

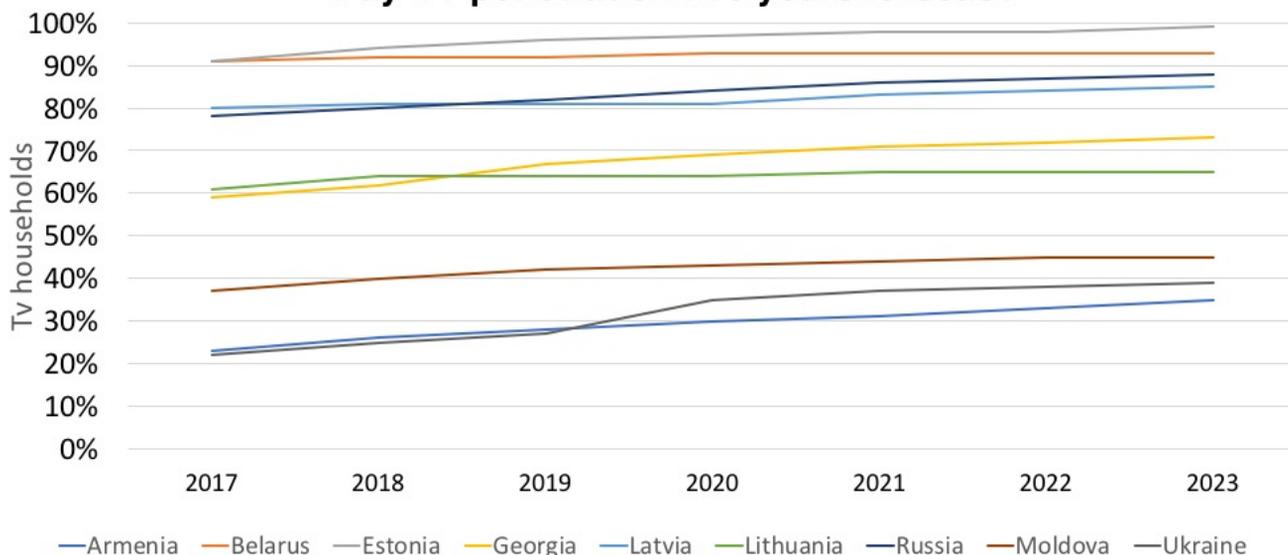
KEY TRENDS IN EUROPEAN CIS AND BALTIC TV MARKETS 2018-2023

From May to August 2018, Dataxis conducted several interviews with key players of the TV and Telecommunication industry in the following countries: Armenia, Belarus, Estonia, Georgia, Latvia, Lithuania, Russia, Moldova, Ukraine. Among the different topics addressed, several common trends were identified: FTA market decline, OTT emergence, TV and telecommunication services convergence, necessity for local content... This Executive Summary highlight the main trends undergoing in the region according to Dataxis research.

Final showdown between Pay-TV and Free-to-Air?

At the end of 2017, only Estonia and Belarus had a penetration of Pay-TV services above 80% of TV households. In the next five years, two other countries are expected to exceed the 80% penetration, namely, Russia and Latvia followed by Georgia and Lithuania. In the middle team, large free-to-air (FTA) markets will remain in Armenia, Moldova and Ukraine.

Pay-TV penetration five years forecast

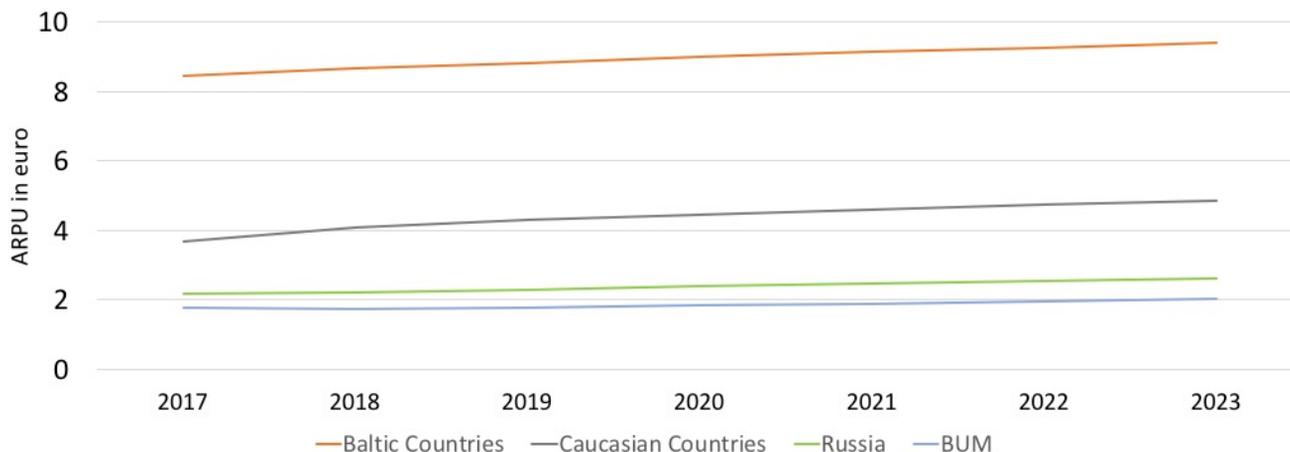


For instance, in Estonia some operators forecast the disparition of the FTA market within a few years, leaving alone the public broadcaster ERR on that segment. Indeed, two major commercial channels were encrypted in the summer 2017 and since then, households watching only FTA represent less than 10% of the total TV households.

Similarly, Russian operators have been increasing their subscriber bases steadily for a decade, with Pay-TV penetration now reaching 80% of the TV households. However, some insiders are wondering whether maintaining such high levels of penetration is possible on the long term when the State DTT platform is providing high quality content for free. This is where value added services such as time shift, catch-up, VOD, multi-screen, Smart TV, HD and UHD are becoming strategic. Anticipating this need, Tricolor launched a 4K service in 2015 followed by three other operators in 2017 and 2018.

However, high penetration of Pay-TV services does not necessarily mean highly potential market in terms of revenues. In Lithuania where typical cable TV packages are sold for 6€ on average, the end price of the monthly fee can actually be lower given the numerous promotions offered to subscribers. The graph belows presents Dataxis forecasts for the average ARPU by region.

Pay-TV blended ARPU



BUM: Belarus, Ukraine, Moldova

Caucasian countries includes Armenia and Georgia

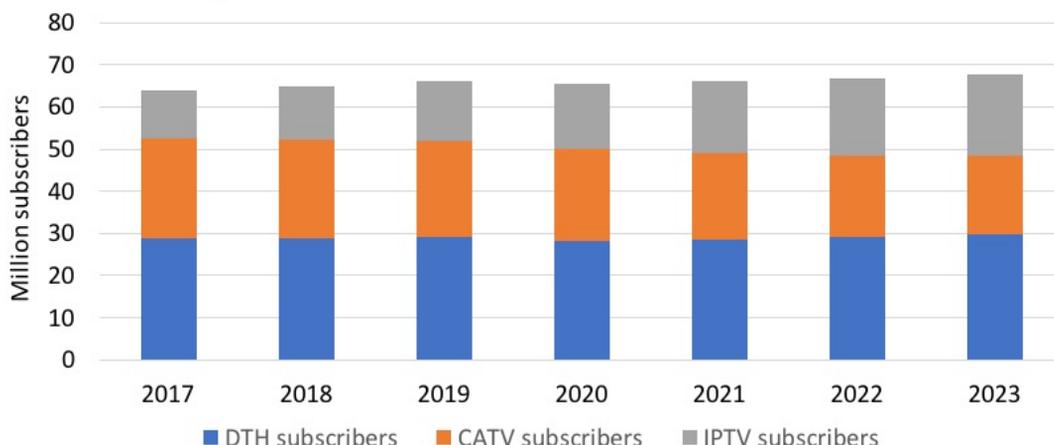
Even in markets with smaller subscriber base, the potential for development of pay-TV services may not be high. For instance, in Armenia, less than one out of two TV households is subscribing to a paid service. But the Pay-TV market is actually approaching saturation. That’s because a third of households is situated in rural areas difficult to connect to IPTV and they are not considered as potential targets in the middle term. Similar situation used to be observed in other countries of the region before the expansion of fibre broadband connections to rural areas.

IPTV subscriber base to reach Cable TV connections level by 2023

This situation happened in Russia. IPTV used to be concentrated in urban areas while satellite operators were preferred everywhere else for their ability to cover Russian’s extensive territory. However, in the last two years, ISPs began to connect rural households with fibre network and TV over IP, thus treading on DTH operators’ toes. In Moldova, some players are already predicting IPTV to become the main TV access within two years.

With a 5.8% CAGR between 2017 and 2023, there will be more IPTV connections than cable TV connections in the region in the next five years. Satellite subscriber base should grow slightly at 0.3% CAGR and cable TV connections are declining overall at -2.5% CAGR.

CATV, IPTV and DTH subscriber base forecasts



OTT platforms not expected to threaten linear TV in the middle term

Even though OTT TV and video platforms are emerging on all markets, no cord-cutting phenomena was observed yet. OTT connections could still represent less than 10% of the Pay-TV access by 2023 in the majority of the markets studied. In the meantime, traditional linear TV will keep growing.

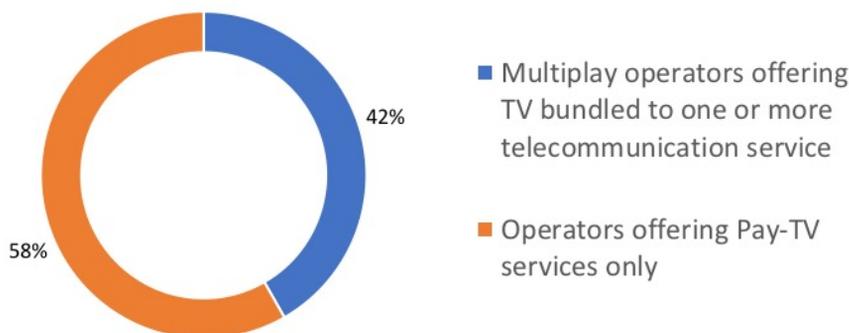
Indeed, apart from few pioneer companies which launched OTT some years ago, several operators have an OTT platform but do not promote it outside their broadband network fearing the streaming quality. High costs of content rights are also holding back many small and middle size operators. Even in the case of pioneer OTTs, some insiders are doubting the profitability of the service. Only the platforms with very unique and localised content are expected to survive in the middle term.

In this context, most Pay-TV and telecommunication operators see themselves as content aggregator, integrating SVOD, TVOD and linear TV OTT applications to their platform to have the broadest offer to watch in the most convenient way.

Converging offers as a winning strategy

Finally, on highly penetrated markets with relatively low ARPU, many operators are adopting bundling strategies to reduce churn and differentiate from small size local competitors. Almost three out of four main pay-TV operators identified in the region propose to bundle the TV service with one or more telecommunication services.

Share of Pay-TV operators applying convergence



Convergence strategies are not only adopted by ISPs or telecommunication operators wanting to expand their offer with a TV service. We see more and more convergence between mobile and TV operators. In Moldova for instance, the IPTV provider Sarnet is planning to launch an MVNO service in 2019. In Latvia, the market leader of mobile services launched TV service on its mobile network in 2016. In neighbouring country Lithuania, OTT TV services are also expected to be launched mainly by mobile operators.

Generally, companies are trying to unify their different platforms under global brands. It is the case of All Media Baltics, the buyer of Modern Times Group’s activities in Estonia, Latvia and Lithuania. The group is merging its different video content platforms (paid linear OTT, free catch-up OTT and VOD) into one single integrated product called TVPlay available in the three countries. Lattelecom in Latvia also merged its TV and VOD activities and platforms under the Helio brand in April 2018. In Estonia, the FTA broadcaster and media group Eesti Media goes further, searching for synergies between its TV, print and online activities.

MORE INFORMATION

Juliette Boulay, Analyst, | Email: juliette.boulay@dataxis.com

Valérie Viaud, Head of Marketing Communications | Email: public.relations@dataxis.com

ABOUT DATAxis

Dataxis is a global firm specializing in the delivery of detailed market research, high quality events, and powerful media covering the TV and Telecom industries in more than 200 countries. Dataxis has offices in Europe, Latin America and Africa. Dataxis Intelligence launched its quarterly online service in 2003 and quickly became recognized as a leading source of information for major operators, technology suppliers, content providers and governmental bodies around the globe. The online intelligence service and market reports provide key indicators, statistics, forecasts and analysis of all TV and Telecom operators worldwide. Please visit www.dataxis.com