



## TV competing in the land of giants

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John Martin, CEO, Turner Networks CES 2018



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“My fear...is that by the time the industry gets to full addressability everybody is going to be watching on Hulu and Netflix.”

# Agenda

Disney

AT&T WarnerMedia

Can TV compete?



# Disney finally moving online

Disney has stood behind pay TV in the U.S.

- Only online delivery with TV Everywhere
- Experimented in UK with Disney Life

Changed in April 2018

- Launched ESPN Plus
- Minor sports for \$2.99 a month
  - **Subscribe to seasons of baseball, soccer etc.**
- Leverages BAMTech as online video platform
  - **Purchased by Disney in 2017**

A big shift

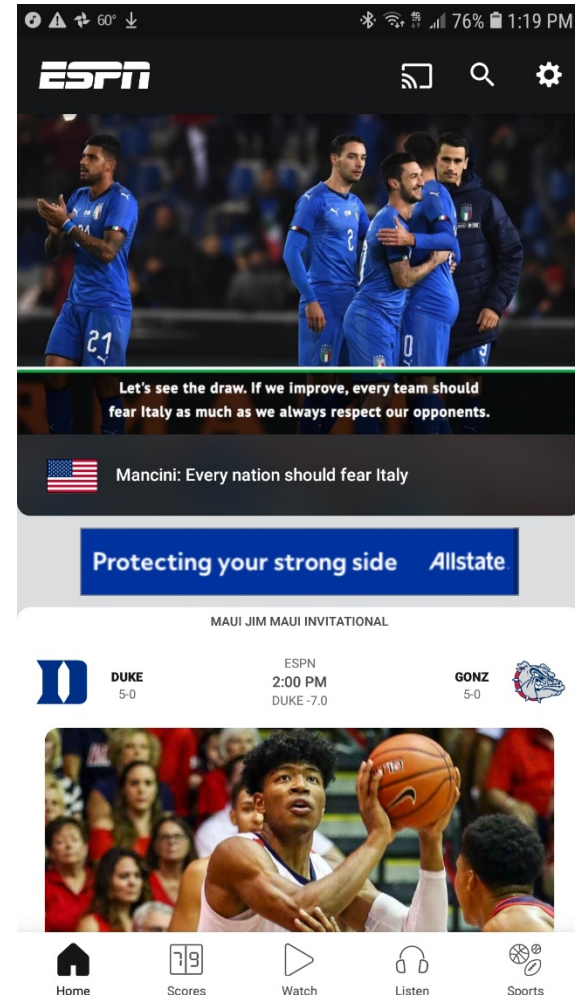
- ESPN has been an anchor for pay television
- Commands the highest license revenue of all channels
  - **\$8-\$9 per subscriber**
  - **Generating \$8B in license revenue per year**

“Over time, our intention would be for that app to be the app that people experience ESPN on.”

Bob Iger, CEO Disney



Not for distribution or publication



## Disney+ details

Targeting release for Q4 2019

- In time for the holiday season
- Price: less than Netflix (currently \$7.99 SD, \$11.99 HD)
- Region: U.S.
  - **No mention of international support**
  - **Likely to come later**

Why wait to Q4 2019?

- Needs time to build the library
- Get back Disney movies licensed to Netflix
  - **Gets back all Disney releases**
  - **Moana, Mulan, Beauty and the Beast**
  - **Star Wars: The Last Jedi**
  - **Marvel: Thor Ragnarok, Doctor Strange**
  - **Pixar: Coco, Cars 3**
  - **Netflix keeps Marvel series like Luke Cage, Jessica Jones**
- Bolster library with 21<sup>st</sup> Century Fox content
  - **Harry Potter, X-Men, Planet of the Apes, Alien, Avatar**
- Create exclusive originals
  - **Rogue One: A Star Wars Story**
  - **Marvel Loki series starring Tom Hiddleston**

Very likely to get 10%-20% share within the first year



*"We have always believed we have the brands and content to be extremely competitive and thrive alongside Netflix, Amazon, and anyone else in the market."*  
*Bob Iger, CEO Disney*

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AT&T is totally committed to video

Launched fiber-to-the node U-Verse triple play in 2006

- Voice, Video, Data
- Second biggest wireless provider

Bought DirecTV satellite service in July of 2015

- Stopped development of U-Verse TV
- Urged U-Verse TV subs to move to DirecTV

Bought Time Warner Inc in 2018

- Formed WarnerMedia to house TWI assets
- Jewel in the crown is HBO
- Launched skinny-bundle WatchTV anchored by Turner
- Closing down smaller SVOD services



## Online driving growth at HBO

HBO Now launched in the U.S. April 2015

- A risky strategy at the time
- Took two years to amass 2 million subs
- Gained 3 million more Feb-Dec 2017

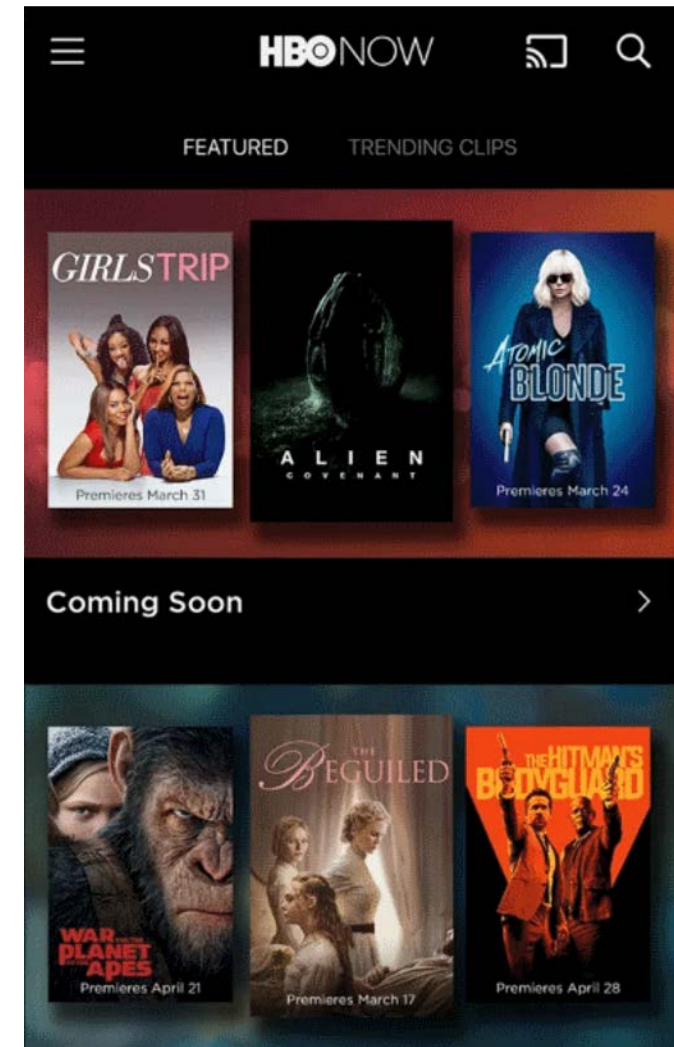
Overall HBO subs grew

- HBO increased total subscribers 5 million in 2017
- 70% from new online customers
- Driven by 1.8 million increase in broadband-only homes
  - **6 million altogether**

HBO Now subs are worth more

AT&T expects more from HBO

- Will launch a new service in Q4 2019
- Anchored by HBO
- Augmented by Turner properties



## Why own and not license – Reason #1

### Flexibility

Licensing premium content brings with it a lot of restrictions

- Bundling requirements, regional restrictions
- Digital and broadcast rights are not the same
- Sometimes content is restricted by screen

Out of step with the needs of telecom operators and consumers

“The way that you build a skinny bundle is you start with enough programming that you have a deal, like you have product, and that gives others the incentive to be on the product.”

CEO of AT&T Communications John Donovan

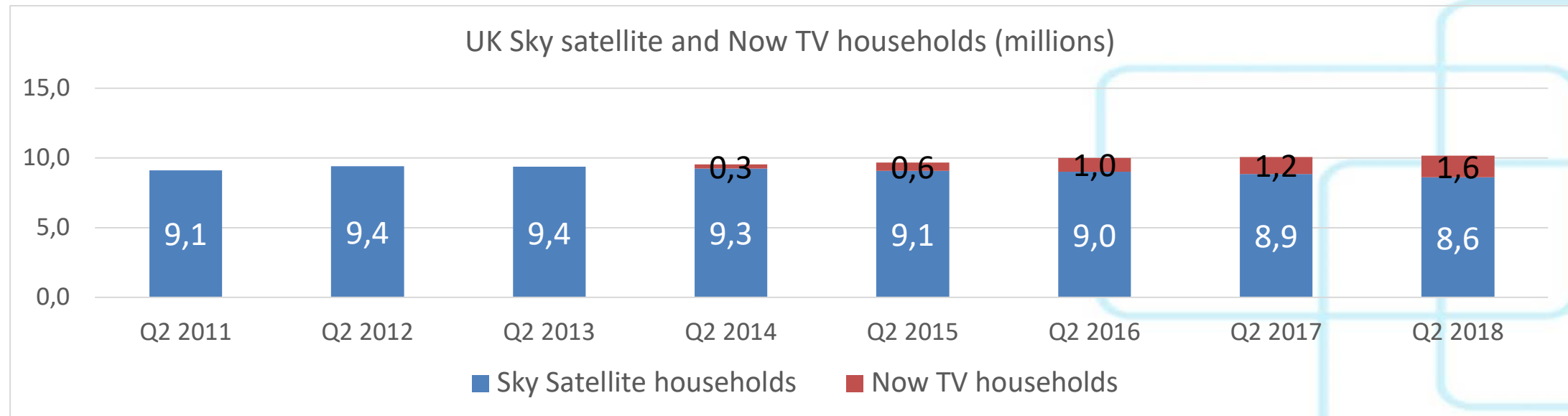


## Ownership brings flexibility

## Why own and not license – Reason #2

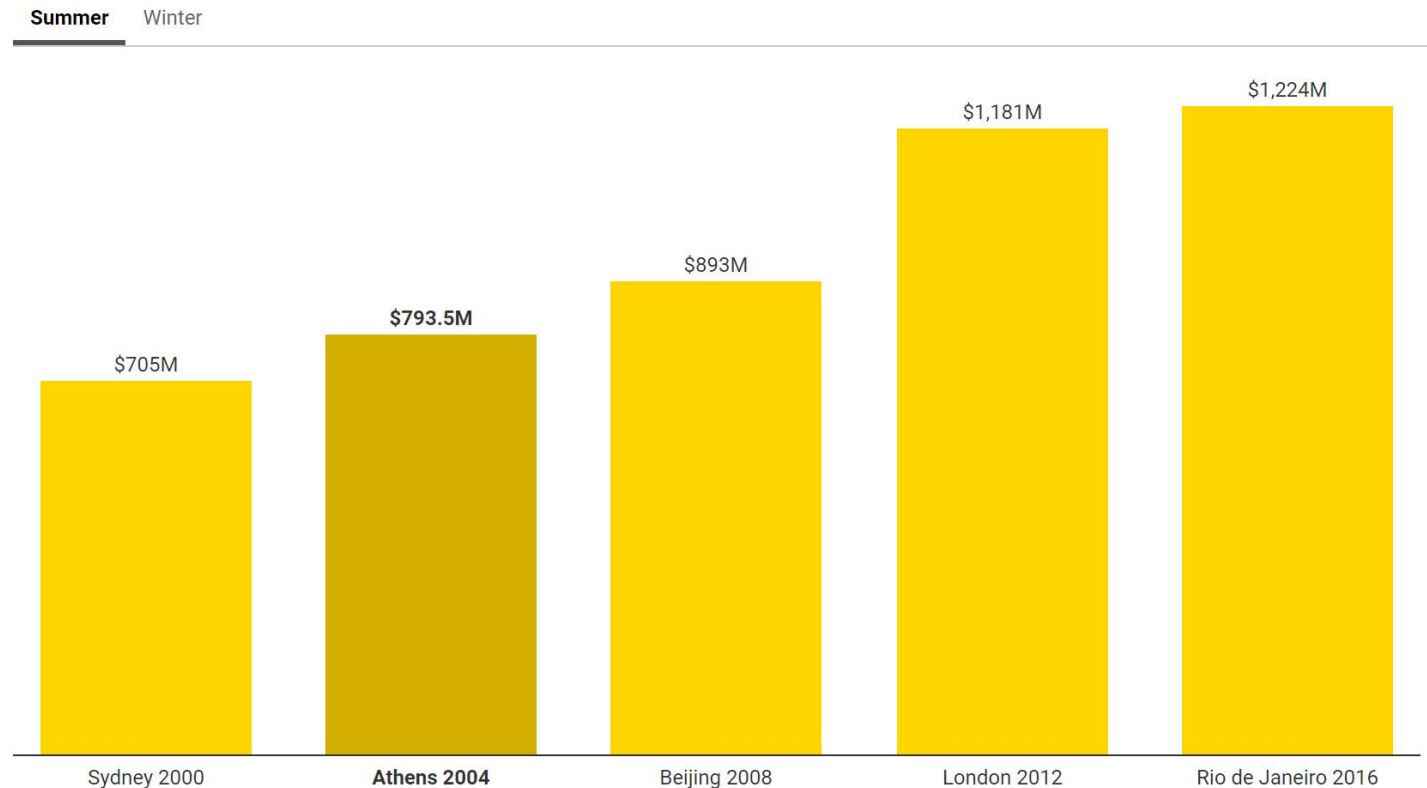
### Need another churn buster

- In the UK, Sky has lost 800K subs since 2013
- Sky's OTT Now TV has gained 1.6 million subs
- OTT video subscriptions exceed pay TV
- telecomTV operators in the US have lost 2.6 million subs (22%) since Q2 2015
- Comcast says broadband is its lead service
  - **Q3 2018 broadband +370,000 subs**
  - **Video subs down 100,000**



## Why own and not license – Reason #3

### Average Olympic domestic rights fees



Source: S&P Global Market Intelligence • [Get the data](#) • Created with [Datawrapper](#)

### Licensing content is expensive

Verizon paid \$2B in 2018 for 5 year live NFL game streaming to mobile devices

Premier League UK rights escalating

- '10/'11-'12/'13 £594M per season
- '16/'17-'18/'19 £1.7B

## Why own and not license – Reason #4

### Exclusivity is king

Amazon paid \$250M to get Top Gear presenters Clarkson, Hammond, May for The Grand Tour

- Reuters says caused 1.5M new Prime subs
- Half their subscription fee paid for first year of show

It's not about the video

- Amazon Prime Members spend 3 times more than non-members in Amazon's retail store
- It's about other services



## Why own and not license – Reason #5

### Video can be profitable

Before Comcast owned any of NBCU

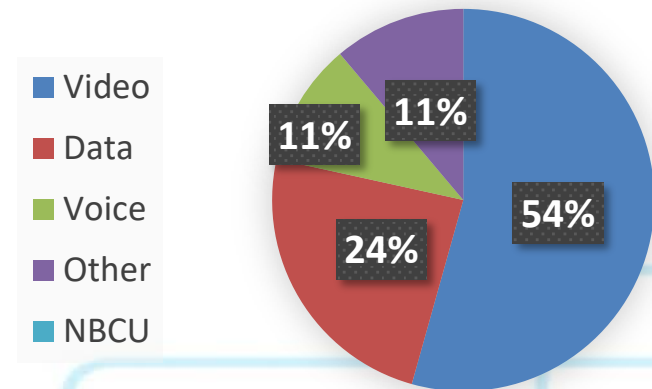
- Q3 2010 revenue was \$9.2B
- Pay TV was 54% of revenue
- Broadband 24%
- Pay TV and Broadband subs and revenue growing

In Q3 2018

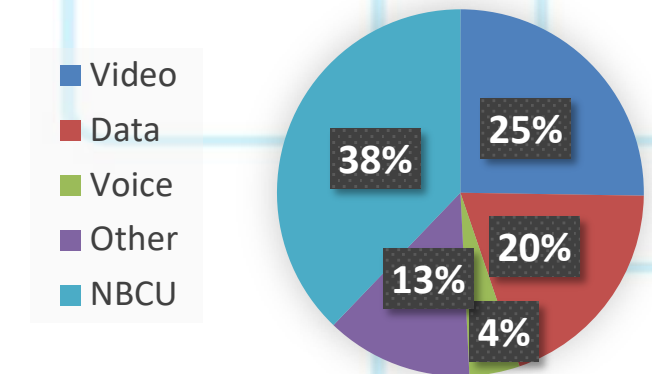
- Quarterly revenue was \$22.1B
- NBCU was 38% of revenue
- Pay TV was 25%, Broadband 20%
- Pay TV subs and revenue shrinking

**NBCU helped Comcast diversify and more than double revenue in 8 years**

Comcast Revenue Share Q3 2010



Comcast Revenue Share Q3 2018



## Outlook for the future



Expect more telecoms to attempt to buy media companies

- Vodafone bidding on Liberty Global cable channels
- Telia (Sweden) to buy Bonnier Broadcasting

Regional markets will handle these deals differently

- Vodafone Europe B.V. attempt to acquire Sky Network TV in New Zealand and was denied
- AT&T purchase of Time Warner Inc in the US ultimately allowed to proceed
- Local interest and news content particularly sensitive

Media companies will continue to merge with each other

- Disney/Fox
- CBS/Viacom on-again-off-again

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## About nScreenMedia

nScreenMedia is a resource to the Digital Media Industry as it transitions to the new infrastructure for multi-screen delivery. Through a mix of informed opinion, news, information and research nScreenMedia helps you make sense of multi-screen media.

[www.nscreenmedia.com](http://www.nscreenmedia.com)

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