Iowa Communications Alliance

November 14, 2018

Over the Top Video (OTT)

How does an MVPD compete in today's video world?

Agenda

1.) The state of the OTT Video Marketplace today

2.) Pay TV Subscriber Trends

- Analyst predictions

3.) The Top 4 vMVPD's – features and differences between them

- How are they so inexpensive?
- Key advantages & disadvantages

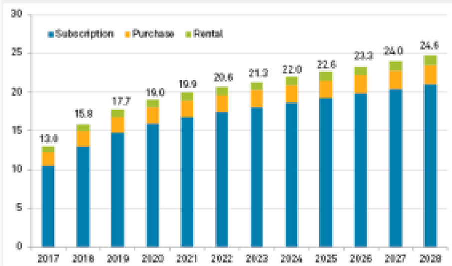
4.) What can you do locally to complete with vMVPD's

- Your Competitive advantages/disadvantages
- NCTC resources

US online video outlook to eclipse $15B in 2018

- Our U.S. online video projections cover subscription services (Netflix Inc., Amazon.com Inc.'s Amazon Prime, Hulu LLC's Hulu, AT&T Inc.'s HBO Now), purchases and rentals (i.e. Apple Inc.'s iTunes, Amazon, VUDU Inc.'s Vudu for the latter two).
- We estimate the total market at about $13.0 billion in 2017 and believe it could surge to $15.79 billion this year.
- Subscription is, by far, the largest segment, delivering some $10.47 billion in revenues during 2017. It is expected to surge to $13.02 billion this year.

Online video revenue breakdown ($B)



Data compiled August 2018.
Sources: Industry data; Kagan estimates
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.

State of US online video: Virtual multichannel

- The U.S. virtual multichannel market is growing rapidly in both number of subscribers and revenues.
- We continue to see entrants/exits within the space.
- Virtual pay TV services are generally cheaper, more flexible, commitment-free alternatives to traditional multichannel products, but there have been some familiar TV-like price hikes this year for fuboTV, Alphabet Inc.'s YouTube TV, DISH Network Corp.'s Sling TV, DIRECTV NOW and Sony Corp.'s PlayStation Vue.

Launch dates for selected US virtual multichannel services

Source: Company and industry data
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.

Comparison of selected US virtual multichannel services

Provider	Availability	Networks*	Selected broadcast nets^	Standard pricing ($/mo.)~	Concurrent streams	Cloud DVR selected features	Selected supported devices
AT&T WatchTV	National	30+	NA	$15.00	1	No	Android, iOS, Apple TV, Amazon Fire TV, web browser
DIRECTV NOW	National	120+	ABC, CBS, FOX, NBC; 78.3% HHs covered	$40.00-$75.00	2; $5 upgrade to 3	Yes, 20 hours, 30 day shelf life	Android, iOS, Apple TV, Amazon Fire TV, Chromecast, Roku, web browser
fuboTV	National	110+	CBS, FOX, NBC; 84.7% HHs covered	$17.99-$49.99	2; $5.99 upgrade to 3	Yes, 30 hours, some channel/program restrictions; $9.99 upgrade to 500 hours	Android, iOS, Chromecast, Roku, Apple TV, Amazon Fire TV, Android TV, web browser
Hulu with Live TV	National	50+	ABC, CBS, FOX, NBC; 99.7% HHs covered	$39.99-$43.99	2; $14.99 upgrade to unlimited (3 out of home)	Yes, 50 hours, no FF; $14.99 upgrade to 200 hours and FF	Android, iOS, Apple TV, Amazon Fire TV, Roku, Chromecast, Xbox One, Samsung smart TV, web browser
Philo	National	49	NA	$16.00-$20.00	3	Yes, unlimited, 30 day content shelf life	Android, iOS, Roku, Apple TV, Amazon Fire TV, web browser
PlayStation Vue	National	90+	ABC, CBS, FOX, NBC; 82.9% HHs covered	$44.99-$79.99	5 (3 out of home)	Yes, "up to 500 programs" (hours not available), 28 day content shelf life, some channel/program restrictions	Android, iOS, PS4, PS3, Apple TV, Amazon Fire TV, Roku, Chromecast, Android TV, web browser
Sling TV	National	150+	FOX and NBC	$25.00-$40.00	1-4	Yes, "Cloud DVR" ($5, 50 hours), "Cloud DVR Beta" users (100 hours), selected devices and some channel/program restrictions	Android, iOS, Apple TV, Amazon Fire TV, Roku, Chromecast, Xbox One, LG smart TV, Samsung smart TV, web browser
YouTube TV	89 cities/metro areas	60+	ABC, CBS, FOX, NBC; 83.2% HHs covered	$40.00	3	Yes, unlimited, 9 month content shelf life, FF restrictions	Android, iOS, Chromecast, Android TV, Roku, Apple TV, Xbox One, Samsung smart TV, LG smart TV, web browser

Data compiled July 9-10, 2018 unless otherwise stated.
Broadcast data as of March 2018.
*This is a general approximation; specific network count varies by locality and add-on packages.
^As of March 28, 2018, except Sling TV, which was edited due to recent events.
"% of HH" figure represents a percentage of total U.S. households, based on fourth-quarter 2017 Media Census figures and TV Station database.
In addition to the "Big Four," calculation also takes into account The CW, Univision, MyNetworkTV, Telemundo and UniMas.
Specific station availability varies by locality.
~New pricing announcements: DIRECTV Now is currently $35-$70 a month, price increase set for July 26. PlayStation Vue is currently $39.99-$74.99 a month, price increase set for July 24.
NA = not applicable
FF = fast forward
Source: Company and industry data
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.

Cord cutting accelerates as pay TV loses 1 million customers in largest-ever quarterly loss

Scratch the theory that cord cutting might be decelerating.

Cable and satellite TV providers lost about 1.1 million subscribers during the July to September period, the largest quarterly loss ever – and the first time the industry lost more than 1 million subscribers in a quarter, according to media and telecommunications research firm MoffettNathanson.

After Dish Network reported its third-quarter earnings Wednesday, the New York-headquartered research firm tallied up the publicly reported subscriber losses to arrive at the finding. Dish lost 341,000 subscribers in the third quarter, compared to adding 16,000 in the same period a year ago. Overall, Dish lost 367,000 satellite subscribers but added 26,000 Sling TV subscribers, the company said.

Rich Greenfield, a media and technology analyst with financial services firm BTIG in New York, arrived at a similar conclusion and called it "the third-worst quarter in industry history and worst since Q2 2016."

That continues a worsening trend line for satellite TV providers. Two weeks ago, AT&T said DirecTV lost a net 297,000 subscribers during the quarter – 359,600 satellite subscribers departed, while it added 49,000 new subscribers to its streaming TV service DirecTV Now. Overall, AT&T has 25.15 million pay-TV customers; Directv, 19.6 million; U-Verse, 3.7 million; and DirecTV Now, 1.86 million.

Looking just at satellite TV departures, the industry lost 726,000 subscribers during the period. Telecom TV services, which includes AT&T's U-Verse and Verizon FiOS, lost 104,000 customers combined.

Cable TV providers lost about 293,000 for the quarter, but its trends "are getting marginally better," MoffettNathanson suggests, as the industry lost 322,000 in the same period a year ago.

While Comcast lost the most video subscribers (106,000), it also added 363,000 broadband subscribers. The slowing growth for DirecTV Now and Sling TV could suggest "price sensitivity" of broadband-delivered TV services may be "turning out to be greater than expected," after several of the services increased prices, the analysts said.

Analyst Report

An analyst reported last week that he sees the day when Dish TV's core TV product losses continue to mount and growth for Sling TV begins to stall. He predicts Dish will lose 1.8M subscribers in 2019 and 1.7M in 2020. Meanwhile, Sling TV will gain and have 2.7M om 2019 and 2.9M in 2020.

At that rate, Sling TV is likely to be overtaken quickly by Direct TV Now and may be caught by Hulu Live TV -----which recently grew to 1M subs.

He expects OTT streaming services to have 25% of video market by 2022.

Estimate is 9.2M OTT Streaming subs by end of 2018
Estimate is 24M by end of 2022

Sling TV	2.3M
Direct TV Now	1.8M
Hulu Live	1.0M
Sony P.S. Vue	745k
You Tube TV	410K

Pay TV Subscribers – 2nd Quarter 2018

	Q1 2018	Q2 2018
Legacy Pay TV Subscribers	88,024M	87,051M

Cable Subscribers	46,778M	46,347M
Satellite Subscribers	31,115M	30,637M
IPTV Subscribers	10,130M	10,066M
vMVPD Subscribers	5.87M	6.7M
Sling TV	2.3M	2.3M
Direct TV Now	1.4M	1.8M
Hulu TV Live	745k	955k
Play Station Vue	670k	745k
YouTube TV	350k	410k

Sling TV

Sling Orange $25

Includes ESPN/Disney, AMC Networks, Turner, Scripps, AETN, 2 channels from Viacom

Only 36 Broadcast stations (ABC O&O)

What is not included? No Discovery, Limited Viacom, No Fox, No NBCU, No RSN's

Sling Blue $25

Includes Fox, NBCU, AMC, Turner, Scripps, 3 channels from Viacom, AETN
Only 36 Broadcast stations (FOX O&O)

What is not included? No Discovery, Limited Viacom, No ESPN/Disney, No RSN's

Extras

Cloud DVR	$5/month
Comedy Tier – MTV, Tru-TV, Paramount, MTV2, CMT, Logo, GSN, TV Land	$5/month
Kids Tier – Disney JR., Disney XD, Nick Jr., Nicktoons, Teen Nick	$5/month
Sports Tier – NBA TV, SEC, Pac 12, ESPNU, ESPNEWS, NHL	$5/month
News Tier – BBC World, Blaze, HLN, Fusion	$5/month
Lifestyle Tier – VH-1, BET, Cooking, DIY, FYI, Hallmark, WE, LMN	$5/month

Sling started at $20/month, now $25.

Hulu TV Live

$40/month

492 Broadcast Stations

All major Fox Cable Networks, including RSN’s
AETN
NBCU
Scripps
ESPN/Disney
Turner

Missing – Viacom and Discovery (Discovery will be added in December)

Cloud DVR – 200 Hours
Able to watch 2 stream at a time – can upgrade to 3

You Tube TV

$40/month
302 Broadcast stations (100+ markets covering 85% of TVHH)

AMC Networks
NBCU
Fox Cable Networks (including RSN’s)
Turner (just added in Spring 2018 and had $5 price hike)
ESPN/Disney

Missing – Discovery, Scripps, AETN, Viacom

Direct TV Now

$40/month for 65 live channels
219 Broadcast channels – numerous DMA's with none.
No RSN's

AENT, Disney/ESPN, AMC Networks, Discovery, Viacom, NBCU, Fox, Turner

Additional Tiers:

$55/month	85 channels
$65/month	105 channels
$75/month	125 channels

Only 2 concurrent steams at the same time. 3rd stream for $5
Cloud DVR
Widely reported that Direct TV now has not yet turned a profit
Similar Channels/line-up to MVPD

What can MVPD's do to compete with OTT?

- Look at your channel line-up configuration. Do you have channels that could be on lower penetrated tiers. Never put channels on tiers higher penetrated than required.
- Do you provide a Lifeline tier?
- Evaluate all channels at renewal time – ratings, viewer satisfaction.
- Offer OTT services – Sony Vue, Philo
- Tivo / Vu-IT Solution
- Mobi TV