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Us Pay TV networks and the consolidation of the European TV market

7th November 2018

Global

Offices based in Europe, Americas and Africa

Research

Leader in Market Intelligence of the Pay TV and Telcos in emerging markets, including Latin America

Events

NexTV Series and Future Ad Series conferences hosted in Miami, Mexico, Sao Paulo, Buenos Aires, Bogota, Berlin and South Africa

Media

NexTV News Latin America, Brazil and Africa

DATAXIS RESEARCH

- ❖ Dataxis provides its clients with an online intelligence service
- ❖ Offices in Berlin, Buenos Aires & Mauritius
- ❖ Reliable, up to date and in depth key performance indicators, statistics and forecasts
- ❖ Our service includes:
  - Databases on 4play market: TV, Broadband, Wireless & Telephony
  - Data by country and operator including mid and small size operators
  - Free and unlimited online inquiry service
  - Complete operator's profiles

US PAY-TV NETWORKS

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- **10 major competitors**, with very high level of vertical and/or horizontal integration (pay TV provider, FTA networks, film studios…)

- Editing **100+ cable networks** and **8 movies, series and fiction premium services** on domestic market

- Reaching **200 + countries through distribution deals, locally edited cable channels and acquisitions**

- Ongoing **market concentration**

March 2018

6 cable networks

June 2018

Result of Time Warner purchase

Pending acquisition

Doesn't include sports and news networks

Merger talks

PAY-TV NETWORKS REVENUES: 93 BILLION USD

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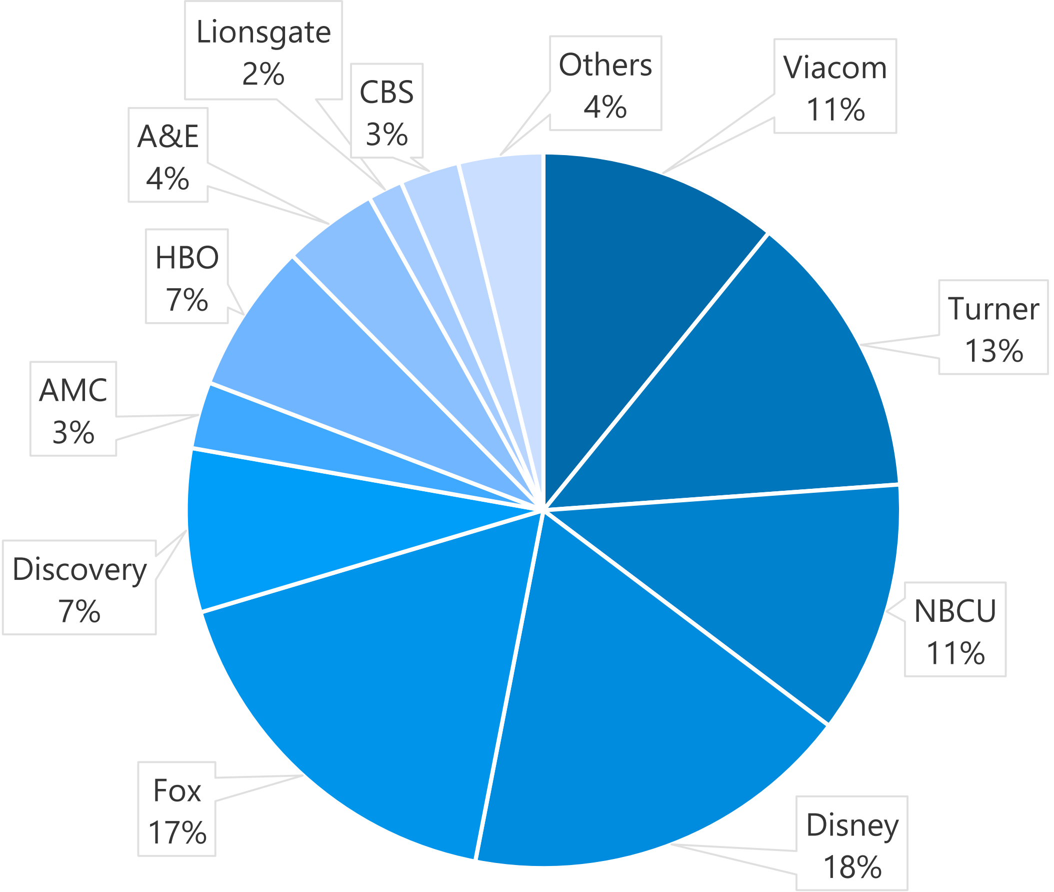
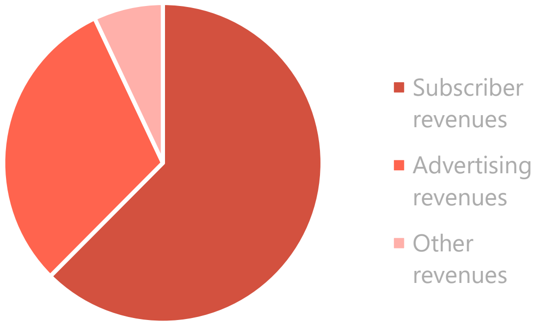
U.S. PAY TV NETWORKS REVENUES – WORLD, FY 2017
USD



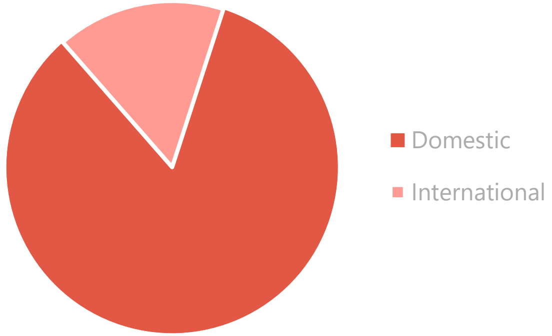
Source: Dataxis

PAY TV NETWORKS REVENUES DISTRIBUTION BY SOURCE – WORLD, FY 2017



Source: Dataxis

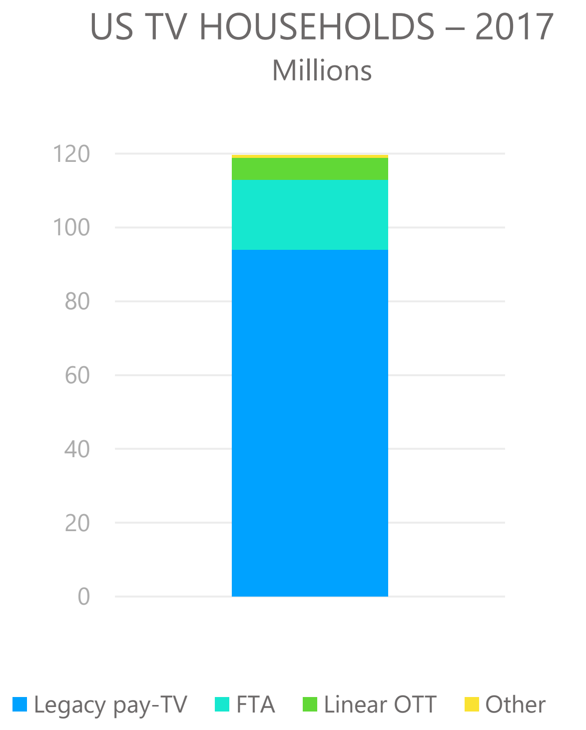
PAY TV NETWORKS REVENUES GEOGRAPHICAL DISTRIBUTION - WORLD, FY 2017



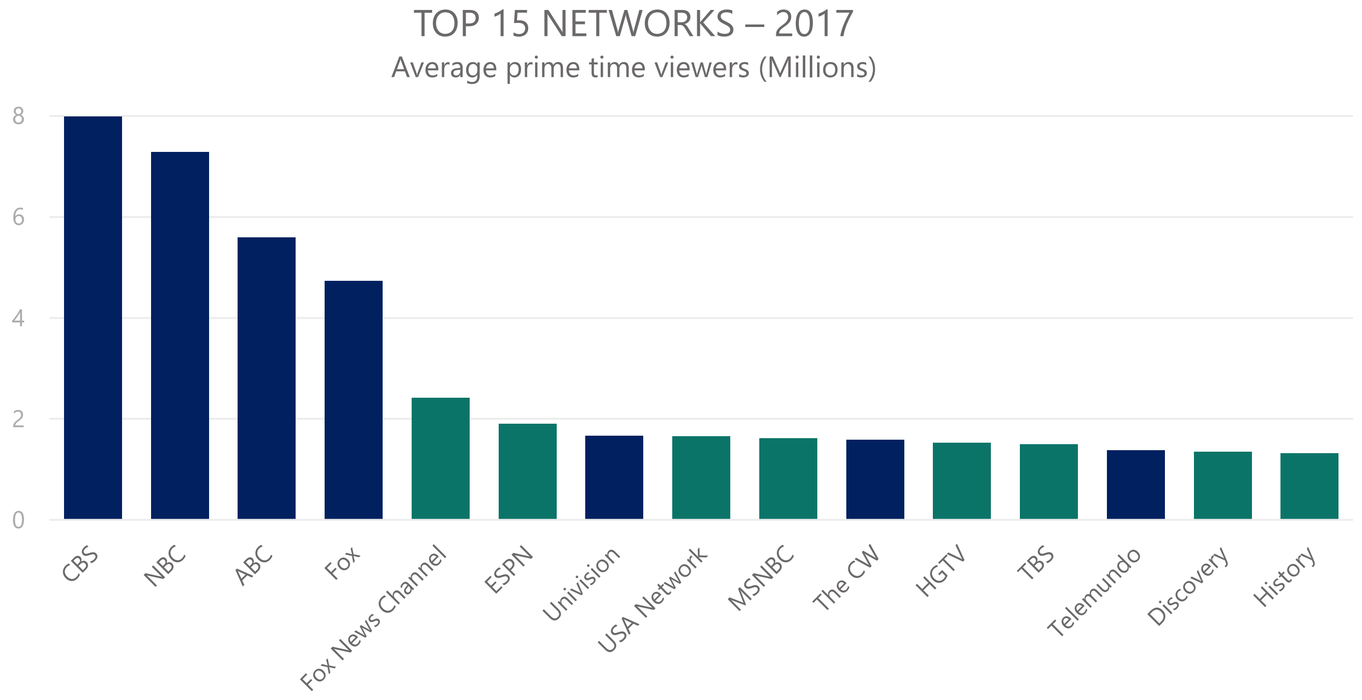
Source: Dataxis

No prevailing competitor on a global scale – for now
Revenues mostly generated on domestic market through MVPD subscriptions

STRONG POSITION ON DOMESTIC TV MARKET



Source: Dataxis



Source: Nielsen yearly ratings

80% legacy pay-TV penetration on US TV households allow cable networks to compete with FTA networks on audience and advertising
Strong presence on high-value segment through original programming and rights acquisition

DECLINE CORRELATED WITH LEGACY PAY-TV EVOLUTIONS

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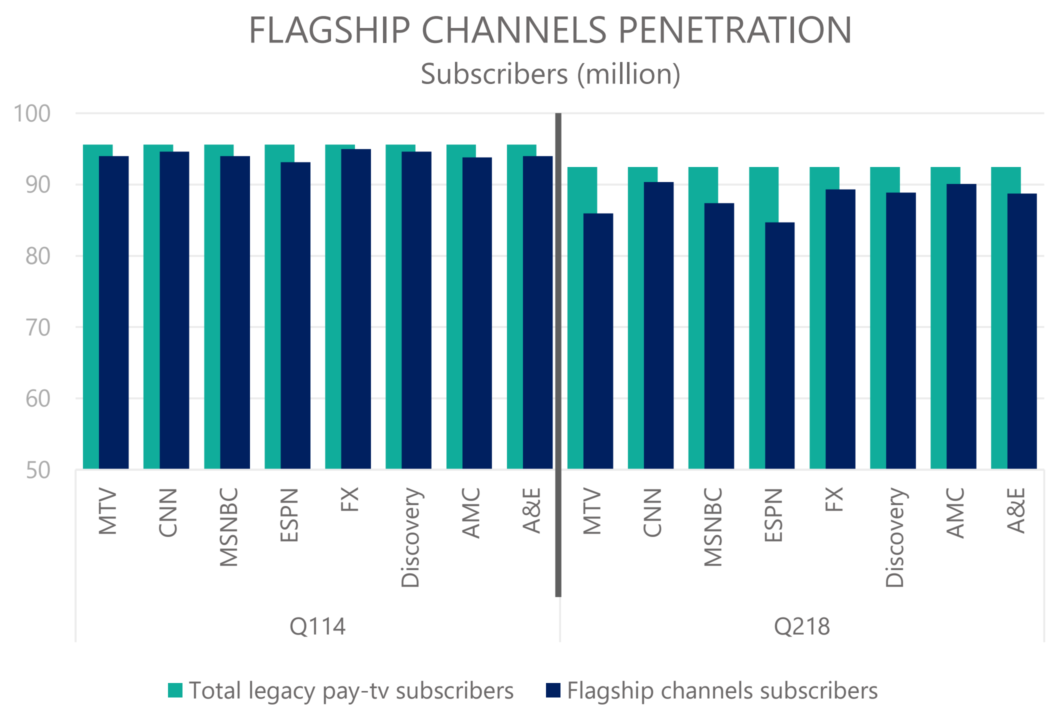
Groups	Viacom	Turner	NBCU	Disney	Fox	Discovery	AMC	A&E
Main networks subscribers 2018/2014	-11%	-7%	-8%	-10%	+2%	-10%	-7%	-9%



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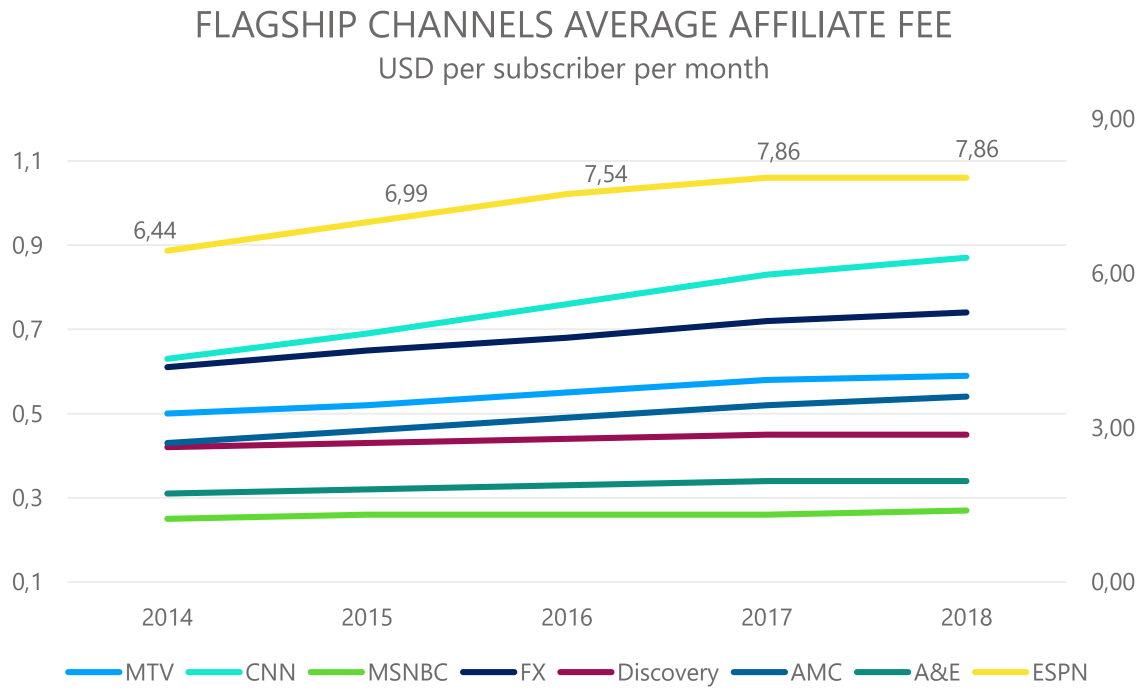
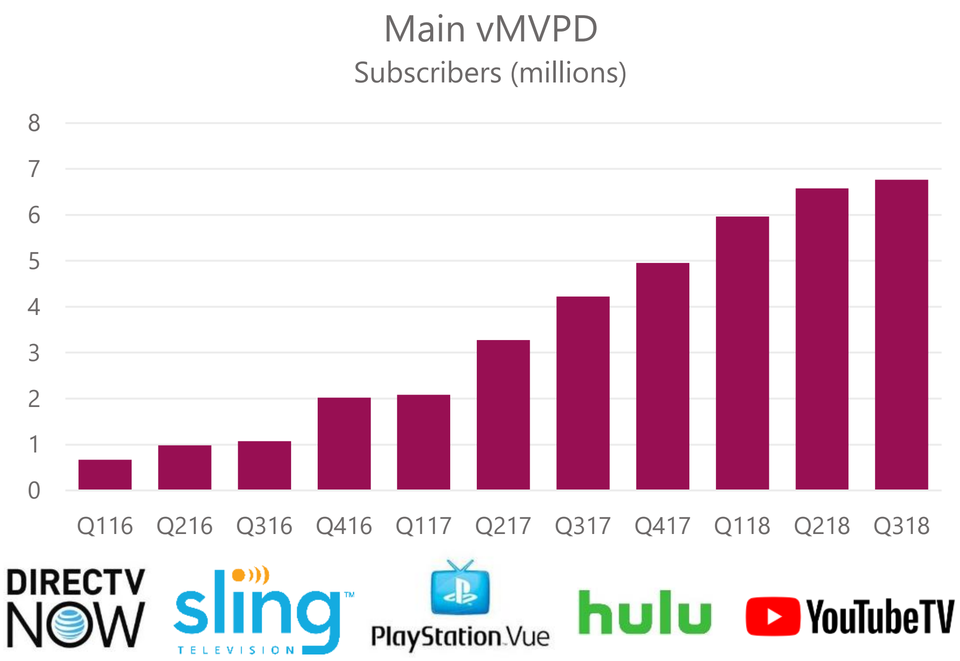


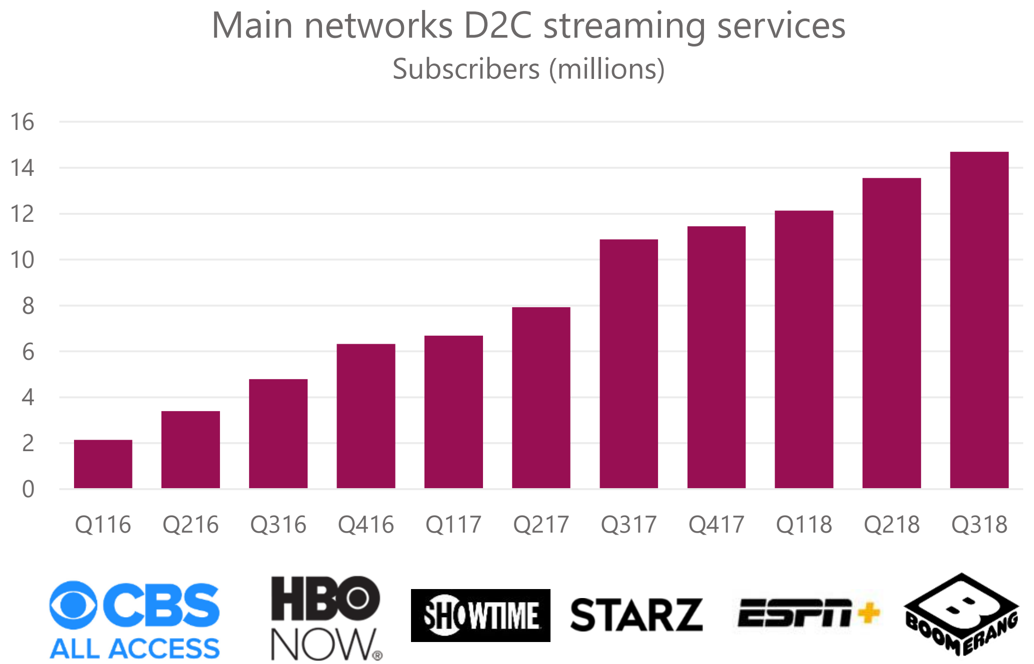
Source: Dataxis

TV networks are overall losing subcribers faster than Pay-TV operators as a consequence of cost reduction strategies implemented by operators and subscribers. To maintain revenues, networks raise affiliate fees.

TURNING TO NEW DISTRIBUTION MEANS



Source: Dataxis



Source: Dataxis

New distribution means appeared with a potential to contain subscribers losses for flagship channels: skinny bundles, D2C streaming services

EUROPEAN MARKET FEATURES -1

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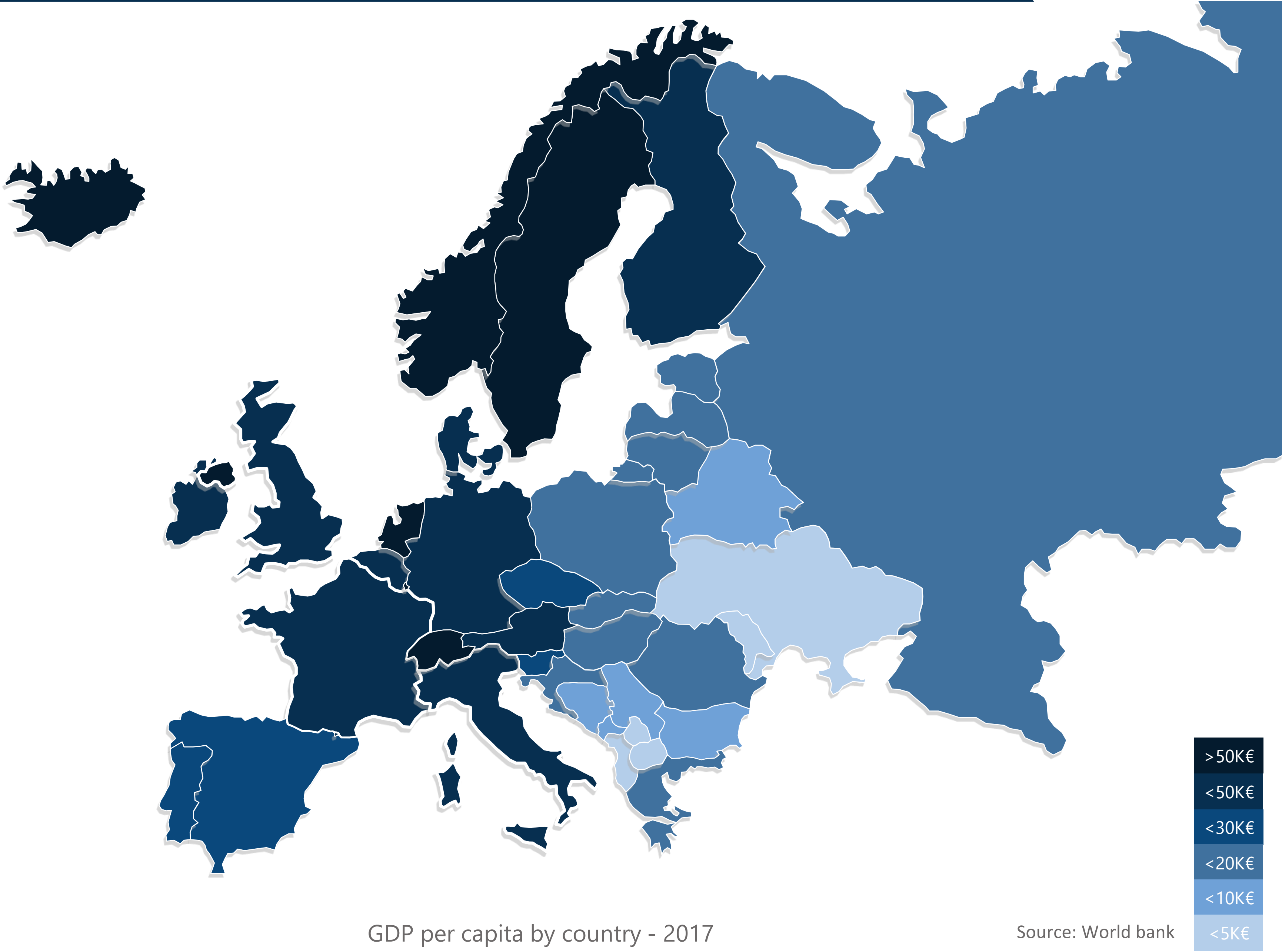
COUNTRIES SPECIFICITIES

- Demographics
- Language
- Regulation
- EU
- Currency
- GDP



GDP per capita by country - 2017

Source: World bank

EUROPEAN MARKET FEATURES -2

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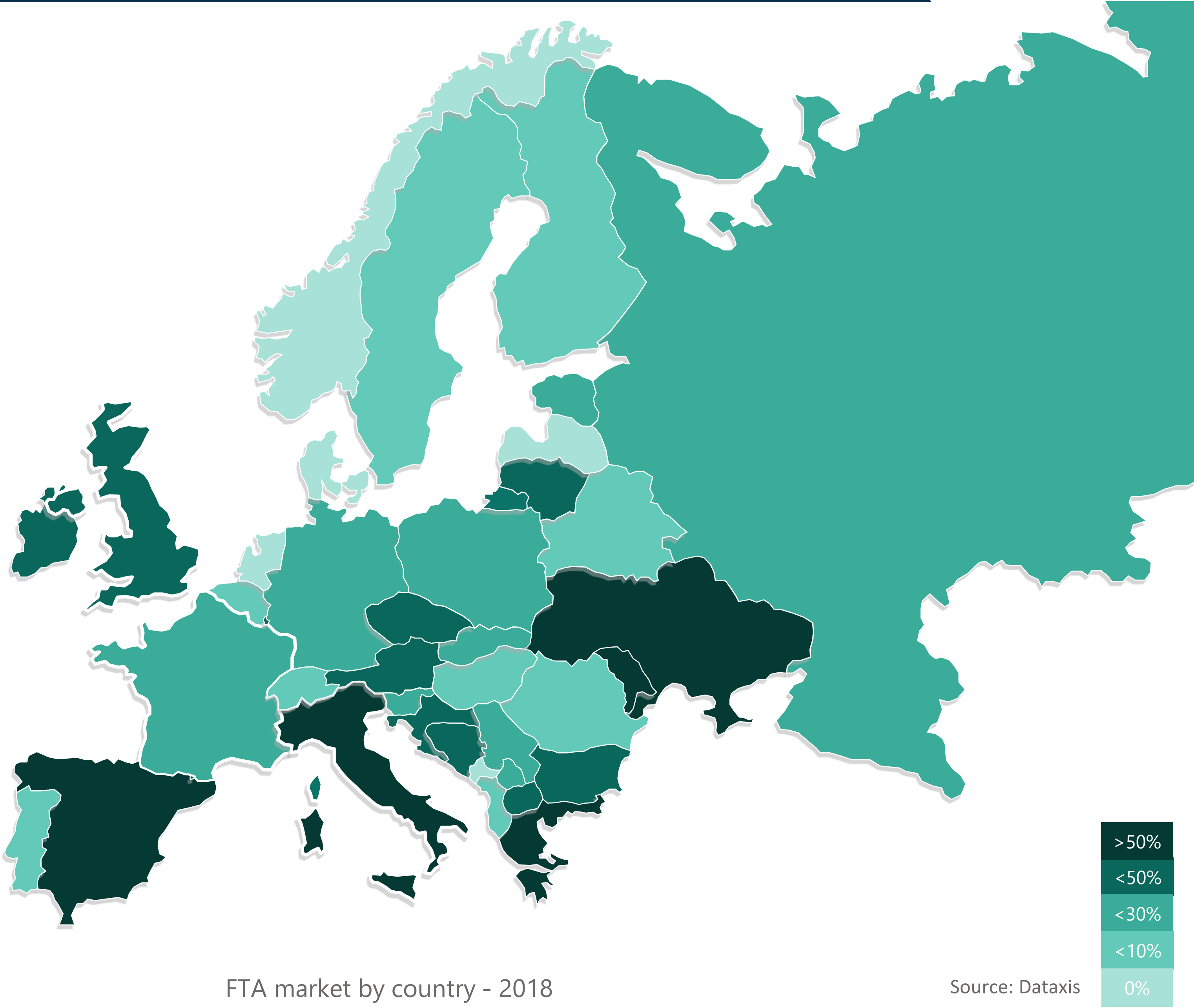
TV MARKET STRUCTURE

- 96% TV households penetration
- 33% free-to-air households
- 18 countries with FTA markets > 30%



FTA market by country - 2018

Source: Dataxis

EUROPEAN MARKET FEATURES -3

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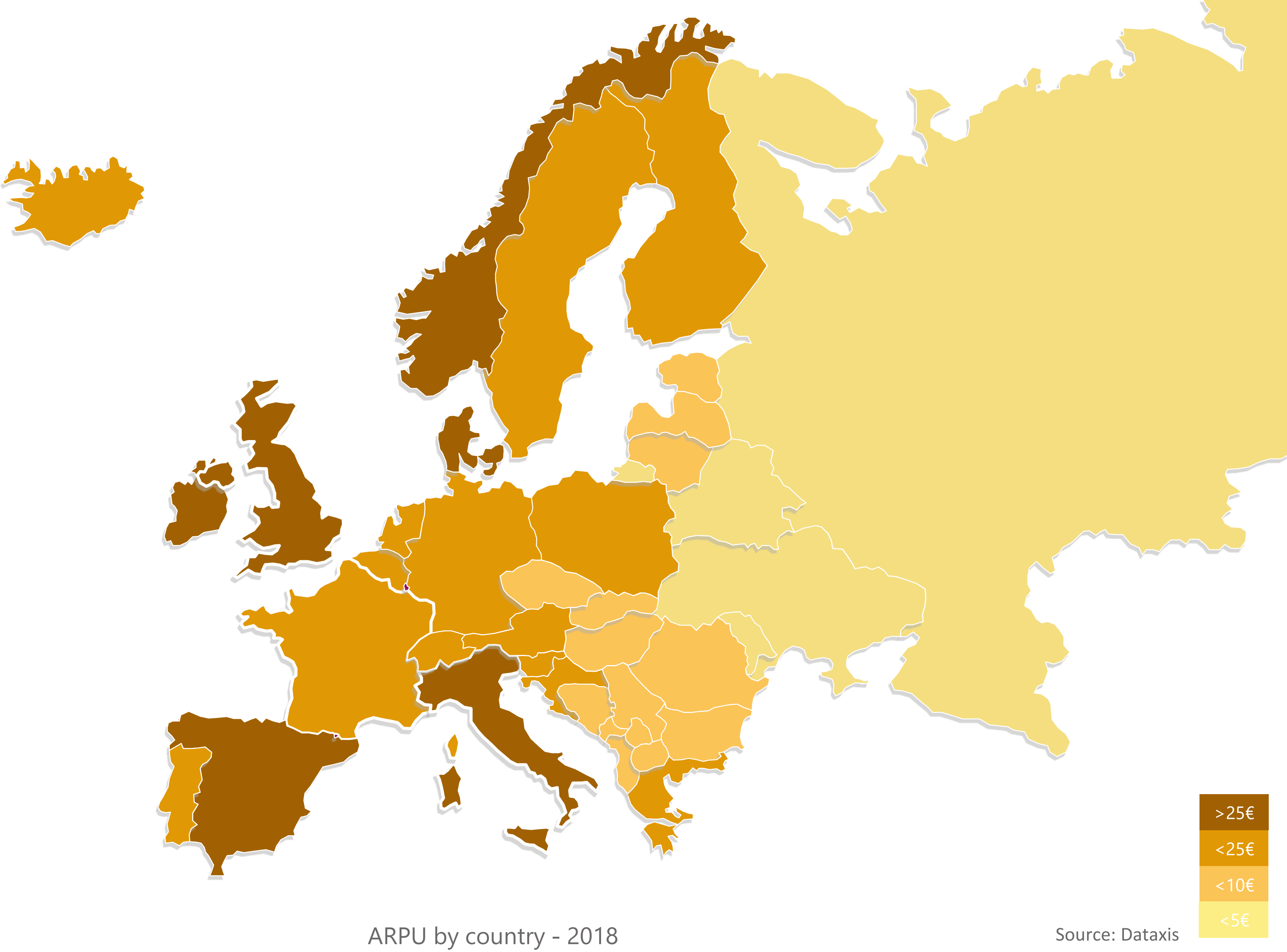
PAY TV ARPU

- ARPUs from ~2€ to ~40€
- 20 countries with <10€ ARPU
- Growth rate -0,5% in 2018



ARPU by country - 2018

Source: Dataxis

US NETWORKS IN EUROPE : PROFILE

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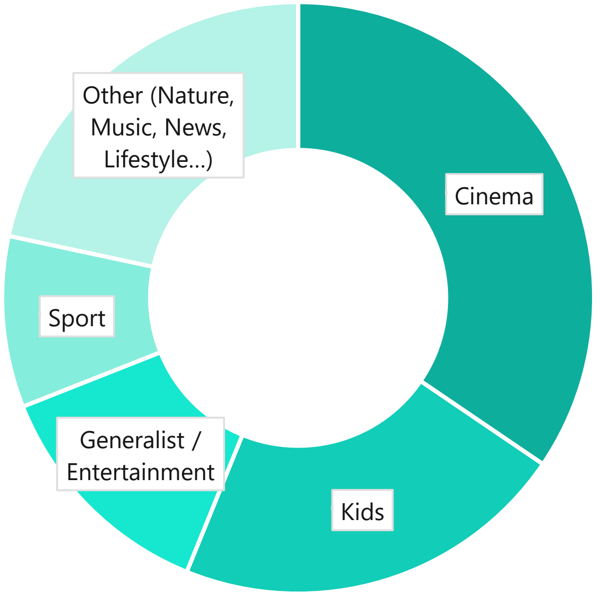
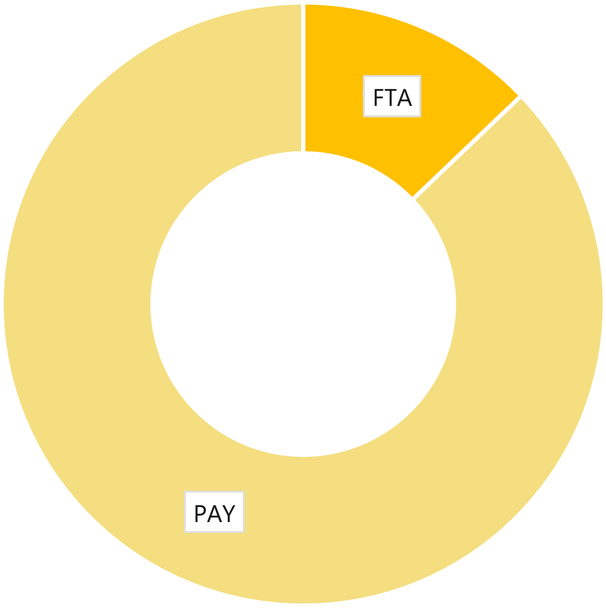
US NETWORKS CHANNELS BY GENRE
Q12018 – number of channels



Source: Dataxis

PAY / FTA CHANNELS
Q12018 – number of channels



Source: Dataxis

US networks edit close to 200 distinct channels of which 13% are free-to-air

TV NETWORKS REVENUES

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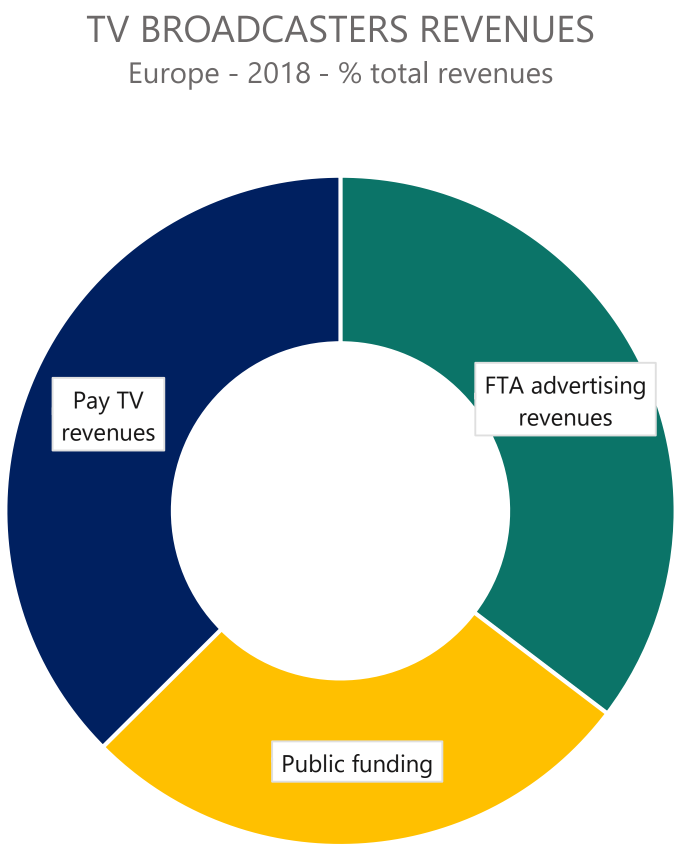
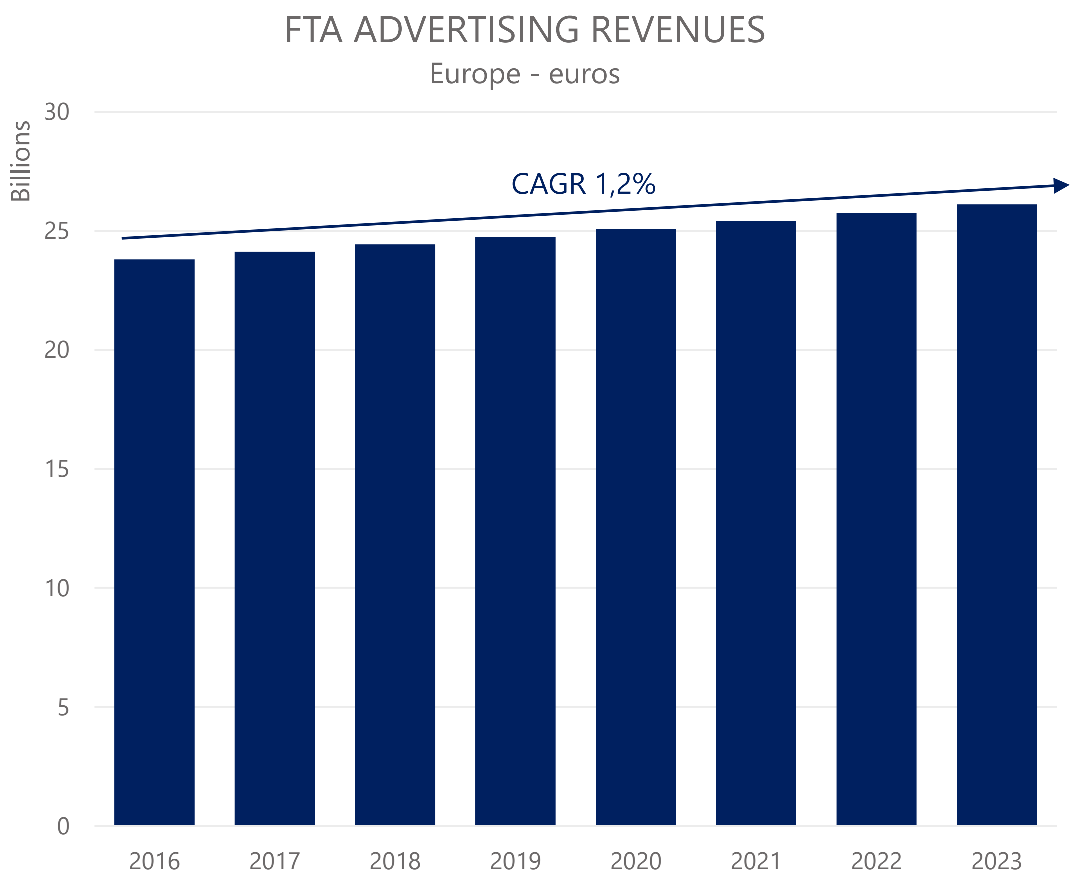


Source: Dataxis



Source: Dataxis

FTA broadcasters capture the largest part of TV broadcasting revenues in Europe

FOCUS: MOVIES AND FICTIONS

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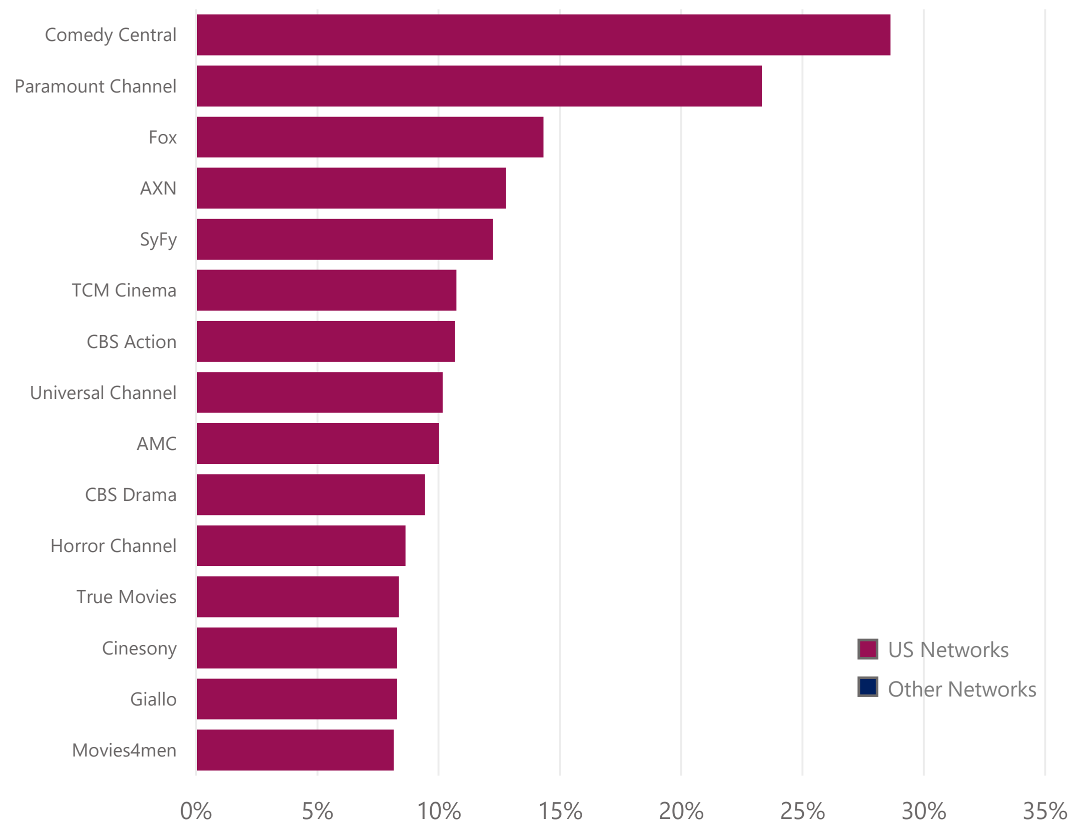
ORIGIN OF MOVIES/FICTION CHANNELS

Q1 2018 – number of channels

Source: Dataxis

15 most distributed channels - Movies and fiction

Q1 2018 – TV households penetration



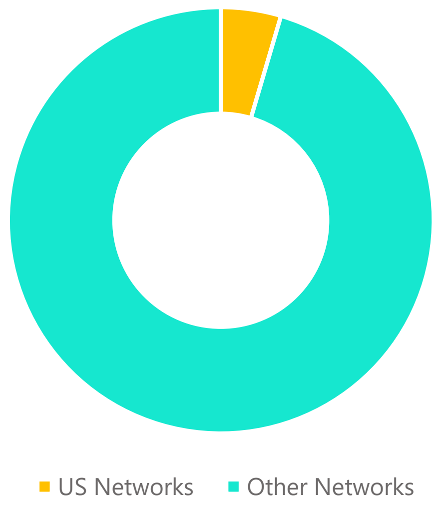
Source: Dataxis

US networks' strongest asset is their catalogue, however in Europe other features such as exclusivity and localization are crucial

FOCUS: SPORTS

ORIGIN OF SPORTS CHANNELS

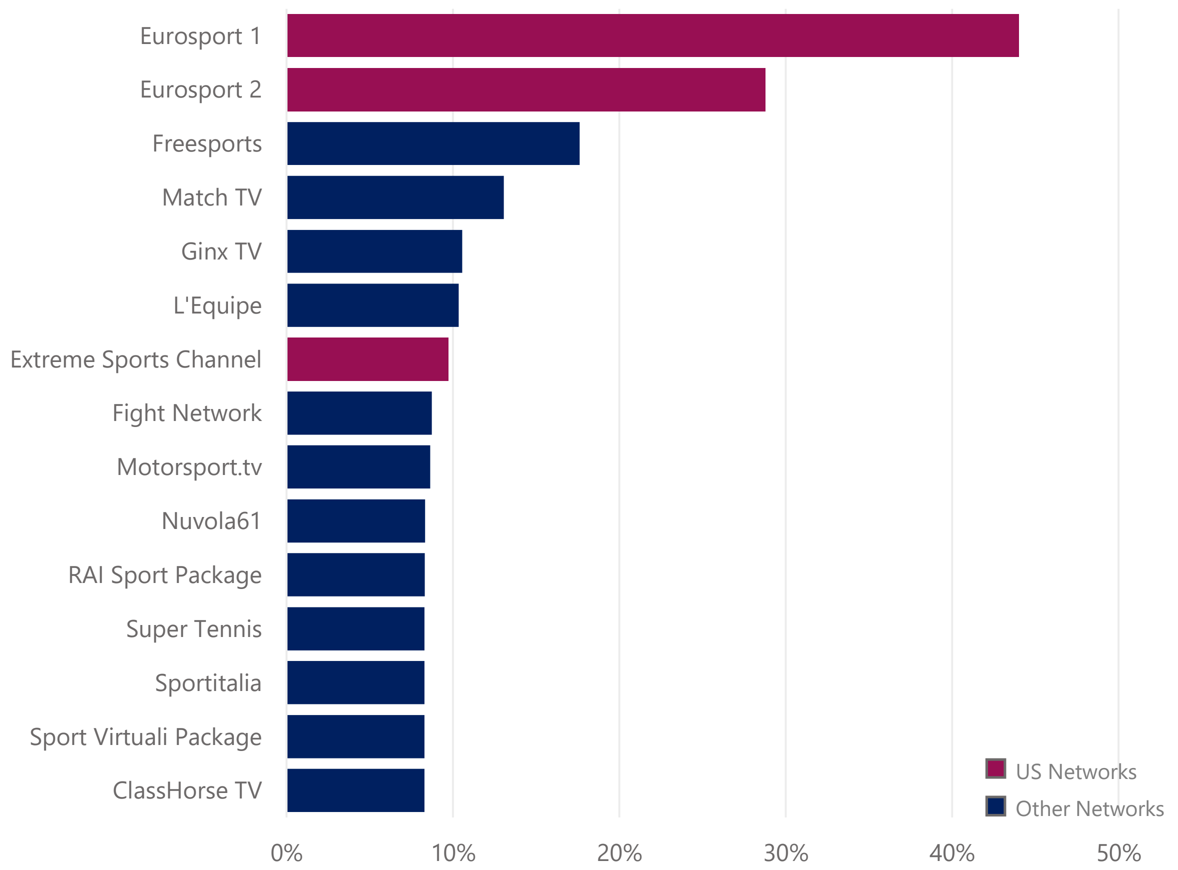
Q1 2018 – number of channels



Source: Dataxis

15 most distributed channels - Sport

Q1 2018 – TV Households penetration



Source: Dataxis

Fewer US networks edit Sports channels because of the European market specificities: local rights, strong presence of operators

FOCUS: KIDS

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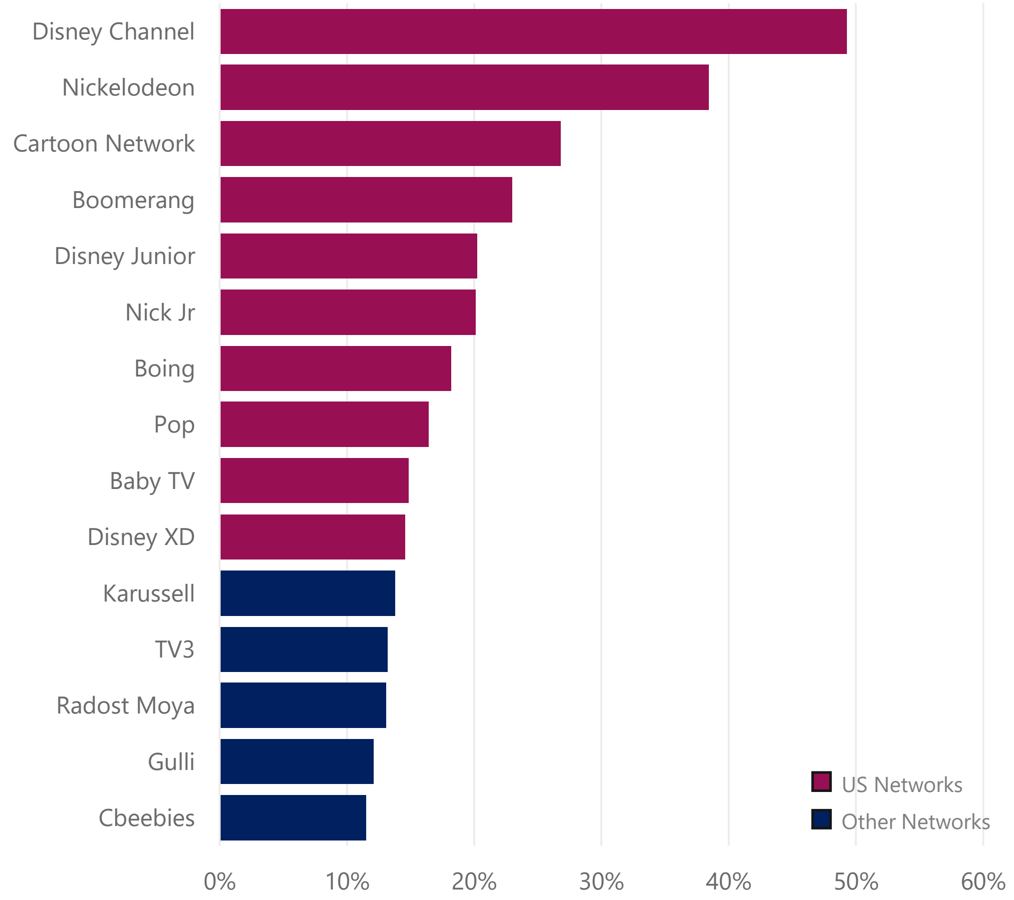
ORIGIN OF KIDS CHANNELS

Q1 2018 – number of channels

Source: Dataxis

15 most distributed channels - Kids

Q1 2018 – TV households penetration



Source: Dataxis

Despite a strong local competition, US operators count amongst the most distributed in the region

OTT DISTRIBUTION CHALLENGES

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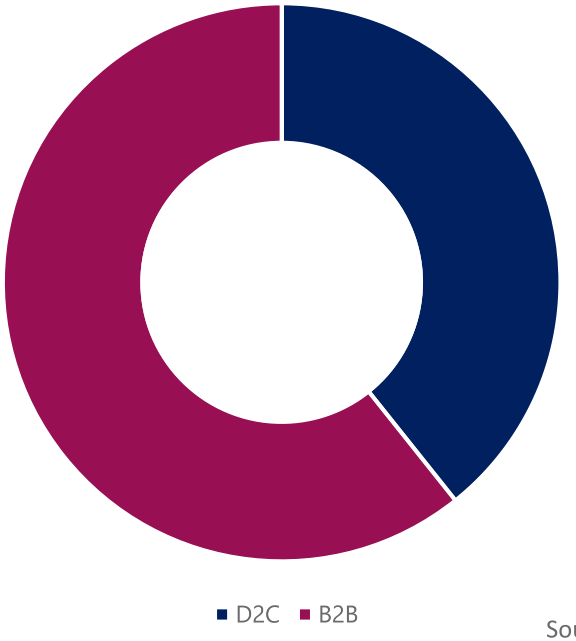
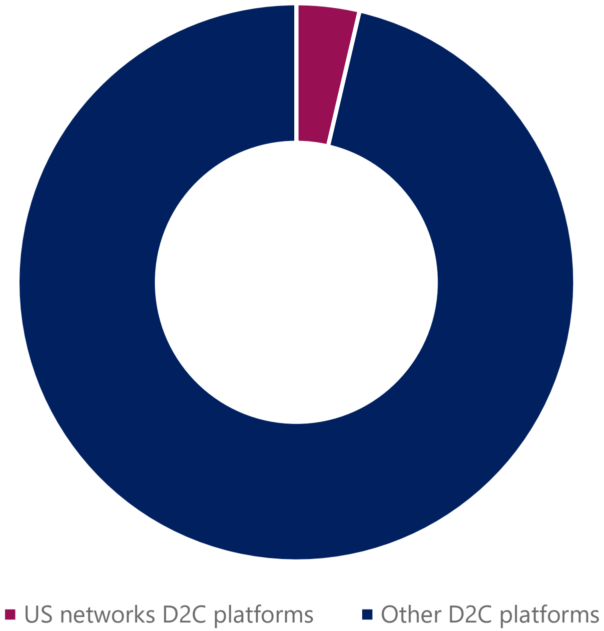
US NETWORKS OTT MODEL
Number of OTT platforms – Q2 2018 – Europe



Source: Dataxis

MARKET SHARE D2C PLATFORMS
Number of subscribers – Q2 2018 – Europe



Source: Dataxis

Direct distribution suppose the complete creation of a subscribers base for newly launched services

CONCLUSION

Other US actors with significant power to consider

NETFLIX amazon Watch Google Microsoft

Main differentiation points US / Europe

- FTA channels’ prevalence
- Strong role of Pay TV operators in channels edition
- Necessity of partnerships benefit from new distribution means

Q&A

THANK YOU!

For more information, visit our website
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