Management Summary

Connected television in Germany and Austria 2015

Deadline Media TV

Market research, forecasts and strategy on the future of television. TV anytime, anywhere in Europe's biggest market.

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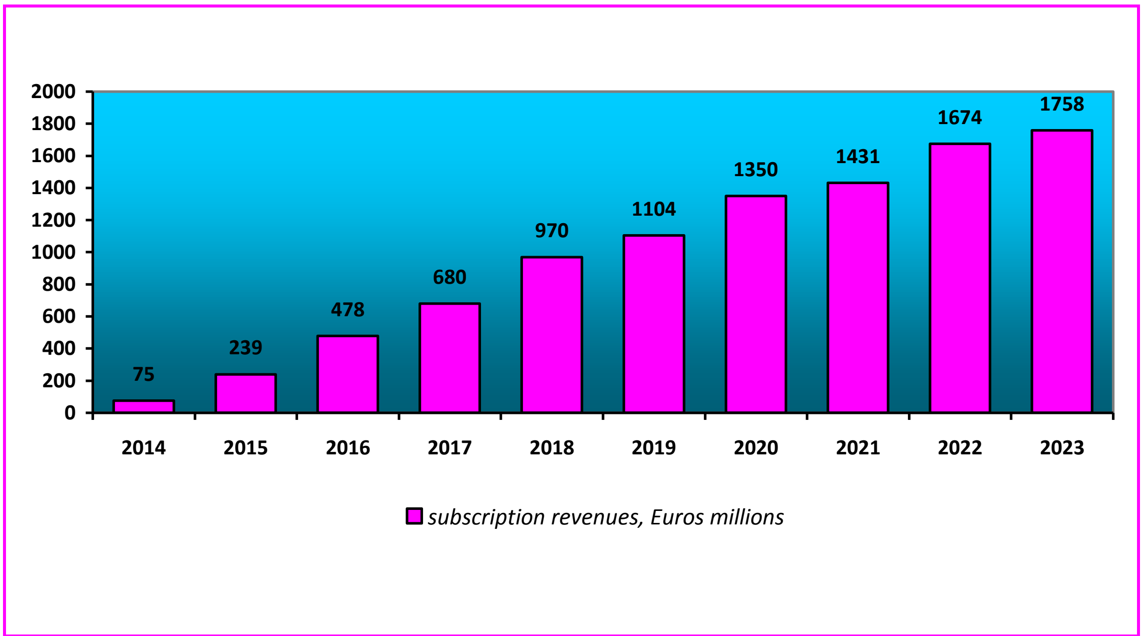
Summary of report

Connected television in Germany and Austria has now passed the threshold into rapid and sustained growth. The total number of sVoD subscriber grew by 46% in the first six months of 2015. This is without any noticeable cord cutting.

sVoD subscription revenues forecast



Source: Deadline Media TV, 2015

The primary challenge of OTT TV is to advertising-funded broadcasters as the market becomes increasingly dominated by big US Internet platforms, notably Google. We believe that the advertising-funded broadcasters are now living on borrowed time, despite an expected increase in advertising revenues of 1.9-2.8% in 2015,

Conventional linear scheduled low and premium pay television will continue to grow in importance, not least because Sky Deutschland has hedged its bets against online delivery of content. Germans are now rapidly taking pay television. Subscriptions to pay-TV are currently growing at 12% a year.

Neither German nor Austrian broadcasters can, any longer, rely on the peculiarities of their domestic markets to protect them from the winds of change. That is the internationalisation of television led by immensely powerful global players. It is a matter of deep political concern at the highest political levels in Germany and the European Union.

To assume that Germans are conservative, and unlikely to change their television consumption patterns, is exceedingly dangerous. Those pesky German millennials watched on average 30 minutes a day of online video in 2014 and we expected this to at least double by 2018. Average overall television viewing in Germany has now peaked at 221 minutes a day.

Connected Television in Germany and Austria shows that Amazon Prime Instant Video is currently market leader in the sVoD market place with 1,234,000 subscribers as at end of June 2015. Maxdome and Netflix were level pegging, each with 600,000 subscribers and Watchever had around 100,000.

Catchup TV (using HbbTV) has undoubtedly been a big success in Germany and Austria but its use by the average consumer is generally below that seen in other Western countries.

Some 16% of German consumers used it within the previous week compared to 26% in the USA, 36% in France and 48% in the UK.

The OTT TV environment in Germany and Austria is now very benign. By year-end 2015 58% of households are expected to own a smart TV by the end of 2015. At least 75% of these are expected to be connected to broadband, Cheap streaming media dongles and boxes also make physical connection an irrelevant problem.

Fixed line broadband prices in both Germany and Austria are about the cheapest in the Western world and actual broadband speeds compare favourably with the USA.. The advent of DOCSIS 3.1 in 2016 and G.Fast from 2017 promise further very substantial increases in broadband speeds and 4G LTE roll-out is near compete.

By the end of the decade nearly all Germans will have a smartphone, up from about half at present.

As a result of these developments, we conclude that the economic case for long-term use of UHF spectrum for Germany DTT is weak and that its cable networks need to move towards being all IP platforms.

We also conclude that the economic case for abandoning comprehensive net neutrality in favour of "specialised services" including video looks weak. Whilst this is now German Federal policy, we believe it may lead to reduced rather than increased investment in both OTT TV platforms and broadband infrastructure.

Thanks to ferocious anti-trust laws, the German communications marketplace is highly competitive, without powerful gatekeepers in television content distribution. This position is under threat from both specialised services and the staggeringly powerful US Internet platform providers.

The report concludes that 4k or 8k UHDTV content delivery is likely to be dominated, perhaps exclusively, by OTT TV delivery.

Deadline Media TV's research over the last few years has identified considerable confusion and a sense of powerlessness amongst television broadcasters faced with the prospect of television anytime, anywhere. The confusion is compounded by new innovators and disruptors from outside of the established industry, complexity of platforms, changing consumer habits and lack of comprehensive data.

We believe that we are now at the stage where the major elements are already in place and market trends increasingly clear.

Contents of report

Part A: conclusions and the big picture

Part B: television today

Part C: television tomorrow

Part F: international issues

Part G: Appendices

Tables

Charts

Deadline Media TV

About Deadline Media TV

Deadline Media TV is a publishing and consulting business specialising in connected television. Founded by Roger Stanyard, it brings over 30 years of experience in researching, analysis and consulting about state of the art broadcasting, telecommunications and the satellite industry worldwide to the table.

Our current portfolio of affordable research products consists of country-by-country reports including the UK and the Republic of Ireland, Italy, China, Germany and Austria. We offer consultancy services covering business development and strategy.

Deadline Media TV builds upon Roger's extensive knowledge of satellite communications, broadband, IPTV, mobile television, OTT TV, digital terrestrial television and consumer electronics.

Deadline Media TV uses a combination of quantitative and qualitative research and analysis and focuses heavily on the economics of broadcasting and its relationship to other communications platforms. Producing our reports keeps us up to date with the latest developments and trends in the communications industry.

Roger Stanyard's first degree is in economics and geography. He was an undergraduate at a leading British university, University College London. He holds a post graduate qualification in finance. After having worked in management for a big US computer company, he completed an MBA degree at Cranfield School of Management, one of Britain's top management schools. He has also studied regulatory and public policy issues and has keen interests in science and the history of technology. To keep fit, Roger cycles a lot.

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