



Cable in Europe: Innovation-driven growth in a hyper-competitive market

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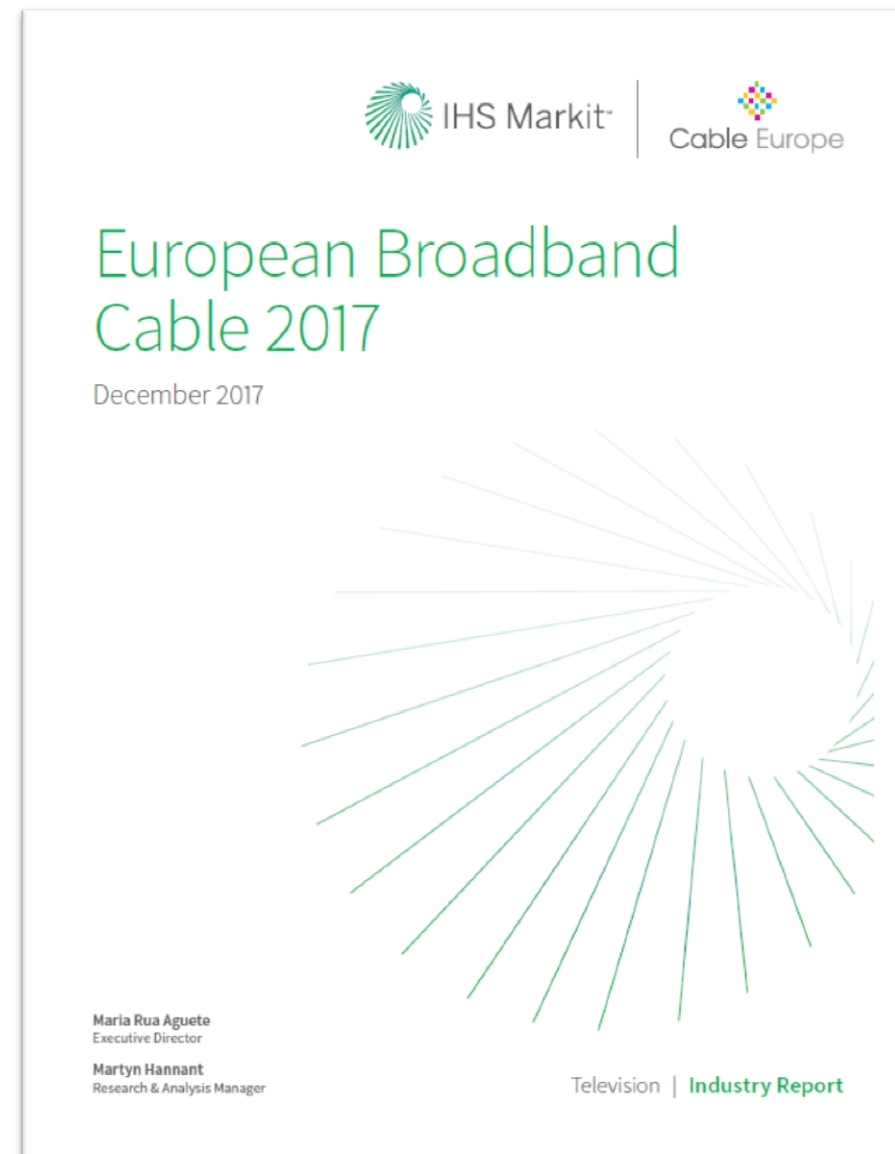
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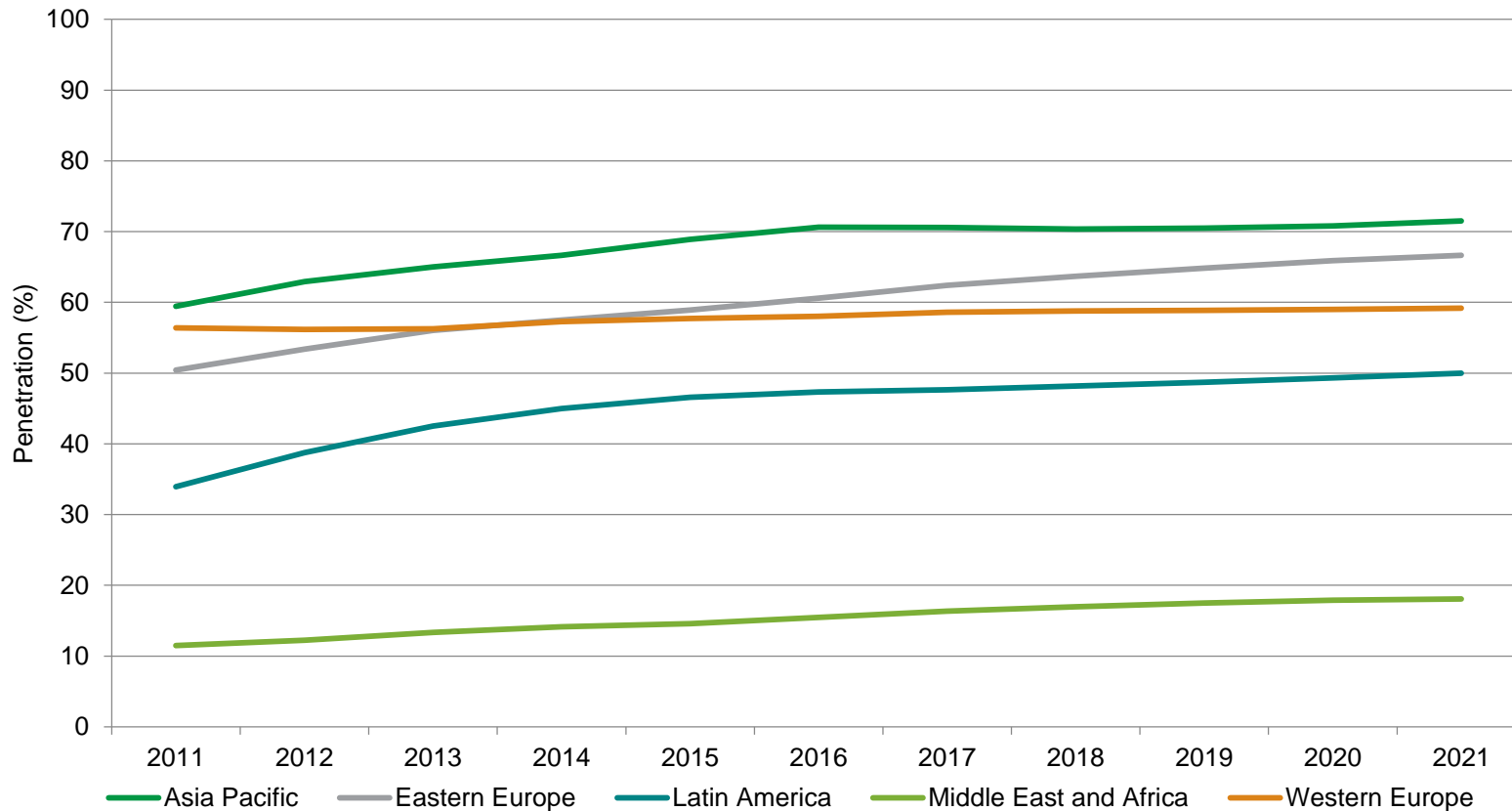
European Broadband Cable 2017

- Published in December 2017
- Now in it's 17th year
- The only definitive and fully comprehensive data report on the EU28 cable markets
- Historic and current data on the size and value of the industry
- Review and analysis of latest industry trends



Traditional pay TV is still growing everywhere except North America – cord-cutting has not spread

Pay TV penetration by region

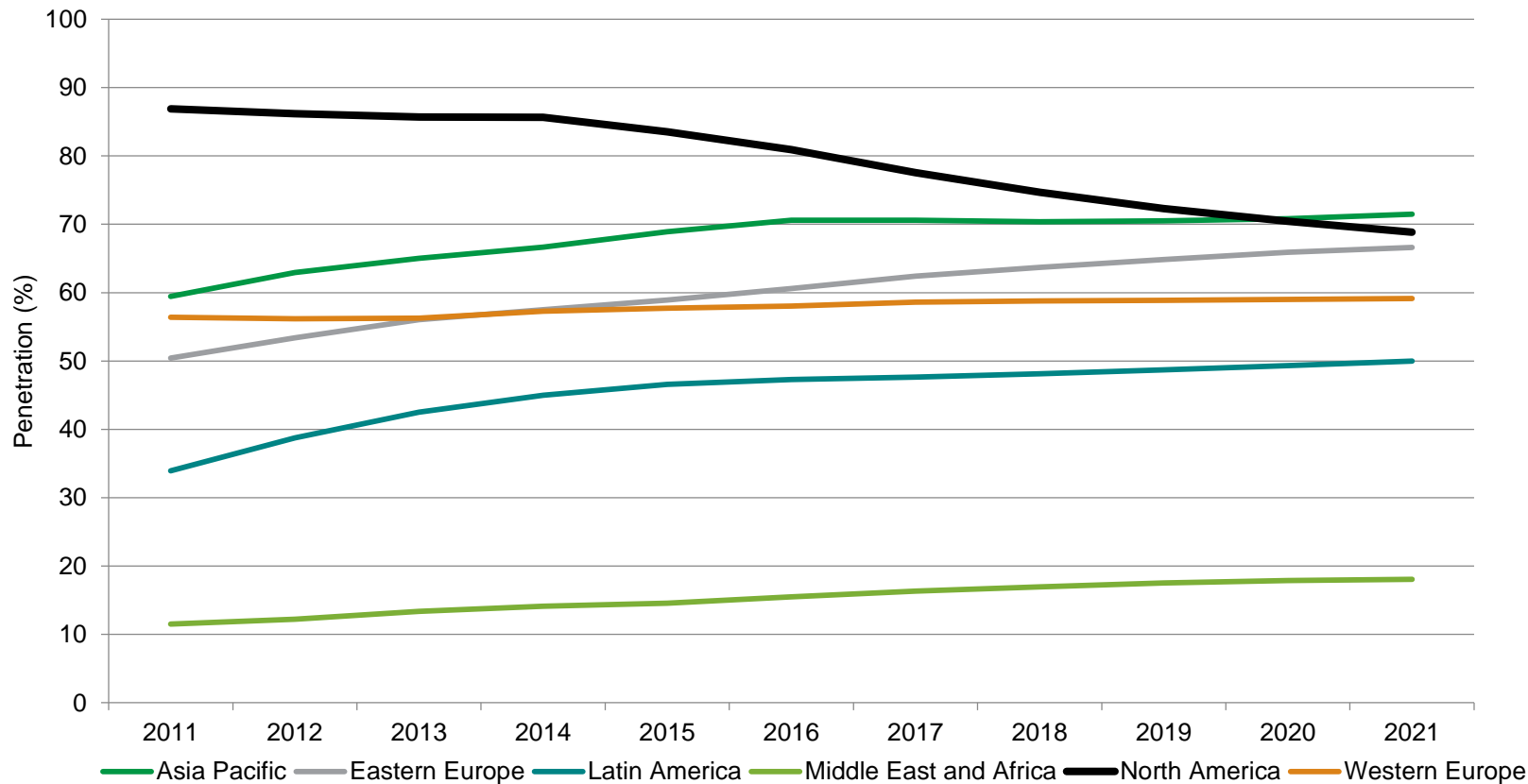


- Other regions have not fallen victim to the same factors that left North America vulnerable:
 - > High pay TV penetration – little room for organic growth
 - > High price of subscriptions
 - > Slow response to competition in the online-video space with innovation of their own
 - > Poor and much-maligned customer service

Source: IHS Markit

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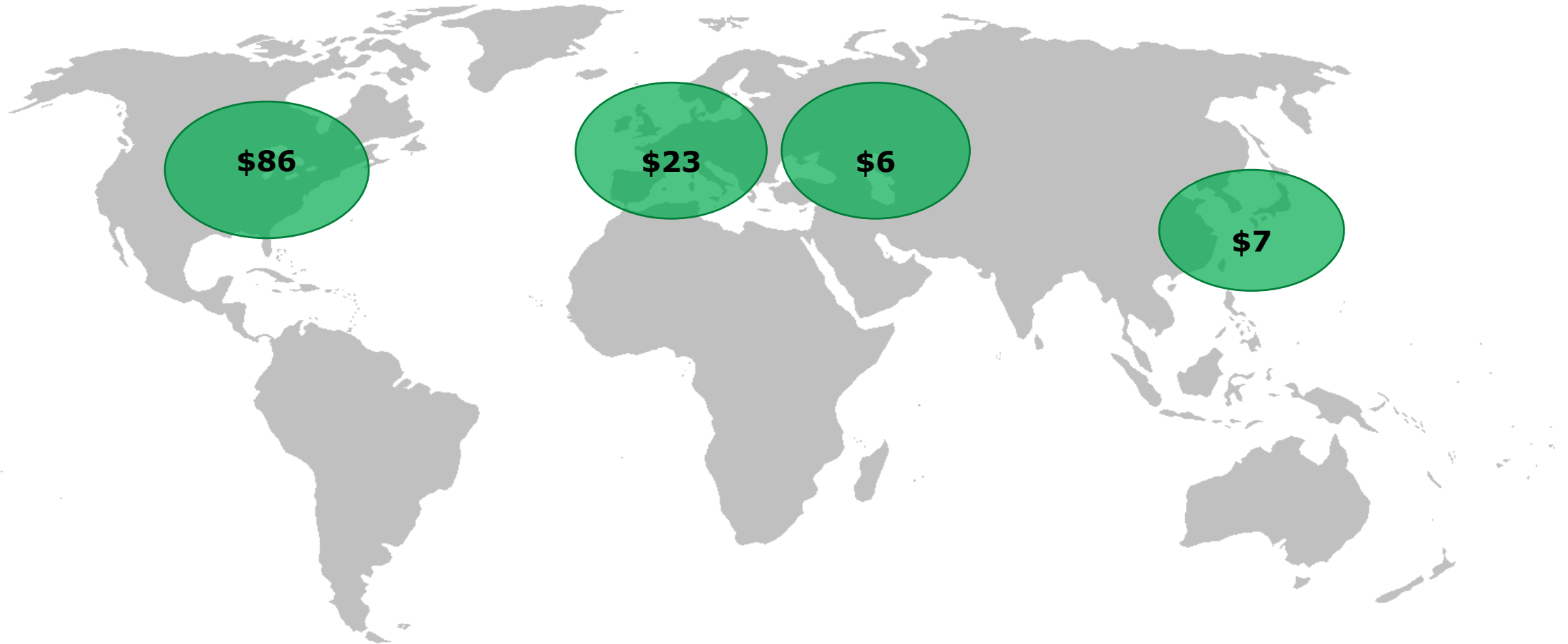
Pay TV penetration by region



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Source: IHS Markit

What is the ARPU for Cable TV in the US vs the rest of the world?



Triple play package



£48
a month

Unbundled set up



£33.49
a month

+



£7.99
a month
(HD Package)

+



£7.99
a month
(Standard Entertainment pack)

+



£7.99
a month

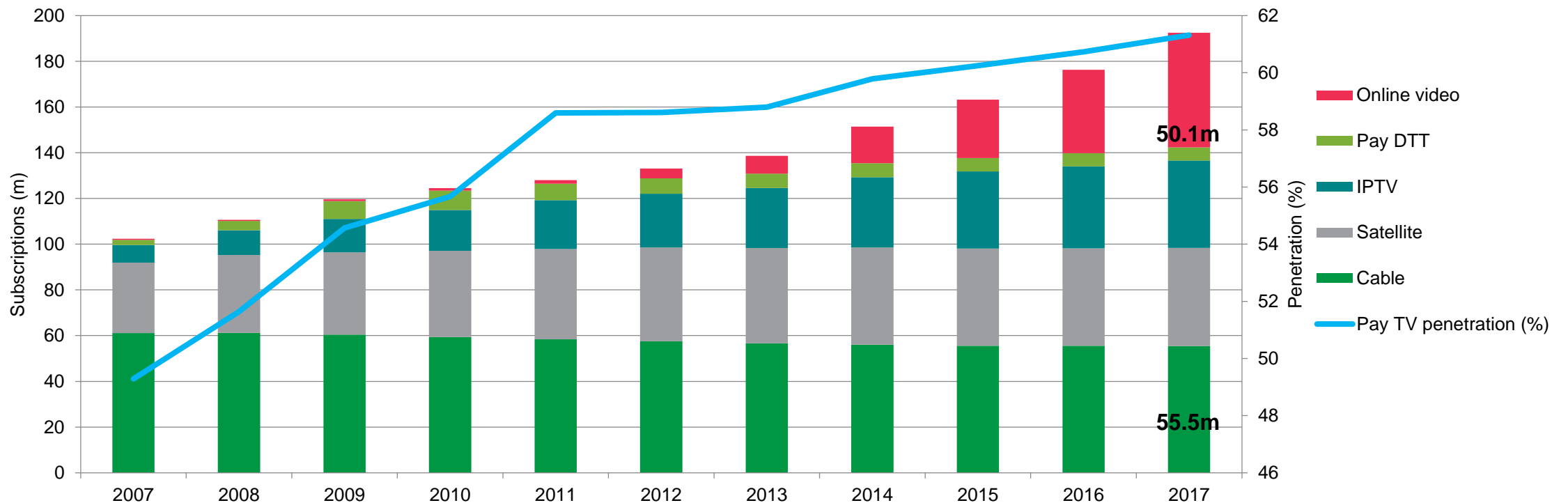
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£57.46
a month

In Europe pay TV is still growing and most Europeans still receive their pay TV via cable

- The role online video has played has been to expand the overall market for subscription video

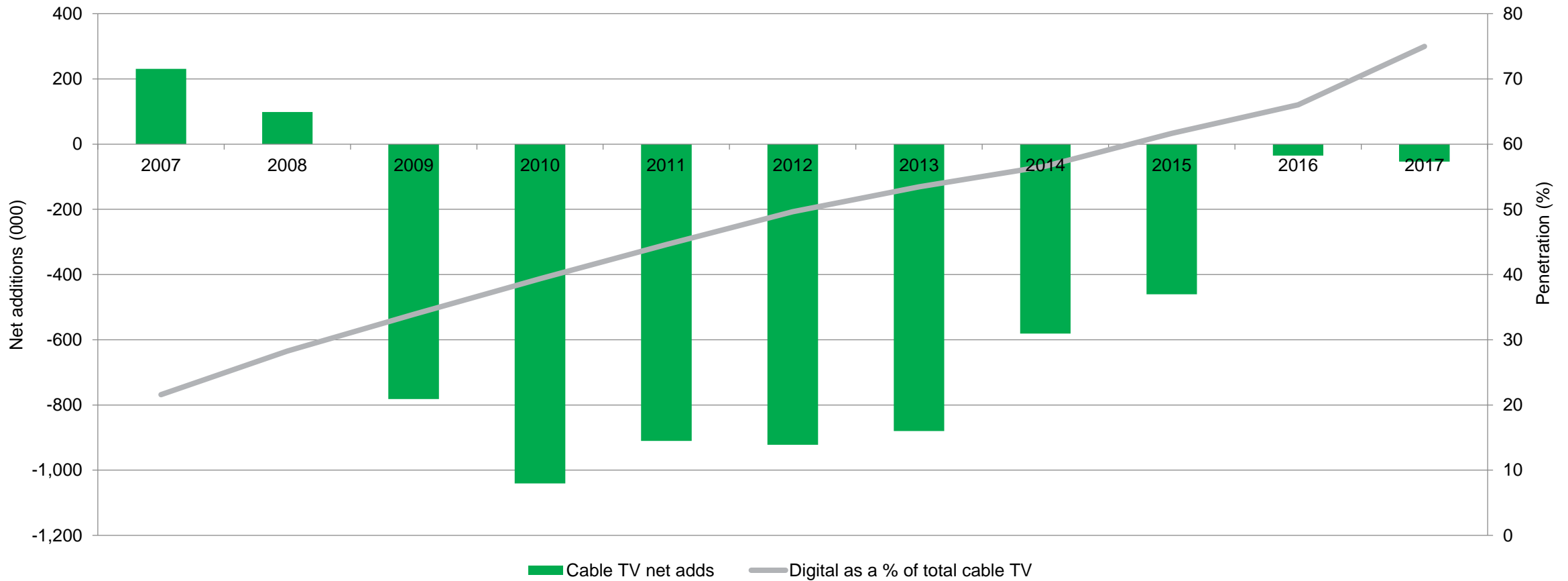
Pay TV and online video subscriptions in EU28



Source: IHS Markit

But Cable TV subscribers have been declining since 2009

Cable TV net additions and digital TV penetration in EU28

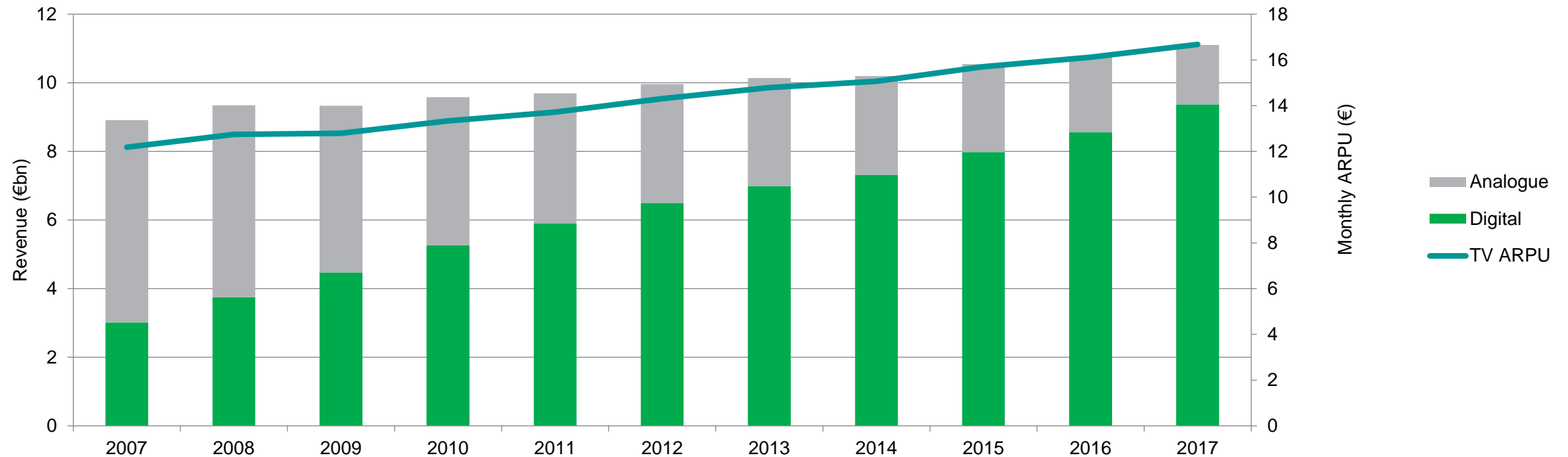


Source: IHS Markit

However, digital transition is helping drive up cable TV ARPUs – up 17% in last 5 years

- The higher value of digital TV subscriptions has compensated for overall declines in cable TV customers
- Cable TV subscriptions were worth an average of €16.75 a month in 2017 – lower than satellite (€31.40/month) but higher than IPTV (€14/month)

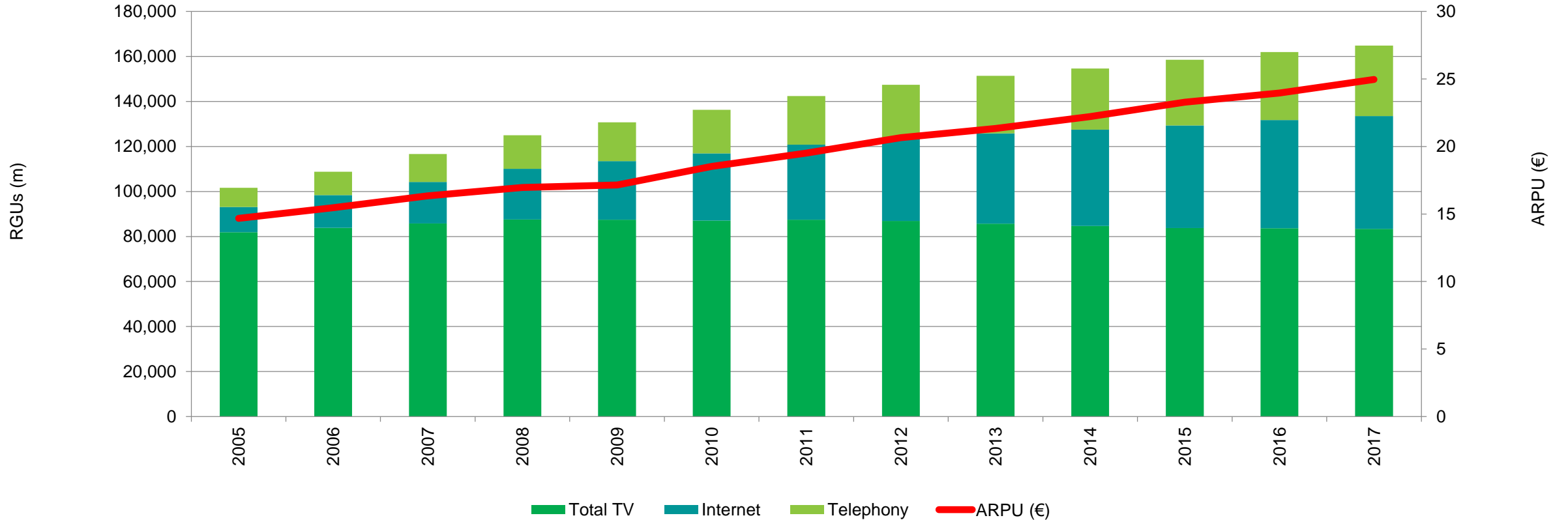
Cable TV revenues by type and monthly ARPU in EU28



Source: IHS Markit

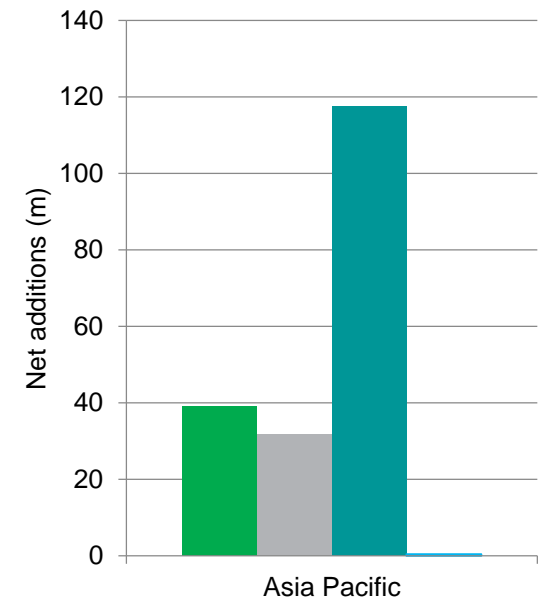
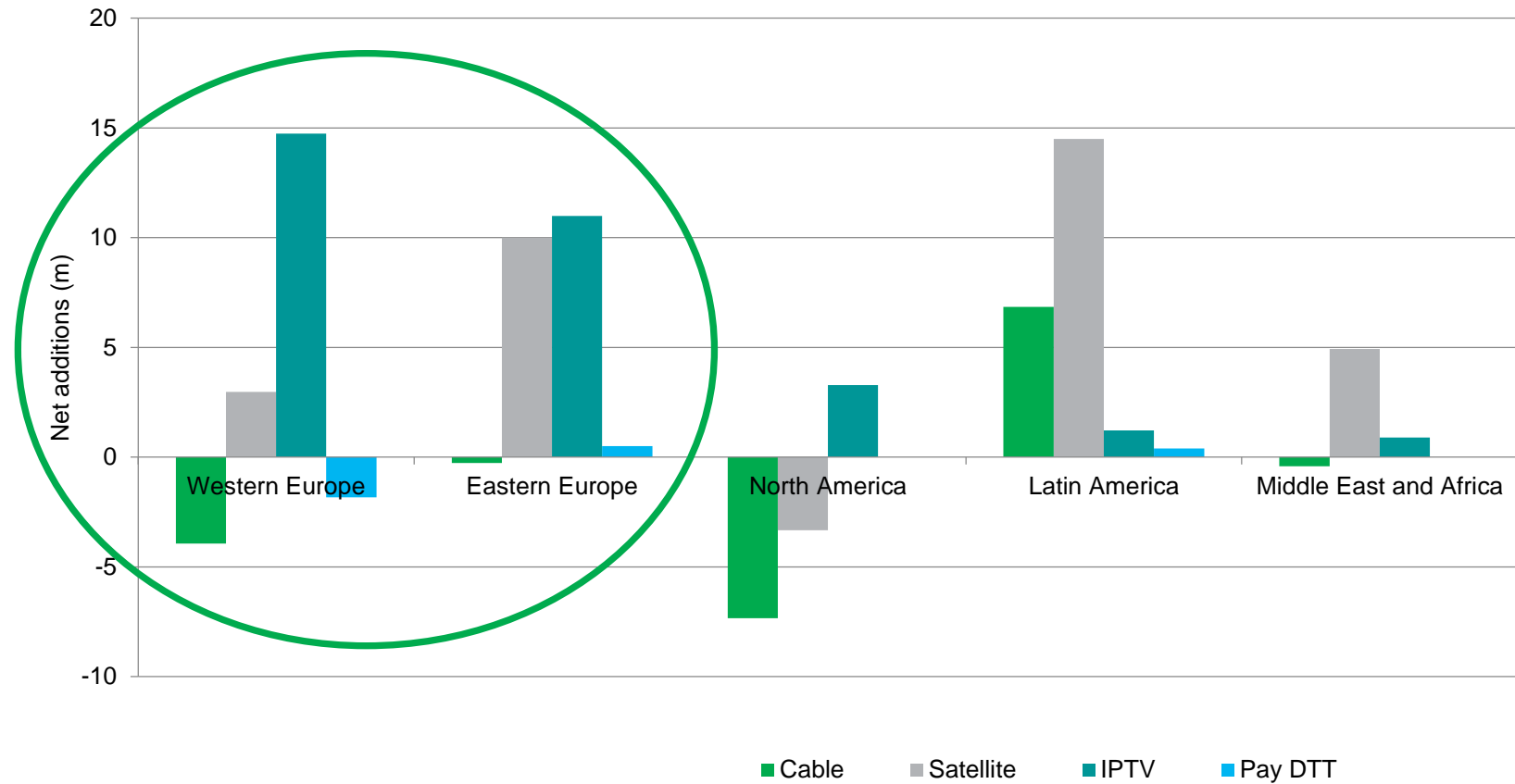
The power of the bundle: cable operators have grown total ARPUs 21% in 5 years by selling more services

Total Europe: cable operator revenue generating units



Cable's loss has been IPTV and satellite's gain, with telcos driving subscriber growth

Pay TV net additions by region and platform, 2011-2017

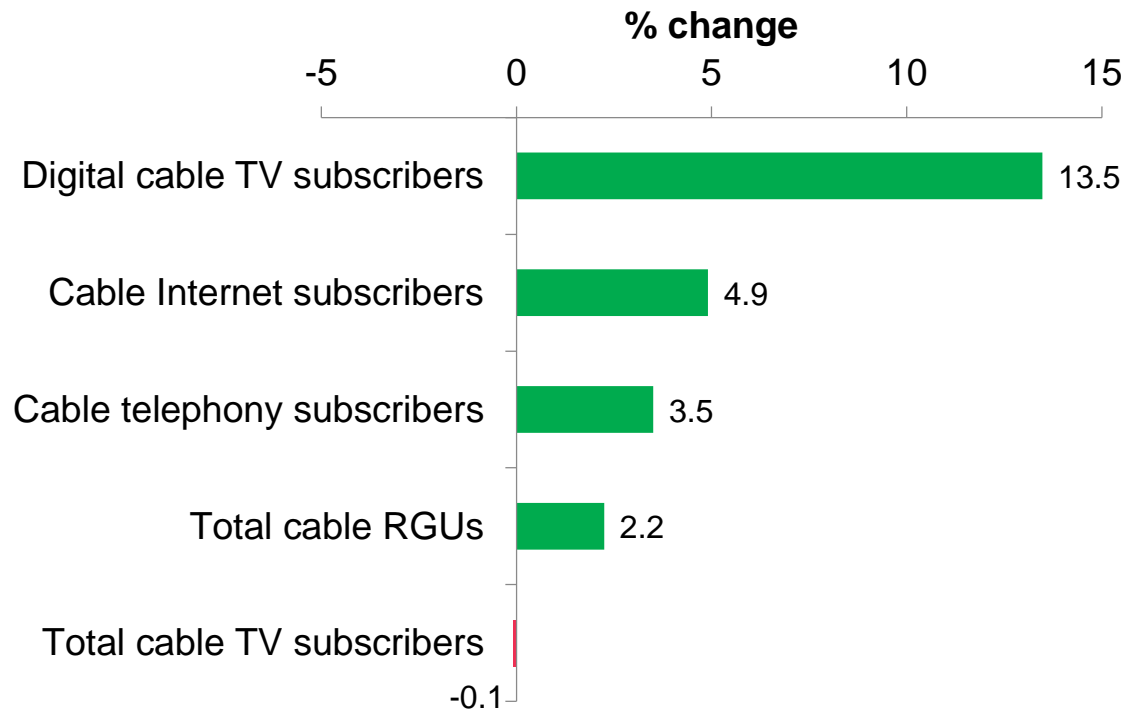


Source: IHS Markit

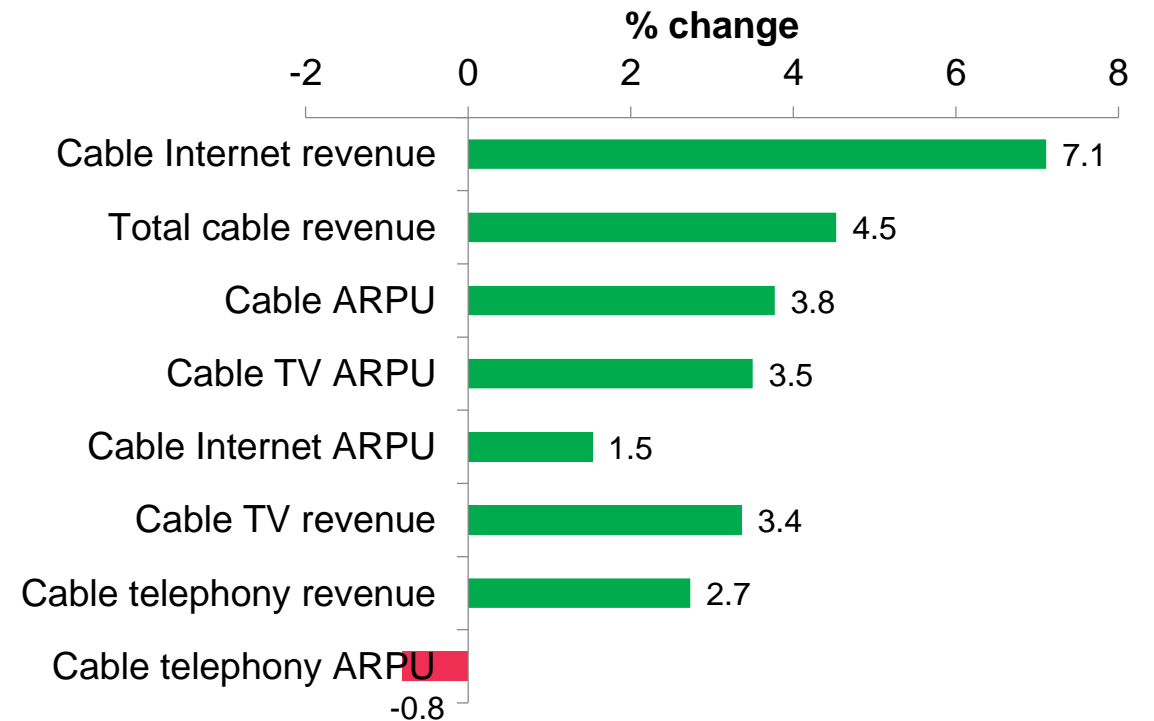
Cable broadly achieved solid growth in 2017, with broadband the star performer

Growth in key cable metrics in EU28, 2016-2017

Subscribers and revenue-generating units



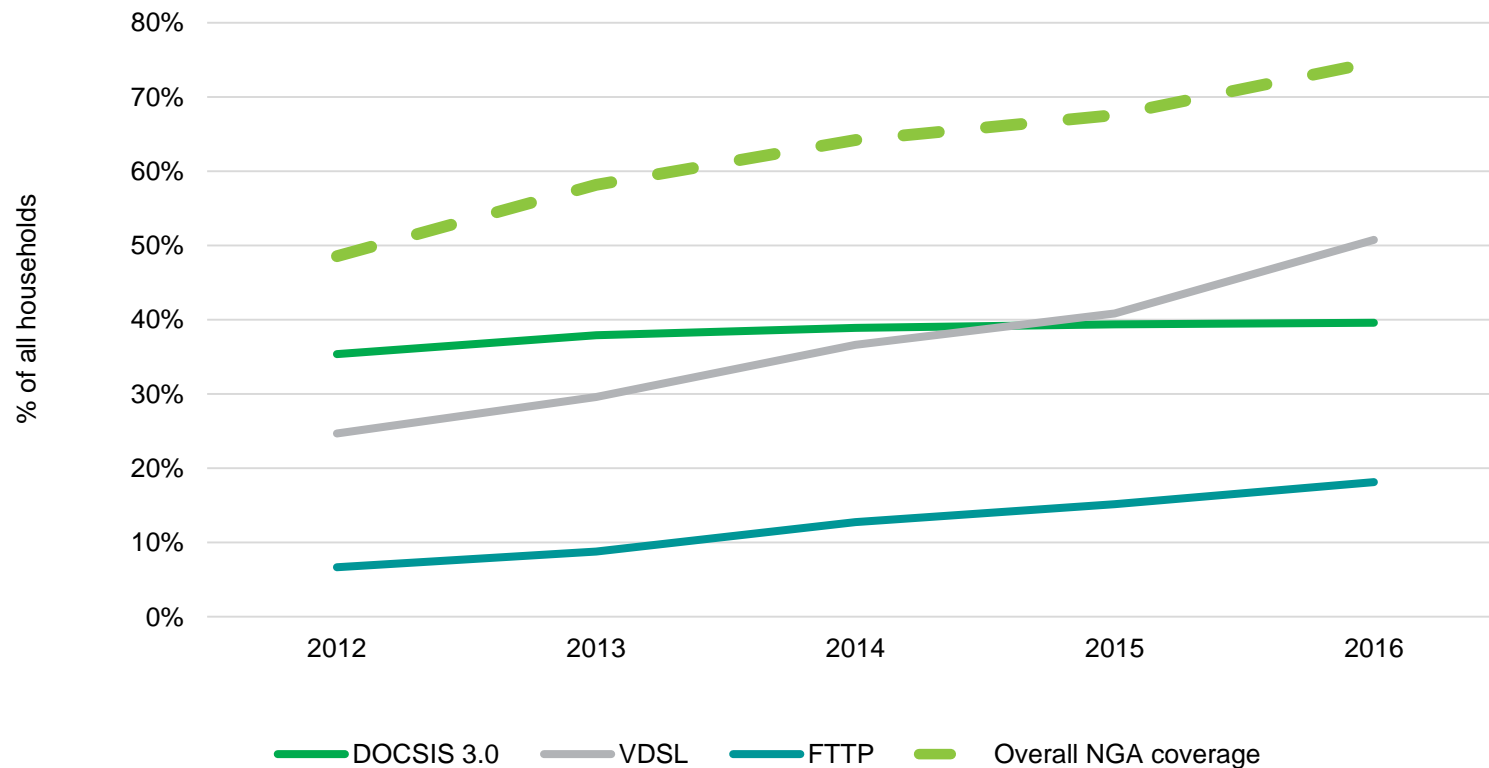
Revenues and average revenue per user



Source: IHS Markit

Cable has been a high-speed broadband pioneer with DOCSIS 3.0, kick-starting Next-Gen Access (NGA) broadband network deployments across Europe

Availability of NGA technologies in EU big five



- DOCSIS 3.0 services have been available to more than a third of homes in the EU big five for several years
- This has spurred competition – availability of NGA technologies in the these markets now exceeds 75%
- Telco rollouts have accelerated – VDSL now passes more homes than DOCSIS 3.0 in these markets

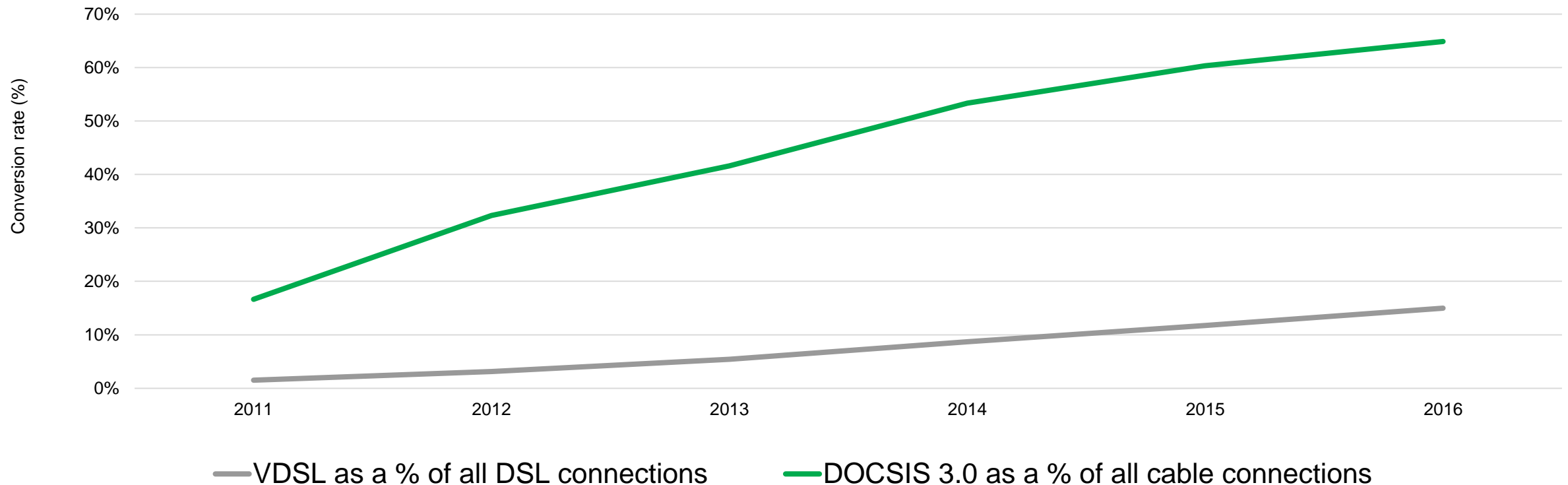
Note: NGA technologies typically deliver download speeds of at least 30 Mbps – some VDSL connections can drop below this (to around 24 Mbps), depending on the distance from the cabinet

Source: IHS Markit

But cable is doing a better job of maximising the return on its NGA investment, converting a higher percentage of subscribers to the faster top-tier technology

- More than two-thirds of all cable broadband subscriptions in the EU big five are NGA, compared to around 15% for DSL

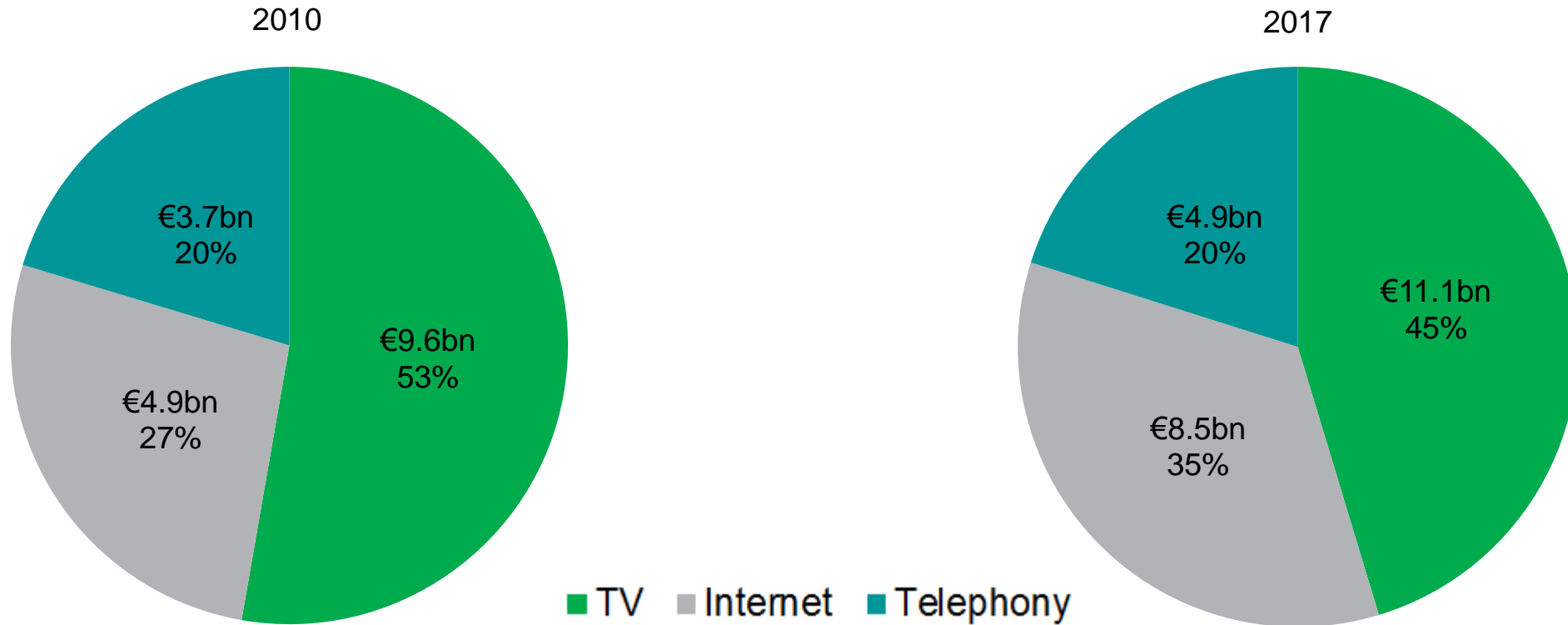
DOCSIS 3.0 and VDSL and as a % of total cable and DSL connections in EU big five



Source: IHS Markit

DOCSIS 3.0's success has put broadband on the path to becoming cable's biggest revenue generator

Cable revenue by source in EU28



Source: IHS Markit

How important is content for a cable operator?



Pay-TV operator strategies reflect the increased competition for consumers' time and spend

Enhanced Pay TV Propositions

CONTENT

*Exclusive content
Original programming*

VALUE ADD

*Boxsets
Same day release*

INNOVATION

*Advanced STBs, cloud based
storage
Partnerships beyond video*

ENTERING THE OTT SPACE

3RD Party Apps

Multiscreen

Pay TV Lite

Pay TV operators, particularly telcos, are increasingly investing in original content



Production & Distribution

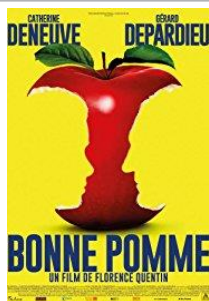
Altice Studio
€40m production budget for film

Orange Studio
€100m content creation spend over 5 yrs

Telefonica Studio
€100m investment for original production

All3 Media (50%),
Lionsgate (3.4%)

Sky Vision
€600m on originals content creation spend over 5 yrs



TAKEN

How much is a series (\$)?

HBO®

NETFLIX

NETFLIX



10m



9m



2.5m



1.8m



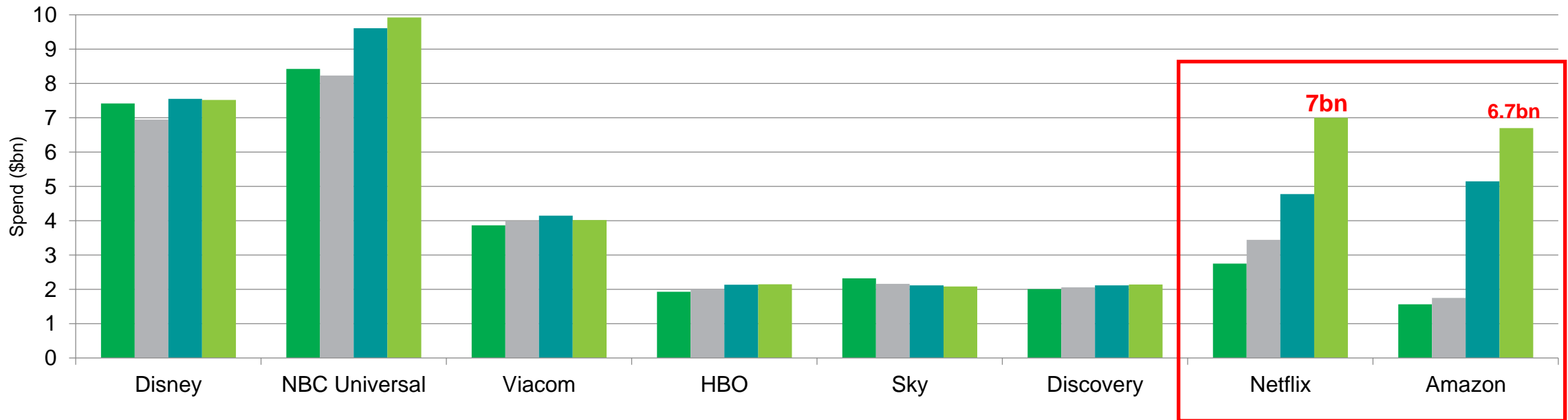
0.66m

● Game of Thrones ● Marco Polo ● Narcos ● La Peste ● Title from local FTA

New online entrants are offering consumers unique content that, in many cases, complements pay TV

- Scale achieved is driving significant investment in original programming, perpetuating growth

Original and acquired programming spend for selected groups



■ 2014 ■ 2015 ■ 2016 ■ 2017

Source: IHS Markit

But it is not only pay TV operators investing in content



facebook

Facebook to spend up to \$1bn
on original TV content

Saturday 09 September 2017 12:43 PM IST



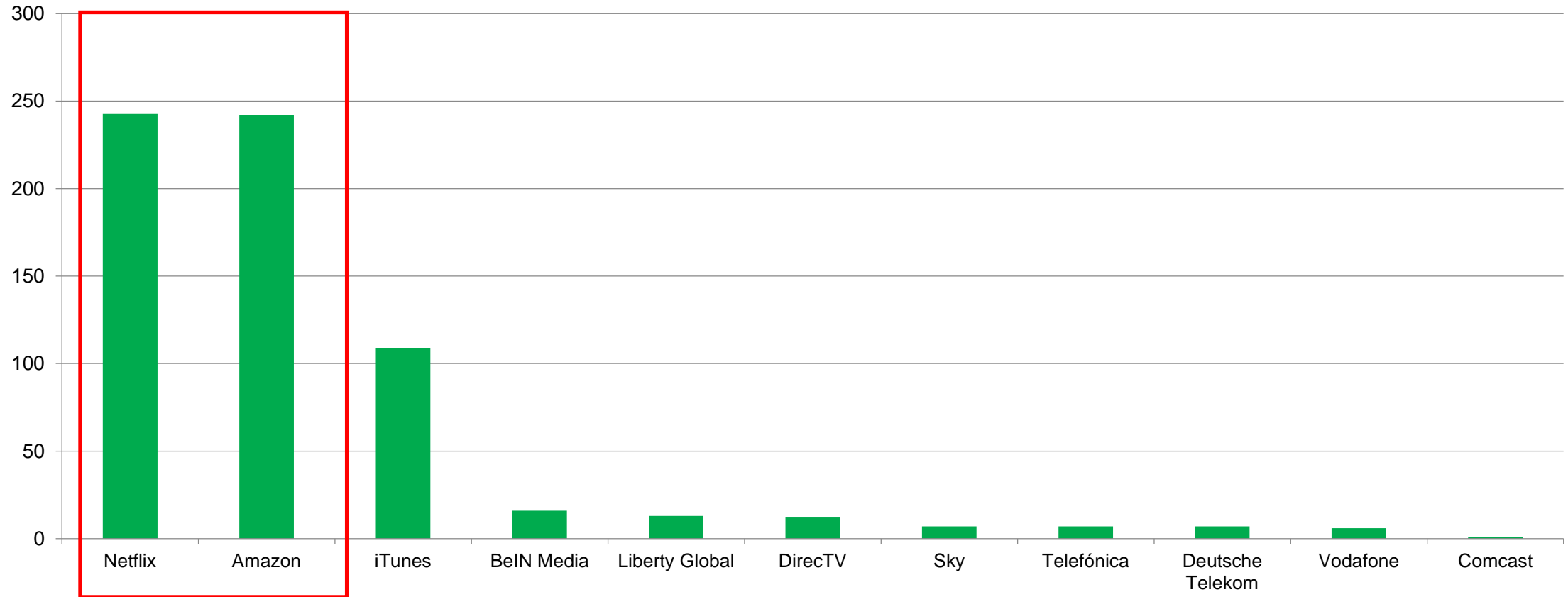
Apple to spend \$1bn on original content and
produce up to 10 new shows over the next year,

**Apple Is Investing \$1 Billion To Create The Next
'Game Of Thrones'**

They've poached former Sony talent to create original programming

Major online services are operating consumer facing services at unprecedented global scale

Number of countries & territories with consumer video services



Attitudes to Netflix have softened – pay TV’s ‘frenemy’



Virgin Media (UK)
Com Hem (Sweden)
 Wao (Denmark)

Atlantic Broadband (US)
 Grande (US)
 RCN Corp (US)
 Suddenlink (US)
 GCI (US)
 Midcontinent (US)
 Cable ONE (US)
 Proximus (Belgium)
 Bouygues (France)
 Orange (France)
 Deutsche Telekom (Germany)
 BT (UK)
 Dish (US)

TalkTalk (UK)
 Optus/Fetch TV (Australia)
 Elisa (Finland)
 Totalplay (Mexico)
 Telecom Italia (Italy)
Vodafone (Spain)
 KPN (Netherlands)
 Vodafone (Portugal)
 Bell (Canada)

SingTel (Singapore)
 Vodafone (Ireland)
 PCCW (Hong Kong)
 StarHub (Singapore)
 D’Live (South Korea)
Comcast (US)
Liberty Global (global)
 Telia (Finland, Sweden)
 Orange (Spain)

Telenor (global)
 Bharti Airtel (India)
 Videocon (India)
 Partner (Israel)
Altice (global)
 Telekom Malaysia (Malaysia)
DNA (Finland)
 Orange (global)
Cox (US)
 Deutsche Telekom (global)
 Verizon (US)

Strategic goals of online video partnerships for pay TV operators



Conclusions and recommendations:

- Cable companies should continue to invest in infrastructure to make sure that they provide fast and reliable connections
- Make ‘frenemies’ of new online channels that add value to your customers’ subscriptions
- But also consider going beyond partnerships – be on the look out for strategic investment opportunities
- Seek opportunities to execute a pay TV strategy of your own – don’t lose touch with the mobile-first generation
- Focus on the core, high-ARPU bundled proposition by delivering on the promise of anytime-anywhere TV and video
- Invest in new video technologies and standards; metadata, voice, personalization, smart home.

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Financial Markets

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Technology, Media
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Workflows

Economics &
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Product design

Supply chain

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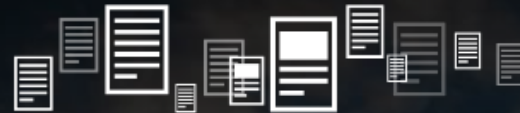
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140 countries

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Source: Meltwater

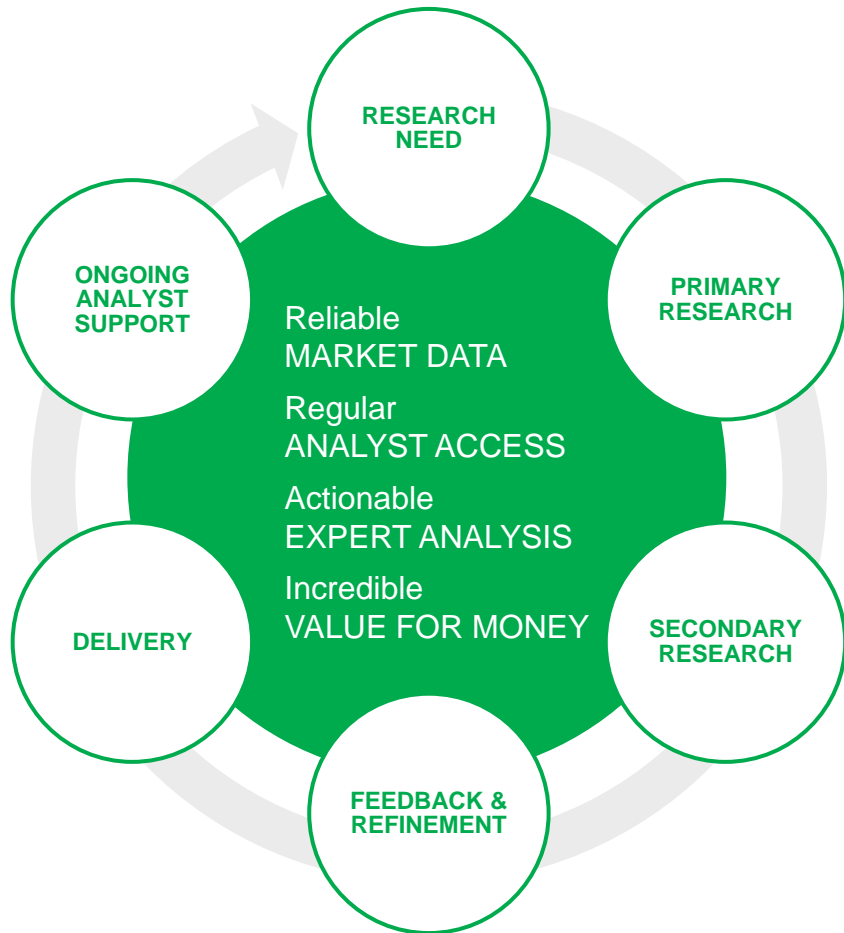


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Research methodology: IHS Markit Media & Advertising




50+
Analysts
Worldwide

- 100+ countries covered
- Deep market insight
- Custom research & consulting

Research Categories

- Advertising
- TV media & content
- Video
- Digital media
- Games
- Cinema

Key Topics

- Virtual reality and entertainment
- Games and mobile media
- OTT
- Television media

Solutions Intelligence Services

- Advertising
- Broadband Media
- Broadcast & Internet Video Software, Security & Analytics
- Cinema
- Connected Devices
- Games
- Home Entertainment KPIs
- Mobile Media
- Operator Multiplay
- TV Media
- TV Channels & Programming
- TV Sets
- Video Media

+ *Databases, reports, and market trackers*

Thank you

Maria.ruaaguete@ihsmarkit.com

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