

TELECOM ITALIA ANALYST & INVESTOR BRIEFING  
**2007 Results & Strategic Guidelines**

# Media Brands in the Digital Age

GIAN PAOLO TAGLIAVIA

MEDIA BRANDS IN THE DIGITAL AGE

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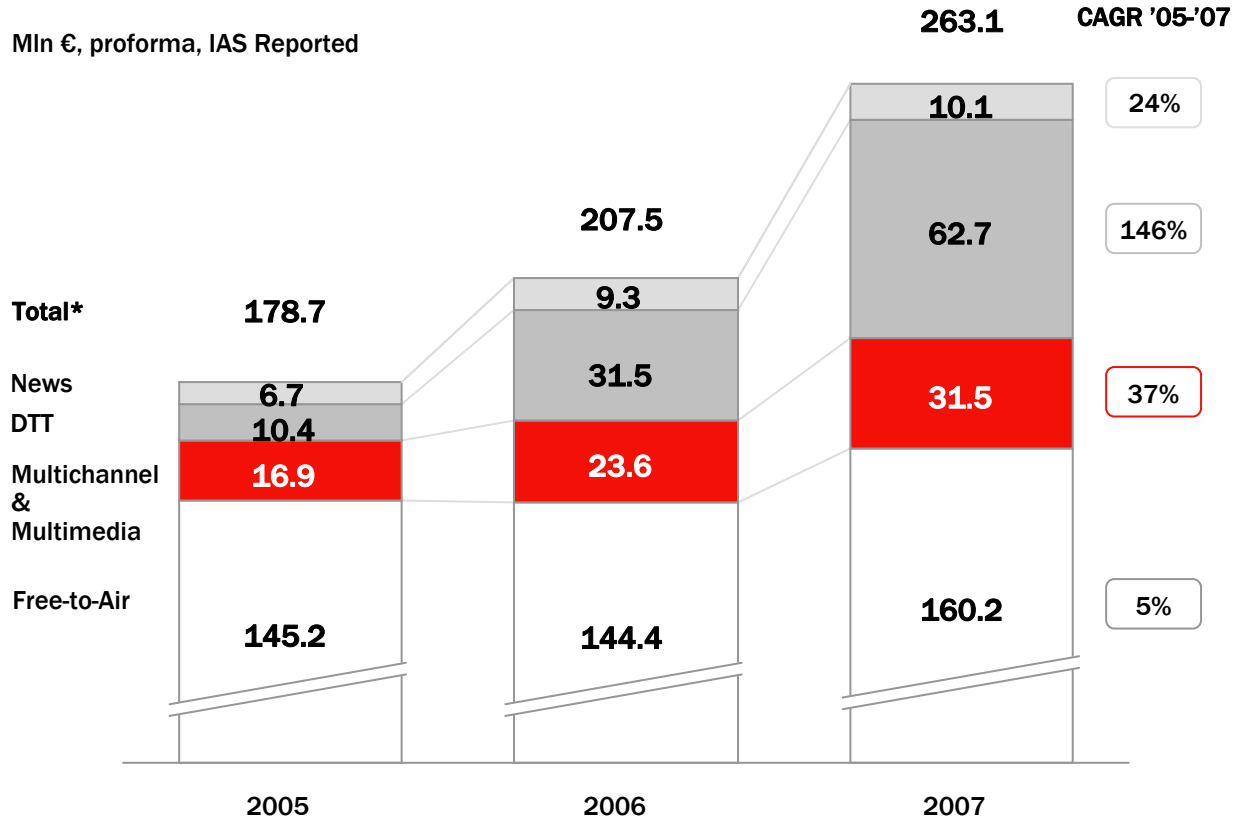
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MEDIA BRANDS IN THE DIGITAL AGE

## TI Media revenue trends



In a rapidly changing environment, TI Media has succeeded in strengthening its positioning in traditional TV while boosting its digital activities

\* Net of eliminations/ adjustments

## TV Brands outlook

The digital revolution has led to two major changes in the TV environment:

**Multichannel  
platforms**



Signal compression and availability of new means of distribution have paved the way for multichannel offers that are luring viewers away from traditional, analogue free TV

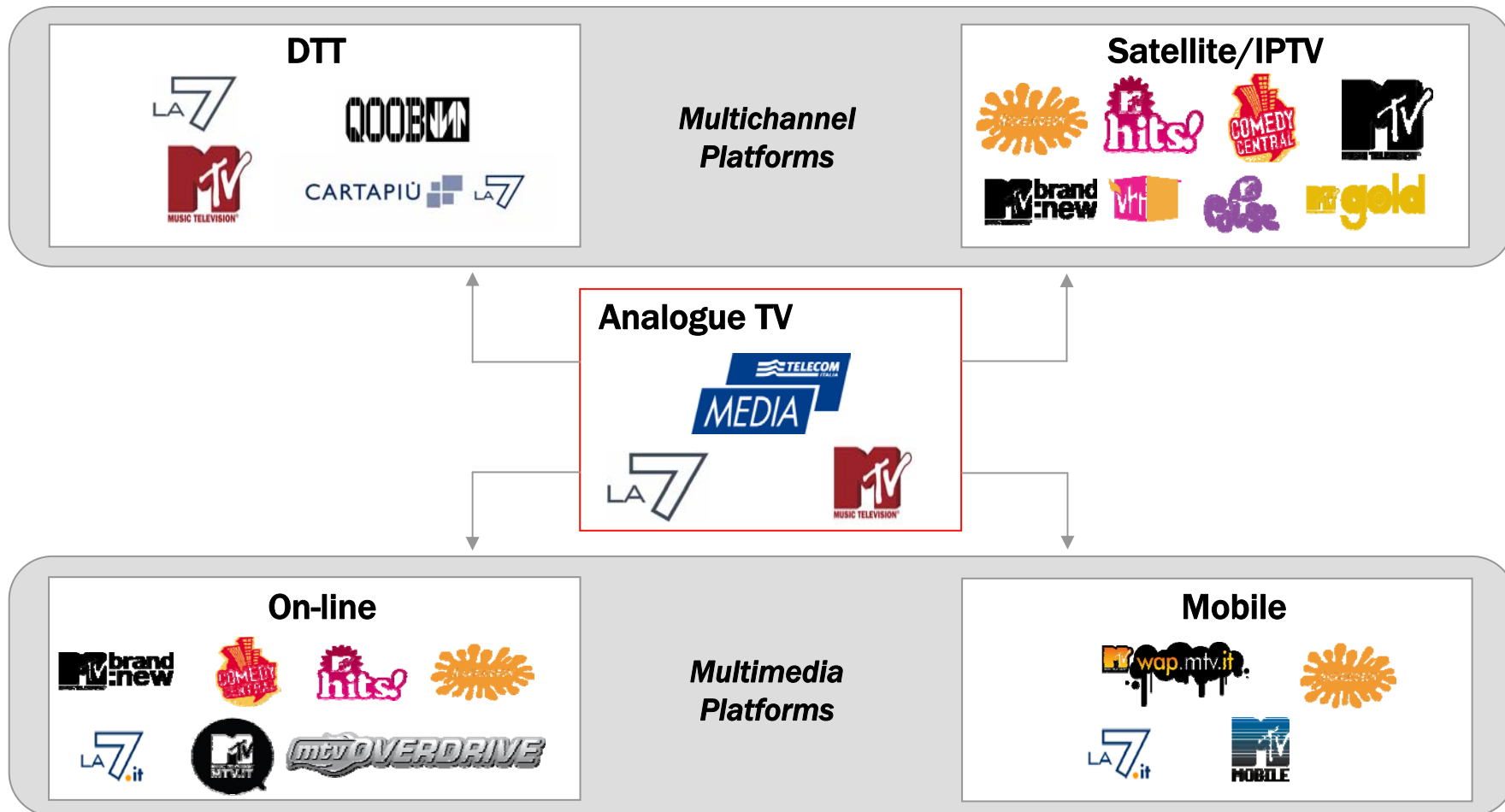
**Multimedia  
platforms**



“Three screens” consumption is increasingly popular with on-line and mobile getting more and more relevant. Traditional broadcasters are only starting to exploit the business opportunity

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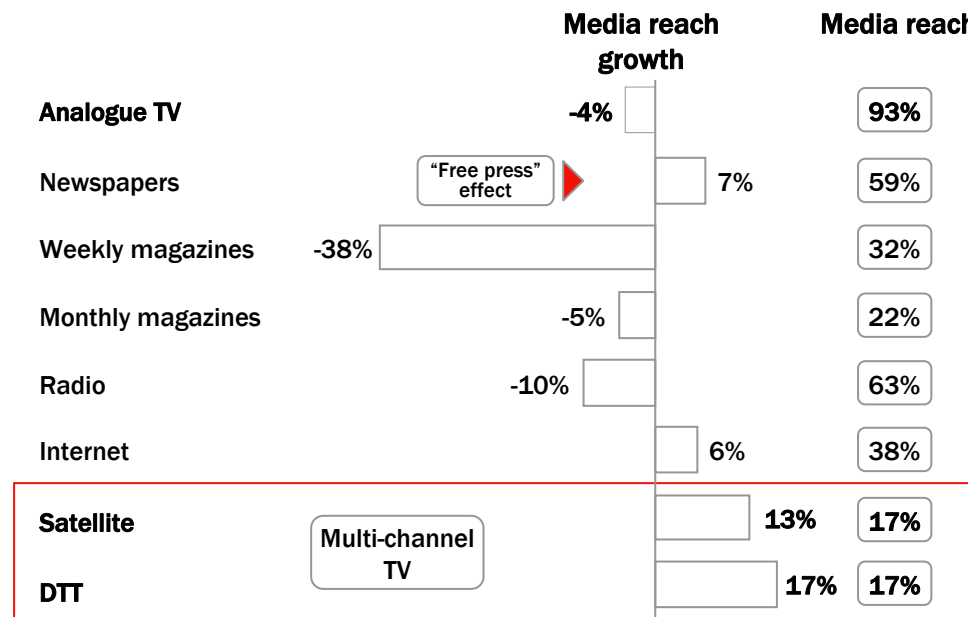
## TI Media's Multichannel and Multimedia network



# Multichannel is changing TV consumption and revenue model

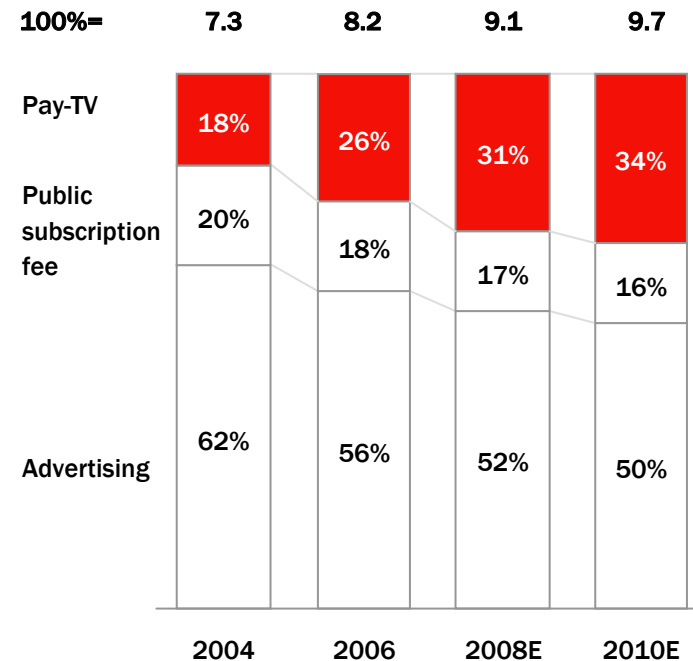
## Multichannel platforms are growing fast

Italy, number of people who accessed the media during the last week, % on population



## TV market revenue mix shifts towards pay-TV

Total TV market, Italy, %, bln €



Source: Censis (2001, 2005, 2006), PWC Global Entertainment Outlook, Screen Digest, Nielsen

## **Brands and content must establish meaningful relationship with the audience**

### Market outlook

- ▶ Fragmentation of content suppliers to multichannel platforms
- ▶ Platform owners forcing rates reductions on content providers
- ▶ Audience segmentation between platforms and channels



### Strategies for broadcasters

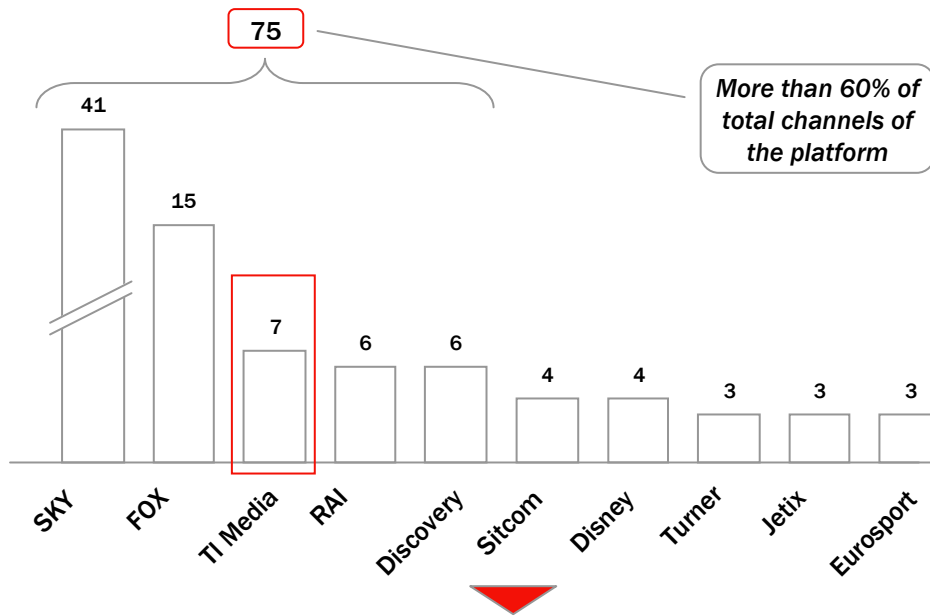
- ▶ Brand building and relevant content creation
- ▶ Sub-brands segmentation and network effect: clustering
- ▶ Differentiate revenue sources: affiliates + advertising

MEDIA BRANDS IN THE DIGITAL AGE

# Clustering and revenue differentiation are a must for TV Brands in a multichannel environment

## Sky channel clustering

Number of channels on SKY for the largest media brands

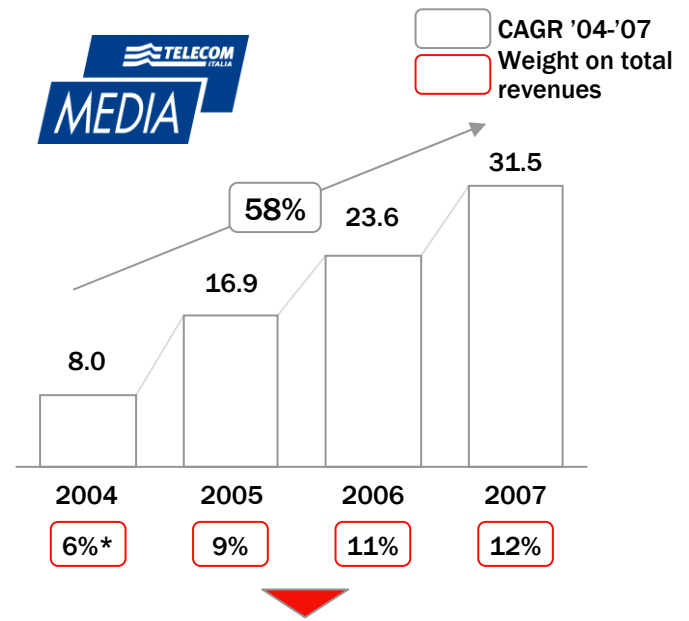


- ▶ TI Media is the third content provider on SKY platform
- ▶ Excluding companies part of the News Corp, TI Media is the first contributor to the bouquet

Source: internal analysis on Auditel data, TI Media internal data  
 \* On pro-forma revenues

## TI Media multichannel and multimedia revenues

MIn €



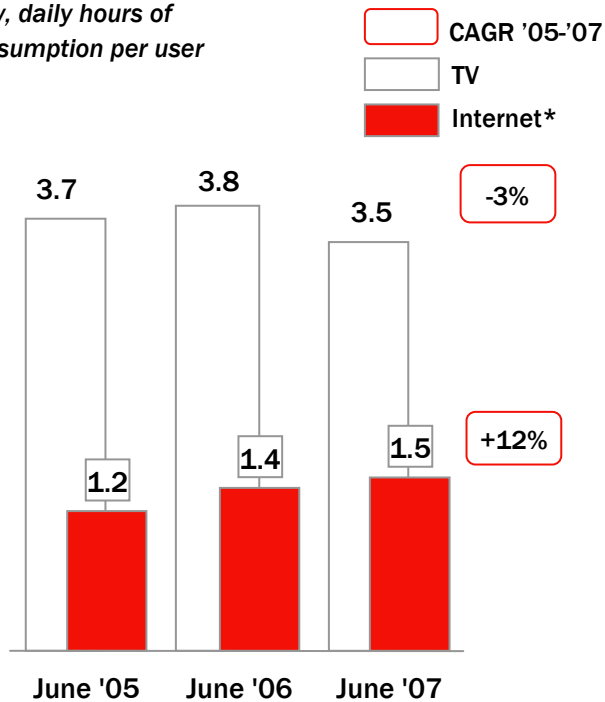
Multichannel and multimedia revenues are more and more relevant in TI Media



## Multimedia: balancing opportunities in on-line distribution

### Size of internet consumption is growing...

Italy, daily hours of consumption per user



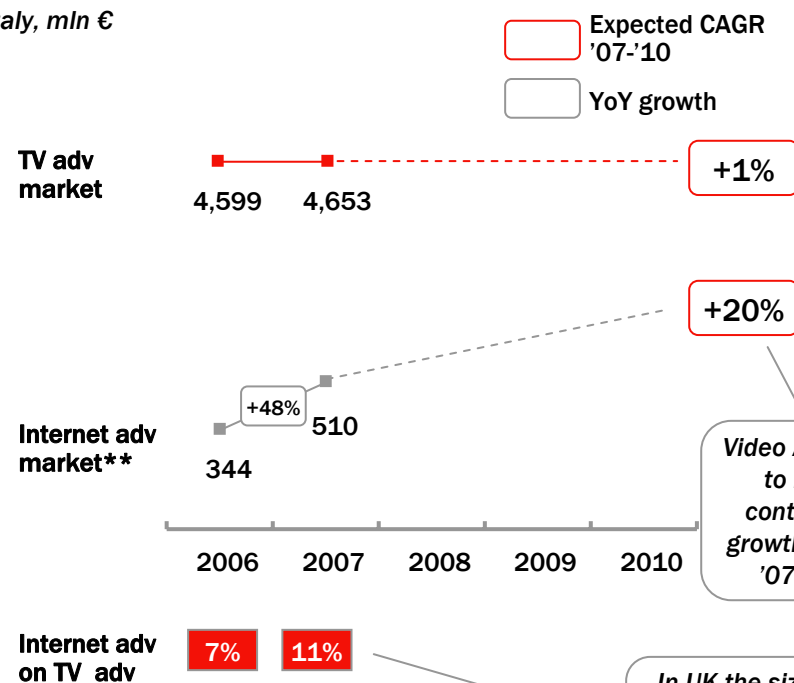
Source: Gfk group, Auditel, Nielsen, IAB, PWC Global Entertainment Outlook, Screen Digest, Global AdSpend

\* Internet consumption at home

\*\* Display, e-mail and search adv (source IAB)

### ...but revenues potential is not fully exploited

Italy, mln €



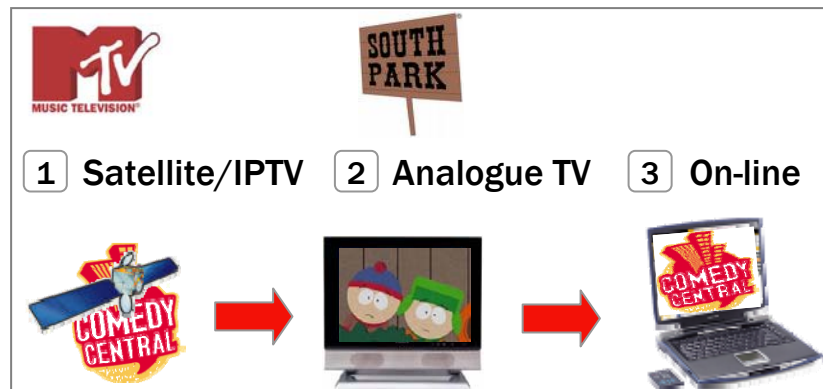
Video Adv is expected to be the main contributor to this growth (in USA CAGR '07-'10E ~40%)

In UK the size of the online adv market is closing the gap vs. TV: Internet adv on TV adv is ~70% in 2007

## Brand and contents in a windowing strategy

- ▶ In an extremely fragmented environment, consumers go for the brands and contents they already know
- ▶ Windowing allows content providers to maximize content value exploitation.

Examples of this strategy implemented by  are:





- ▶ The on-line window will become increasingly important as:
  - ▶ Connectivity will be available to a greater percentage of the population
  - ▶ Connectivity to TV sets develops
  - ▶ On-line video-advertising market grows

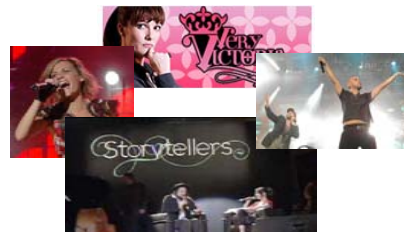
## Mobile offers a great opportunity to Media Brands

### Mobile guarantees:

- ▶ full penetration
- ▶ an established business model with increasing revenues in branded services and content



 will launch\* MTV Mobile with : a new offer leveraging on its most popular brand (MTV) and its relationship with a very well defined target audience



\* contract details under discussion

## Closing remarks

- ▶ The digital revolution has led to two major changes in the TV environment:
  - ▶ Multichannel platforms
  - ▶ Multimedia platforms
- ▶ In a multichannel environment, market outlook requires broadcasters to build targeted content, brands and sub-brands, to differentiate source of revenues and to cluster a large number of channels on the same platform to obtain “network effect”
- ▶ Multimedia video consumption is becoming increasingly popular, representing a great opportunity to develop the broadcasters’ advertising business
- ▶ TI Media is well positioned to catch the opportunities of the Digital Age, both in multichannel platforms, as a content provider, and in multimedia platforms, with strong capabilities in cross-media advertising sales and the launch of MTV Mobile