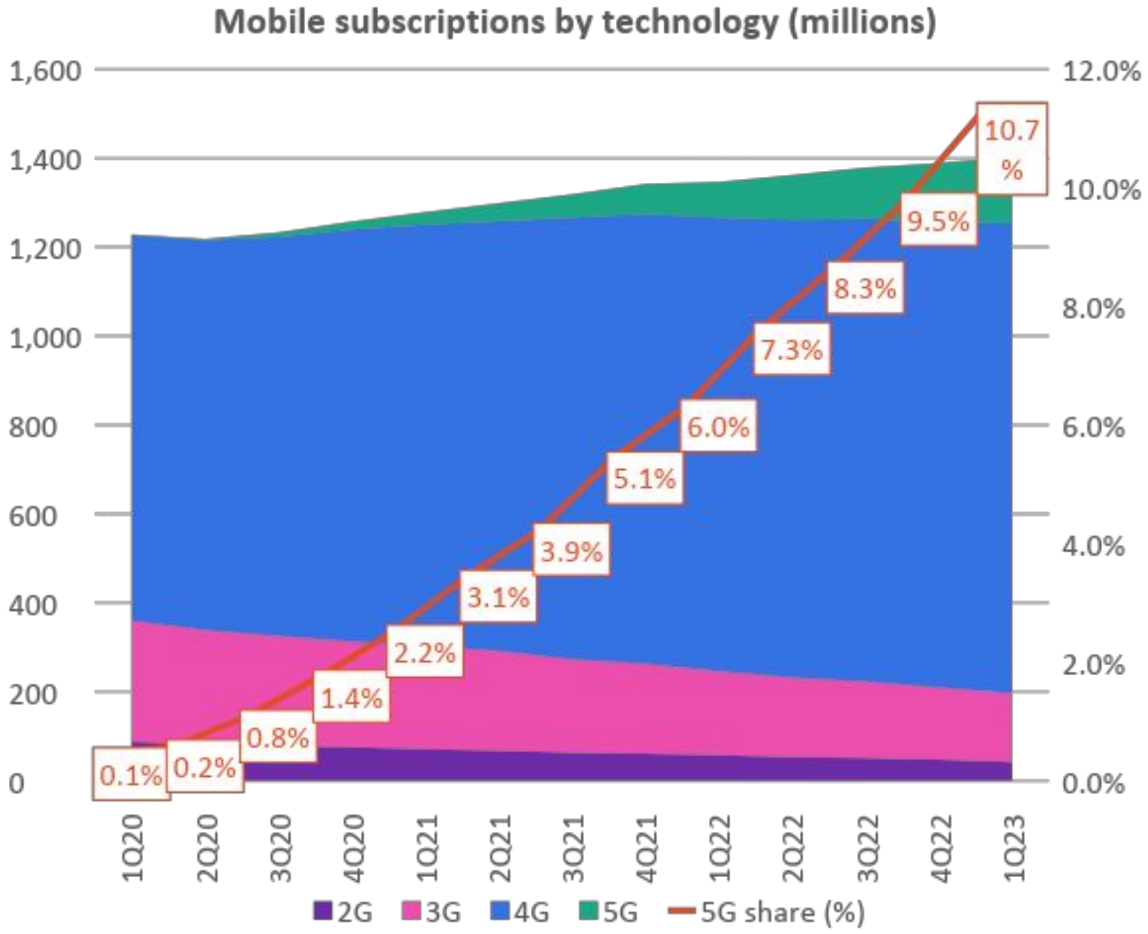
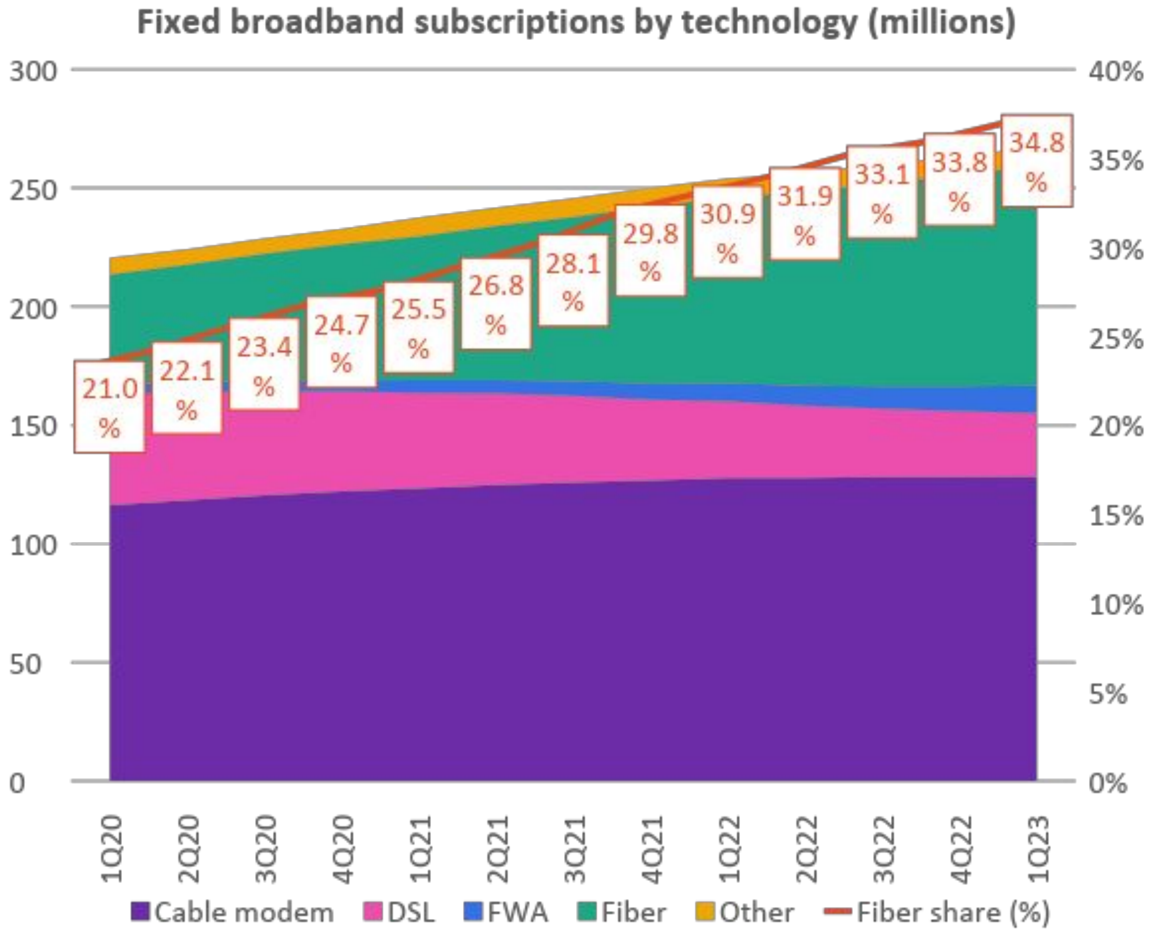
Technology performance update





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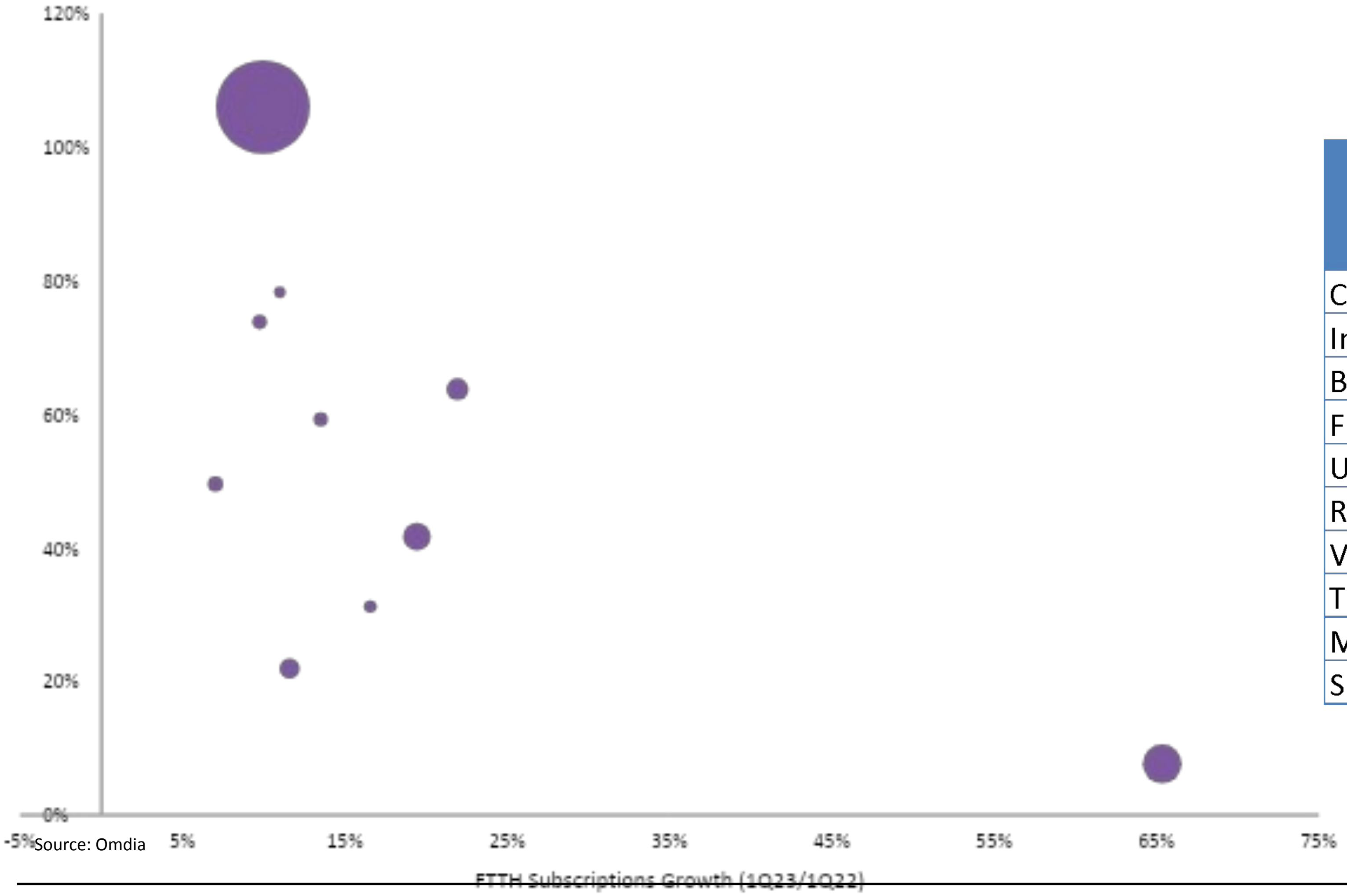
One note about Fiber: Top 10 FTTH countries by net additions in 1Q23

Top 10 countries by FTTH net additions in 1Q23



	Net Adds Growth (YoY)	Household Penetration 1Q23 (%)	Net Adds 1Q23/1Q22 (m)
China	10%	106%	51
India	65%	8%	9
Brazil	19%	42%	5
France	22%	64%	3
US	12%	22%	3
Russia	7%	50%	2
Vietnam	10%	74%	2
Turkey	14%	59%	2
Mexico	17%	31%	2
Spain	11%	78%	1

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5G in Numbers

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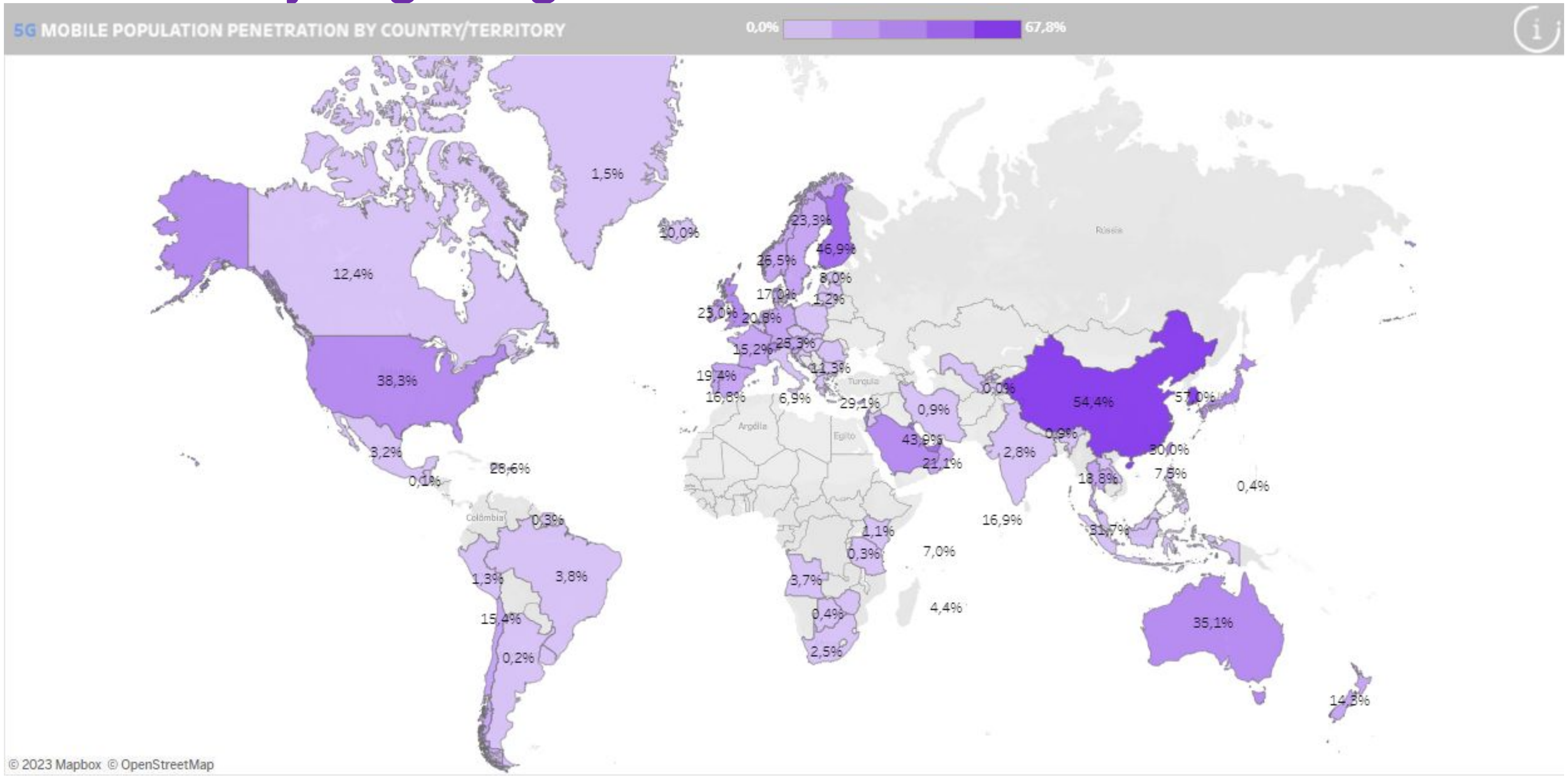
5G in the world – just getting started



Globally, 5G reached 1.2 billion subscriptions in 1Q 2023.

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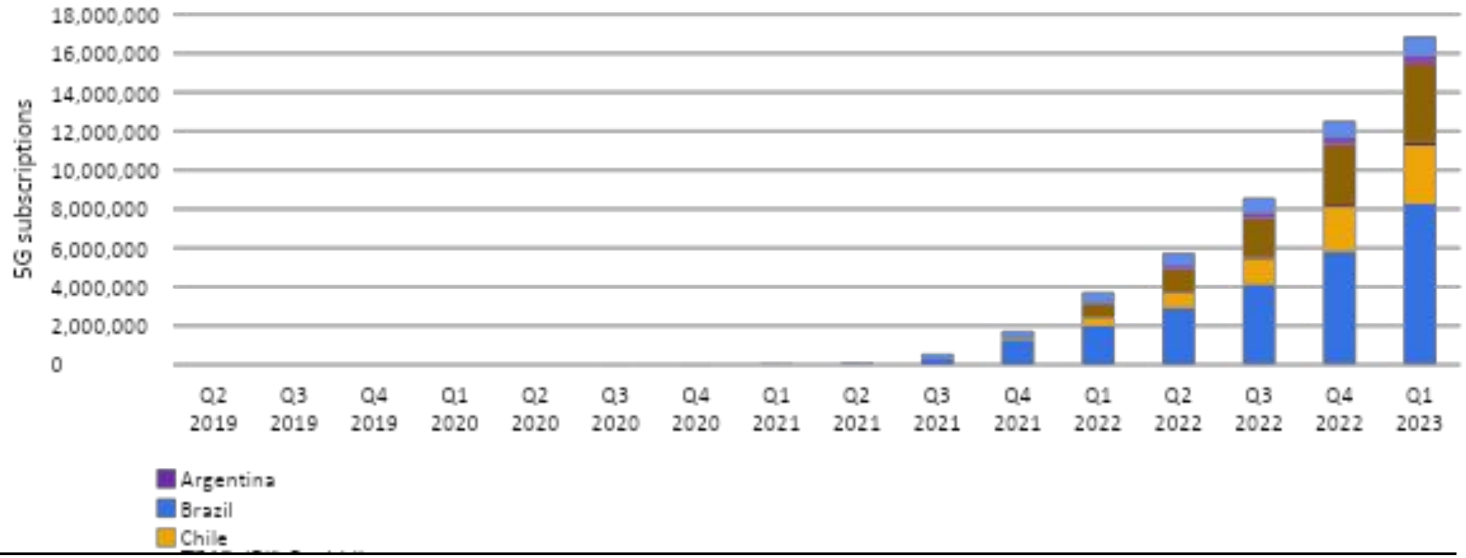
5G Share in LATAM

Share of 5G in total subscriptions per country, 1Q23

- Globally, 5G started in 2019. In Latin America, 2019 was also when the first networks were deployed, first in Uruguay and then in Puerto Rico. The technology grew in 2021; however, 5G still has a very small number of connections. As of 1Q23, there were just 16.2 million 5G subscriptions in Latin America—8.2 million of which are in Brazil, 4.1 million in Mexico, and 3.0 million in Chile. All other countries together account for 1.6 million connections.
- Only Puerto Rico and Chile have 5G shares above 10%, all other countries have less than 3% of connections in 5G networks.

Total mobile subscriptions per technology since launch date in Latin America



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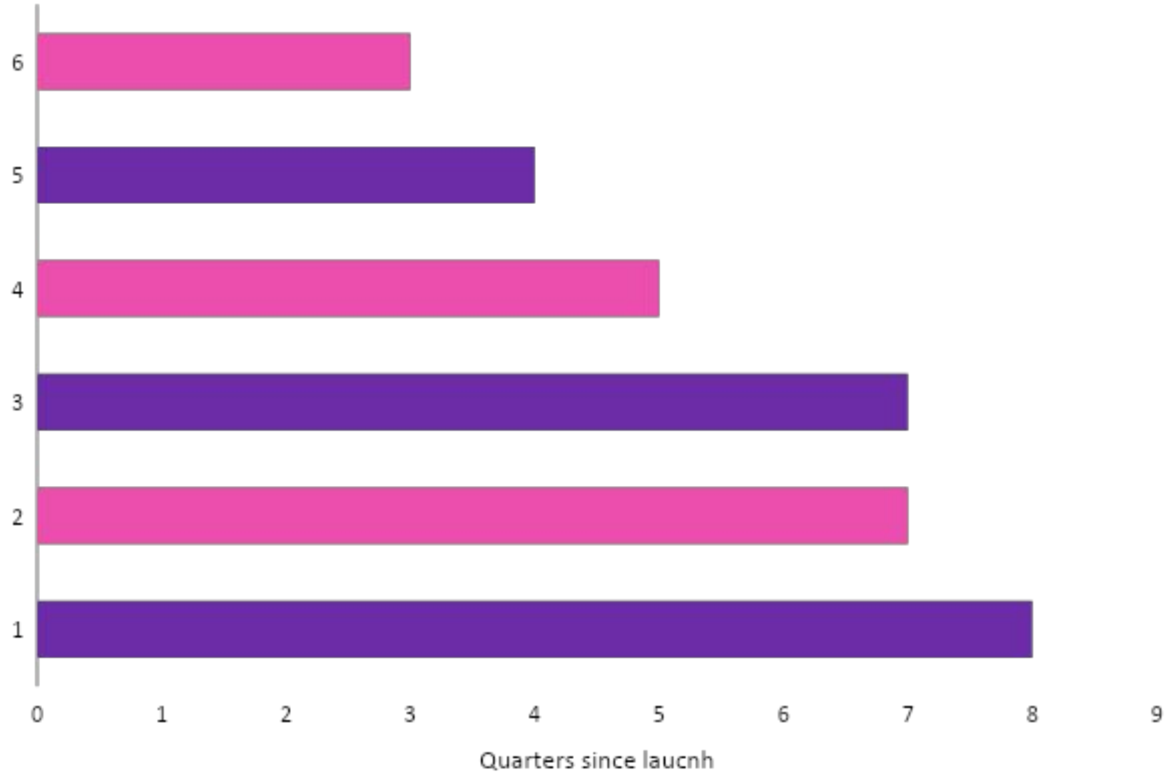
Historical 5G subscription trends

- One of the first questions about the performance of 5G in the region refers to how it compares with 4G. Evidence from the three largest 5G deployments in Latin America is not conclusive, given that all have two or less years since introducing the technology, so, there aren't enough data points to give a definitive assessment. Nonetheless, it suggests some degree of faster 5G adoption vis a vis 4G, in the cases of Chile and Brazil, 5G reached 3% share in total subscriptions one quarter sooner than 4G and in Mexico, that occurred 2 quarters earlier.

Number of quarters for 4G and 5G to reach 3% share in the country



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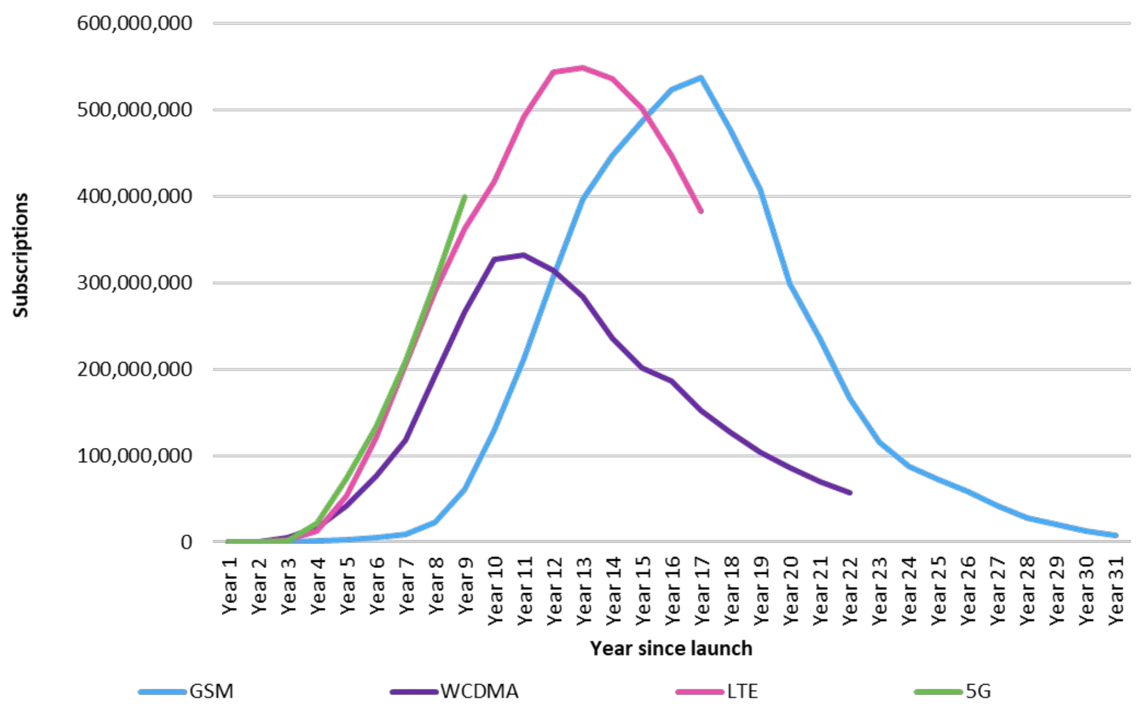
5G kicks-off in earnest in Latin America now

- **In 2022, 5G started growing in Latin America.** Chile, Brazil, and Mexico are the countries that are displaying the best results in terms of customer growth so far. Brazil is creating an important ecosystem with its standalone network.
- 2022 was a year in which many operators across the region began building their 5G networks, and **subscriber growth will gain traction from 2023 onwards**. This is a new technology with better performance, and operators' marketing machines will promote 5G, which will help accelerate take-up. However, these efforts must be linked with new services that show the full potential of the new technology.

Total mobile subscriptions per technology since launch date in Latin America



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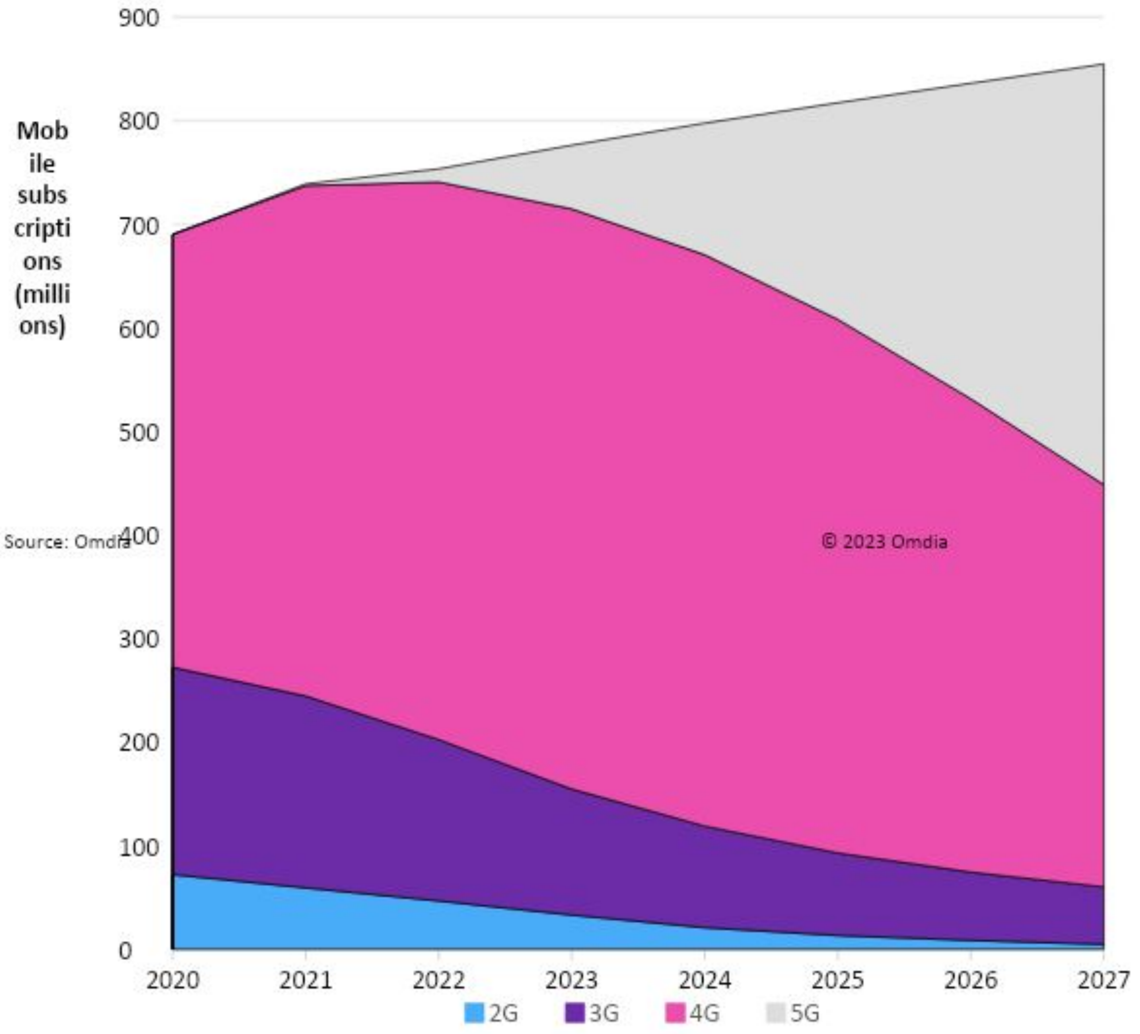
Mobile subscriptions forecast

- Economy and government instability are challenging (IMF expects GDP to grow by around 1.6% in 2023 and by 2.2% in 2024, having slightly lower performance than the global average but better than advanced economies).
- Mobile subscriptions in Latin America were stable during 2019 and 2020, mainly driven by the overall pandemic macroeconomic situation in the region. However, in 2021 subscriptions started growing at around 6% due to the COVID-19 pandemic and people's need to be connected, particularly driven by 4G. In 2022, mobile subscriptions had a 5% year-on-year growth.
- Omdia forecasts Latin American mobile subscriptions to grow 11% over the five years from 2022 to 2027.
- Omdia estimates that 8% of mobile connections will be 5G by the end of 2023, and adoption will accelerate toward the end of the forecast period, accounting for around 48% by 2027.

Latin America mobile subscriptions forecast, 2020–27 (millions)



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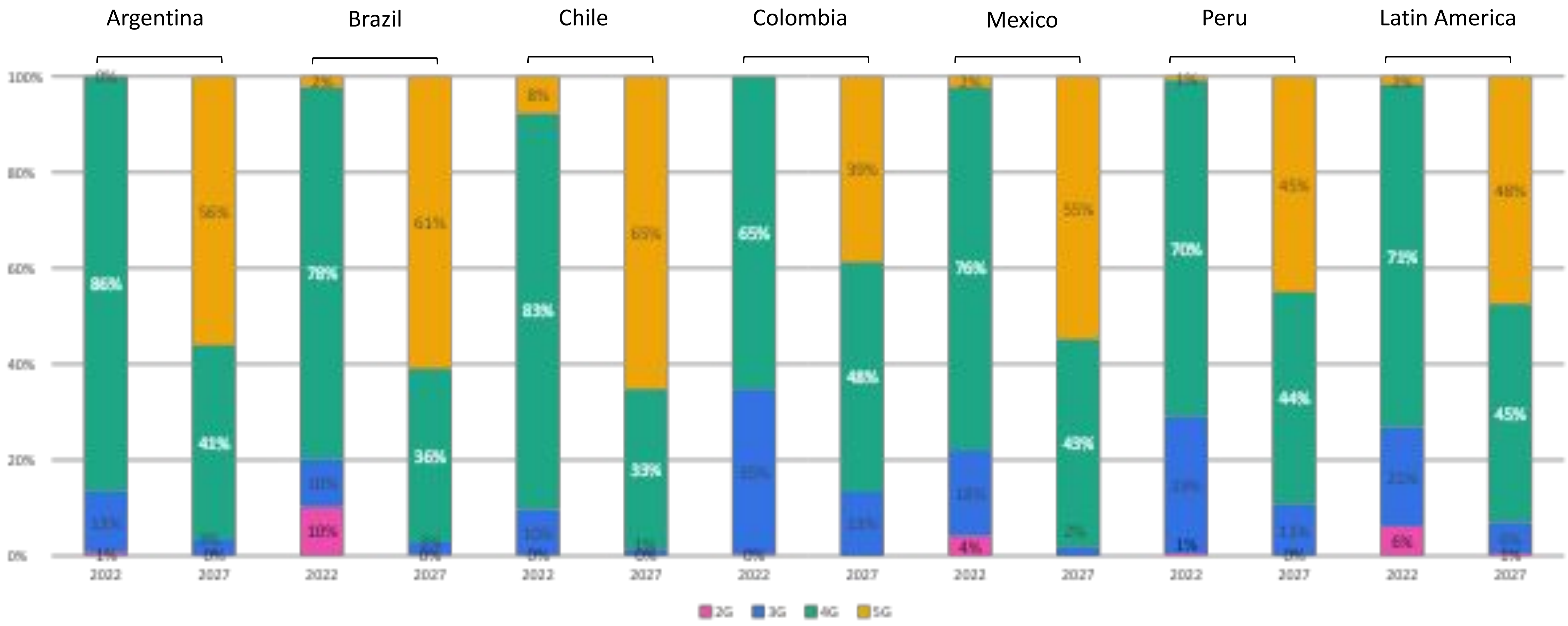
Mobile subscriptions by country and technology, 2022–27 (percent)



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5G Monetization

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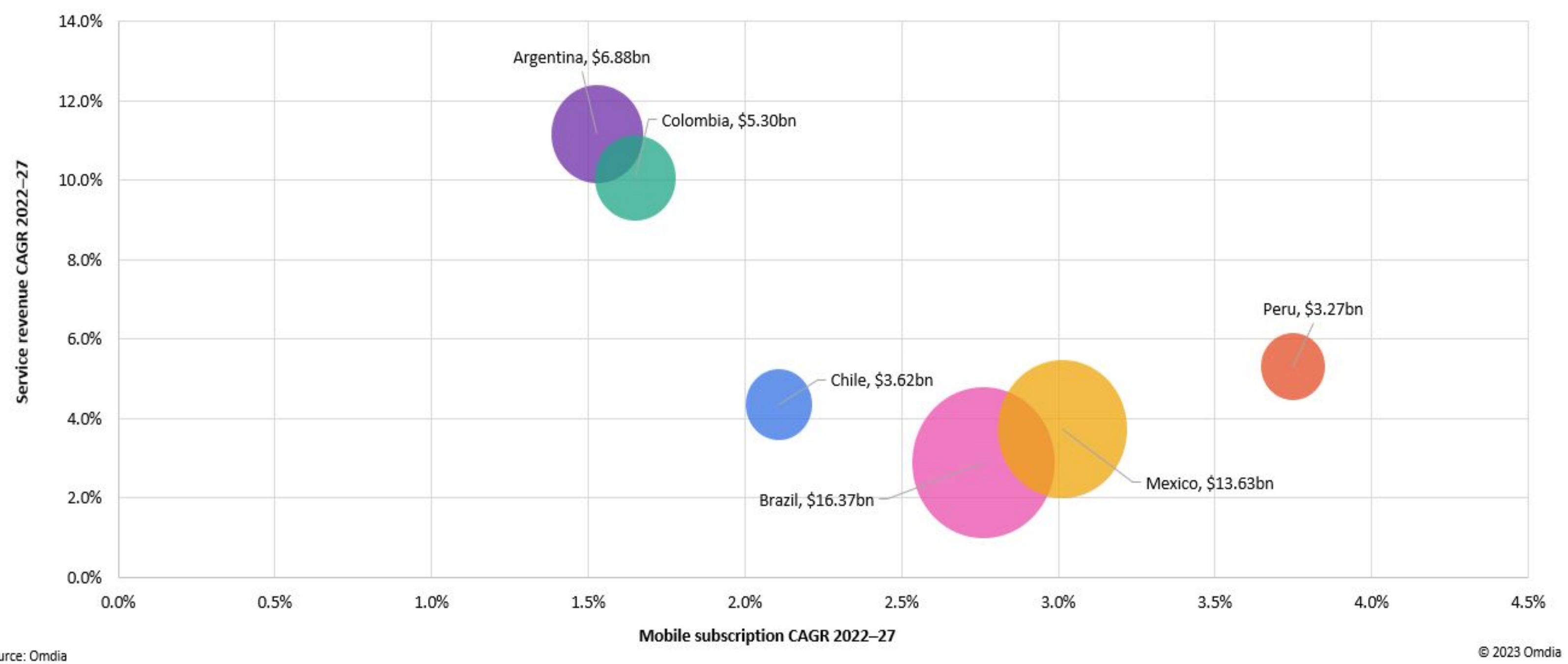
5G monetization in Latin America

- 5G monetization remains a challenge for service providers in Latin America. 5G operators have kept to a conservative pricing strategy.
- Most 5G plans no exclusive content or apps supporting the launch of the technology. Many service providers either allow users to keep their 4G plans or simply launched new plans with bigger data buckets (no new services like 4K video).
- If this situation does not change, persuading users to pay a premium for 5G connectivity will be difficult and monetization will be restricted to higher data usage and more expensive 5G smartphones.
- Latin American service providers have not innovated on the service side of 5G, it seems logical to conclude that they seem to have little faith in the monetization opportunities for 5G in the consumer segment.

Mobile subscriptions and service revenue forecast by country



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- Different story with the B2B segment: several pilots and tests happening across the region. The challenge about 5G in private networks in Latam is that the private network market itself is new and most use cases are enabled by 4G alone (Itaú and Ecopetrol exceptions). 5G devices are more expensive than 4G and some companies are reporting difficulties in sourcing modules and devices for IoT and private networks. So, there is a long road ahead for 5G in areas like IoT and private networks in Latin America. Until coverage, price, device availability and, above all, demand, are aligned it will take time

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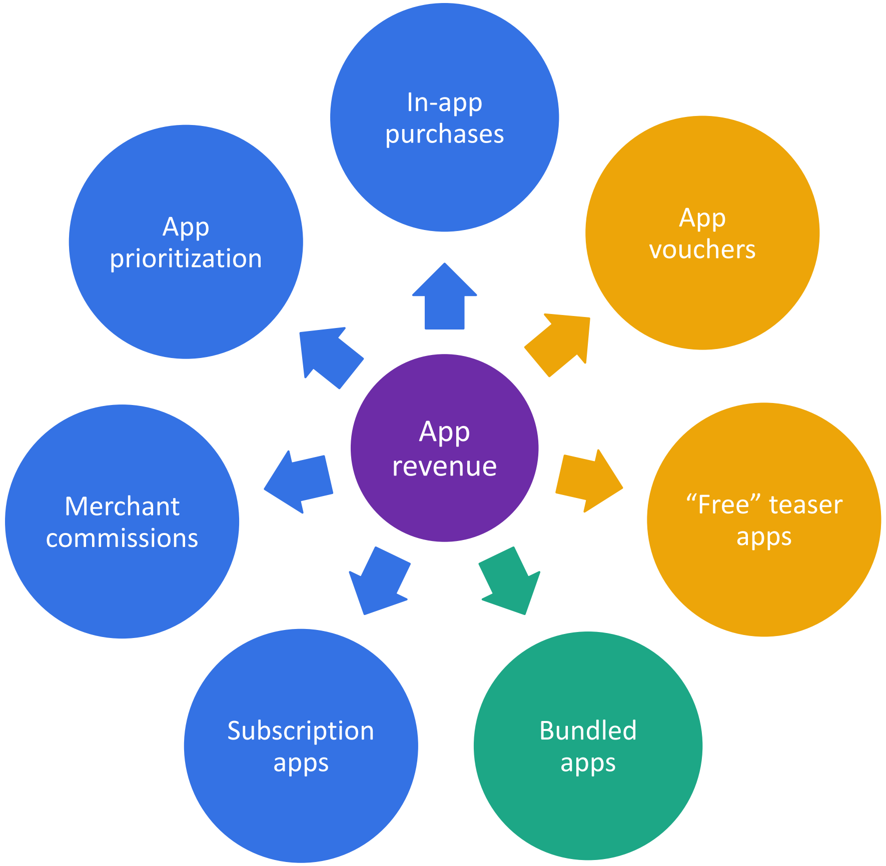
Not all 5G app monetization is about incremental revenue

- There are two basic app revenue routes: indirect and direct monetization. Most are direct (where the telco receives revenue; shown in blue), including:
  - Charging a premium for app prioritization
  - In-app games purchases
  - Retail commissions on goods sold (via AR shopping apps)
  - Subscription apps
- A mix of indirect/direct strategies is achieved with "bundled apps," where the app is free for a limited time and sometimes offered to drive upsell to more expensive plans, but then the consumer may/may not subscribe.
- Indirect monetization is also important and helps drive usage onto the 5G network, including:
  - Offering discount vouchers to help pay for 5G-rich apps (NOS did this for cloud games and AR apps to kickstart its 5G launch)
  - Free "teaser" apps
- Tier 1 telcos and some telcos in emerging markets (such as Thailand and Malaysia) use a combination of revenue strategies.

5G apps – a mix of direct and indirect monetization (1Q23)



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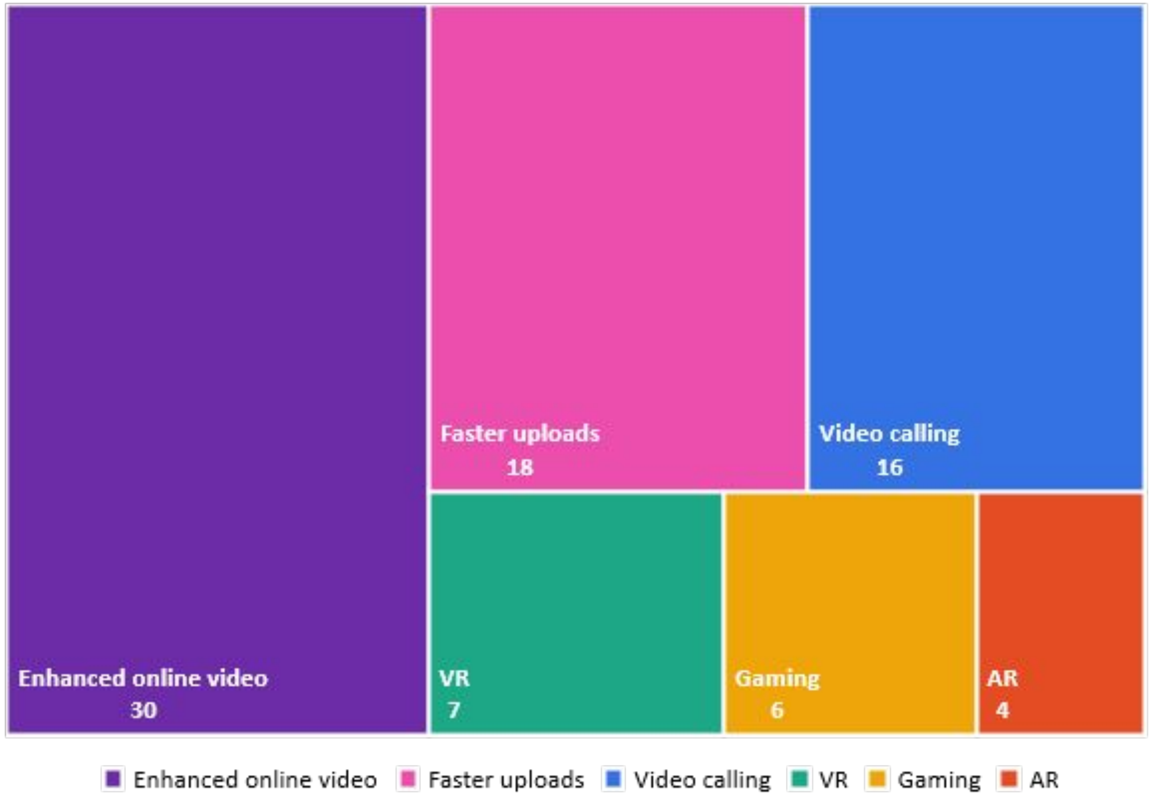
Consumers like 4K video and fast TikTok uploads

- According to Omdia's *Consumer Digital Insights* survey, conducted in late 2022, consumers are interested in enhanced video (4K-enabled apps) and faster uploads of video content over 5G. Pessimists will argue that the small screen size of smartphones renders the 4K app experience negligible. Optimists will argue that technology first-movers will want 4K regardless.
- But what are consumers willing to pay more for? Primarily faster download speed, then faster upload speed. This is an advantage for telcos, as faster download speed is the main reason consumers upgrade to 5G.
- Consumers desiring faster download and upload speeds also facilitates new 5G pricing models, such as new tariffs emerging around app prioritization (e.g., Facebook), time-sensitive content (stock quotes), and video uplink.

What is the main app you are interested in using on 5G?



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Koreans add coffee, home appliances, and rentals to 5G

- Most 5G plans in Korea include unlimited data. As such, apps and value-added services are a huge differentiator and help drive upsell. The table show value-adds featured in LGU+ and KT’s most expensive $98 5G plans.
- Users choose one value-added service or device from the list. In addition to OTT video services (such as Disney+ or YouTube Premium), choices include:
  - Rental discounts (food blenders, air purifiers, water purifiers, etc.) from LG Hello and Coway
  - Coffee packs
  - Smart devices (watches) and other devices (music buds and dog trackers)
  - Home appliances (TVs and fridges)
- In another step, users also pick one free media service, usually a Korean app, from movies, e-books, music, cloud games, or webtoons.
- Telcos sow offshoot deals from these wholesale partnerships. For example, Coway is looking to integrate KT's GiGA Genie AI platform into its major water/air purifier products to compete against Samsung and LG. Telcos in Singapore, Hong Kong, and Taiwan also act as de facto retailers.

Figure 2: Premium 5G plan value-added services (one to choose from), November 2022)

LGU+’s 5G Signature Plan

- Disney+
- TVING Standard
- Netflix Basic and YouTube Premium
- LG Hello Rental
- Illy Coffee Subscription Pack
- Google Pack
- Elementary Country (education)
- Galaxy Buds
- Galaxy Watch 5
- Airpods
- Apple Watch SE second generation

KT’s Super Plan Premium

- TVING Pass and Genie Smart Music
- YouTube Premium
- Season and Genie+
- Disney+
- Netflix standard
- BC Baro Card, Hyundai Card, Woori Card:
  - ($19–26 off monthly plan)
- Coway rental discounts
- Samsung or Apple smart device/home appliance pack:
  - Includes buds, watches, fridges, TVs, and dog trackers

Source: LGU+, KT

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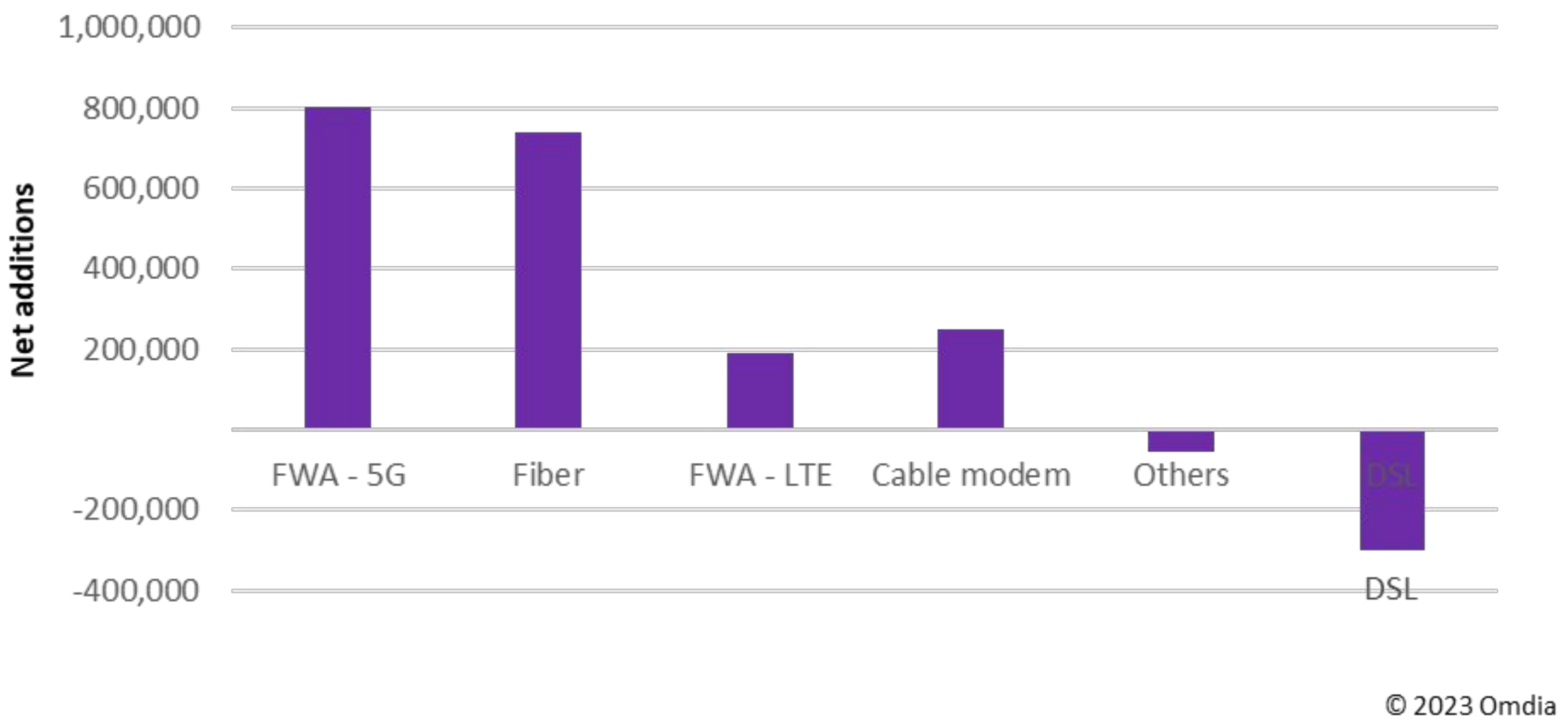
5G FWA in USA – An early case of success

Broadband net additions by technology in the US, 1Q23



- T-Mobile and Verizon have been the early drivers of 5G FWA in the US. Both stated lofty subscription goals early on.
- While Omdia does not forecast FWA to grow into a dominant technology in the US, it is an important addition to the space. On top of expanding coverage and bringing more competition to the space, it is also a way mobile operators can optimize their 5G networks with a new revenue stream and increase the ROI of their spectrum purchase.
- Cable operators are feeling the competition from FWA. Leading cable operators Comcast and Charter introduced promotional bundles following a noticeable dip in net additions in mid-2022 after 5G FWA really started to take off for T-Mobile and Verizon.
- In the near term, continued growth of 5G FWA, as well as more deployments rurally, are expected. However, over the long term, Omdia does not forecast 5G FWA to become a dominant technology in the US. 5G FWA is forecast to grow from 2% market share at the end of 2022 to 9% by the end of 2028.

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Final Messages

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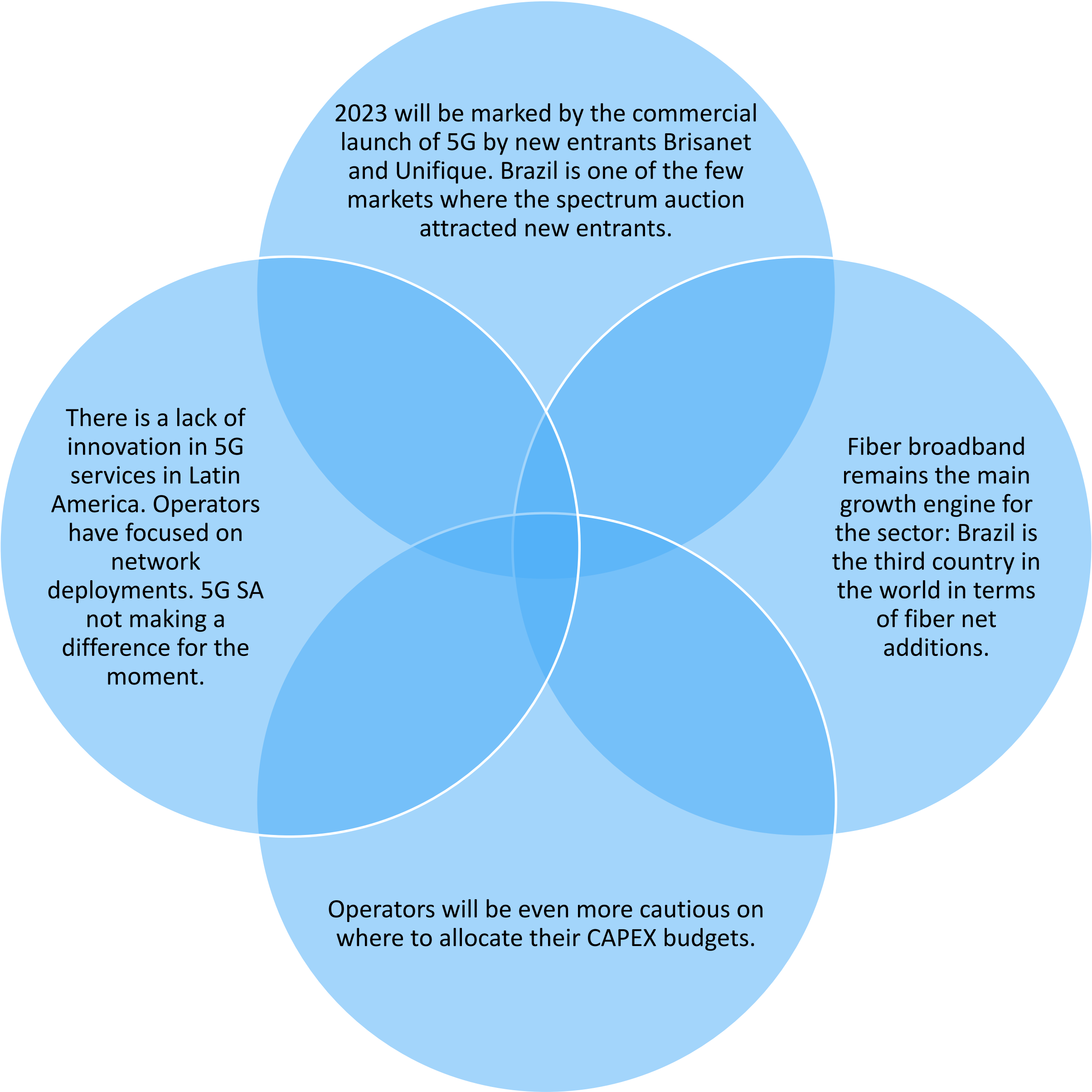

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