

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













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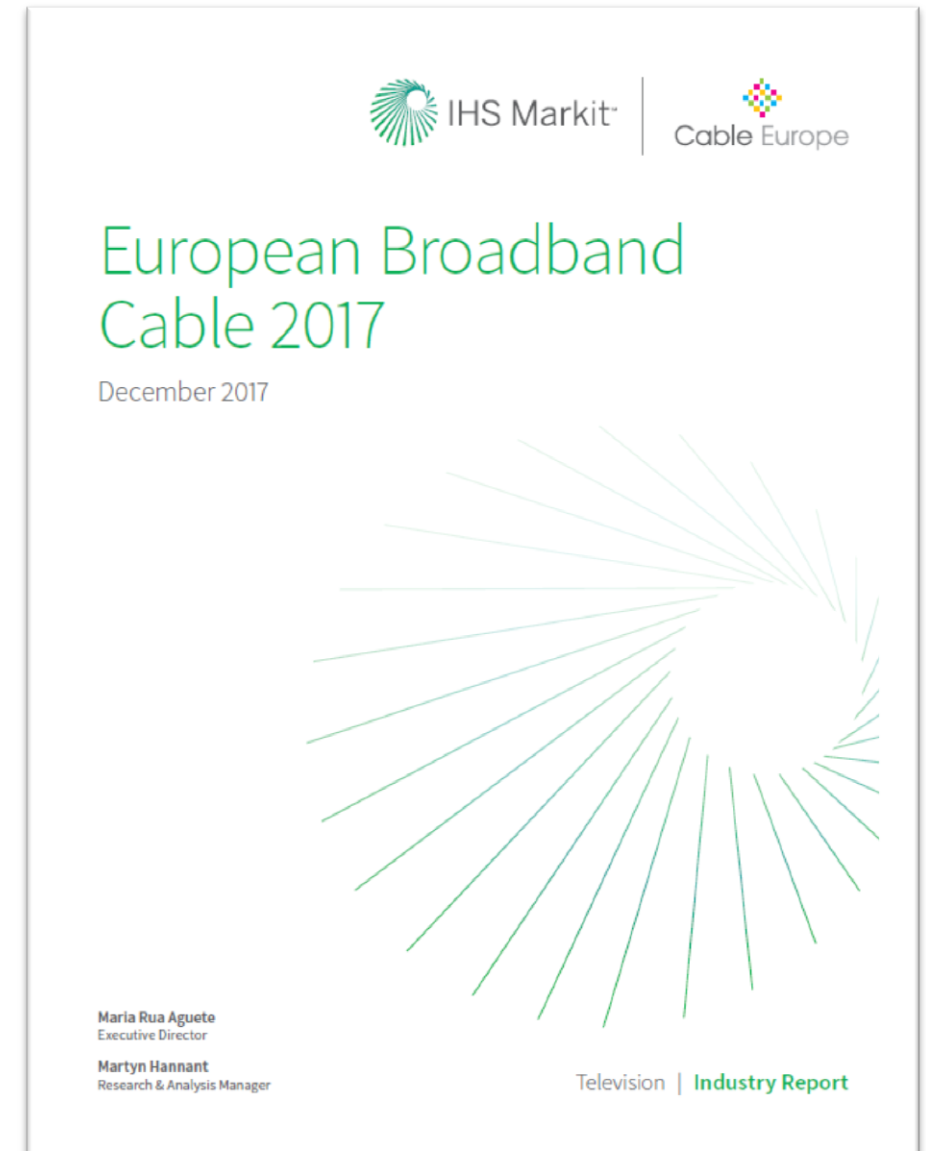
# Who are we? Information, insight, and analytics across critical technology markets

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	<p><b>Automotive Electronics</b> </p> <ul style="list-style-type: none"> <li>• Electronic systems &amp; semiconductors</li> <li>• Cost management</li> <li>• Connected car</li> </ul>	<p><b>Displays</b> </p> <ul style="list-style-type: none"> <li>• Display manufacturing &amp; supply chain</li> <li>• Display materials &amp; components</li> <li>• Large displays</li> <li>• Small &amp; medium displays</li> <li>• Touch &amp; interface</li> </ul>	<p><b>Enterprise &amp; IT</b> </p> <ul style="list-style-type: none"> <li>• Data center &amp; cloud</li> <li>• Enterprise networks &amp; communication</li> <li>• Enterprise IT security</li> <li>• M2M, IoT &amp; connectivity</li> </ul>
<p><b>Healthcare Technology</b> </p> <ul style="list-style-type: none"> <li>• Medical devices &amp; equipment</li> <li>• Healthcare IT</li> </ul>	<p><b>Manufacturing Technology</b> </p> <ul style="list-style-type: none"> <li>• Capital equipment &amp; machinery</li> <li>• Electric motor systems</li> <li>• Discrete &amp; process automation</li> </ul>	<p><b>Media &amp; Advertising</b> </p> <ul style="list-style-type: none"> <li>• Advertising</li> <li>• TV media &amp; content</li> <li>• Video</li> <li>• Digital media</li> <li>• Games</li> <li>• Cinema</li> </ul>	<p><b>Mobile &amp; Telecom</b> </p> <ul style="list-style-type: none"> <li>• Operators &amp; services</li> <li>• Mobile innovation</li> <li>• Mobile networks</li> <li>• Voice &amp; data networks</li> <li>• Service provider Broadband &amp; video</li> <li>• Managed services</li> </ul>
<p><b>Mobile, Consumer &amp; Connected Devices</b> </p> <ul style="list-style-type: none"> <li>• Mobile devices</li> <li>• Consumer electronics</li> <li>• Lighting</li> <li>• Digital signage</li> <li>• Smart home &amp; appliances</li> </ul>	<p><b>Power &amp; Energy Technology</b> </p> <ul style="list-style-type: none"> <li>• Smart grid &amp; energy storage</li> <li>• Power supplies &amp; wireless charging</li> <li>• Solar</li> </ul>	<p><b>Security Technology</b> </p> <ul style="list-style-type: none"> <li>• Access control &amp; fire</li> <li>• Video surveillance</li> <li>• Cybersecurity &amp; digital ID</li> <li>• Critical communications</li> </ul>	<p><b>Semiconductors</b> </p> <ul style="list-style-type: none"> <li>• Semiconductor market</li> <li>• Semiconductor components</li> <li>• Semiconductor manufacturing</li> <li>• MEMS &amp; sensors</li> <li>• Memory &amp; storage</li> </ul>

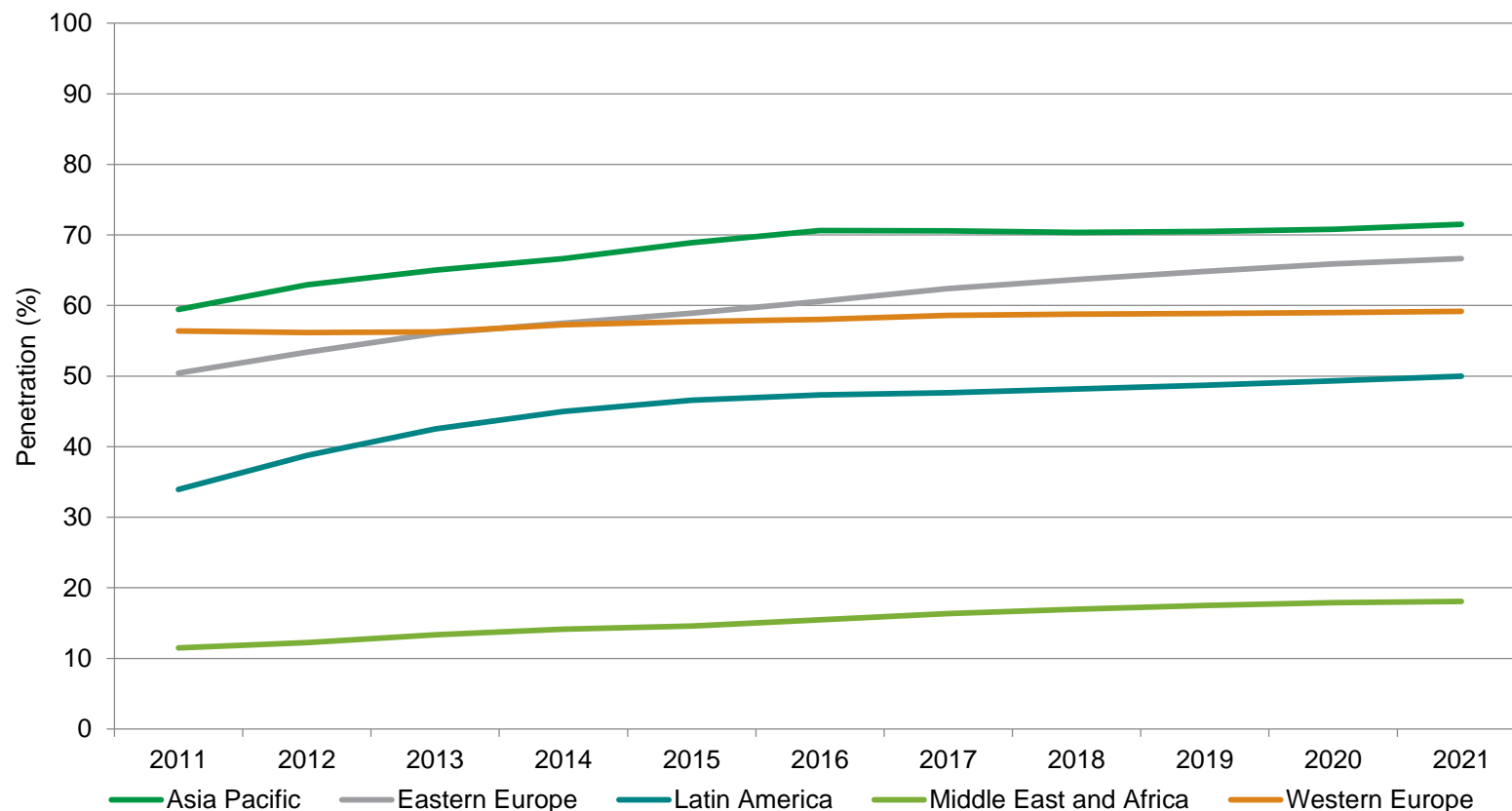
## European Broadband Cable 2017

- Published in December 2017
- Now in it's 17<sup>th</sup> 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

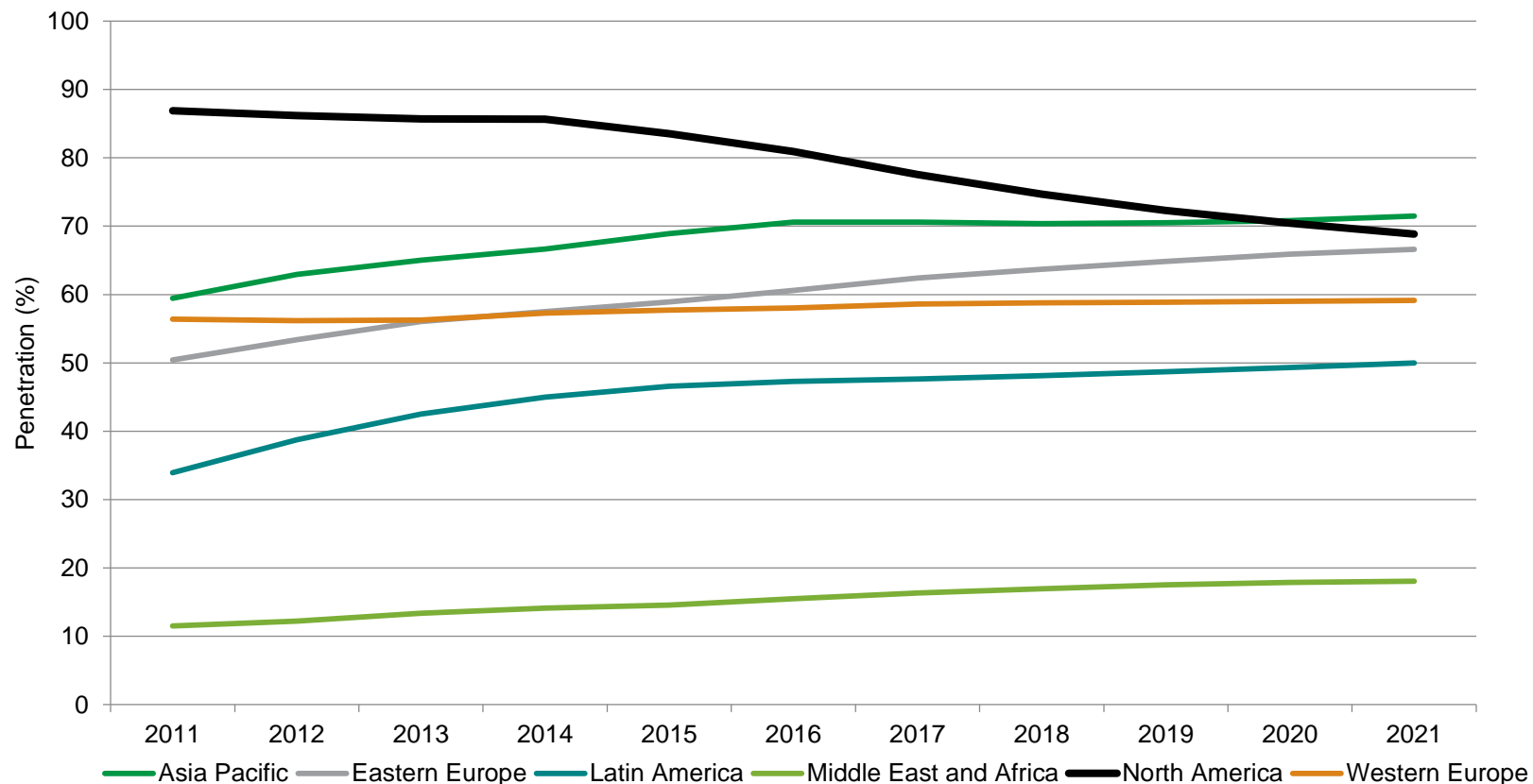
Pay TV penetration by region



- 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

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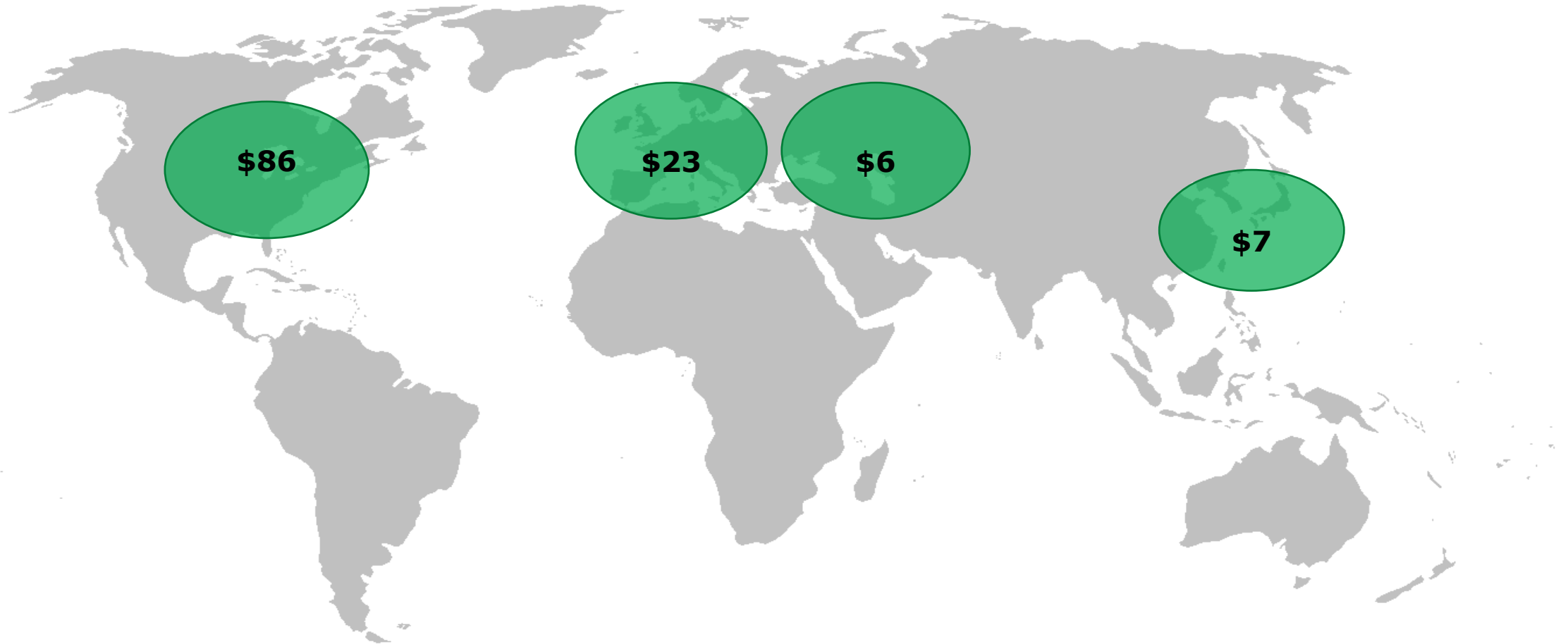
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Source: IHS Markit

## 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

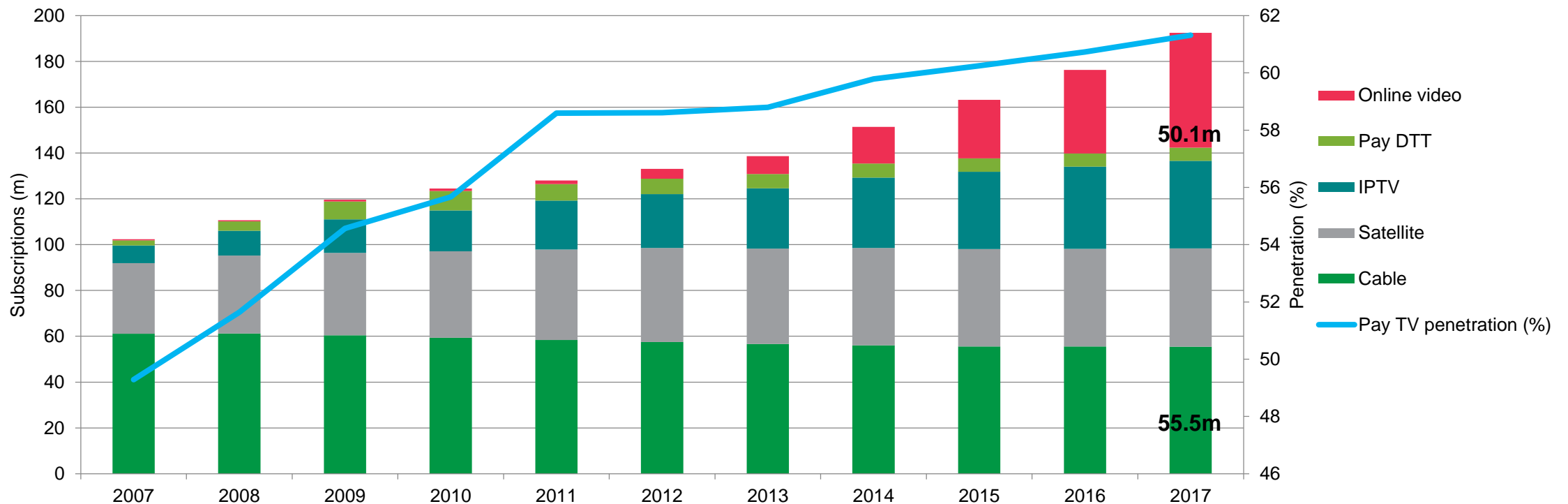
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**£57.46**  
a month

# 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**

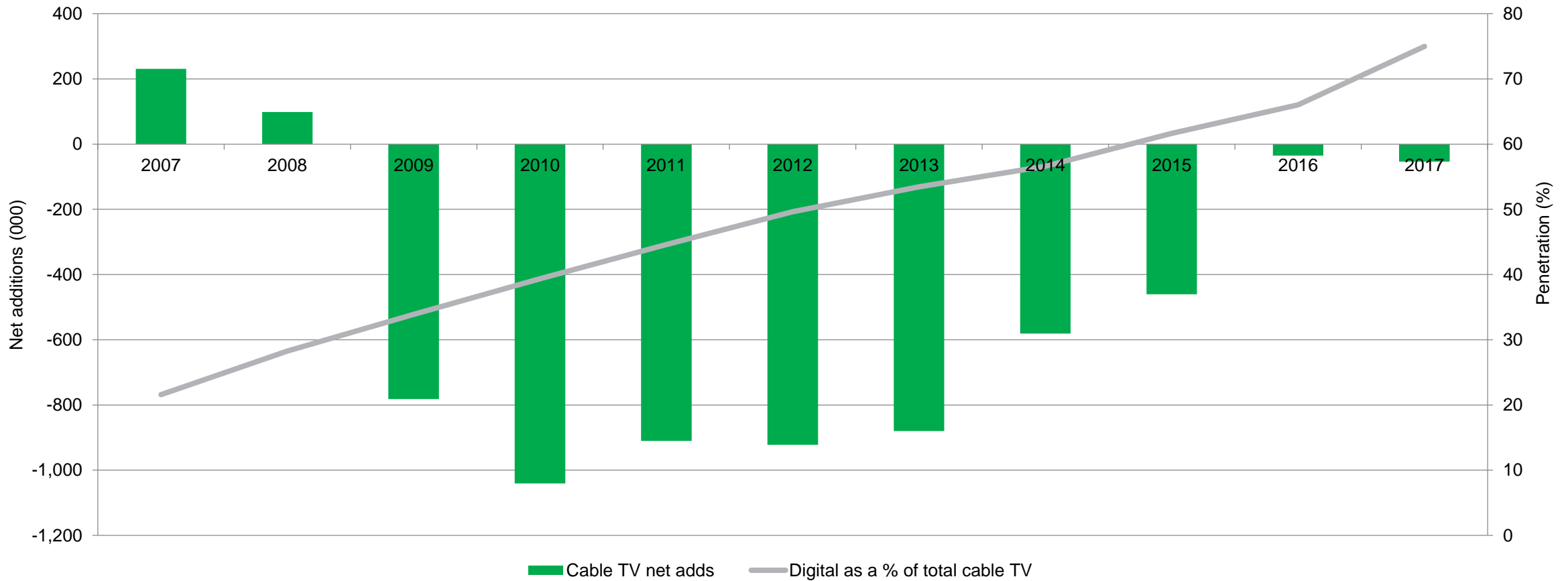


Source: IHS Markit



# But Cable TV subscribers have been declining since 2009

**Cable TV net additions and digital TV penetration in EU28**

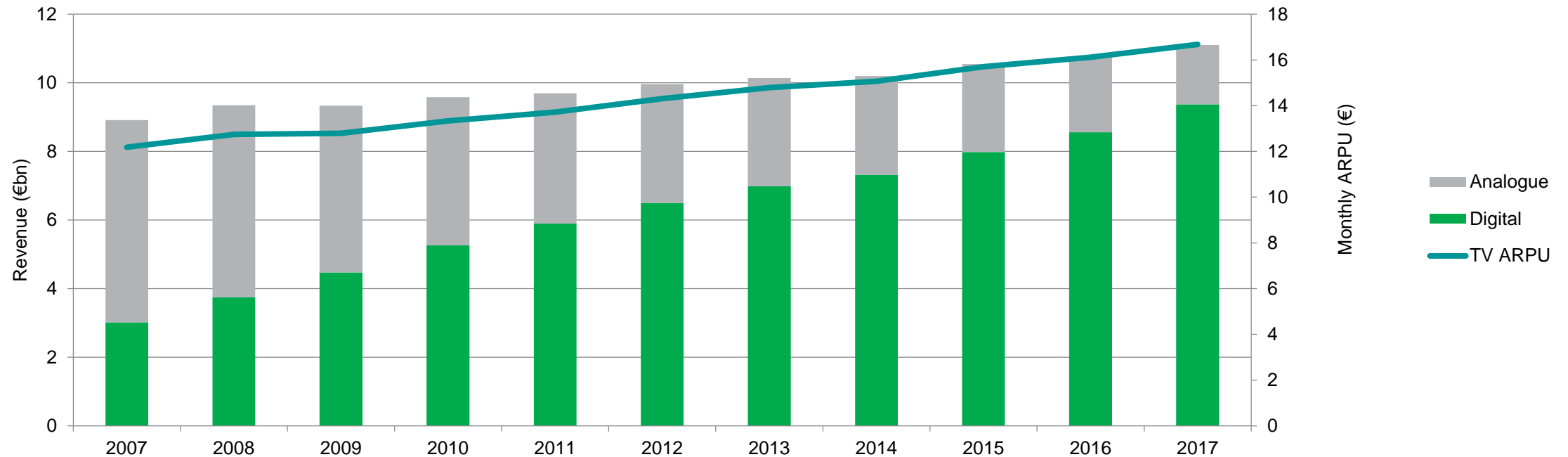


Source: IHS Markit

## 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)

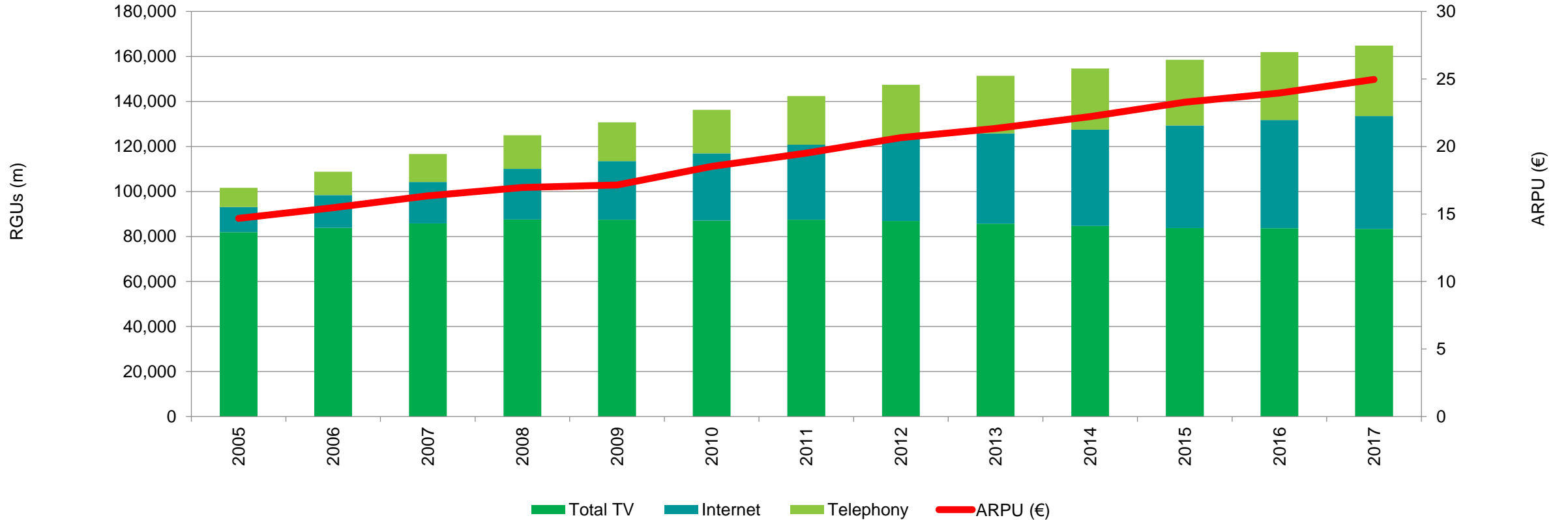
**Cable TV revenues by type and monthly ARPU in EU28**



Source: IHS Markit

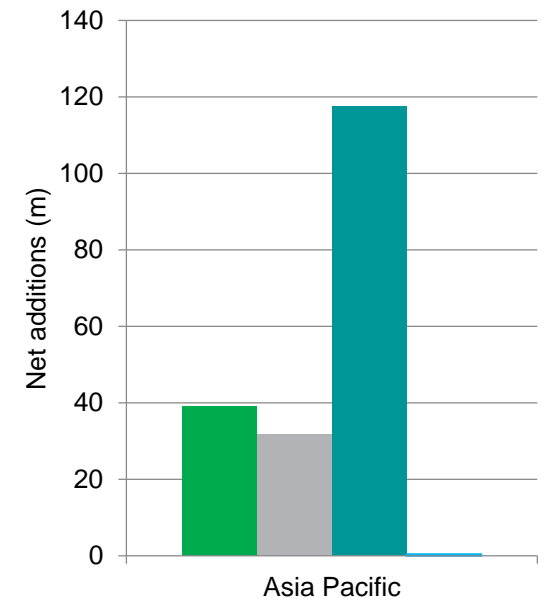
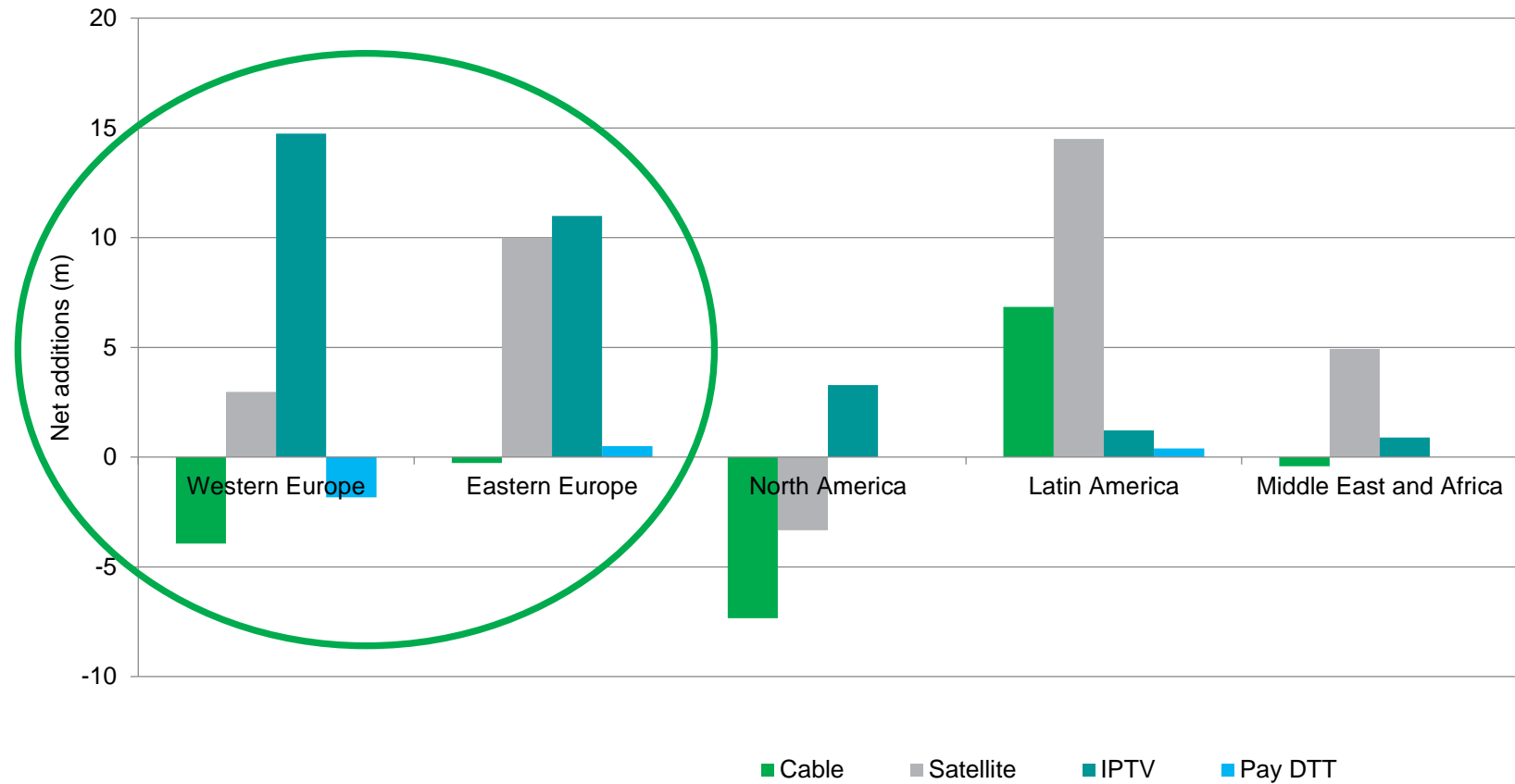
# The power of the bundle: cable operators have grown total ARPUs 21% in 5 years by selling more services

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

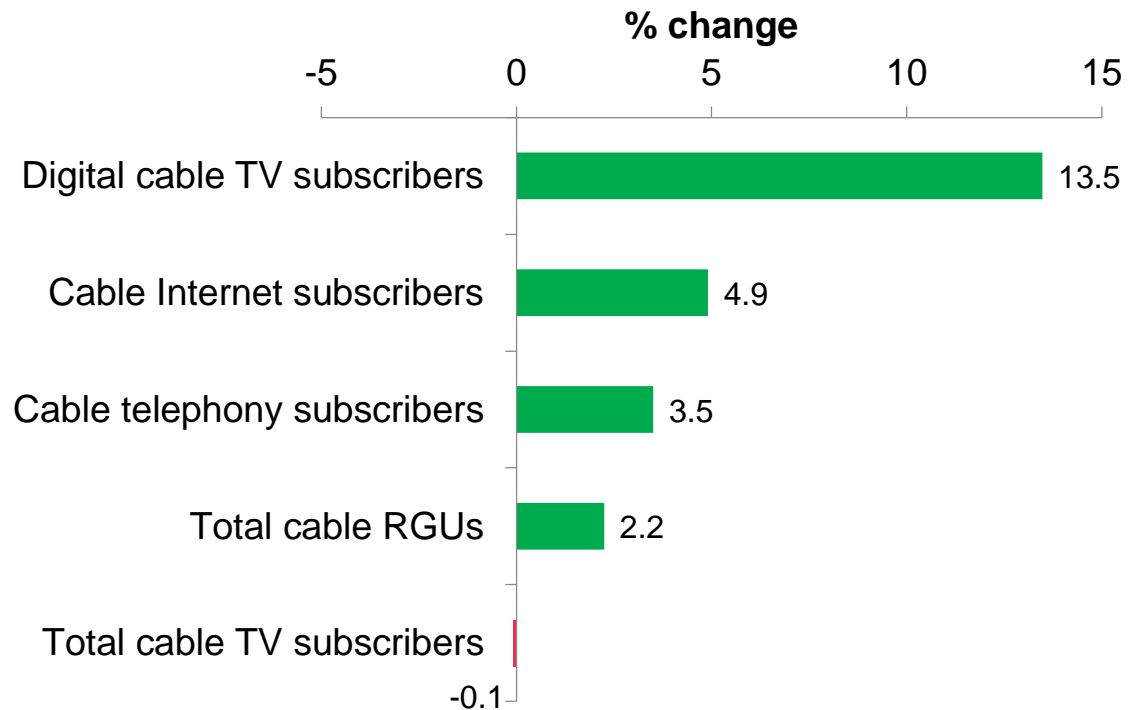


Source: IHS Markit

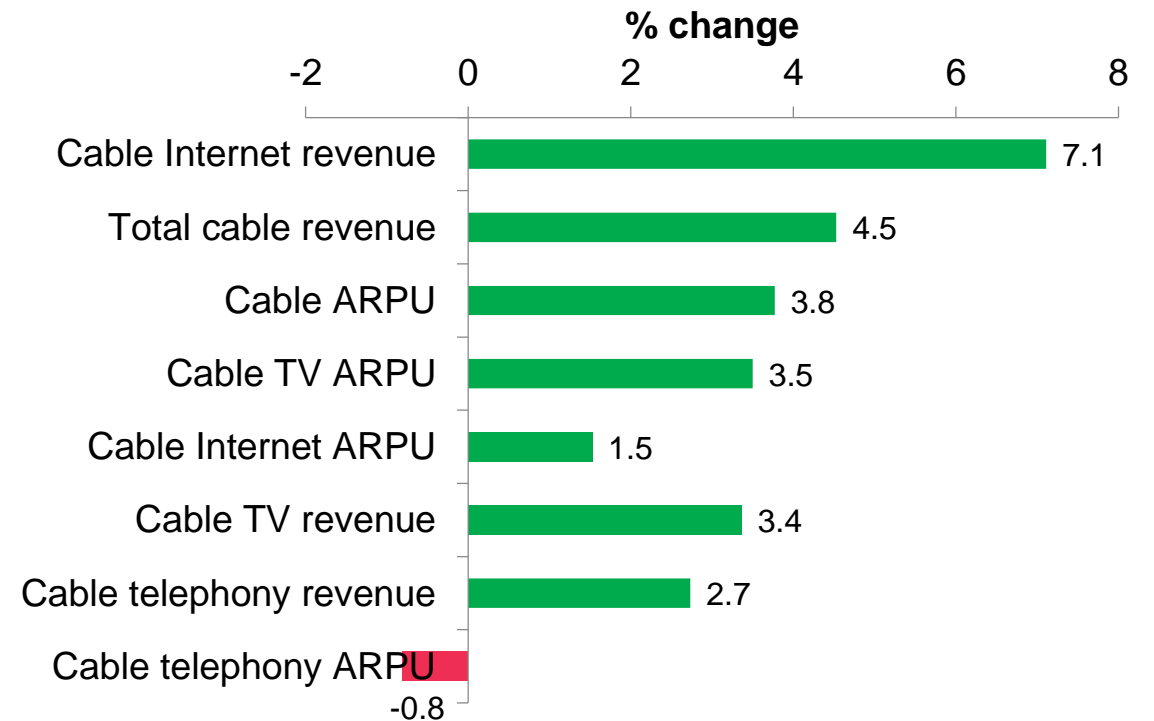
# Cable broadly achieved solid growth in 2017, with broadband the star performer

Growth in key cable metrics in EU28, 2016-2017

## Subscribers and revenue-generating units



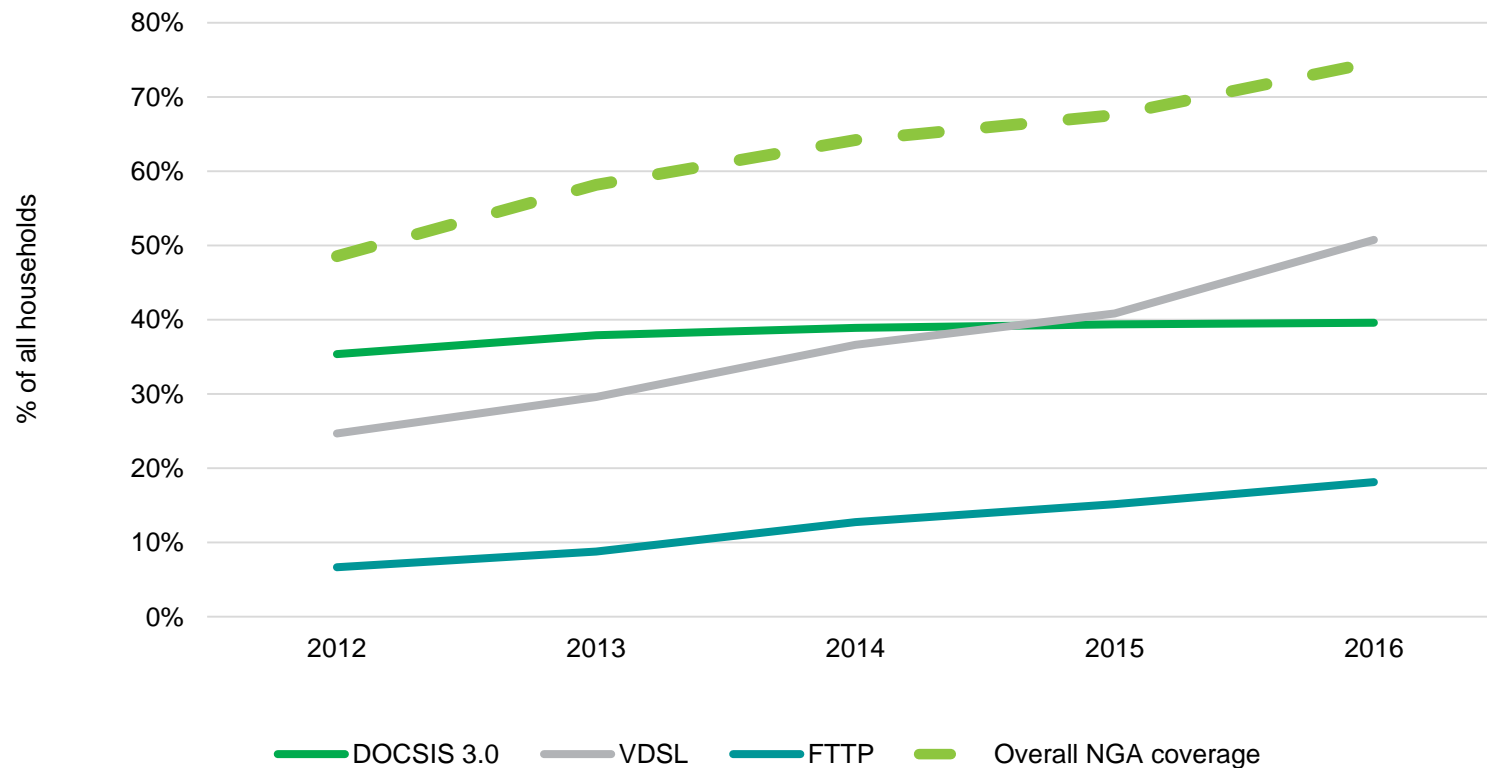
## Revenues and average revenue per user



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

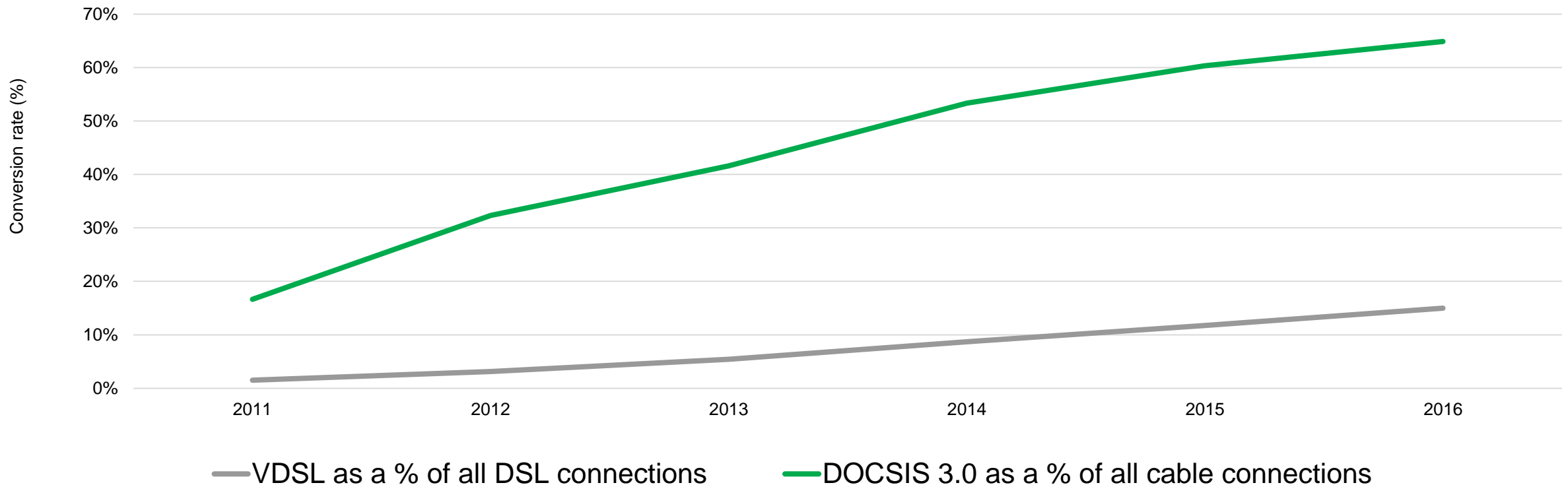
Note: NGA technologies typically deliver download speeds of at least 30 Mbps – some VDSL connections can drop below this (to around 24 Mbps), depending on the distance from the cabinet

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

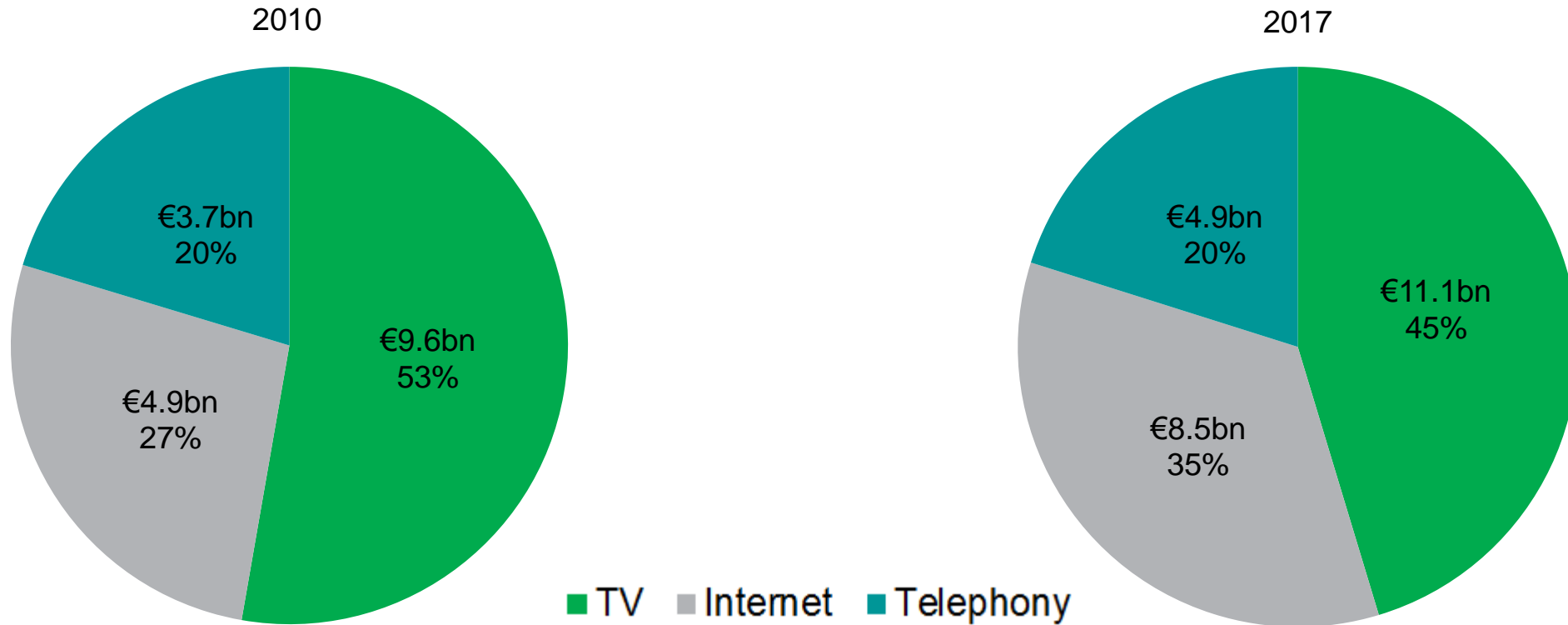
**DOCSIS 3.0 and VDSL and as a % of total cable and DSL connections in EU big five**



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

**3<sup>RD</sup> Party Apps**

**Multiscreen**

**Pay TV Lite**

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



## Production & Distribution

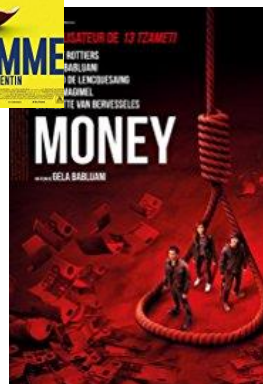
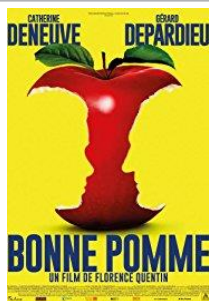
Altice Studio  
€40m production budget for film

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



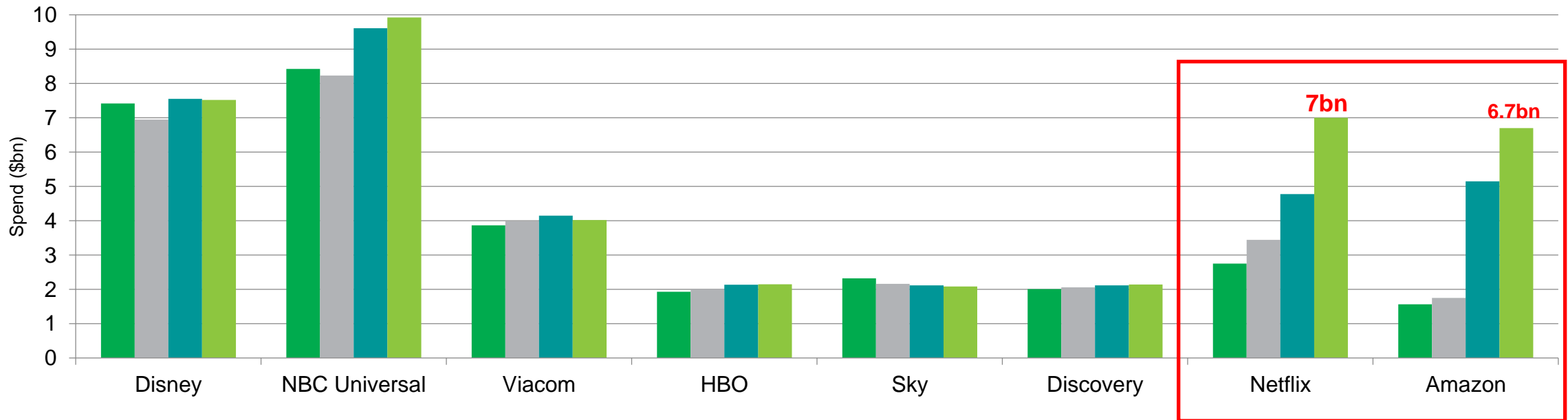
0.66m

● 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



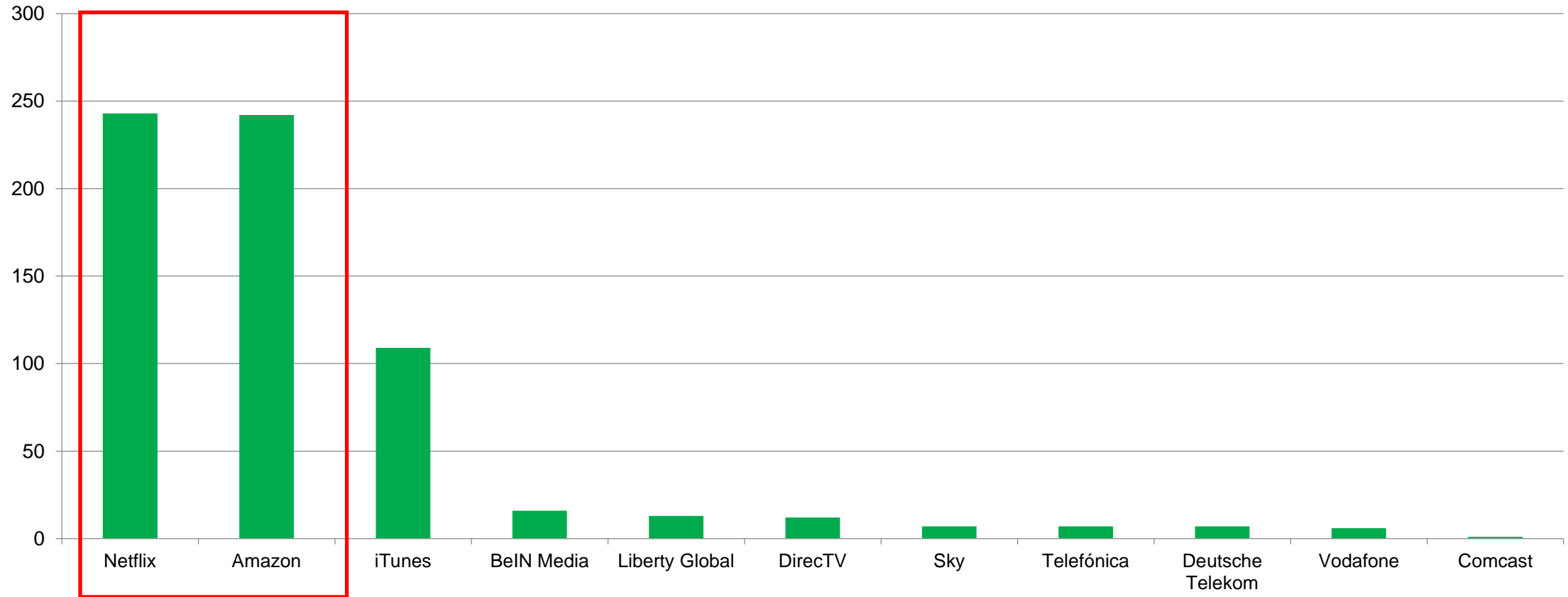
Apple to spend \$1bn on original content and  
produce up to 10 new shows over the next year,

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

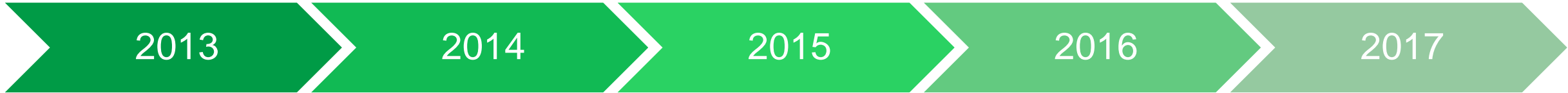
They've poached former Sony talent to create original programming

# 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.

# Thank you

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