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Satmex Launches New Satellite

by LADB Staff

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In late May, the financially ailing Satelites Mexicanos (SatMex) launched SatMex VI, giving the company a new option to attract investors and improve its earnings. The launch of the satellite was originally envisioned for 2003 (see SourceMex, 2002-06-05), but financial and logistical problems delayed the launch by three years.

The satellite, launched from French Guiana by the French-based company Arianespace, will have the capacity to transmit television signals and data to almost all corners of the Americas, said SatMex, which is a partnership among Mexico's Grupo Autrey, the Mexican government, and US-based Loral Space & Communications Ltd. Space Systems/Loral built the satellite at a cost of US \$230 million. SatMex paid for the construction with an insurance settlement following the failure of its Solidaridad I satellite in 2000 (see SourceMex, 2000-09-06).

The failure of the Solidaridad satellite marked the beginning of the company's financial problems. SatMex's earnings before income taxes, depreciation, and amortization (EBITDA) fell to about US\$35 million per year, compared with a peak of US\$91 million in 2000, said Robert Rauch at Connecticut-based Gramercy Advisors, which holds the company's bonds. The extreme drop in EBITDA caused SatMex to default on more than US\$520 million in loans. US creditors attempted to seize the company's assets, but SatMex won a court order blocking the move while it reorganized the business under Mexican bankruptcy laws.

Company hopes to emerge from financial troubles

Company officials said the new satellite would expand business opportunities for SatMex because of expanded coverage in the US and Latin America. "The launch is the beginning of a new phase for SatMex that will allow us to generate greater value for the company," said Sergio Autrey, director of Grupo Autrey. "I am sure that we now have a more viable company." Alicia Salgado, a columnist for the daily business newspaper El Financiero, said SatMex would assume the third of three orbital positions allocated to Mexico in space, giving the country greater coverage. "In the business of space, [these orbits] are considered privileged corners," said Salgado.

Two other satellites, Solidaridad II and Morelos II, also provide service to Mexico and other parts of the Americas. Creditors also see the satellite launch as a positive development. "Getting SatMex VI in the air and leased up has the potential to bring EBITDA back toward 2000 levels," said Rauch. The Mexican government, which owns a 24% share in SatMex, is seeking to recover all or most of the US \$188 million in loans to Grupo Autrey and other controlling shareholders.

A bankruptcy agreement, however, will likely force the government to accept a lower amount. Under a restructuring plan presented to a Mexican bankruptcy court, the government would retain 20% of the value of shares while shareholders would control the other 80%. The government, however, would control 55% of voting rights, compared with 45% for shareholders. "This formula

of neutral investment seeks to guarantee that the control of Satelites Mexicanos remains in the hands of Mexicans once the best way to sell the government's shares is found," said El Financiero. (Sources: La Cronica de Hoy, 05/23/06; Milenio Diario, 05/24/06, 05/25/06; Reuters, 05/27/06; El Universal, 05/24/06, 05/30/06; The Herald-Mexico City, 05/30/06; Reforma, 05/25/06, 05/27/06, 05/29/06, 06/01/06; Notimex, 05/27/06, 06/04/06; El Financiero, 05/22-24/06, 05/30/06, 06/05/06; El Economista, 06/05/06)

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