

Television 2019 – Challenges and Opportunities

Business Overview

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Commercial TV – revenue is key driver

1. **Revenues side – advertising (Free to Air), pay TV (issues: audience habits, competition with other media)**
2. Delivery – Terrestrial, Satellite, Cable, Internet (parameters: reach, speed, quality)
3. Programming – news, entertainment, sports (parameters: competition for talent, rights: costs!)
4. Technology – investment levels, convergence with telecommunications (issues: competition, investment)
5. Regulatory environment (media, telecommunications, copyrights)
6. Valuations by investors (growth, cash flows, other investment opportunities, value of programming rights).

5.1 TV and audio-visual: overview and key market developments

Figure 46 Key metrics

	UK	FRA	GER	ITA	USA	JPN	AUS	ESP	NED	SWE	POL	KOR	BRA	RUS	IND	CHN	NGA
TV revenue (£bn)	14	9	21	6	132	23	4	3	3	2	2	7	10	3	8	28	1
Revenue per cap (£)	218	136	254	105	407	179	163	66	156	185	54	140	49	17	6	20	3
from advertising	70	59	66	39	158	79	86	22	46	52	18	42	23	11	2	9	0.7
from subscription	90	35	77	45	248	63	58	39	82	92	34	91	26	6	4	11	3
from public funds	58	43	111	20	0.3	37	19	5	28	41	2	7	-	-	0	-	-
Online TV revenues (£m)	1,969	724	930	373	13,919	1,002	559	236	313	342	132	314	589	235	175	4,729	0.10
Largest TV platform	Dsat	IPTV	Dsat	DTT	Dcab	Dcab	DTT	DTT	Dcab	Acab	Dsat	IPTV	Dsat	Dsat	Dsat/Dcab	Dcab	Dsat
% of homes (main set)	40	40	44	69	42	56	61	65	48	35	49	32	46	41	42	46	53
DTV take-up (%)	100	98	76	100	98	100	100	100	91	65	88	80	73	74	84	92	77
Pay TV take-up (%)	58	69	57	33	81	75	38	32	98	89	86	96	30	71	92	73	32
OTT SVoD take-up (%TV)	41	11	25	9	84	18	28	13	18	40	10	11	11	1	1	8	N/A

TV Broadcasting media model – revenue driven (i.e. value added, non-commodity business)

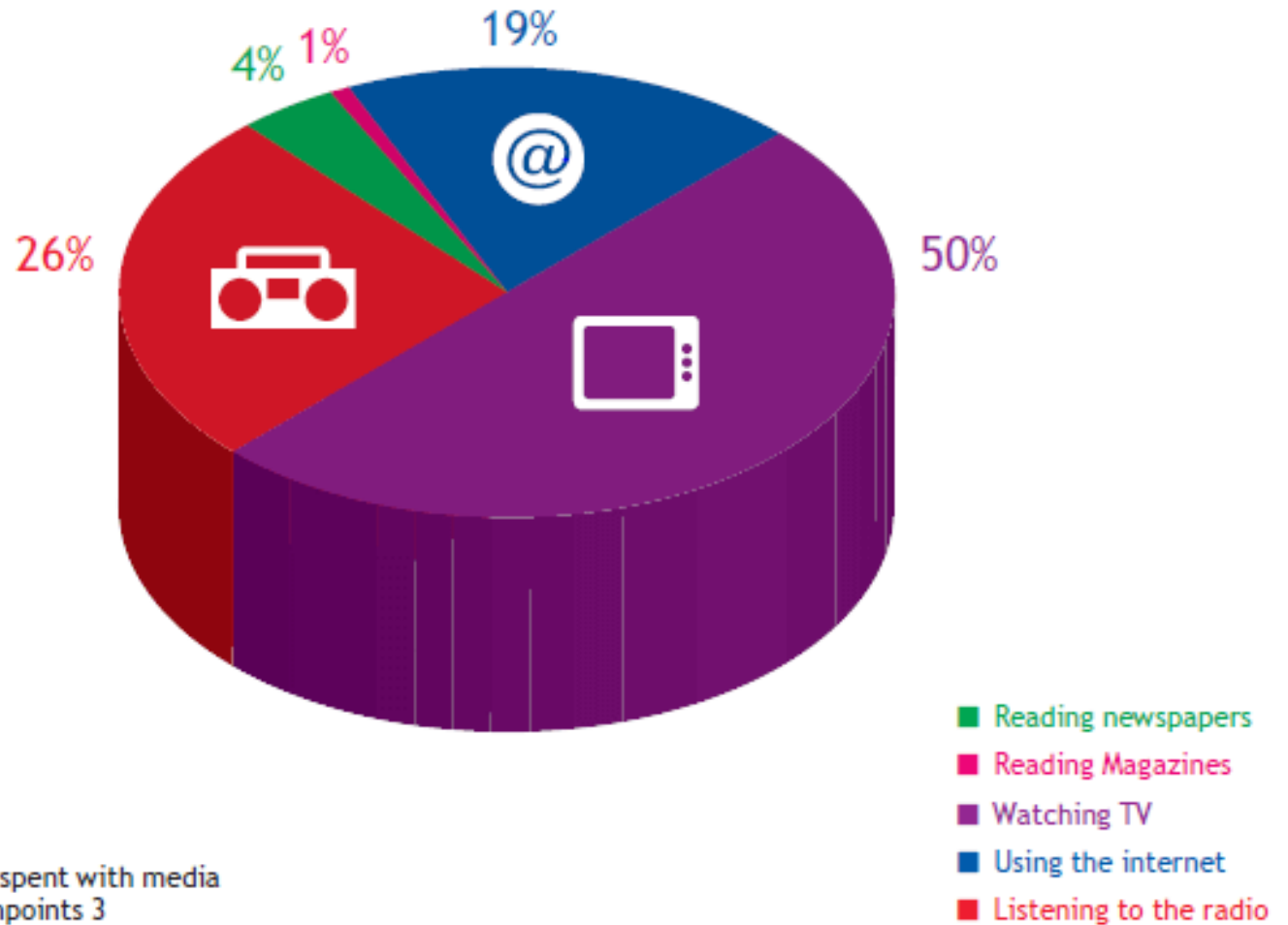
1. Advertising
2. Subscriptions (recurring revenue)
3. Pay-per-item (one-off programming licences, pay-per-view showings)
4. Public financing (separate set of challenges)
5. Merchandising

Largest country market: US Different percentages in different markets.

Advertising structure

Our media focus: TV, Radio and Online

TV, radio and internet comprise **95%** of all media consumption...



Share of all time spent with media
Source: IPA Touchpoints 3

What drives advertising revenues?

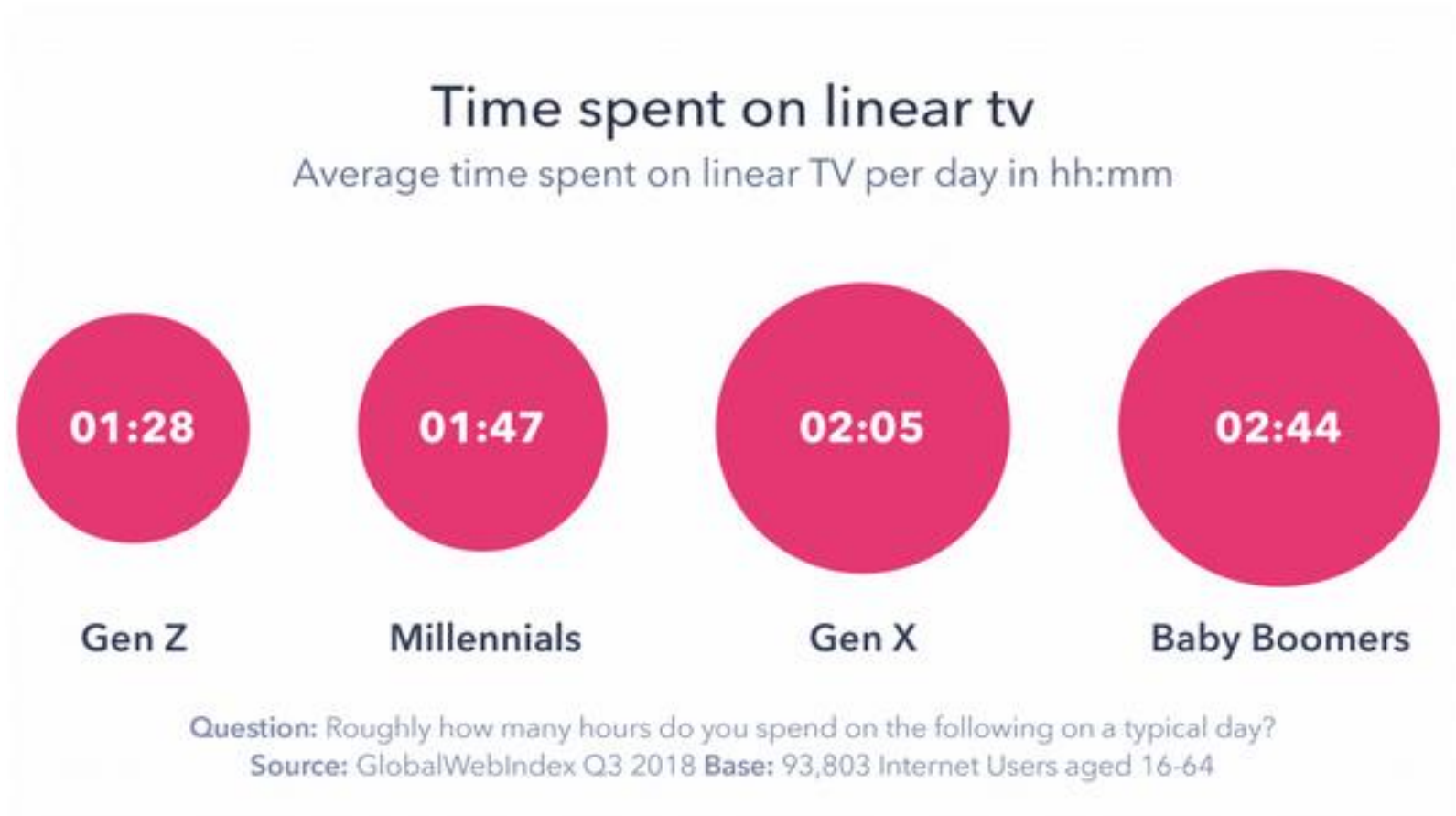
- Cost of reaching audience (Cost per Thousand, or CPM/CPT)
- Ratings (driven by popularity of shows and time slots)
- Relevance to target audiences (as defined by advertisers)

All above are interlinked

Generally: best content ->more audience -> lower CPT

->competitive advantage -> More \$\$\$

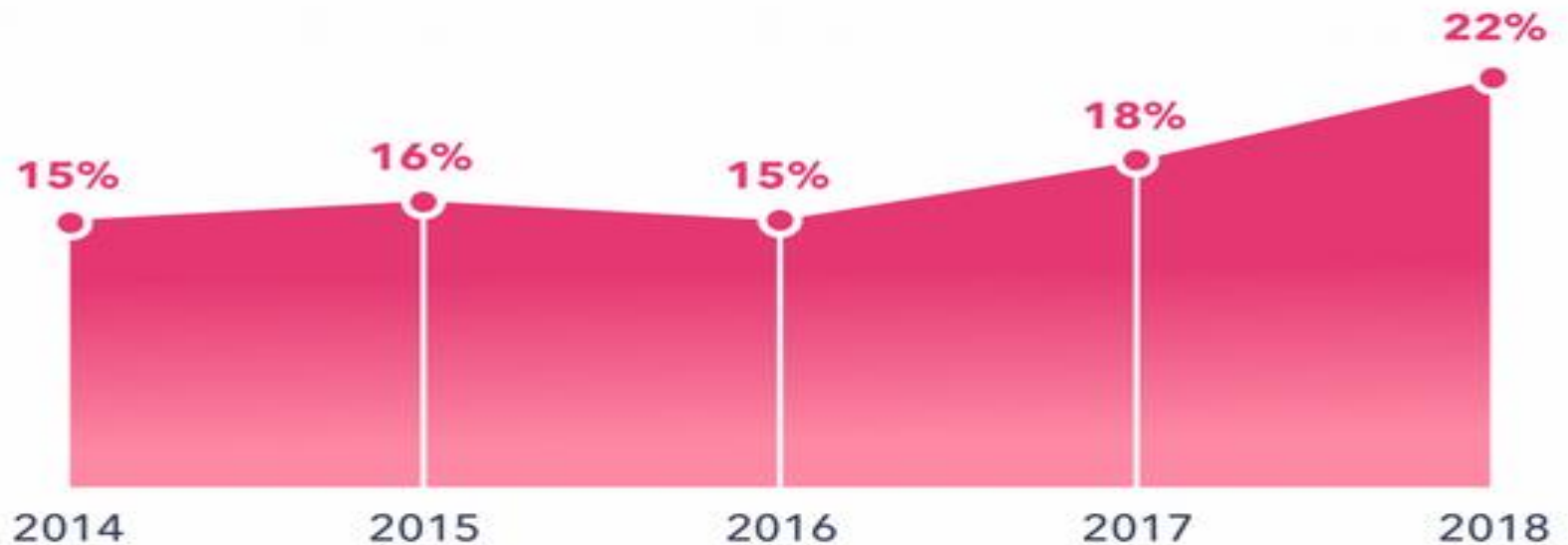
Challenge – shift in viewing patterns



Challenge – paying on-line grows but slowly

Paying for movie/tv streaming services

% who have paid for a movie/TV streaming service in the last month



Question: Which of the following types of online content have you paid for in the past month?

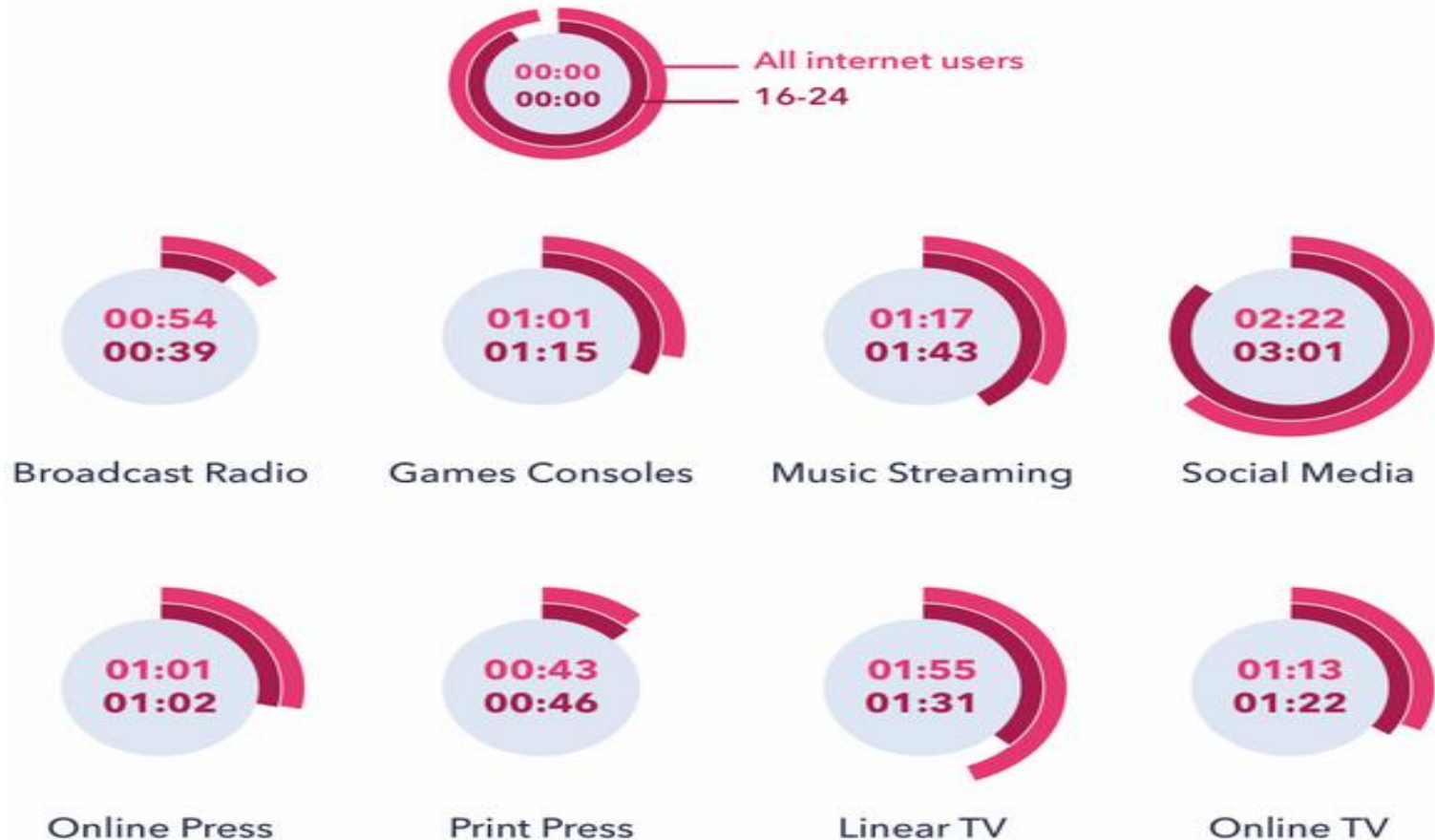
Source: GlobalWebIndex 2014-2018 (averages of all waves conducted in each year)

Base: 1,282,464 Internet Users aged 16-64

Challenge – there are only 24 hours/day!

The competition for free time

Average time spent per day on the following media in hh:mm



Question: Roughly how many hours do you spend on the following on a typical day?

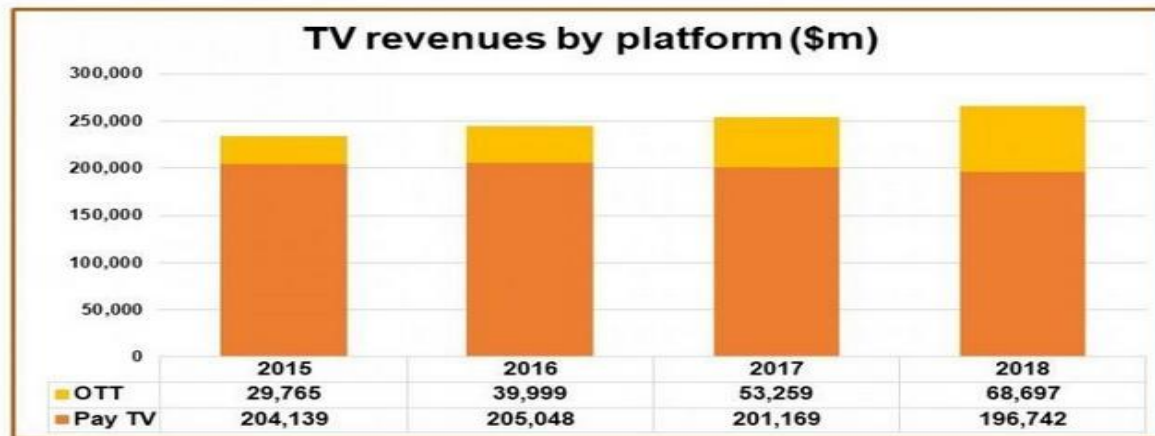
Source: GlobalWebIndex Q3 2018 Base: 93,803 Internet Users aged 16-64

OTT vs. traditional pay tv – still small but growing. Telecom meets media

Global TV revenues grow to \$265 billion

OCTOBER 22, 2018 04:40 EUROPE/LONDON BY BROADBAND TV NEWS CORRESPONDENT

Global revenues from traditional pay-TV and OTT TV episodes and movies will reach \$265 billion in 2018; up from \$254 billion in 2017 and \$234 billion in 2015.

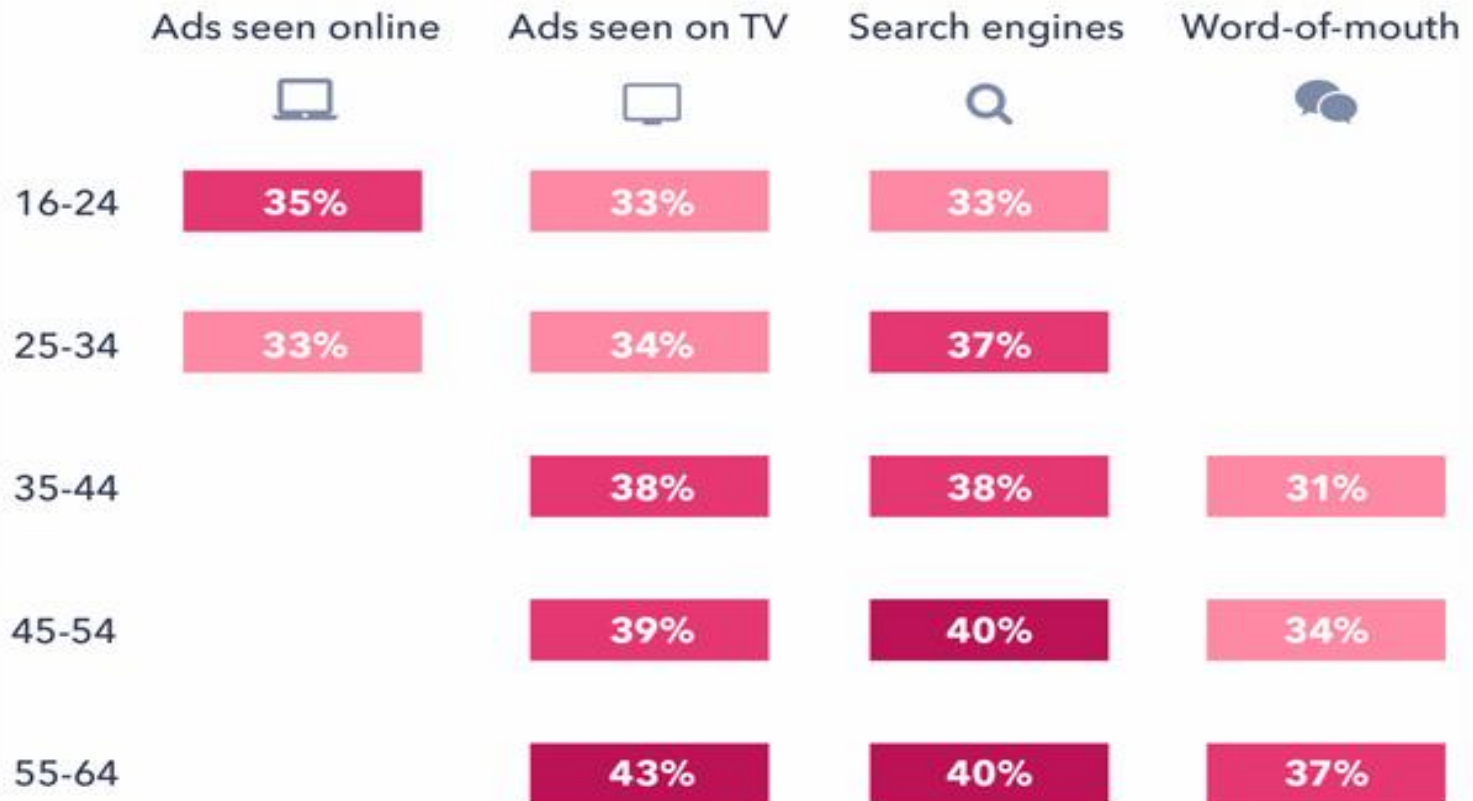


Simon Murray, Principal Analyst at Digital TV Research, said: "This growth comes despite pay-TV revenues falling by \$4.4 billion in 2018. OTT TV episode and movie revenues, including AVOD, will climb by \$15.4 billion in 2018. So, OTT's share of the total will double from 13% in 2015 to 26% in 2018."

So is TV dead for advertisers? No, it is not.

Top 3 brand discovery channels by age

% who discover brands or products via the following



Question: In which of the following ways are you most likely to find out about new brands, products, or services?

Source: GlobalWebIndex Q3 2018 Base: 113,932 Internet Users aged 16-64

Commercial TV business – what to look at?

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Telecom delivery platforms

1. Terrestrial Free to Air FTA (mostly social – basic packages)
2. Cable TV – high density areas. Both FTA and pay
3. Satellite Direct to Home -DTH (as opposed as satellite as a B2B vehicle)
4. Internet

Few words about SatCom and TV

1. Traditional GEO business still get a lot (some most) revenues from TV (Eutelsat S.A. SES S.A. – 66-67%%),
2. However, the business (top-line) flat or slightly falling
3. Need to find new sources of revenues (Broadband, Mobile, IOT)
4. DTH-centered business fair better than B2B delivery (because of fiber)
5. Exposure to emerging markets better than to developed markets in TV segment
6. Competition from Telecom in Media: Multiple partnerships in the industry between Telecoms and OTT (e.g. Deutsche Telecom and Netflix, ComCast and Hulu. British Telecom and Amazon etc.

Thank you for your attention

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