Two decades of the media market in CEE

Chris Dziadul
Editorial Director
Chief East European Analyst

Broadband TV News

How did we get from this….

Broadband TV News

…to this

Broadband TV News

…and indeed this?

Broadband TV News

TV: my personal journey –1960s

- A constant companion in my childhood
- Entertainment and education about the world rolled into one
- A shared experience with family, friends and others in my life
- Many highlights, still remembered to this day
- Inexpensive
- Technological advances = excitement

TV: a taste of CEE -1970s

- Offered a different view of the world
- Much more politicised – also reflected in other media (press, radio)
- Little if any information about non-communist countries. What was shown was invariably negative
- Sport and music transcended the political divide between East and West

Broadband TV News

A decade of change -1980s

- TV viewing in CEE starts to change
- Foreign satellite channels increasingly watched, often illegally
- Rudimentary cable networks appear, initially to improve reception of local (as opposed to foreign) services
- Spirit of glasnost/perestroika – new openness between East and West as barriers slowly start to come down

1989: the dam bursts

- Fall of the Berlin Wall, Velvet Revolution in Czechoslovakia, overthrow of Romanian dictator Ceausescu – all captured on TV
- A completely new reality for the media in CEE
- Getting to grips with the situation was challenging and would take time, even in progressive countries such as Hungary
- No functioning market, regulatory framework, etc

1997/98: an amazing turnaround

- Basic structure of what we see today in place
- Commercial TV stations up and running
- Cable developing rapidly
- DTH platforms about to be launched
- Pay-TV services provided by HBO, Canal+
- Broadcast legislation enacted in most markets
- Foreign companies such as CME, RTL, HBO, Canal+, SBS Broadcasting driving change

Hungary

- RTL Klub and TV2 launched late 1997
- Cable penetration up to 40% of 3.8m TV h/h
- Antenna Hungária already a key player. Interests included MMDS service in Budapest, offering 17 channels (10 Hungarian)
- Also planned to launch a digital platform with Eutelsat aimed at CEE
- Public broadcaster MTV badly hit by new competition; Duna TV fared better

Poland

- Polsat and TVN established as main commercial broadcasters
- TVP still key player. Launched digital satellite channel (Tylko Muzyka) in April 1997
- Cable industry already had 3m subs – fourth largest in Europe. PTK leading operator
- DTH platforms, including Canal + and Wizja TV, preparing to launch
- Strong rivalry in pay-TV market between Canal+ and HBO

Czech Republic

- TV Nova established as market leader, with Prima TV main competitor and CT eclipsed
- Kabel Plus, later to be UPC, already dominant player in cable industry
- HBO present in country since 1994, operating one premium and two basic channels
- Market considered unready for own DTH platform
- Lack of transparency in media ownership

Romania

- Pro TV, Antena 1 and Tele 7 abc leading commercial broadcasters. Part-privatisation of TVR on agenda
- Cable industry second largest in CEE, with around 2.2m connections
- Boom in thematic channels. Included HBO Romania, MCM and Animal Planet
- RCS (now known as RCS&RDS) planning fibre-optic net in Bucharest by end 1998

1998: CEE at a glance

Country	TV h/h	TV ad spend	Av daily hours viewing	Cable pen	Sat pen
Bulgaria	2.8m	n/a	2.5	17.7% (est)	10.6% (est)
Czech Rep	3.9m	$198.2m (1996)	3.3	16.7%	14.2% (inc SMATV)
Hungary	3.8m	$220m	n/a	40% (est)	19%
Poland	12m	$618.7m	4.2	25%	16.7%
Romania	7m	$85.4m	3.5	32.9%	3.9%
Russia	56m	$1bn (est)	3.0	n/a	1.2%
Slovakia	1.9m	$45m+	n/a	26%+	18%+

Source: FT Media & Telecoms

Fast forward to 2007/8...

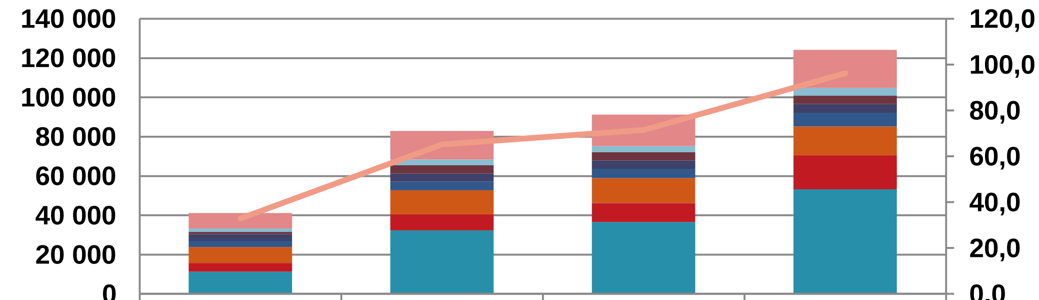
- IPTV, Magyar Telekom one of the pioneers
- Multichannel environment a reality
- Pay-TV well established
- Broadband internet being rolled out
- 40+ DTH platforms operating
- Digitisation under way
- HD, VOD and other additional services being introduced
- Start of global financial crisis

…and 2015

- High pay-TV penetration (Ro: 92%)
- OTT services making their mark
- ASO completed in most countries
- Broadband rollout and availability extensive
- A multiscreen environment
- Maturity: some markets at WE level
- Telcos, mobile ops, now key TV industry players
- Piracy – still a problem

Digital TV homes

Eastern Europe digital TV homes by country (000)



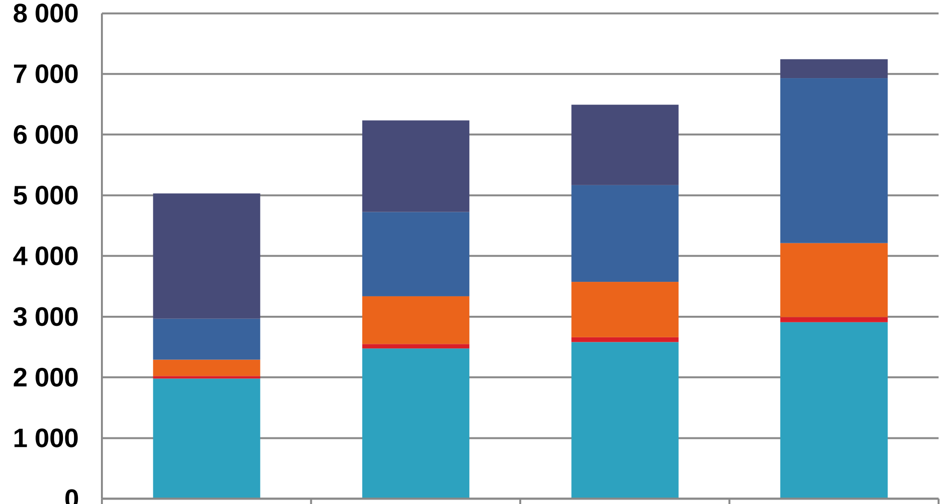
	2010	2014	2015	2020
Others	7 710	14 583	16 042	19 396
Hungary	1 813	2 888	3 033	3 869
Greece	1 268	4 268	4 280	4 308
Czech	3 414	4 119	4 175	4 369
Romania	2 974	4 367	4 757	6 936
Poland	8 241	12 287	12 761	14 701
Ukraine	4 386	8 141	9 574	17 382
Russia	11 320	32 359	36 670	53 177
Dig TV pene %	32,9	65,2	71,5	96,2

Source: Digital TV Research

Broadband TV News

Pay-TV revenues

Eastern Europe pay TV revenues by platform ($ m.)



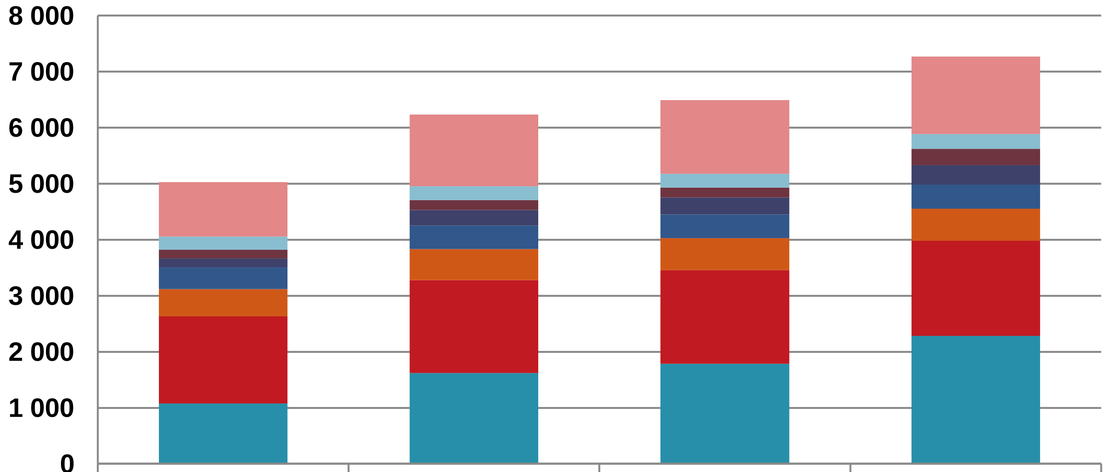
	2010	2014	2015	2020
Analog cable TV	2 063	1 511	1 326	312
Digital cable TV	674	1 388	1 592	2 716
IPTV	272	785	913	1 223
Pay DTT	38	73	78	84
Satellite TV	1 982	2 477	2 584	2 907

Source: Digital TV Research

Broadband TV News

Digital TV growth

Eastern Europe digital TV revenues by country ($ million)



	2010	2014	2015	2020
Others	971	1 278	1 314	1 380
Czech	235	247	249	266
Ukraine	155	177	174	291
Greece	162	274	305	349
Hungary	389	423	424	426
Romania	485	555	568	575
Poland	1 553	1 657	1 670	1 696
Russia	1 079	1 623	1 789	2 286

Source: Digital TV Research

Broadband TV News

4k readiness – Global rankings

	Country/Reg	% above 15Mbs	QoQ change	YoY change
	Global	12%	0.6%	37%
1	South Korea	61%	-7.7%	16%
2	Hong Kong	41%	11%	84%
3	Japan	34%	2.5%	24%
4	Sweden	31%	9.2%	61%
5	Switzerland	30%	2.6%	50%
6	Netherlands	30%	1.9%	35%
7	Latvia	29%	1.4%	63%
8	Lithuania	26%	50%	209%
9	Romania	23%	12%	320%
10	Norway	22%	2.9%	50%

Source: Akamai State of the Internet Report, Q4 2014

Broadband TV News

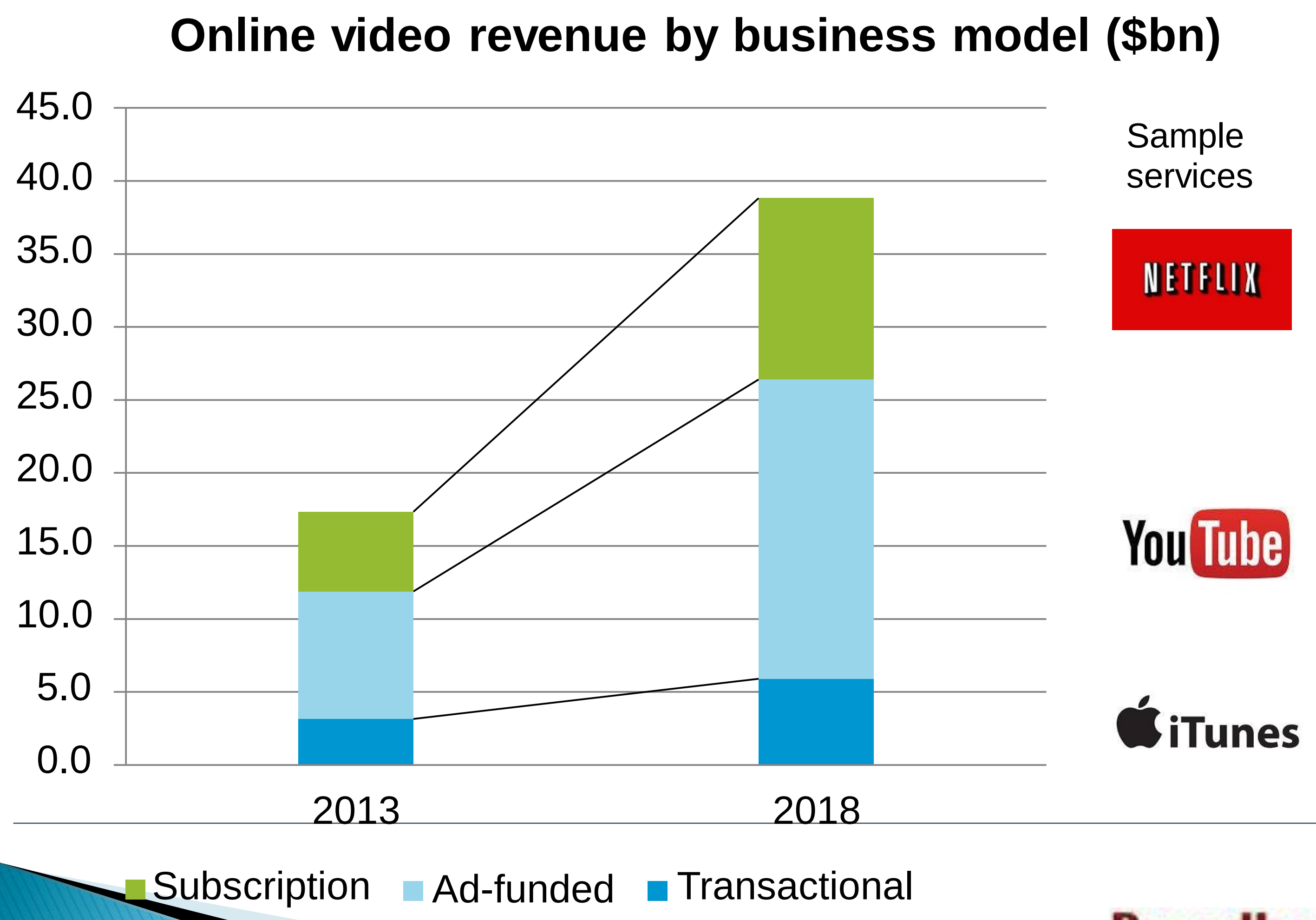
4k readiness – CEE rankings

Global Ranking	Country/Region	% above 15 Mbps	QoQ change	YoY change
9	Romania	23%	12%	320%
14	Czech Republic	21%	3.1%	16%
26	Russia	11%	-11%	62%
27	Poland	11%	-2.5%	33%
29	Hungary	11%	-7.2%	94%
30	Slovakia	10%	-8.1%	68%

Source: Akamai State of the Internet Report, Q4 2014

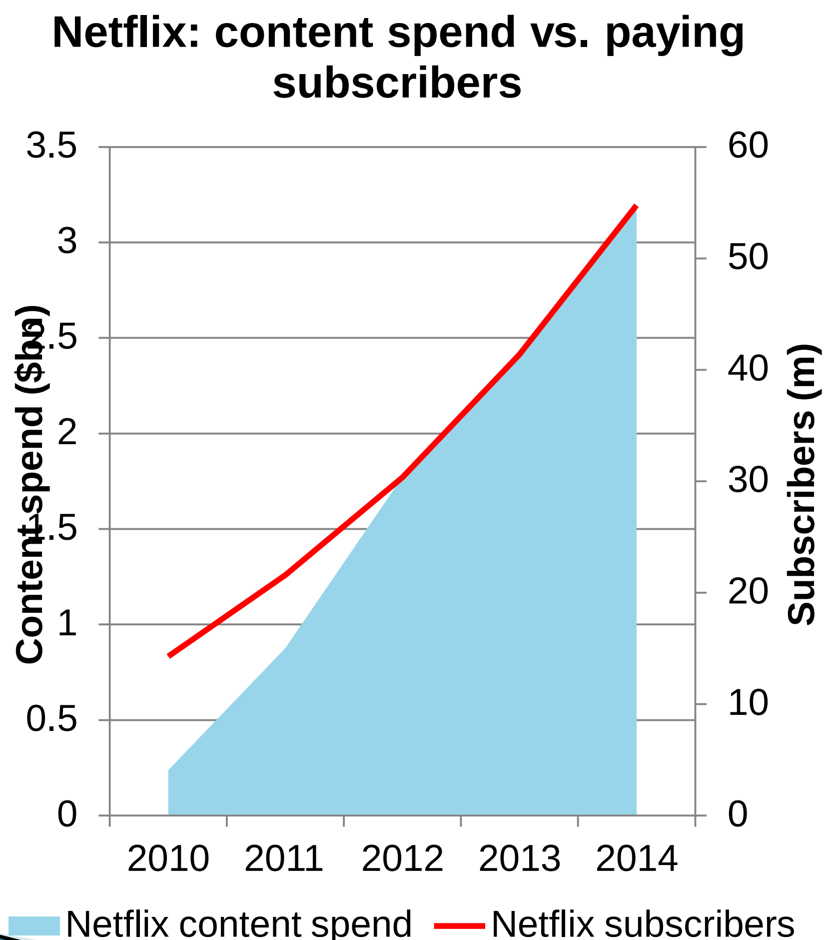
Broadband TV News

Global online video revenue will more than double by 2018 driven by subscription and advertising



Broadband TV News

Netflix subscriber growth is closely tied to its investment in content

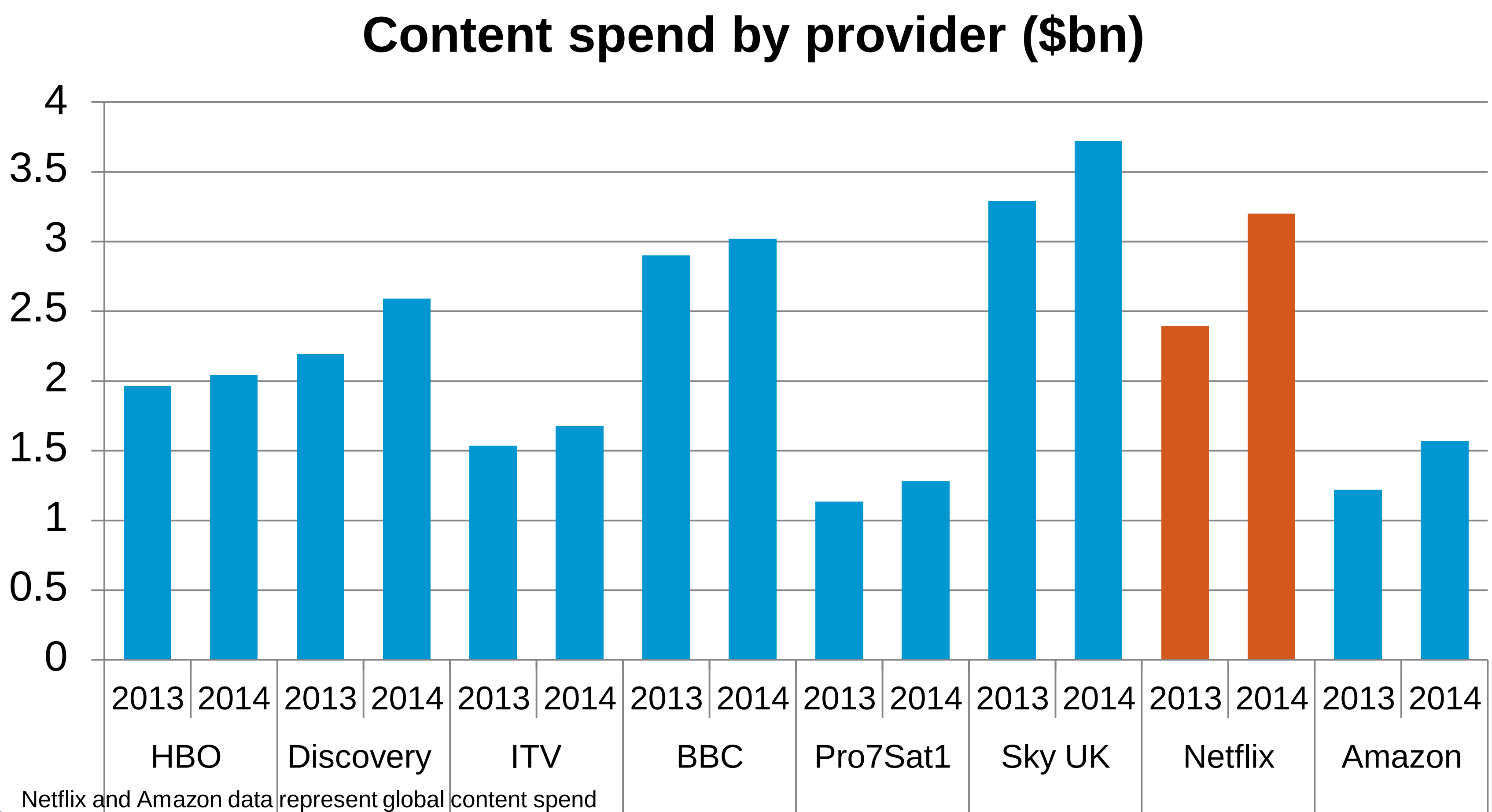


Netflix content spend is not just about originals: >80% of spend is acquisitions

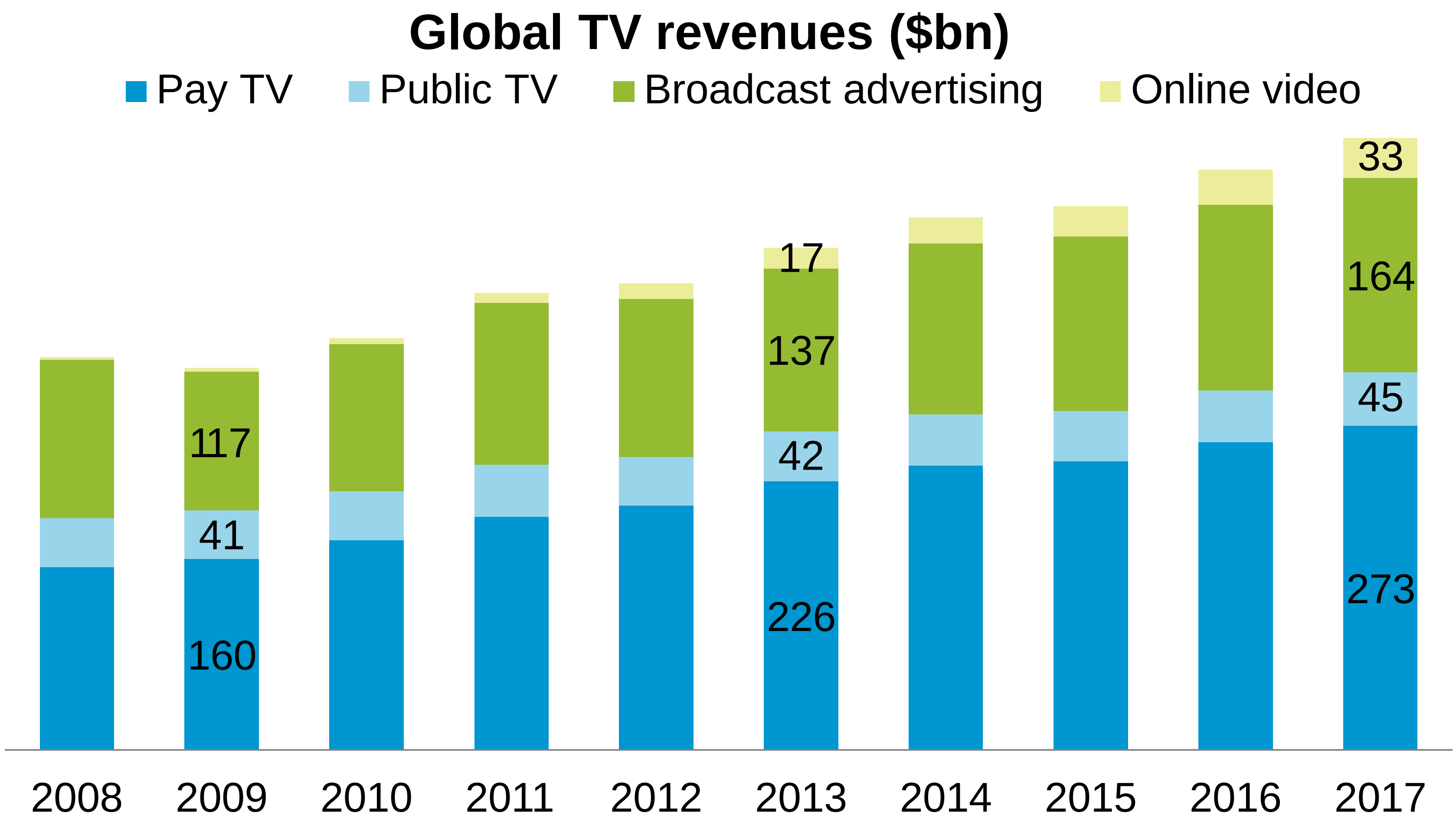
Increasingly moving away from the long tail and buying valuable TV rights :

- First run territorial exclusives: (UK: *Breaking Bad* Season 5, *From Dusk till Dawn*, *Better Call Saul*, France/ Germany: *Fargo*)
- High-value buys for key rebroadcast rights e.g. *Gotham*/ Warner Bros – global SVOD rights purchased before transmission of first episode
- Opportunistic acquisition of first pay window movie rights (e.g. Disney in the Netherlands)

Netflix already spends more on content than the BBC



However, despite all the growth, the OTT video market is still relatively small compared to traditional TV



consumer-level (spend less VAT) for paid-for media, net ad revs and public for PSB

Broadband TV News

OTT in Hungary

- UPC, Magyar Telekom and RTL laid the groundwork several years ago
- Three leading mobile ops offer services
- Other players also present
- Netflix will eventually arrive, but what will be its impact?
- Too many providers chasing too little money in a medium sized market?
- NMHH consultation

OTT Case Study: Russia

- THE boom OTT market in CEE
- 20+ legal services, but only 6 have a 5%+ share
- Strong growth but still relatively small in value
- Negative trends: piracy, slowdown in ad market

OTT in CEE forecast

- Set to grow rapidly from a low base
- Advertising accounts for most revenues, but its share will fall at expense of subscriptions
- Transactional revenues will grow but remain modest
- Payment processing for services – a challenge that will have to be addressed
- New ‘post Netflix’ models to be introduced in the region (TV2U)?

Broadband TV News

The wider content picture: Key players

- AMC
- SPI
- Sony Pictures
- MTG
- Scripps
- HBO
- Others

Conclusions

- Pace of change is starting to quicken again in CEE
- Prospects for 4k (UHD) are good but it may not arrive soon
- Netflix unlikely to have a huge impact
- Region will continue to appeal to leading int'l content companies
- Hungary will remain at the heart of TV industry developments in CEE

Thank you/Köszönöm

Chris Dziadul
cdziadul@broadbandtvnews.com

Broadband TV News