Over-the-top video in Romania

Bucharest Business Breakfast: The Future of Digital TV in Romania

Hosted by Broadband TV News & Telenor Satellite Broadcasting

Bucharest, 22nd May 2012

Mirek Smyk Consulting Group
outsourcing intuition

Agenda

MSCG INTRODUCTION

ONLINE TV LANDSCAPE
IN ROMANIA

FUTURE OUTLOOK

Mirek Smyk Consulting Group
outsourcing intuition

Introduction to MSCG

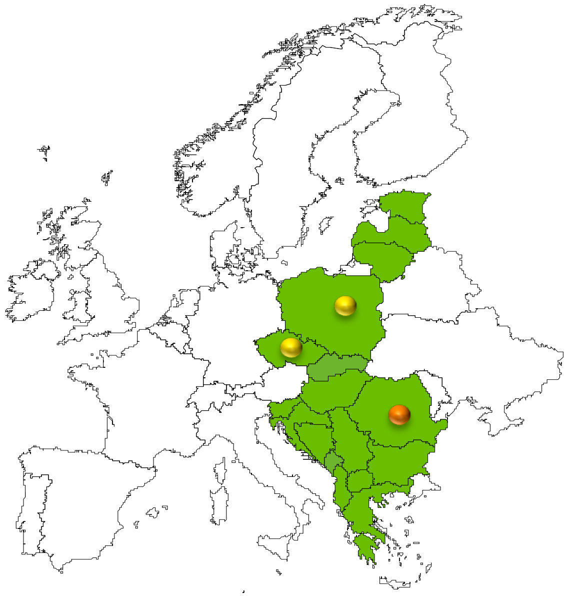
WHO WE ARE?

- A **management consulting boutique** specializing in Connected World and multiscreen entertainment
- Founded in August 2010 **in Bucharest**
- **Network** of 60+ independent regional consultants
- More than **20 mid- to large-scale projects** delivered in more than **10 CEE countries** over last 18 months
- 2nd round of funding scheduled for Q3 2012 to open **local offices** in Prague and Warsaw

WHAT WE DO?

- **Strategic advisory** to corporate management boards and private investors
- **M&A support** (due diligence, post acquisition)
- **Consulting** to management consulting companies
- **Interim management** and local resource training
- Building **on-demand expert teams** to deliver non-core business projects
- **Project management**
- **Go-to-market support** for new entrants

OUR MAIN FOCUS



HQ Bucharest, Romania

New offices scheduled for launch in Q3 and Q4 2012

Mirek Smyk Consulting Group
outsourcing intuition

Pay-TV market is stagnated, but undergoing important and necessary transformation

- **Pay-TV penetration levelled-up** at approx. 76-80%[1)]
- **Limited provider choice** due to consolidation and bundled multi-play offers
- Improved customer **retention** and **cross-sell** mechanisms
- **More channels** (100+), more platform-owned /produced content
- End of content battle between platforms but beginning of **power-struggle with broadcasters**
- Change in **CPE marketing and subsidy** policies
- The **business case gets more complicated** now: pay-TV, broadband, fixed, mobile, mobile broadband, online; HH vs. individual consumption
- **Market & technology constraints** temporarily limit investment decisions (DTT uncertainty, MPEG2 vs MPEG4, HDTV)

Source: Company's websites

[1)] Depending on assumed total number of households

Copyright® MSCG 2012

New local online video initiatives are being developed

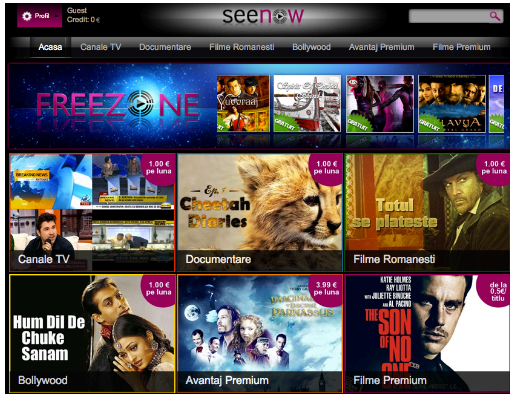
BROADCASTERS	OPERATORS	NEW ENTRANTS

- Regional initiative of CME Group
- Voyo SVOD @ 3 EUR+VAT
- Linear channels: Voyo Cinema, Voyo News

- Antena Group
- Enhanced video news with UGC

- Romtelecom
- SVOD @ 3 EUR incl. VAT

- RCSRDS enhanced OTT video sports portal



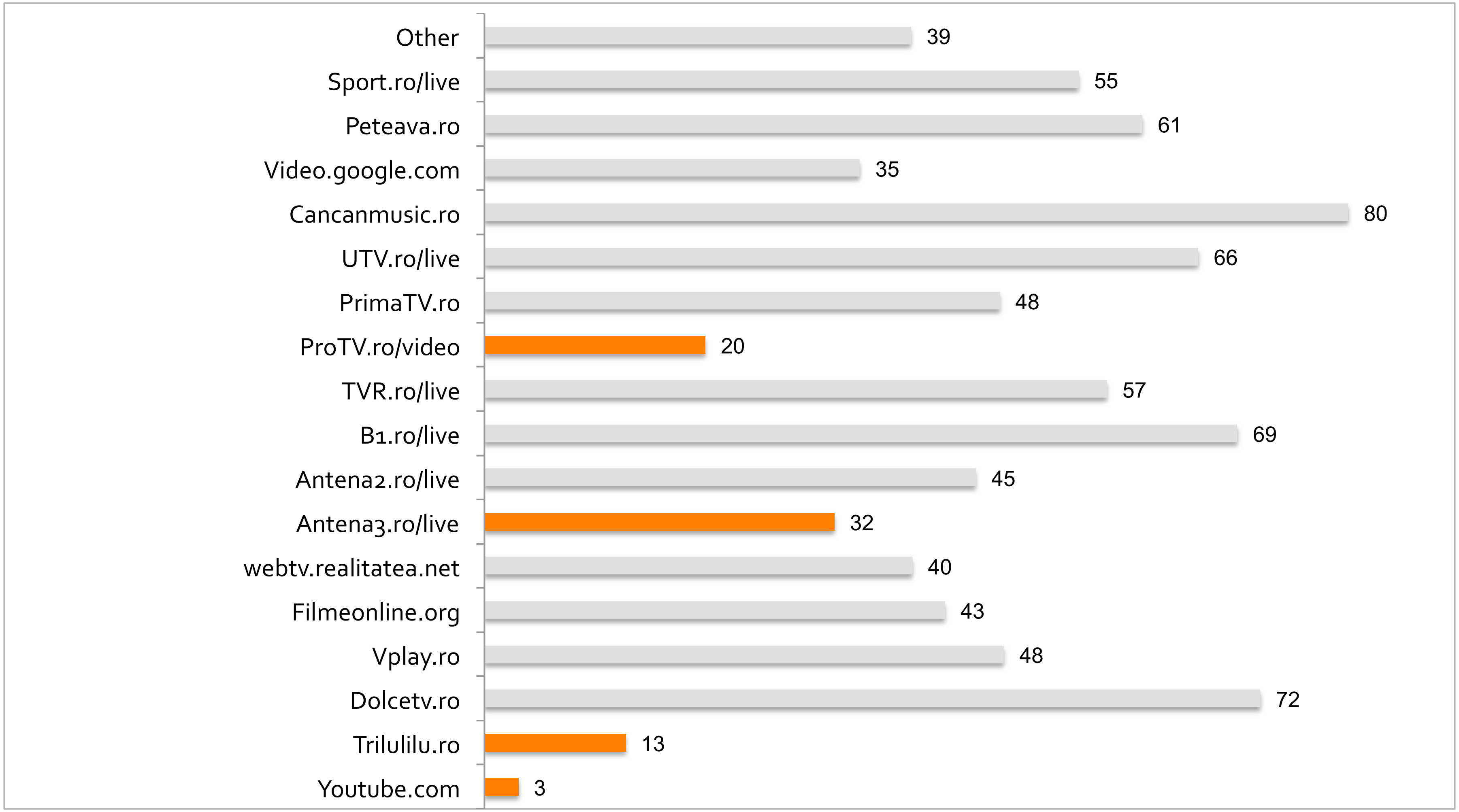
- New pay-TV and VOD multiscreen platform developed by DirectOne
- Partnerships with Vodafone and Samsung

Source: Company's websites

Mirek Smyk Consulting Group

Awareness among internet users is still limited, except for main UGC and broadcasters' sites

QUESTION: How often do you watch videos via the following online video content sources? (multiple choice; prompted)
ANSWER: I NEVER WATCH VIA THIS SITE

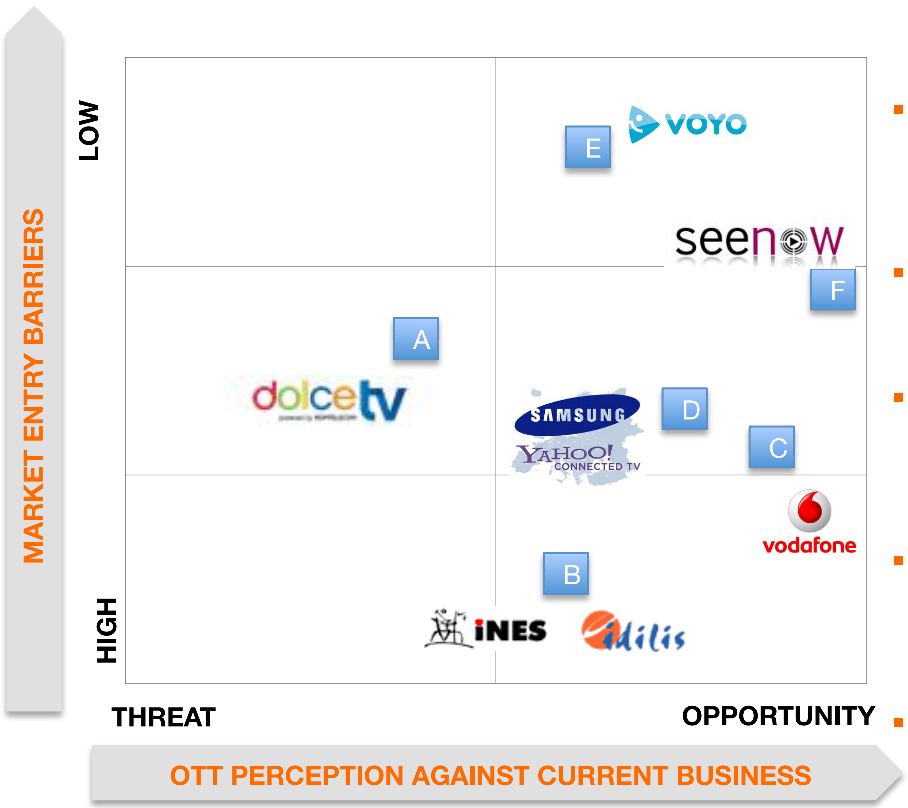


Source: MSCG analysis, Gemius New Media market research June 2011 on behalf of MSCG, N=415 Wave 1, June 2011
Sample: Urbam, Internet users, Age group: 25-35

Mirek Smyk Consulting Group
outsourcing intuition

Local broadcasters are best positioned to deliver on-line video followed by pure over-the-top players

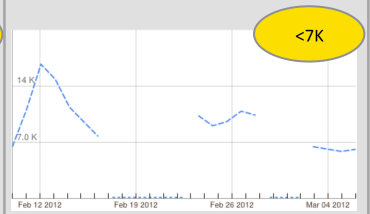
ONLINE MARKET OPPORTUNITY



- **Broadcasters** and content aggregators **[E] control local content** rights and **execute synergies** from content acquisitions and TV advertising
- **Pure branded OTT players/start-ups [F] grasp market share** quickly an build loyal online subscriber base, if invest into marketing communication and content
- **Pay-TV operators [A]** focus mainly on churn-prevention, **OTT is still a nice-to have add-on,** not main service
- **Device manufacturers [D]** lack local content but have important global partnerships in place and take burden of educating the market
- **Mobile operators [C]** have large addressable subscriber base, but may face **barriers of content-partnerships** [E] and **financial viability of the business model**
- **Broadband providers [B]** benefit from increased demand for access and speed but lack, brand, know-how and resources to build country-wide presence

Source: MSCG analysis; Matrix assumes pure-play position of operators, not integrated fixed/broadband/pay-TV bundling capabilities

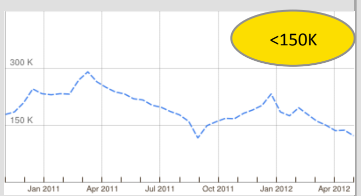
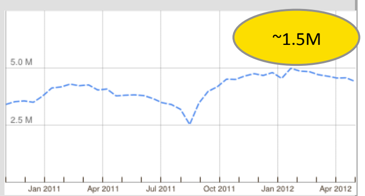
Market is already there, but it needs further consumer education and continuous interaction within community

	dolce tv	voyo	seenow	vplay.ro
Unique visitors (est. cookies)	220K	470K	24K	1,3M
Unique visitors (users)	110K	240K	12K	680K
Reach (Romania only)	0.8%	2.2%	0.0%	8.4%
Page views	2.4M	2.6 M	180K	67M
Total visits	380K	510K	22K	8.9M
Average visits per cookie	1.8	1.1	0.89	6.6
Average time on site (mm:ss)	10:40	6:40	5:30	13:20
Daily Unique Visitors (cookies)				

Source: Google AdPlanner, April 2012, Worldwide audience

Mirek Smyk Consulting Group
outsourcing intuition

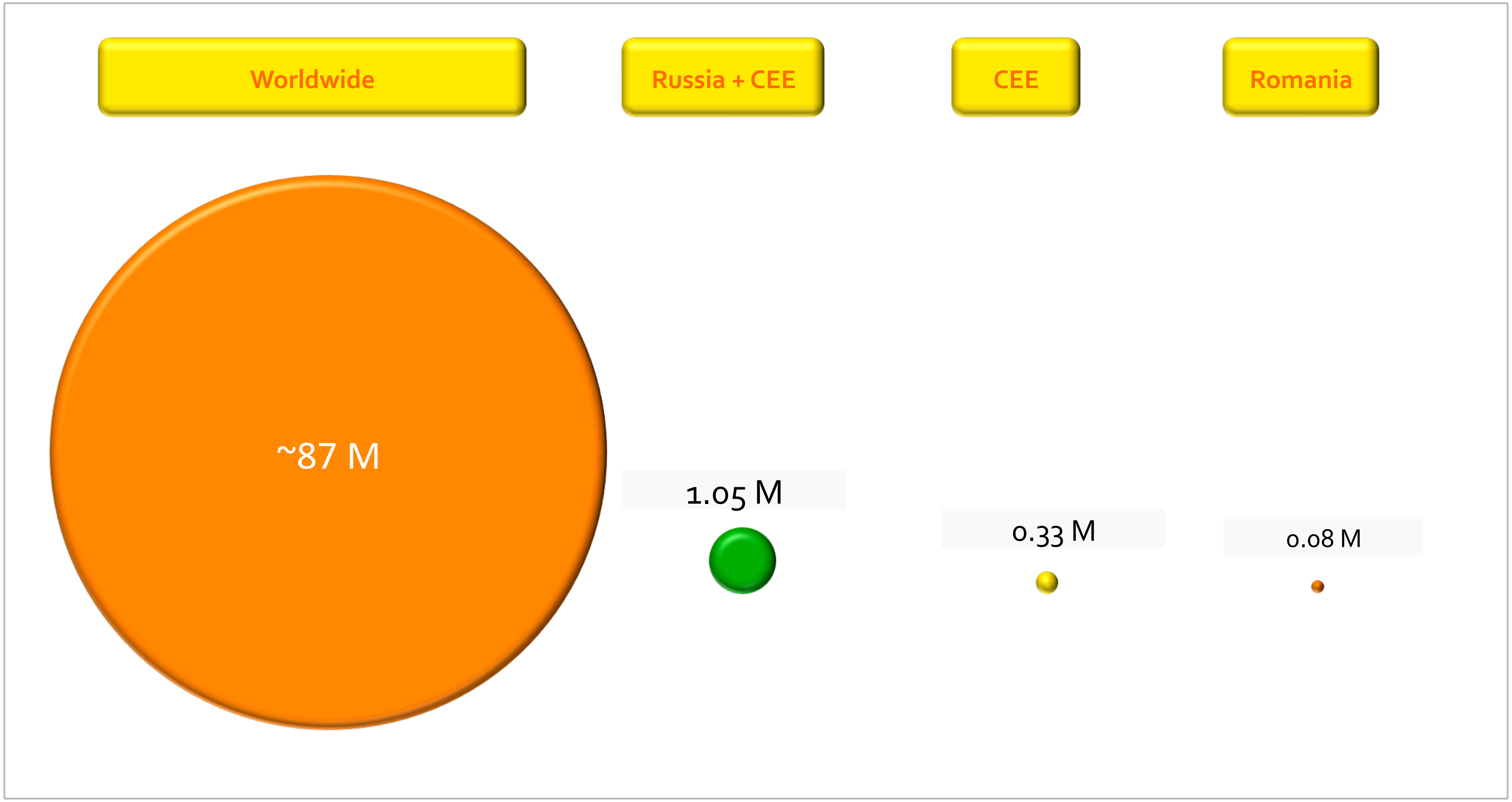
Free & abundant content catalogues attract more viewers and longer time spent on site

	peteavă.ro play me	220	trilulilu	YouTube
Unique visitors (est. cookies)	1.6M	1.8M	2.9M	42M / 20 M1)
Unique visitors (users)	750K	1M	1.3	14M / 6 M1)
Reach *Romania only	6.9%	6.9%	13.4%	61.8% /~55% 1)
Page views	13M	10 M	25M	1.4B / 650M 1)
Total visits	3M	3M	4.7M	8.9M / 4.1 M 1)
Average visits per cookie	1.8	1.6	1.7	3.8 / 3.8 1)
Average time on site (mm:ss)	13:00	7:20	11:50	21:40 / 25:001)
Daily Unique Visitors (cookies)				

Source: Google AdPlanner

Estimate for Romania (black) based on PL data (grey)

Tablets' penetration is limited and will not threaten TV audience figures over next years



Source: Total number of tablets 2011

Source: industry analysts, equity research, Apple, Samsung, Acer

The future of online video in Romania

FUTURE OUTLOOK

- YouTube and other online 'UGC' type players will continue to attract majority of internet audience for online video.
- Broadcasters will expand their online catalogues, attract more audience for paid content and online advertising across multiple devices
- A new subscription market on top of pay-TV will emerge. The value may reach up to 3.5 M EUR in 2015 according to MSCG estimates.
- Risk of cable cord-cutting due to OTT will be close to zero at current pay-TV ARPU levels.
- SVOD platforms will gradually transform into online content aggregators for existing cable/pay-TV platforms who cannot focus to manage online content business
- Connected TV, tablet and smartphone apps will constitute a market niche, unless embedded as a core strategy by market players. Video consumption in that segment will exceed market average though.

Source: MSCG

THANK YOU

For further details related to this presentation please contact: mirek.smyk@mscg.co

Mirek Smyk Consulting Group
outsourcing intuition

Mirek Smyk Consulting Group srl, Str. Uruguay 5/3, Sector 1, 011143 Bucharest, Romania
VAT:RO27250270, Trade Register: J40/7249/2010
Email: info@mscg.co
Phone: +40 767 801 567
Web: http://www.mscg.co