MPA MEDIA PARTNERS ASIA

ASIA PACIFIC PAY-TV & BROADBAND MARKETS 2016

The Authoritative Guide to the Future of Broadband Digital Content, Distribution & Technology in Asia

TRUSTED INTELLIGENCE DRIVES NEW POSSIBILITIES

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About the Publisher

At Media Partners Asia (MPA), we are passionate about providing insights and strategies for the media & telecoms industry across Asia Pacific. Accurate, in-depth research, combined with strategic guidance grounded in local market realities, helps our clients enter new markets, win more customers and increase profitability. For more than 15 years, leading companies have put their trust in our consulting services, research, publications and industry events. Our clients include all industry stakeholders, including media & telecoms owners, distributors, policymakers, trade bodies, technology companies and financial institutions.

MPA Research. MPA analysts cover a variety of sectors within the media & telecoms industry, providing data, research and actionable insights that help businesses expand their reach into new markets and benchmark their current performance and future growth trajectory. MPA reports focus on consumption, revenue generation, profitability, public & private market valuations and regulation across key sectors, including: (1) Advertising; (2) Broadband; (3) Broadcasting; (4) Online video; and (5) Pay-TV. Key public reports include: *ASIA PACIFIC PAY-TV & BROADBAND MARKETS; ASIA PACIFIC ONLINE VIDEO DISTRIBUTION; ASIA PACIFIC ADVERTISING TRENDS* and *MEDIA ROUTE 26 INDIA*.

MPA Consulting. Our advisory and consulting services include: (1) Benchmarking companies, competitors and industry segments; (2) Commercial & technical due diligence services for M&A transactions; (3) Customized market research; (4) Corporate strategy; (5) Consumer research; (5) Fair market appraisals & independent valuations; and (6) Independent media consultant (IMC) research for initial public offerings (IPOs) and all equity & debt transactions.

Media Business Asia (MBA). Flagship digital publishing platform Media Business Asia (MBA) provides coverage of Asia's TV and digital video industries – tracking companies, markets, people and trends through stories and analysis. MBA coverage draws on executive interviews and exclusive analysis for informed assessments of key deals, trends, markets and companies shaping the development of the dynamic media sector.

Events. MPA conferences focus on the media & telecoms industry across Asia Pacific and around the globe. MPA conferences are a catalyst for knowledge, insights, deals and partnerships, bringing together all key stakeholders across the industry ecosystem. Since 2001, MPA has organized more than 30 events across Asia Pacific. MPA's core conference platform is APOS, Asia's premier event for the media, telecoms and entertainment industry. In addition, MPA organizes various local market forums and roundtables in China, India, Indonesia, Korea and Thailand, working with local trade associations and domestic companies.

Executive Director, Research & Consulting	**Vivek Couto**
VPs, Research & Consulting	**Aravind Venugopal**
	Mihir Shah
	Stephen Laslocky
Senior Analysts	**Adrian Tong**
	AR Srivathsan
Analysts	**Anurag Gaur**
	Jambi Reyes
	Milan Ashar
	Nishant Datta
Research Assistants	**Myrna Dignadice**
	Swati Rathod
	Nina Mariana Sukor
VP, Content	**Mike Savage**
Creative Director	**Frances Chan**
VP, Business Development	**Reagan Chan**
VP, Client Services	**Lavina Bhojwani**
Company Directors	**Rupert Wilkinson, Vivek Couto**

Queries about forecasts and data will be handled by MPA analysts - please contact: vivek@media-partners-asia.com

Printed by Jet Set Graphic Arts Co., Ltd. 15/F, Heung Wah Industrial Building, 12 Wong Chuk Hang Road, Hong Kong

MPA MEDIA PARTNERS ASIA

Hong Kong
Suite 13A, 50 Stanley Street
Central, Hong Kong
PH: +852 2815 8710

Singapore
3 Church St, #25-48
Singapore 049483
PH: +65 6692 9215

Mumbai
Suite 1706, 17/F Tower 2B,
One Indiabulls Centre,
Elphinstone Road, Mumbai 400 013
PH: +91 22 6189 9895

www.media-partners-asia.com

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Methodology & Definitions

Media Partners Asia (MPA) analysis and forecasts are based on a number of factors, including: (1) Surveys and interviews with the main pay-TV distribution platforms in 18 Asia Pacific markets; (2) Interviews with other key groups in the industry value chain (including broadcasters, investors, regulators and technology suppliers); (3) Proprietary databases managed by MPA, collating historical information as well as analysis of households, incomes, geographical pay-TV and broadband distribution patterns and industry profitability, as well as key metrics for distribution and content.

MPA defines pay-TV as the distribution of TV channels for a subscription fee, often combined with ancillary services, including high definition TV (HDTV), video-on-demand (VOD), pay-per-view (PPV), near-video-on-demand (NVOD), digital video recorders (DVRs) and TV Everywhere (TVE). Such services are distributed over analog and digital cable, direct-to-home (DTH) satellite and via a closed network IP-enabled DSL and fiber (FTTx) broadband, as well as in certain instances, digital terrestrial TV (DTT).

MPA calculates pay-TV penetration by number of households subscribing to one or multiple services (e.g. both cable and IPTV). Illegal pay-TV subscribers are excluded from our numbers. Our analysis of cable distribution typically focuses on distribution of pay-TV channels. Therefore, pure terrestrial retransmission-based cable homes are excluded, most notably in Japan. We also exclude free-to-air (FTA) digital satellite networks, most notably in India, Indonesia and Thailand, as well as OTT online video, including SVOD.

Broadband subscriptions comprise: (1) Fixed broadband access, which covers cable modem, retail ADSL, VDSL, and FTTx technologies (including fiber-to-the-home, fiber-to-the-building and fiber-to-the-curb); and (2) Wireless, which includes 3G, 3.5G/HSDPA, WiMax or its equivalent, and emerging LTE (long-term evolution) networks. Fixed broadband connections are typically defined as having download internet speeds of 1 Mbps or more.

MPA's measurement of pay-TV advertising is stated in net terms (i.e. after discounts and excluding agency commission). Our analysis covers gross and net numbers from Nielsen, GroupM and ZenithOptimedia, as well as key local groups (CEASA in Australia, SAIC in China, Dentsu in Japan, the Korea Advertisers Association in Korea). We also base our analysis on numbers from: dominant individual operators in markets such as Australia, Hong Kong, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand; dominant channel providers in markets such as India, Japan, Korea and Taiwan; and key pan-regional and local channel brands.

MPA's analysis of subscription revenues accrued by channel suppliers and content providers is a direct reflection of how much pay-TV distribution networks spend on programming, based on fixed and variable fees. These fees consist of: (1) Investment in internal and turnaround TV channels; (2) Rights agreements for sports and movies; (3) Content origination and self-produced channels; (4) Investment in VOD content.

A number of terms and acronyms are used across the report. Descriptions and definitions are provided below:

ARPU Average revenue per user
CAS Conditional access system, commonly used to encrypt pay-TV transmission
DTH Direct-to-home satellite
DVR Digital video recorder
DTT Digital terrestrial TV
xDSL Digital subscriber lines, which use modulation to pack data onto copper wires
FTA Free-to-air TV
FTTx Fiber-to-the-x, which refers to broadband network architecture that uses optical fiber to provide last mile high-speed internet communication
LCO Local cable operator
LTE Long-Term Evolution, a standard for high-speed wireless communication for mobile phones
MSO Multi-system cable operator

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OTT	Over-the-top, which describes data sent via an open network rather than via a closed network
PPV	Pay-per-view
STB	Set-top boxes, commonly used in pay-TV transmission
SVOD	Subscription-based video-on-demand, delivered via open (i.e. OTT) networks
TVOD	Transaction-based video-on-demand
UHD	Ultra-high definition TV (includes 4K and 8K in this report)
VAS	Value-added services (includes all forms of VOD and PPV, as well as DVR services, in this report)
VOD	Video-on-demand

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Overview

Focus on consolidation in a maturing sector. The Asia Pacific pay-TV sector is mature, with slowing subscriber and revenue growth. We highlight key themes and trends:

» **Cord cutting, but not as we know it**. In certain markets, consumer cords to pay-TV are being shaved or cut. By and large, pay-TV operators are not losing customers to legal SVOD competition. Instead, they are losing customers to illegal pay-TV and online video services, as well as to free TV (terrestrial and, in certain cases, satellite) and to ad-supported online video. Pay-TV subs have declined or growth has substantially weakened in Hong Kong, Indonesia, Malaysia and Singapore, amongst others.

» **Softer macro**. A weaker macro environment has also adversely impacted pay-TV subscriber growth and consumer spends, as well as the ad market, especially in Southeast Asia. Economies and currencies should strengthen from the second half of 2016, but global macro issues may still have a negative impact. In terms of longer-term economic growth, India and China remain the best positioned, while the Philippines and Vietnam will lead in Southeast Asia.

For more information please contact lavina@media-partners-asia.com