

HDTV in Europe

Market update



by Vincent Létang,
senior analyst TV

European HDTV Summit Forum
14th-15th October 2008
Berlin

About us

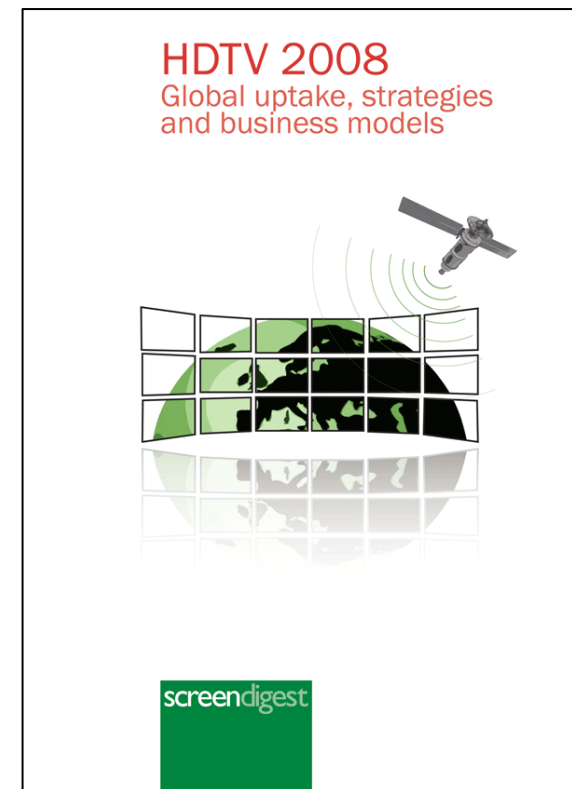
- Independent research company based in London, UK
- 40 full-time, specialised analysts
- Presence in North America (Adams Media Research)

- Media research firm covering 8 sectors:
 - Advertising (Q4, 2008)
 - Broadband media
 - Cinema
 - Games
 - Mobile media
 - Television
 - Television technology
 - Video

- Four forms of services
 - Online Intelligence databases
 - Industry reports
 - Custom consultancy
 - Screen Digest magazine

Just out: the new 'HDTV Report 2008'

- Published June 2008
- Written by Vincent Létang, senior analyst TV (author of the 2006 SDL report on HDTV)
- 222 pages, 150 figures
- Full set of HDTV data and forecasts: HD-display penetration, HD viewing uptake, HD content uptake
- Covers 37 markets in details: Europe, US, Eastern Europe, Asia (local players, market forecasts)
- Focus on HD business models and HDTV strategies for a selection of 18 key pay TV operators
- Focus on non-broadcast HD sources (VOD, Blu-ray home video, HD gaming, online VOD)
- **Exclusive cost-benefit modelling of the 'MPEG4 switchover'**



Screen Digest take on HDTV Agenda

- **Key findings**
- **Key forecasts**
- **HD Content**
- **HDTV business models**

Screen Digest take on HDTV Agenda

- **Key findings**
- Key forecasts
- HD Content
- HDTV business models

Key findings

- 1. **HD broadcasts are now available nearly everywhere** in Europe,
 - but not often on free-to-air platforms
 - HD becoming a key success factor in the pay TV competition
- 2. Around **70 HD channels** already available in Europe at end-2007
 - 150 channels expected by 2010, representing approx. 300 streams
 - Movies, sports, documentary remains the bulk of HD channels. Other genres and free channels *lacking* so far
 - The US ‘Big Bang’ of 2007Q4 is bound to drive Europe take-off
 - Some pay TV operators yet to embrace HD fully
- 3. ‘**Content gap**’: of ca 30m ‘HD-ready’ homes in Europe at end-2007, of which one million were actually watching HDTV
 - Will grow to, respectively, 145m and 32m in 2012

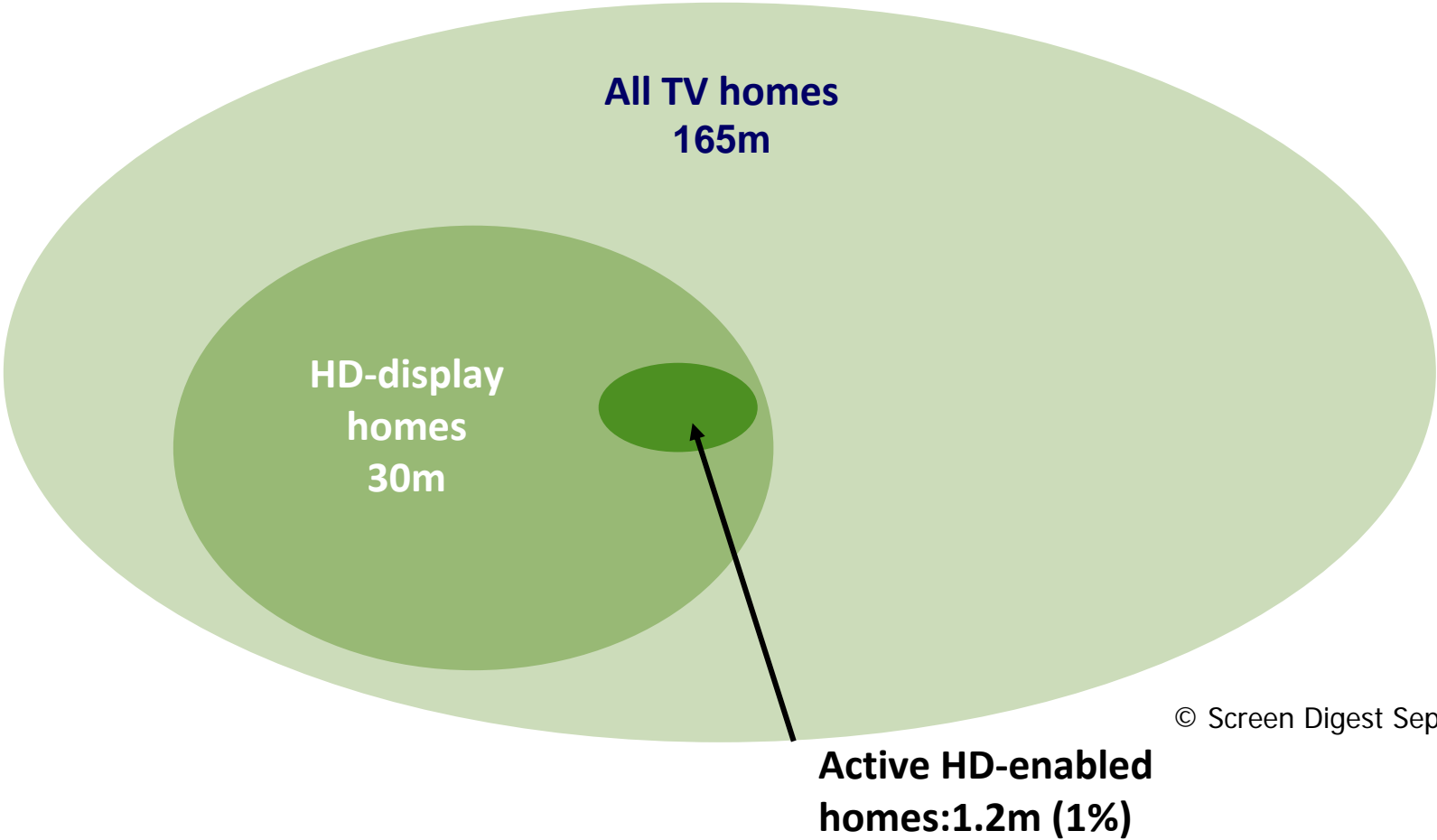
Key findings

- 4. HD has been developing as a **premium** product by pay TV operators (or anti-churn, adoption driver, ARPU driver).
 - it will become **mass market** only in the *next* decade, when available through all *free-to-air* platforms.
- 5. Free HD on a large scale is just starting
 - in France on DTT this year
 - in the UK: Freesat 2008, DTT 2009-2010
 - But still many uncertainties for HDTV over DTT (digital dividend issue)
- 6. This will raise **HD awareness** and viewers' expectations
 - Already 62% of Europeans 'aware' of HDTV by mid-2008
 - HD to become the new universal standard by 2015-2020.
- 7. In the long term, the migration to HDTV requires (and drives) a **migration from MPEG2 to MPEG4.**

Screen Digest take on HDTV Agenda

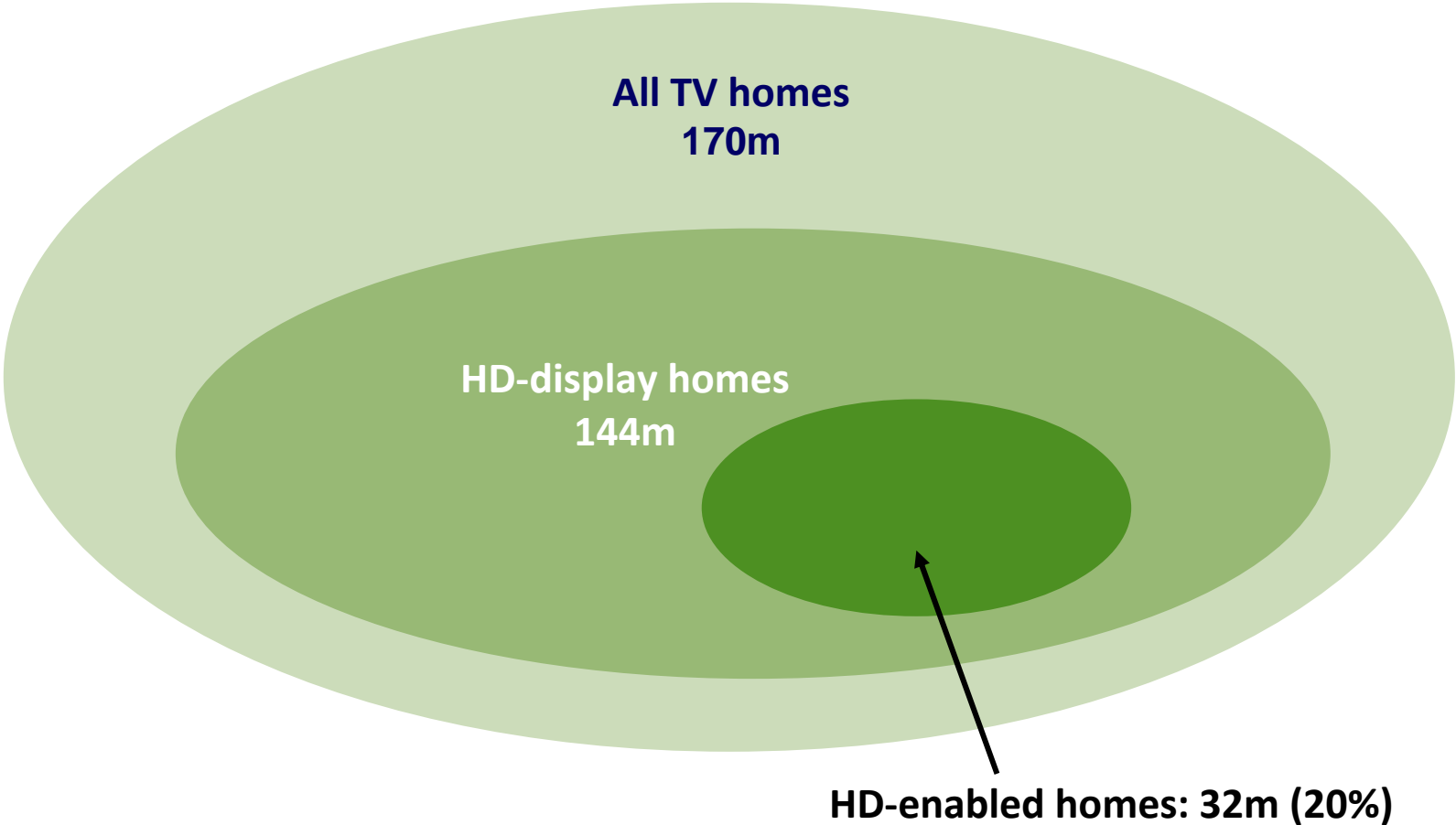
- Key findings
- **HD uptake: key SDL forecasts**
- HD content
- HDTV business models

Western Europe One million HD homes in 2007...



© Screen Digest Sept. 2008

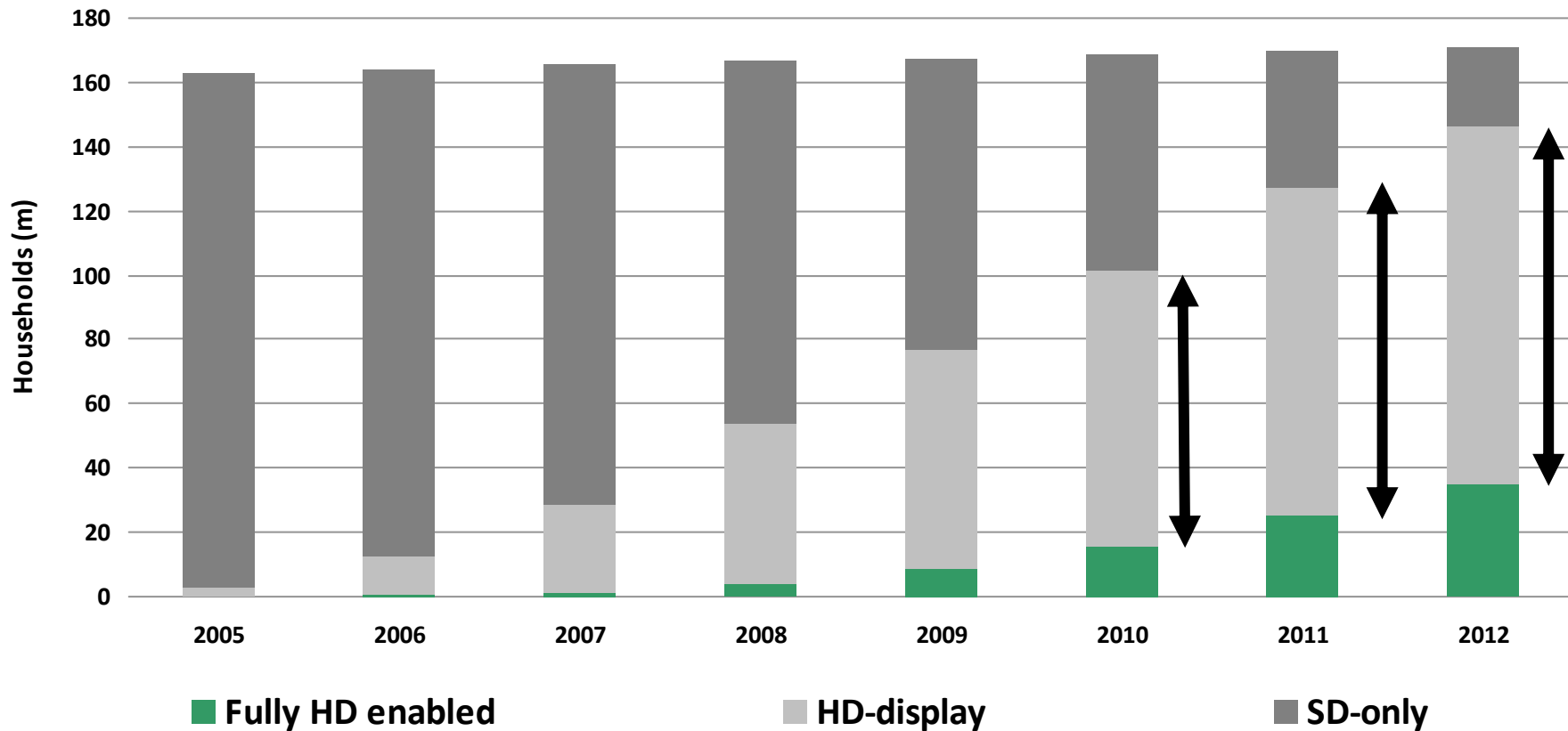
Western Europe ... growing to 32m in 2012



Three tier market: HD-enabled v. HD-display

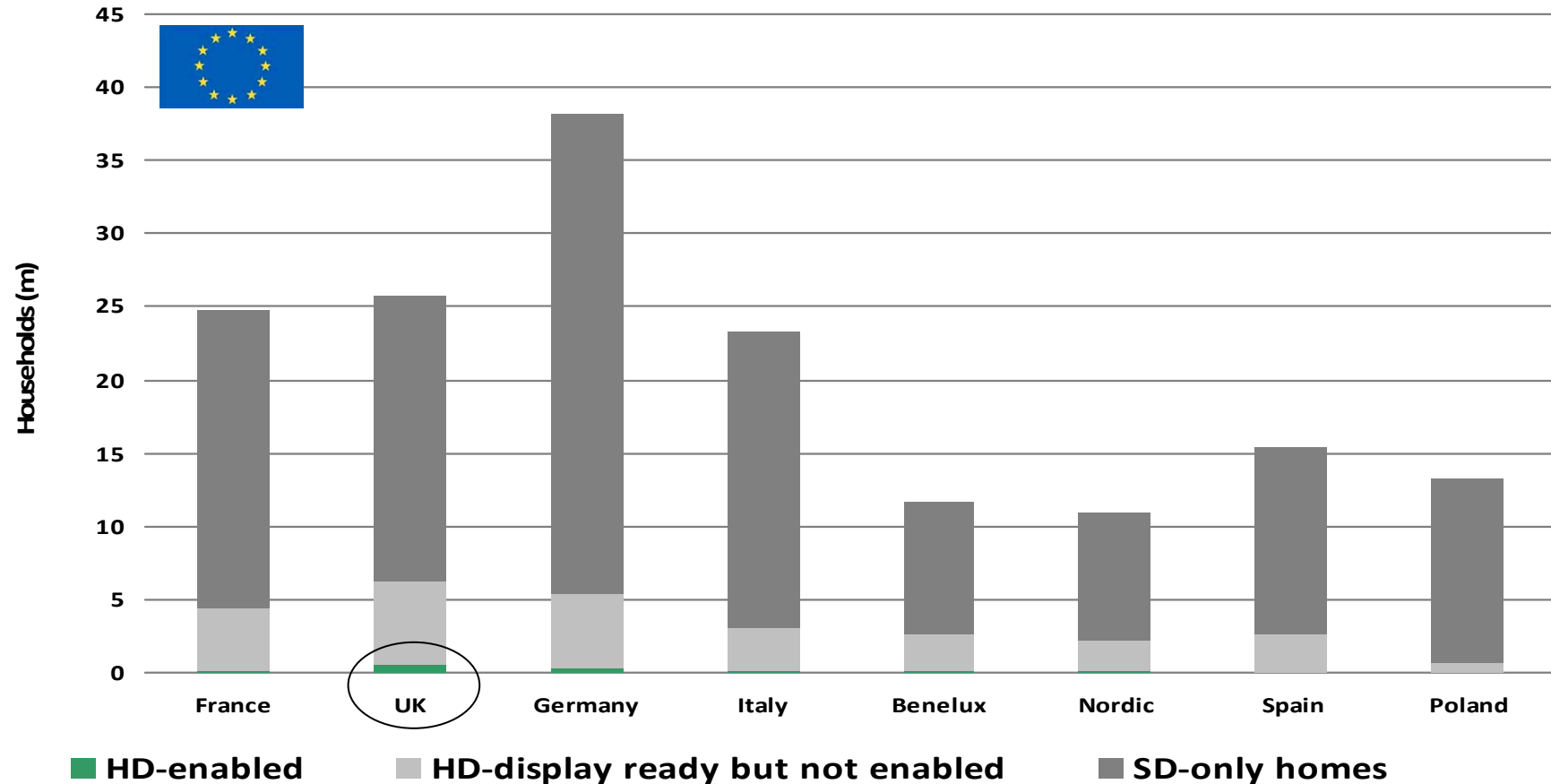


As the conversion to HD displays is nearly completed, the 'content gap' will actually grow in absolute size between now and 2012



© Screen Digest June 2008

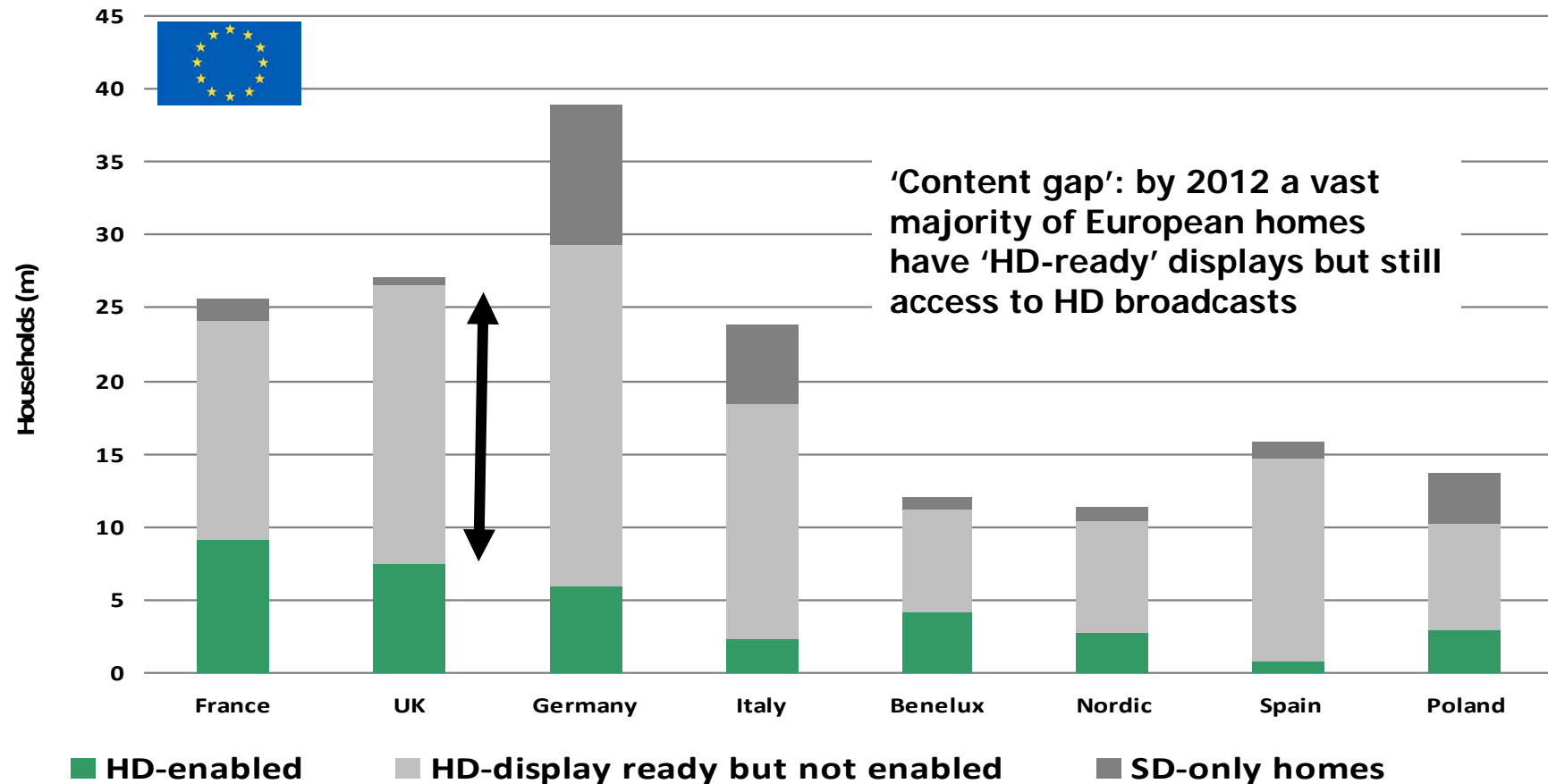
A three-tier market: HD-enabled v. HD-display 2007



© Screen Digest June 2008

A three-tier market: HD-enabled v. HD-display

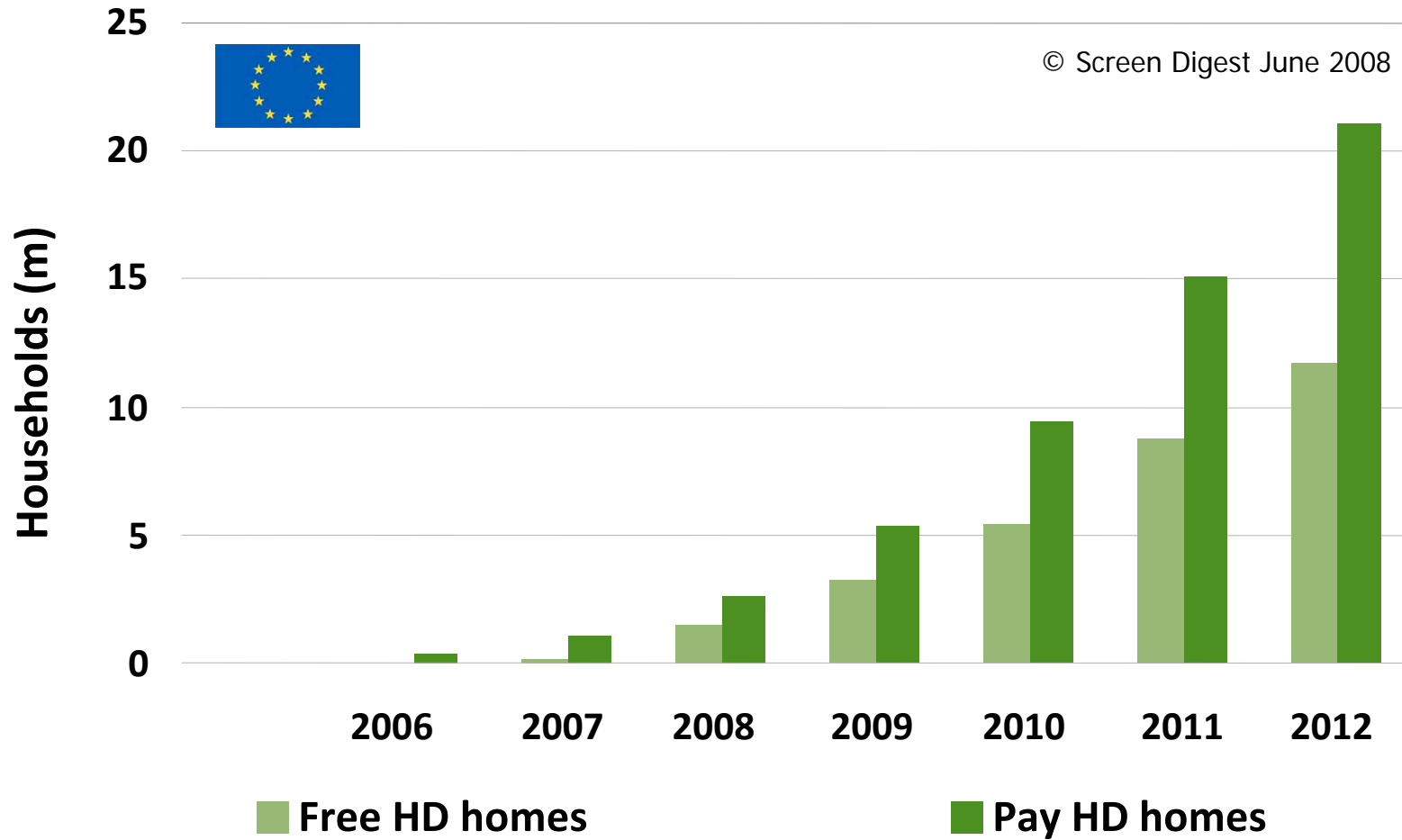
2012



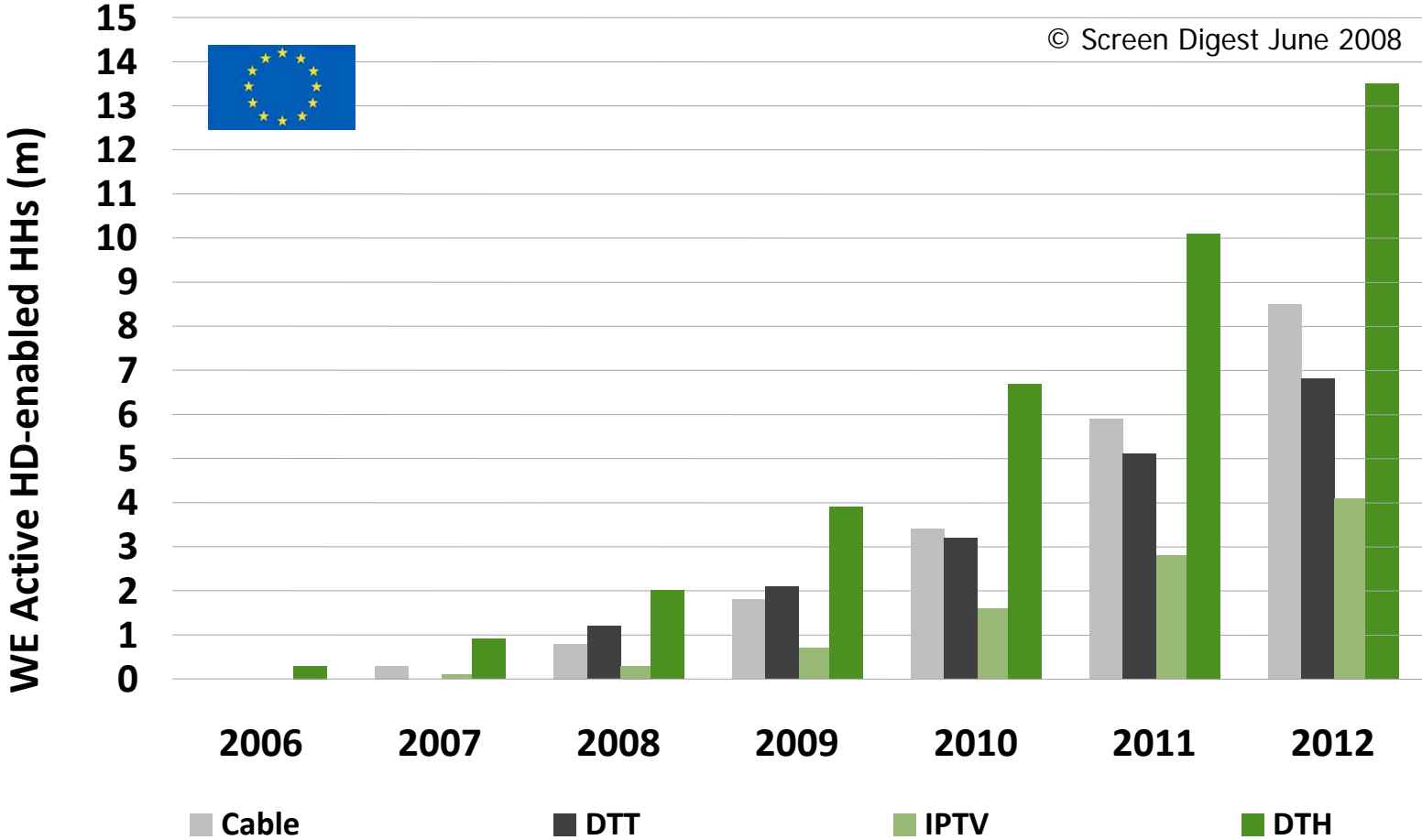
© Screen Digest June 2008

Example of reading: of 25m TV households in France at end-2012, about 23m will be equipped with HD ready displays, of which 8m will actually receive and watch HDTV, whilst the rest (pale blue) will not.

HDTV mainly driven/pushed by pay TV in the first stage



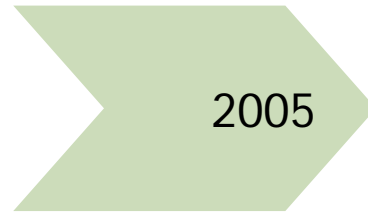
Satellite will remain the main delivery platform



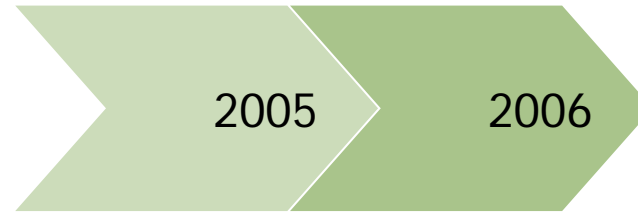
Screen Digest take on HDTV Agenda

- Key findings
- Key forecasts
- **HD content**
- HDTV business models

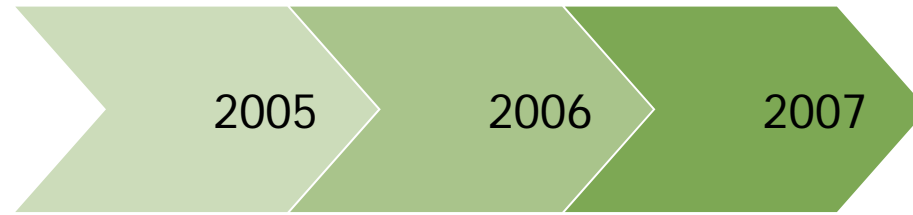
Mid-2005



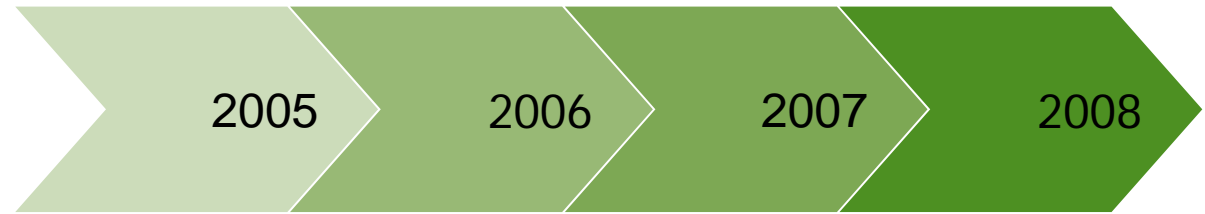
Mid-2006



Mid-2007



Mid-2008



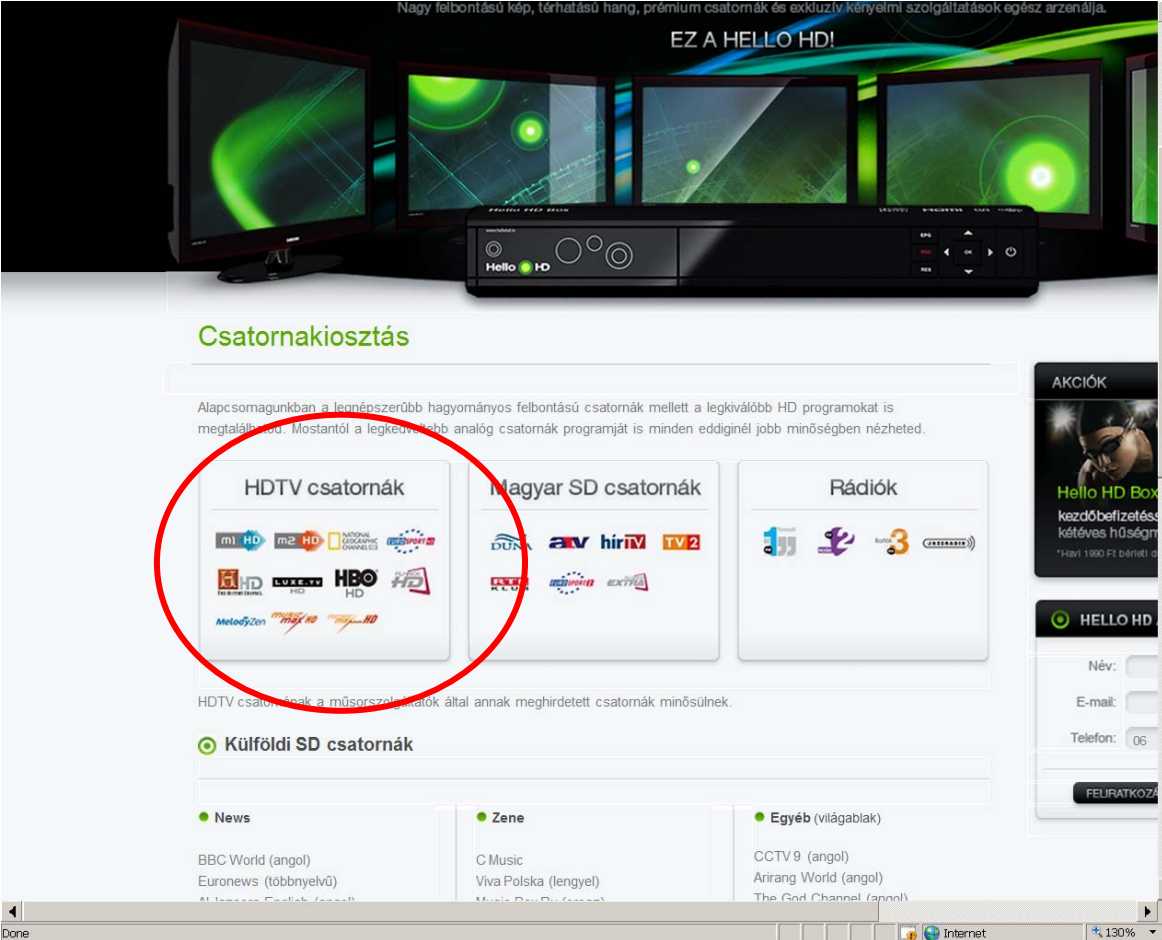
2008: main launches this year so far



© Screen Digest Sept 2008

Eastern Europe's pay TV leapfrogs to HD

Hungary: Hello HD



Nagy felbontású kép, térhatású hang, prémium csatornák és exkluzív kényelmi szolgáltatások egész arzenálja.

EZ A HELLO HD!

Csatornakiosztás

Alapcsomagunkban a legnépszerűbb hagyományos felbontású csatornák mellett a legkiválóbb HD programokat is megtalálhatod. Mostantól a legkevesebb analóg csatornák programját is minden eddignél jobb minőségben nézheted.

HDTV csatornák

- m1 HD
- m2 HD
- NATIONAL GEOGRAPHIC CHANNELS HD
- EUROSPORT HD
- FX HD
- LUXEM HD
- HBO HD
- HD
- Melodýzen
- MTV HD
- Magyarország HD

Magyar SD csatornák

- DUNA
- av hírtv
- TV 2
- TV 5
- EUROSPORT
- EXTRÁ

Rádiók

- 1
- 2
- 3
- CLASSIC

HDTV csatornák a műsorszolgáltatók által annak meghirdetett csatornák minőségűek.

Külföldi SD csatornák

- News**
 - BBC World (angol)
 - Euronews (többnyelvű)
 - News Channel (angol)
- Zene**
 - C Music
 - Viva Polska (lengyel)
 - Music Box (francia)
- Egyéb (világablak)**
 - CCTV 9 (angol)
 - Anirang World (angol)
 - The Golf Channel (angol)

AKCIÓK

Hello HD Box kezdőbefizetés kétéves hűségdíj *Havi 1900 Ft bértelér

HELLO HD

Név:

E-mail:

Telefon: 06

BEJÁRATKOZÁS

Done Internet 130%

Availability of HDTV by platform

- HDTV now available in nearly every W. European market
- ...**But so far a very limited free-to-air offer:**
- Failure/delay in Germany
- 2008-2009: DTT in France, Freesat in the UK
- France to offer the largest choice of HD platforms

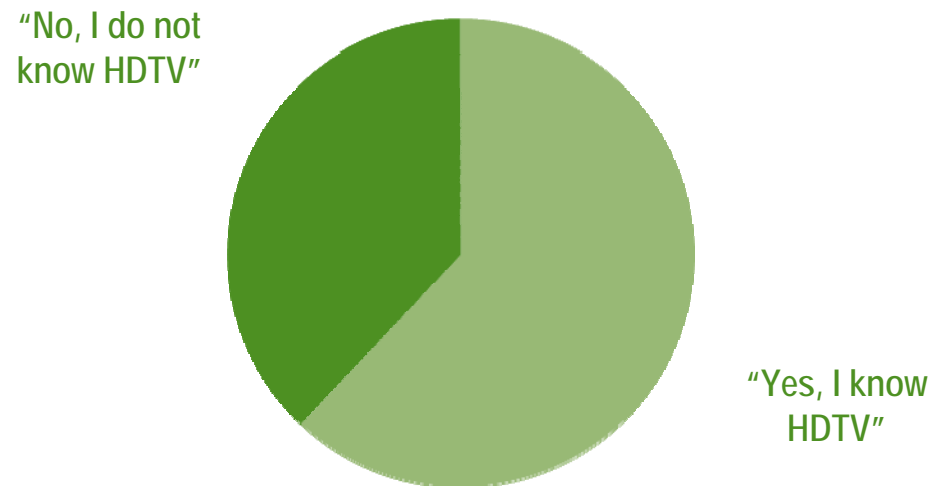
	Pay DTH	Free DTH	Digital Cable	Pay DTT	Free DTT
France	2006	2009	2007	2008	2008
Germany	2006	2005	2006		
Italy	2006				2009-2010
Spain	2008		2009		2012
Nordic	2005	2008	2006	2009	2007
Benelux	2008		2006		
UK	2006	2008	2007		2009-2010

BLACK=HD available BLUE= HD officially planned RED= SDL expectation

© Screen Digest Sept 2008

HDTV awareness is now well established

From 20% in 2006 to 62% at mid-2008

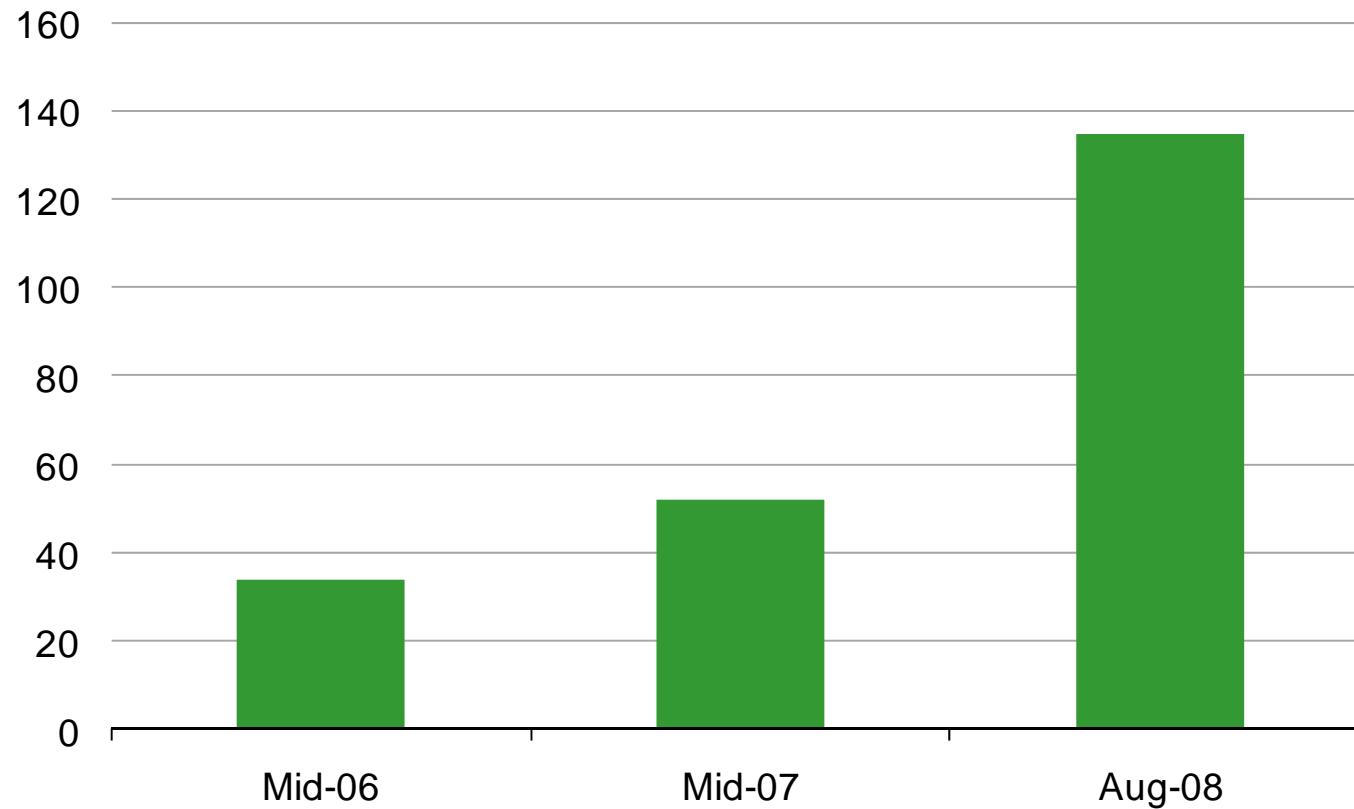


Note: includes 17 countries (the largest EU countries, plus RUS, CH, TUR, ISR)

Source: GfK, TNS, IPSOS, Eutelsat market research 2008

HD channels

Focusing on satellite streams



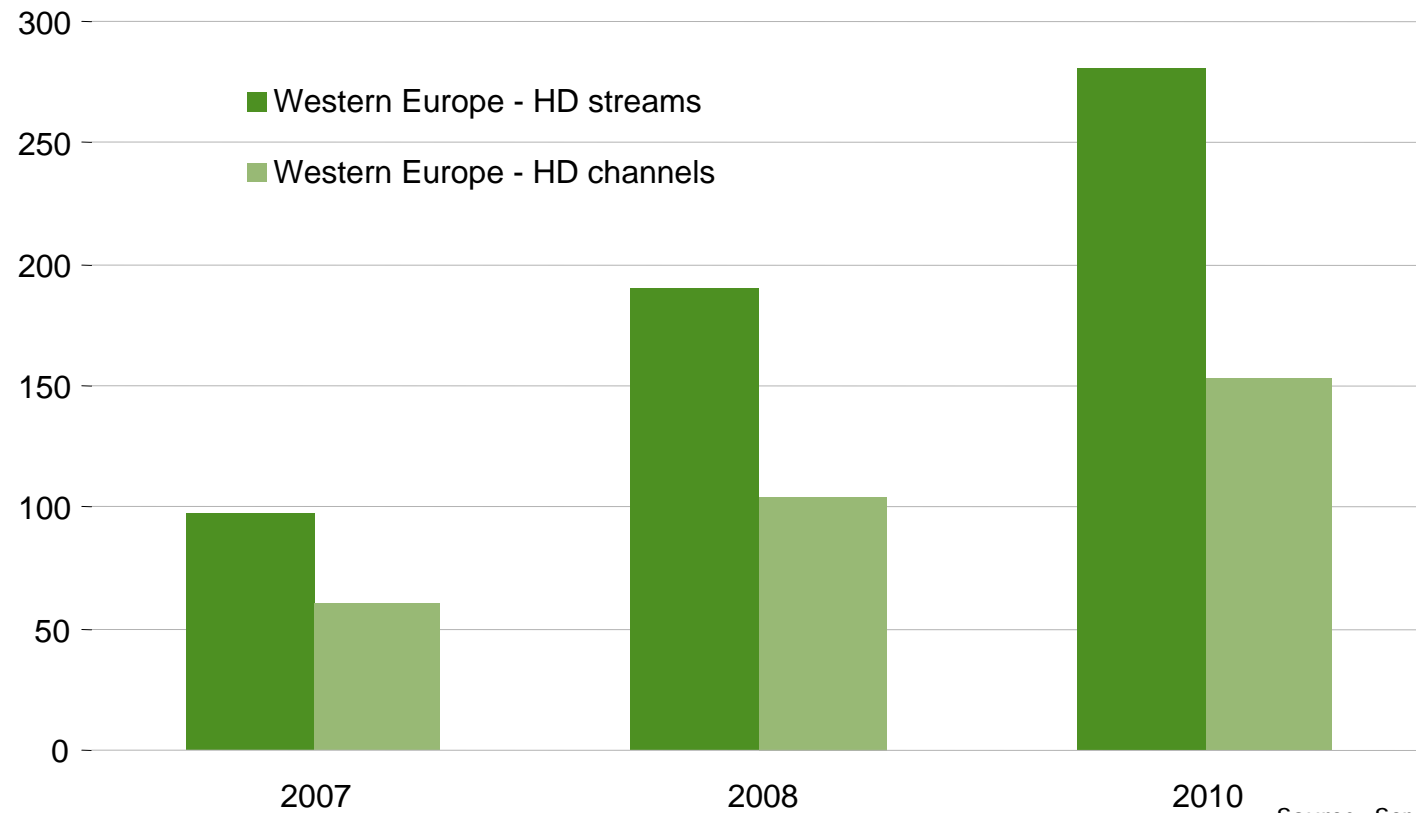
Source: Eutelsat, Lyngsat

Note 1: Includes the following satellite operators: Eutelsat, SES Astra, SES Sirius, Telenor, Hispasat, Hellasat, Turksat, Nilesat, Arabsat

Note 2: Includes all commercial streams, i.e. the same channel can be distributed through more than one satellite feed

HD channels

Towards 150 HD channels in W. Europe by 2010 Representing approx. 250 streams



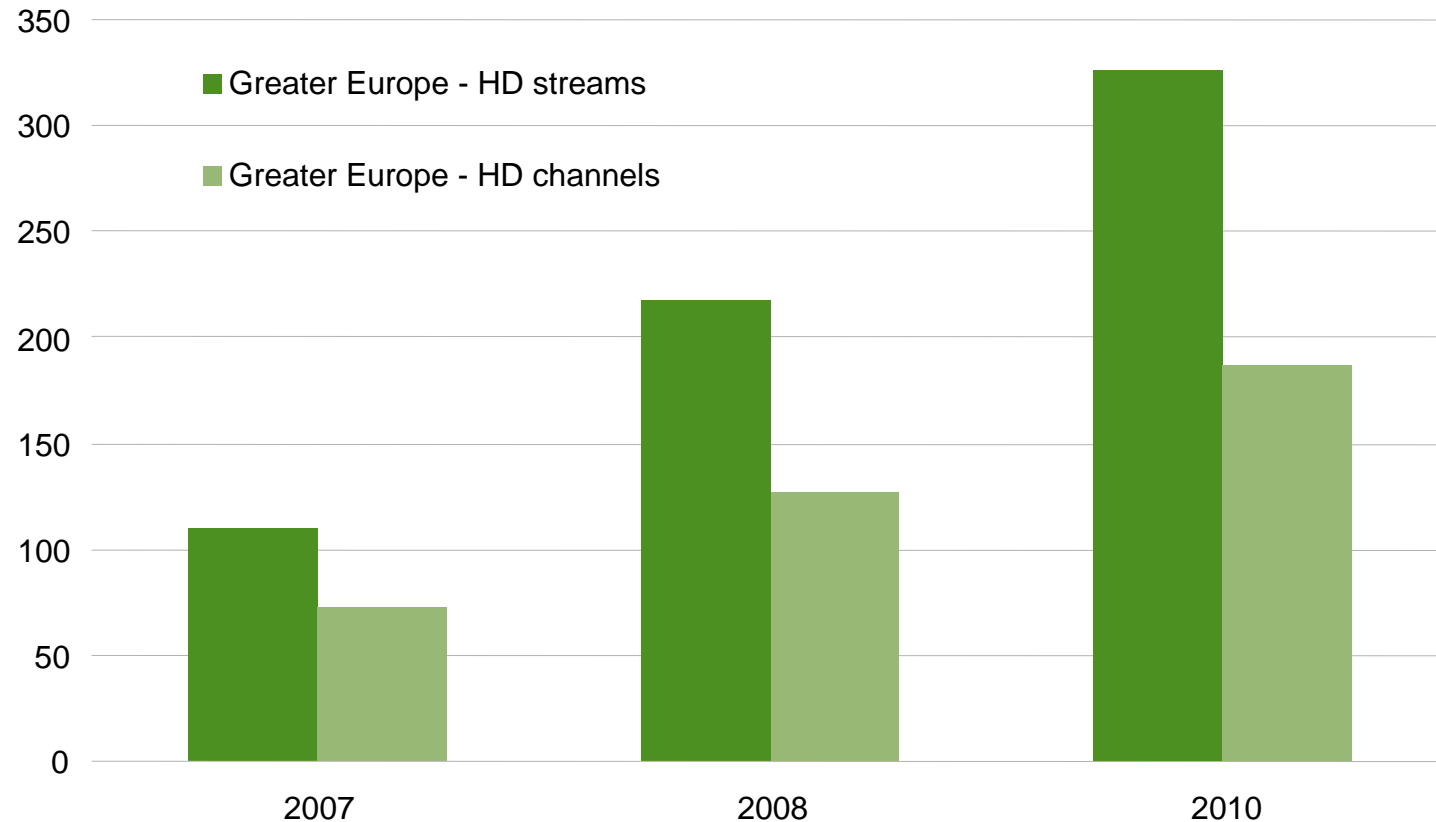
Source: Screen Digest

Notes:

- One channel has one or several streams (transmissions).
- **Unduplicated channel count:** 'Overspill' channels (UK channels received in Ireland, German channels in Austria), 'Pan-Nordic channels' (Canal+, TV1000, Voom) and 'free Pan-European channels' (HD1, Luxe.tv) are counted only once. Outside the Nordics, local versions of international brands (NGC, Discovery) are counted several times.

HD channels

200 channels and 350 streams by 2010



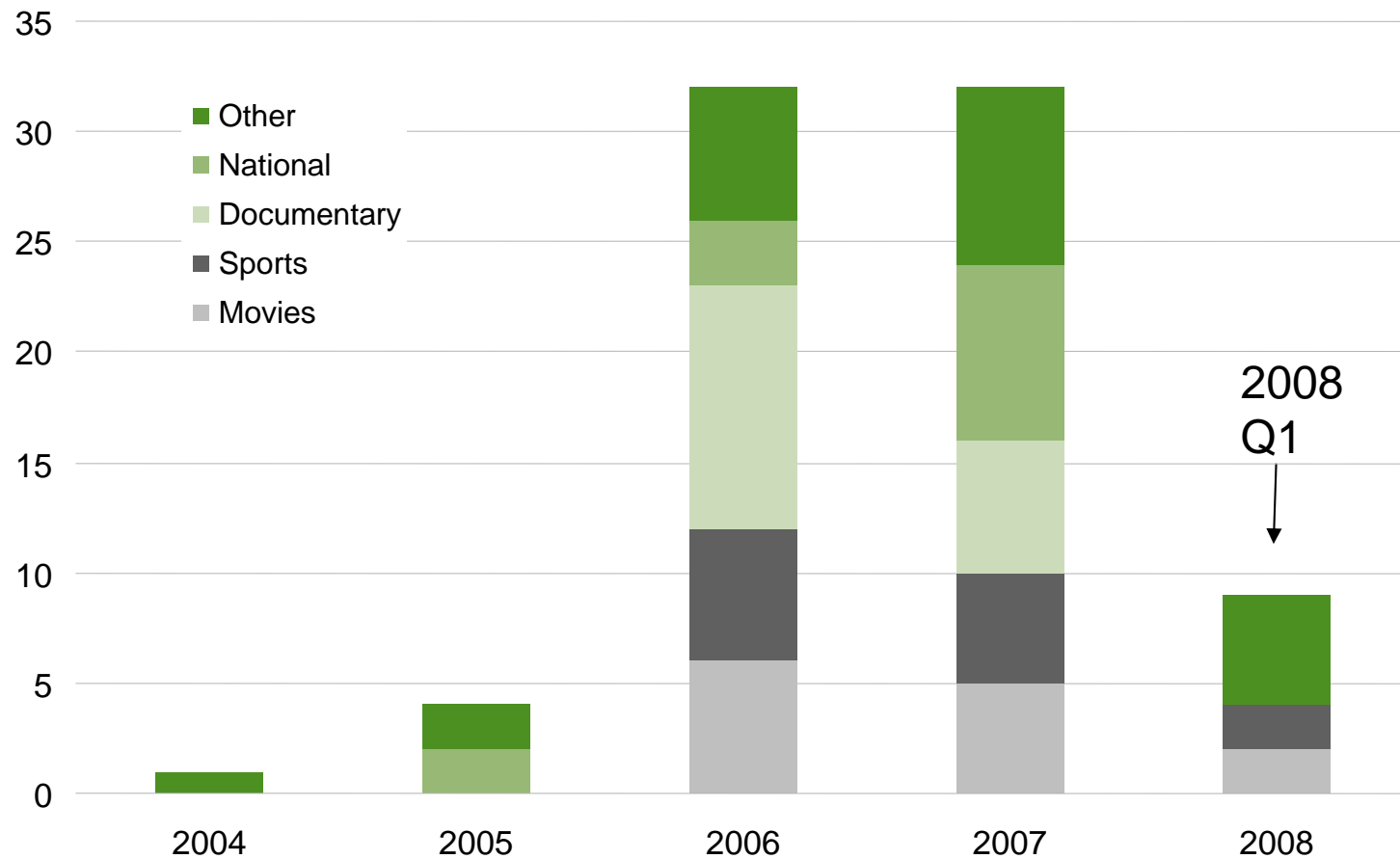
Source: Screen Digest

Notes:

- One channel has one stream
- **135 streams** by August 2008 on satellite: Eutelsat, SES Astra, SES Sirius, Telenor, Hispasat, Hellasat, Turksat, Nilesat, Arabsat
- **Unduplicated 'channel' count:** 'Overspill' channels (UK channels received in Ireland, German channels in Austria), 'Pan-Nordic channels' (Canal+, TV1000, Voom) and 'free Pan-European channels' (HD1, Luxe.tv) are counted only once. Outside the Nordics, local versions of international brands (NGC, Discovery) are counted several times.

HD channels by genres

- Factual, movies, sports still dominating early HD channels line-ups



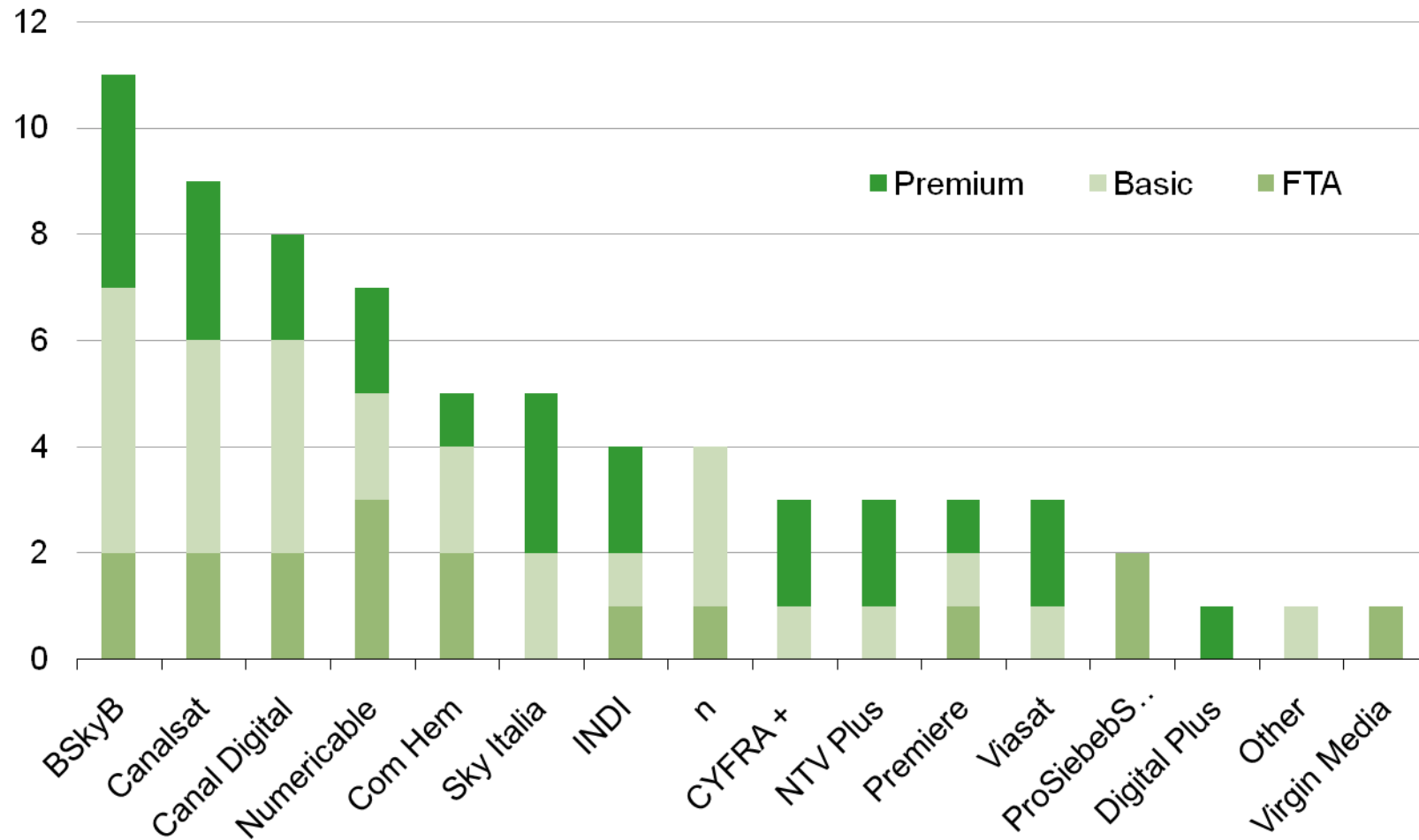
Source: Screen Digest

Milestones in 2008

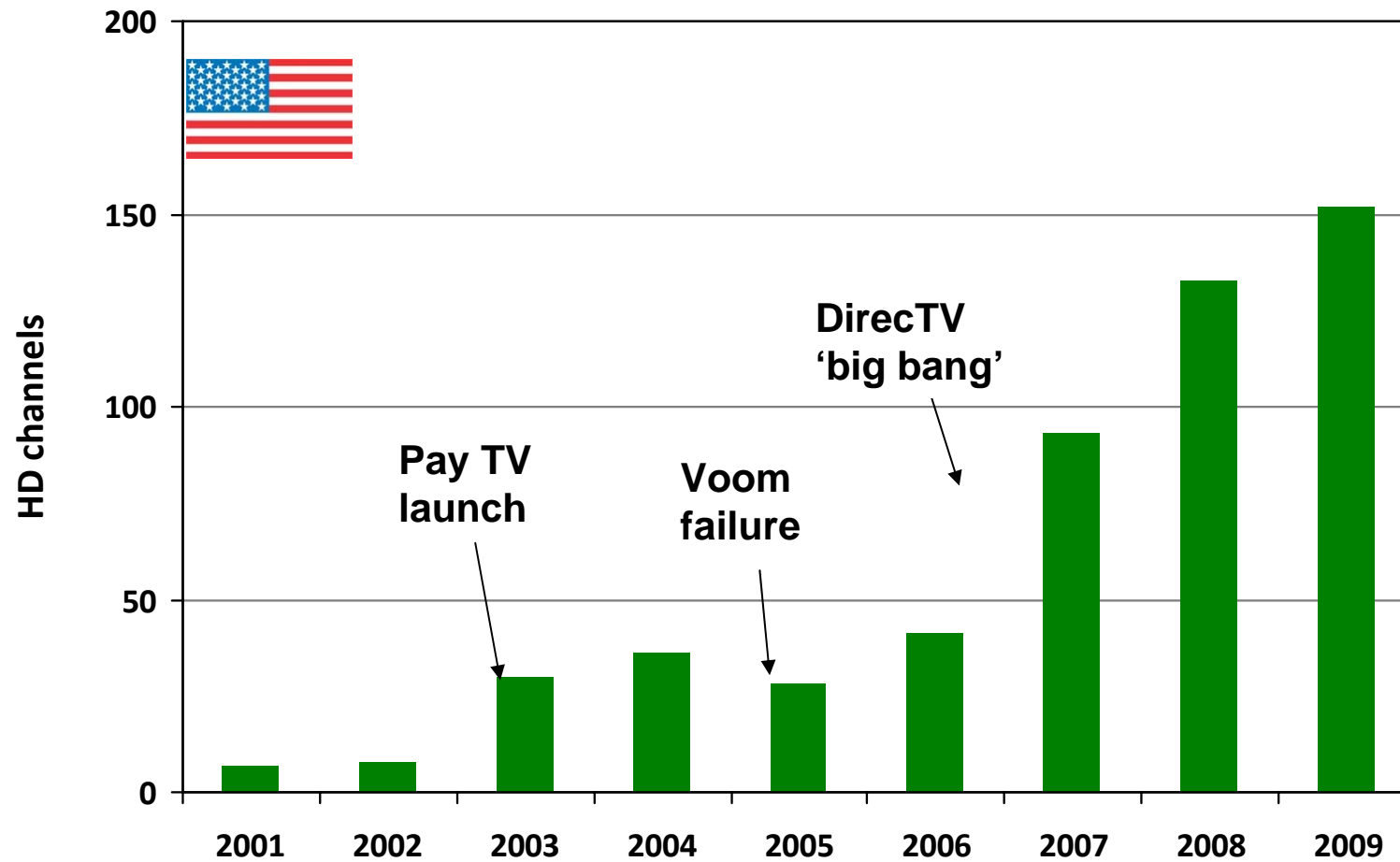
- Summer of **HD sports**:
 - First Olympics to be 100% HD
 - First Eurofoot 100% HD triggered Swiss and Austrian PSB's HD launch
- France's Top five channels to launch on DTT end-08 (Canal+ in August)
- **Eurosport HD** launch in May: already 30 carriage deals across 22 markets
- **MTV HD** launch in September (Nordics, Poland, Benelux...)
- **BSkyB** cut HD box price cut and plans massive October upgrade (7 new channels)
- New platforms introducing HD: **Digiturk** in Turkey, **Hello HD** in Hungary, **Platforma** in Russia.
- On the *downside*:
 - ProSiebenSat.1 pulled the plug
 - Premiere and PSBs not pushing
 - Spain: Digital+ not accelerating

Count by pay TV operator and business model

Number of HD channels available by platform at end-2007

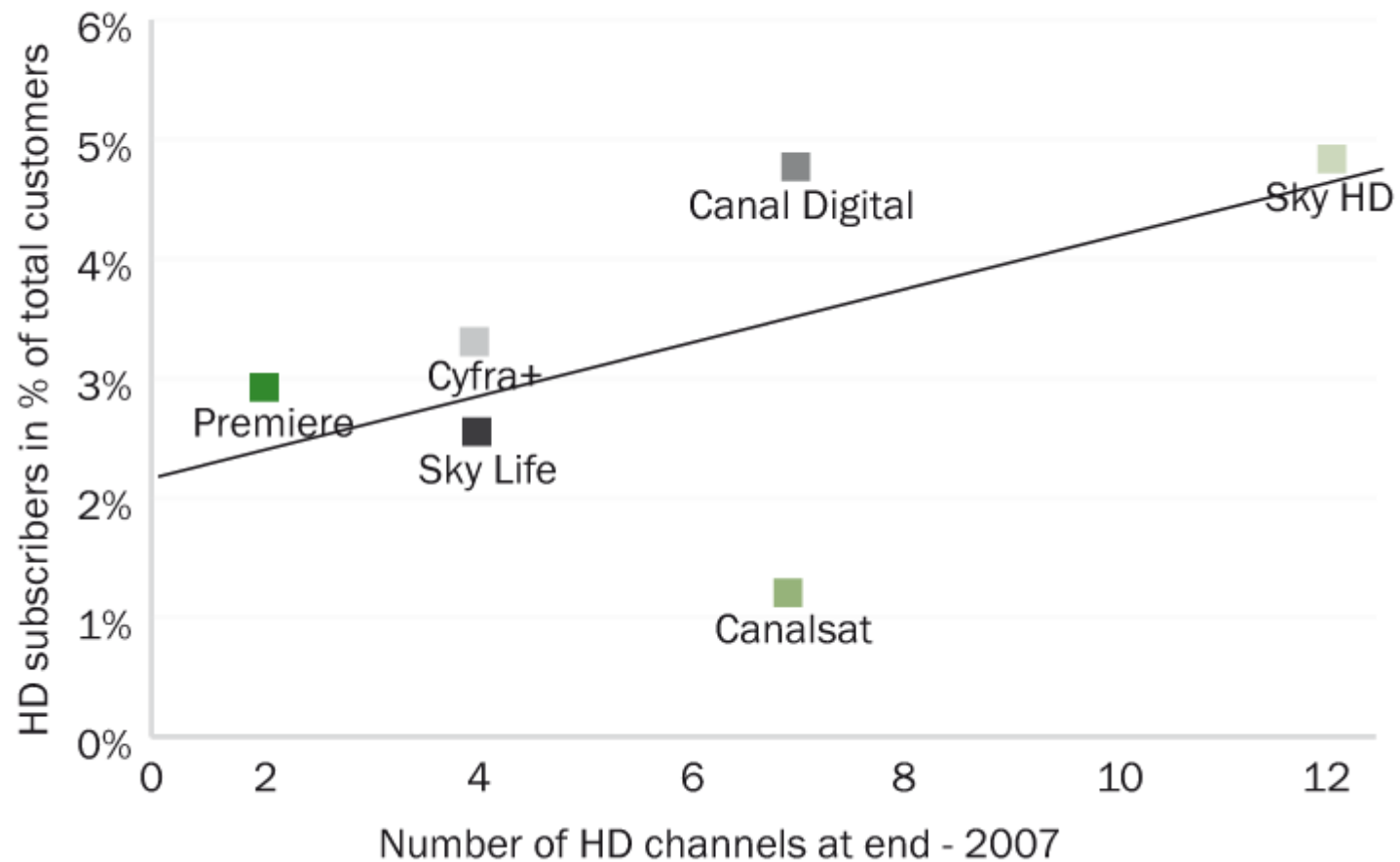


The 'big bang' of HD channels in the US



© Screen Digest 2008

The number of channels is clearly driving the HD uptake rate



© Screen Digest 2008

BSkyB leading the way, new genres being launched

HD channels on BSkyB

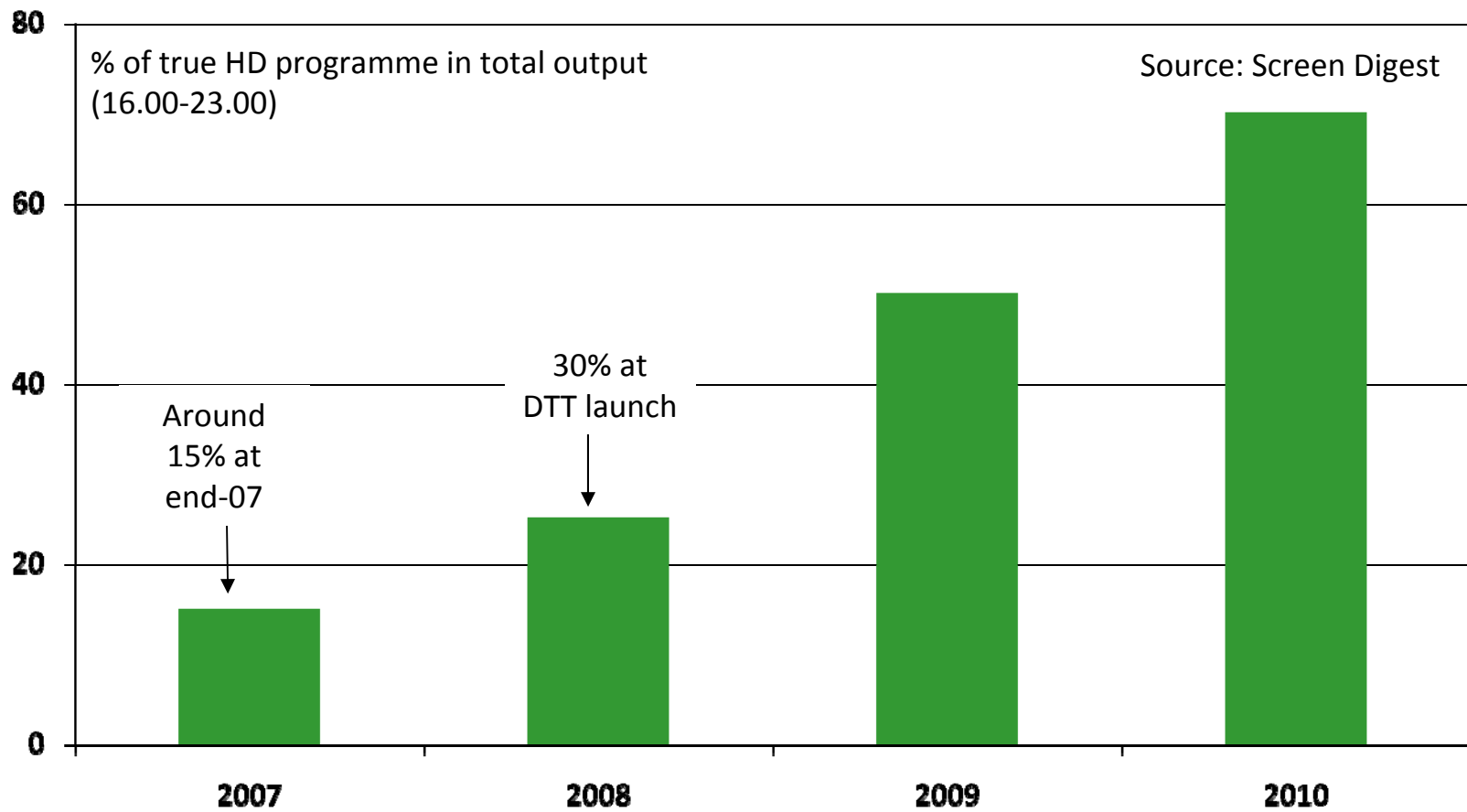
	Channels	Model	Genre	Launch	Provider
1	BBC HD	Free	National	2006	BBC
2	Sky One	Pay	Entertainment	2006	BskyB
3	Sky Sports HD 1	Pay	Sports	2006	BskyB
4	Sky Sports HD 2	Pay	Sports	2006	BskyB
5	Sky Arts	Pay	Documentary	2006	BskyB
6	Sky Movies Screen 1 HD	Pay	Movies	2006	BskyB
7	Sky Movies Screen 2 HD	Pay	Movies	2006	BskyB
8	Sky Box Office 1	PPV	Movies	2006	BskyB
9	Sky Box Office 2	PPV	Movies	2006	BskyB
10	Discovery Channel UK	Pay	Documentary	2006	Discovery
11	National Geographic Channel UK	Pay	Documentary	2006	NGC
12	History Channel HD	Pay	Documentary	2006	BskyB
13	Channel Four HD	Pay	National	2007	Channel 4
14	Luxe.TV HD (UK)	Free	Entertainment	2007	DVL.TV
15	Sky Movies Premiere HD	Pay	Movies	2008	BskyB
16	Sky Sports HD 3	Pay	Sports	2008	BskyB
17	FX HD	Pay	Entertainment	2008	BskyB
18	Rush HD	Pay	Sports/Entertainment	2008	Rainbow/Voom
19	Eurosport UK HD	Pay	Sports	2008	Eurosport
20	Sky Movies Action/Thriller HD	Pay	Movies	Oct 2008	BskyB
21	Sky Movies Sci-Fi/Horror HD	Pay	Movies	Oct 2008	BskyB
22	Sky Movies Drama HD	Pay	Movies	Oct 2008	BskyB
23	Sky Movies Comedy HD	Pay	Movies	Oct 2008	BskyB
24	Sky Movies Family HD	Pay	Movies	Oct 2008	BskyB
25	Sky Movies Modern Greats HD	Pay	Movies	Oct 2008	BskyB
26	Sky Real Lives HD	Pay	Entertainment	Oct 2008	BskyB

Other UK HD channel beyond Sky:

	ITV HD (Freesat exclusive)	Free	National	June 2008	ITV
--	----------------------------	------	----------	-----------	-----

French HD 'quota'

- TF1 commitment to increase 'true HD' output



French HD 'quota'

- How TF1 is planning to meet the 'quota'

	2007	2008	2009	2010
Movies and US drama				
French Drama				
Sports				
Primetime entertainment				
Other (children, talk shows, quizz shows, etc)				
News			?	?

Standard Definition production	
Partly produced/broadcast in HD	
Entirely produced/broadcast HD	

© Screen Digest 2008

Screen Digest take on HDTV

- Key findings
- Key forecasts
- HD Content
- **HDTV business models**

HDTV Business model(s) for a pay TV operator (eg. Canal+, Sky, UPC)

1. Revenues from HD fees and sale of HD boxes
 - Drives short term revenues
2. Incentive to upgrade to higher, premium tiers/boxes
 - Drives long term ARPU
3. Increase customer satisfaction
 - Drives down churn
4. Differentiate from competition to gain market share
 - Window of opportunity for pay TV esp. satellite pay TV
5. Drive acquisition in a plateauing pay TV market
 - 20% of Sky HD subs are new Sky customers
6. Drive spontaneous migration to MPEG4
 - Operators will have to organise a switchover to MPEG4

HDTV Business models for a pay TV operator

- The suitable/optimal HD marketing strategy (pricing/packaging) conducted by a given pay TV operator depends on local factors:
 - the marketing benefit that is primarily seek
 - the maturity of the pay TV market
 - the maturity of the display market
 - the level of competition
 - the availability of HD content
 - The transmission costs

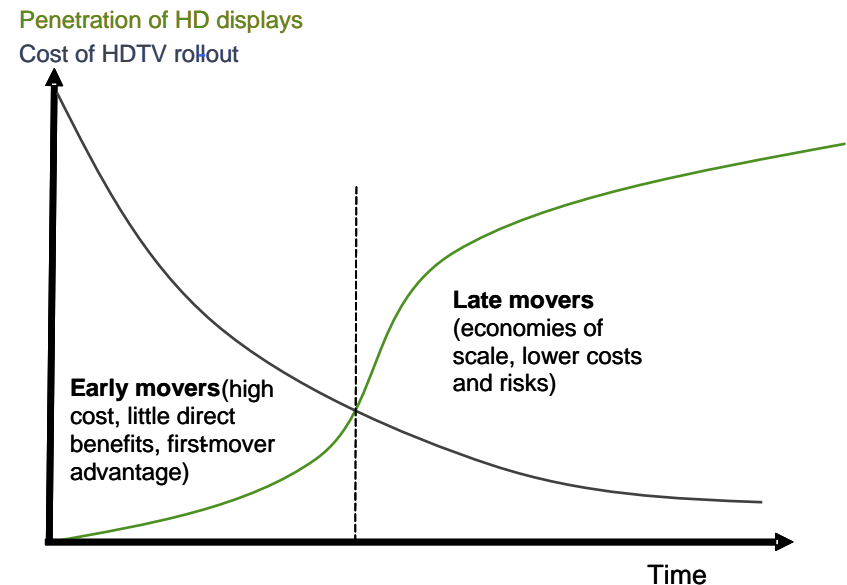
• *In the report: Chapter 4 p53*

HDTV Business models for a pay TV channel operator (eg. Discovery)

- **Costs:**
 - Commissioning/producing/remastering content in HDTV
 - Transmitting an HD simulcast (DVB-S2, MPEG4, 14 Mbits/s: €1m to €1.2m pa)
- **Benefits:**
 - Incremental revenue for extra carriage fee negotiated with pay TV operator (leverage in a period of scarcity)
 - Opportunity to emerge from competition in otherwise crowded categories (factual, children, drama...)

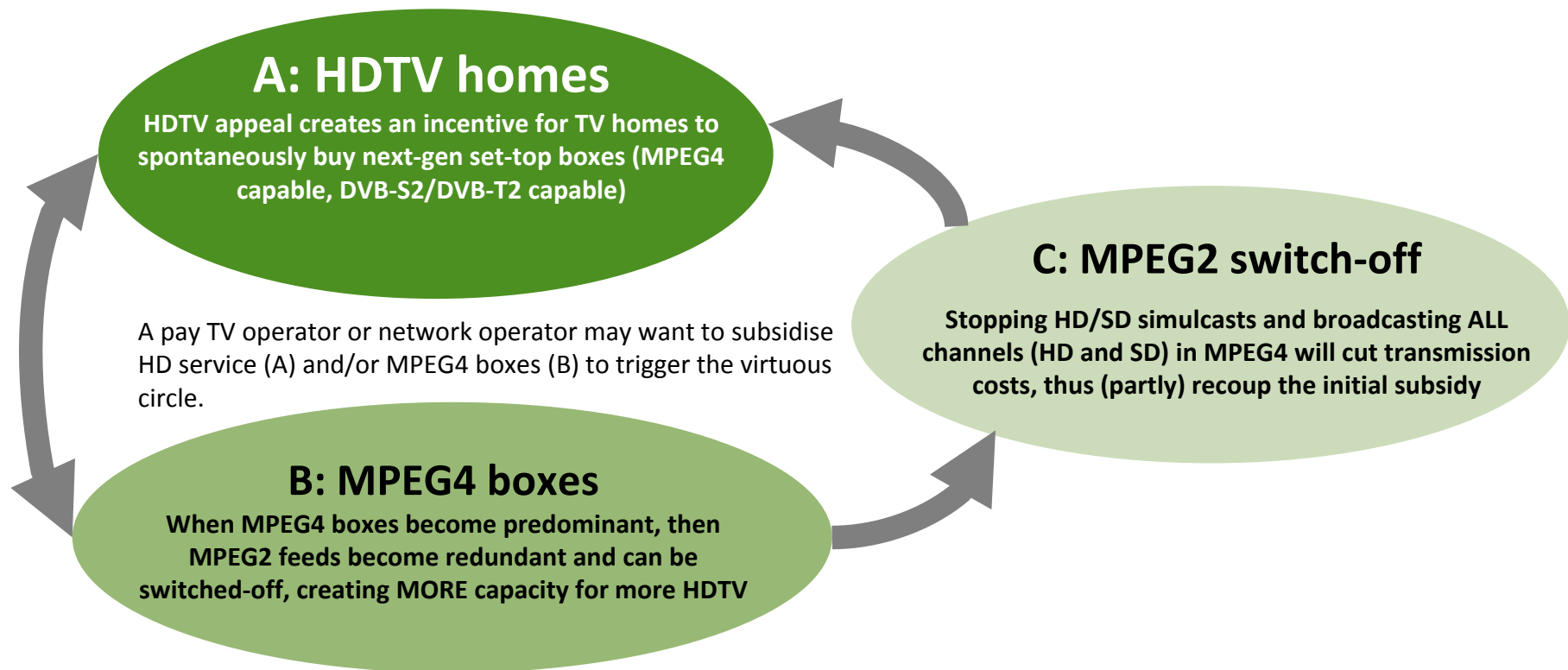
HDTV Business models for free TV broadcasters (eg ITV, Arte)

- No extra advertising revenues to expect from going HD
- Therefore a strategic dilemma:
- Going HD too early costs more, for a small addressable base for a limited benefit (emerging from competition)
 - ProSieben tried it and later admitted it was a premature move
- Going HD too late entails the risk in terms of quality comparison and eventually audience share



Business model of the MPEG-4 switchover

The rationale of boosting the move: triggering a virtuous circle



© Screen Digest 2008

For more details

vincent.letang@screeendigest.com

0207 424 28 43

