

## **New satellite to drive Measat growth**

### **Asia Pacific Operators - Measat future growth**

**Published: 24 Jul 2009**

The Malaysian operator Measat has successfully launched its new satellite, Measat-3a, at its primary orbital slot of 91.5 degrees East. The launch follows a protracted delay after the satellite was damaged during preparation at the Baikonur cosmodrome prior to its original flight window in August 2008.

It had to be shipped back to the US and repaired by its contracted manufacturer Orbital Sciences before returning to Baikonur in July this year.

Measat Chief Operating Officer Paul Brown-Kenyon told SatelliteFinance that the hiatus had not negatively impacted the satellite's business model. He said: "We were a bit lucky, we were able to delay the uptake of customers on the satellite. When it launched the customers were still there and looking for capacity. There were also no insurance issues, the risk remains with the manufacturer until the mission begins."

Measat-3a has joined the company's existing spacecraft Measat 3 at 91.5E, and Brown Kenyon said much of its purpose is to develop existing business in the Asian market.

"Measat 3 and 3a were designed to work together as a partnership," he said. "We very much see this as supporting the growth of the orbital position."

Measat's strongest core customer is the Malaysian DTH platform Astro All Asia Networks, which recently signed an agreement to lease twelve Ku-band transponders on Measat 3-a.

Both Astro and Measat are part-owned by the billionaire Ananda Krishnan. He also owns Maxis Communications, a telco that has signed a lease deal for six Ku-band transponders with Measat.

Brown-Kenyon gave a rough break-down of the sector allocation for capacity on Measat-3a. He said: "One half of Measat 3-a's capacity is dedicated to DTH, a quartet to telcos and a quarter to broadcast distribution. We have got a multi-transponder contract with a telco to be announced in a few weeks time."

"We have sold 55% of the capacity, 25% Ku, 30% C-band. Astro All Asia Networks has an option to lease all the remaining Ku band."

Brown-Kenyon feels that this hotspot is now well-established, and that it should drive substantial growth in the company's revenue and EBITDA margins. "We're actively moving to raise our

revenue from US\$60m last year to US\$100m per year in the next three to four years time," he said. "Our EBITDA margin was just below 70% last year, and that should go up to 75-80% in the medium term."

"In my view the 91.5 business model is very solid, we have a few sizeable DTH platforms and it is a very strong area. Having launched Measat 3-a we have more time to focus on plans beyond this hotspot."

Measat has a number of options for future expansions, as it owns the rights to multiple orbital slots. Last year it repositioned an old satellite to cover the African market, with a potential view to launching a new satellite there in the future.

"Africa is still an area we are interested in," said Brown-Kenyon. "We're looking at the slot at 148.2E and we're also looking at a viable replacement for Measat-2."

The difficulty for an operator the size of Measat is that financing for a fully fledged new spacecraft is difficult to come by in the current global economic environment.

"Discussions are at an early stage," said Brown-Kenyon. "I think it's always challenging to find financing, every business in the industry is finding it more difficult than 18 months ago. We are looking at what opportunities are out there."

The concerns of the Asian market

One option for Measat is a partnership to share capacity with another satellite operator. As capital has become more difficult to come by, Asian operators in particular have started to strike joint deals on a regular basis. The most recent example was the deal struck between Asia Broadcast Satellite and Singtel to allow the latter to lease capacity on the new satellite of the former, and to market it under its own operational brand.

"I think co-operation makes enormous sense," said Brown-Kenyon. "The challenge in our business is paying up an enormous amount of capital for the satellite first up. We have been exploring opportunities along these lines."

Measat has benefited from the stratospheric growth of the Asian DTH market, but Brown-Kenyon acknowledged that Asia is not immune from the chill economic winds that have been blowing across the globe.

"I think the downturn has affected DTH a little, but only to the extent that you're seeing slightly slower growth than previously - It's still growing," he said. "Astro has twelve transponders when it only had four a year ago, and it is looking to extend their packages. HD can be a large driver of growth in the next three to four years."

Aside from the market itself, another major concern for other satellite operators in the Asian region has been that of frequency co-ordination, which came to the fore after Protostar launched its first satellite last year without co-ordinating with its neighbours.

Brown-Kenyon acknowledged that this issue remains a major concern throughout the region. "We have had co-ordinations issues in the past causing interference," he said. "I won't name the other operator involved, but the situation was resolved by them turning off some transponders."

"It's a major concern. Satellites play a vital role in reaching any location, if you're going to chip away at that, it has a major impact. You have got to make sure you are working within the guidelines, to do otherwise is very disturbing."

Measat-3a was launched into orbit by the Zenit rocket of Land Launch, the service owned by Sea Launch, which filed for chapter 11 bankruptcy protection last month. Brown-Kenyon said that a possible shrinkage of the launch sector is a worrying development for mid-sized operators looking to get the best possible rates.

He said: "I think in any industry you want a reasonably competitive market. We don't want it so competitive that businesses cannot justify their returns. I think the launch sector has gone through a pretty significant upheaval in the last five years, mostly linked to changes in Russia."

"It's very disturbing that Sea Launch is in the current position. The Zenits are great rockets, the mission on Measat-3a went near perfectly, and I hope Land Launch will continue in some kind of form."

"I am hopeful SpaceX will provide an alternative as well. We want a stable launch industry, there is more risk to our business without it. Intelsat and SES can manage it, but it's concerning for us and other operators our size."