



**Free to Air
Content
Provision**



Discovery
NETWORKS INTERNATIONAL™



- Discovery is at its core a pay-TV business. Revenues from affiliate distribution (B2B) and from commercial communications;
- 3 billion global subscribers in 220 countries and territories. Programming in 45 languages via 352 distribution outlets
- Present in Europe since 1989 (Discovery's first non-US venture) now in all European markets, in pay TV and in free to air;
- Increasingly active also in OTT: Group Nine Media – a new digital content company combining Discovery's Seeker and SourceFed Studios with independent digital media companies Thrillist Media Group, NowThis Media and The Dodo.

- OTT is growing – an opportunity rather than a threat;
- For Discovery:
 - Making investments and strategic shifts in the business to “pivot” in an ever-changing global media landscape. We need to “disrupt ourselves” and evolve to reach consumers in a world with 7 billion screens;
 - Mission has transformed from linear nonfiction programming to a multiplatform offering of nonfiction, sports and kids content;
 - We continue to invest and drive growth in linear, while reaching new audiences in digital and direct-to-consumer platforms – such as Eurosport Player and Dplay;
- For the industry as a whole: *“la télévision a des beaux jours devant elle”*

- The underlying numbers of FTA television remain, broadly positive;
- SVOD Impact on Linear TV in Europe and the US
- Challenging developments in some markets, but overall the television audience is holding up – as is TV advertising – inherent strengths of the model (accountability, attention);

Thinking Beyond “Pay” and “FTA” TV: Phase I in 1999-2002



- Analysts and stock markets calling for evidence that FTA groups had “diversification” strategies away from over-reliance on the 30 second advertising spot back in 2000;
- Many early diversification strategies failed – ITV Digital, Quiero DTT, - also plans of Kirch Group to combine FTA, pay and sports assets;
- More a matter of timing (with TMT stocks under pressure in 2001/02);
- Underlying logic of diversification for a FTA group remains sound;

- Even for pay-TV companies, a viable FTA market is helpful. Vital to ensure advertisers remain loyal to free television;
- Discovery's recent moves into FTA are not unique – Viacom/C5, Scripps/TVN;
- But this is not a DTT issue: across Europe, we are not particularly heavy users of DTT spectrum but will consider DTT as a distribution means in markets where we are allowed to do so;

- Diversification will continue. Many global mass media and entertainment groups have already stopped referring to themselves as “broadcasters”. All media groups will diversify across revenue streams, platforms and business models.
- *“A stand-alone FTA broadcaster without a pay strategy has no future”*
- A strict focus on FTA as historically defined may no longer be realistic.

- Eurosport Germany has this week launched a free streaming version of its broadcast channel;
- This may not fit a classical definition of “free to air broadcasting” – it’s not broadcast, doesn’t use spectrum – but it does deliver excellent content free of charge to the viewer;
- For non-Discovery examples see You Tube distribution of cricket, Now TV, or the recent move from BBC3 to become an online-only outlet;

- Business reinventing every aspect of what we do, including rethinking the notion of “free” television, can regulators also do so?
- Need to avoid inventing new regulatory mechanisms to react to each and every market development;
- Some concern already in the AVMS debates where EU institutions are seeking to stretch existing regulation into the digital era; e.g., European Parliament amendment on prominence for public broadcasters;
- FTA broadcasters already have significant privileges – prominence, must-carry, listed sports events – and additional privileges need to face a higher standard of proof in today’s competitive environment;
- And, first, an open debate around how to define FTA distribution...

- Thanks

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