

# US Cable TV Industry Overview (Executive Summary)

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**McCAFFERTY**  
& COMPANY

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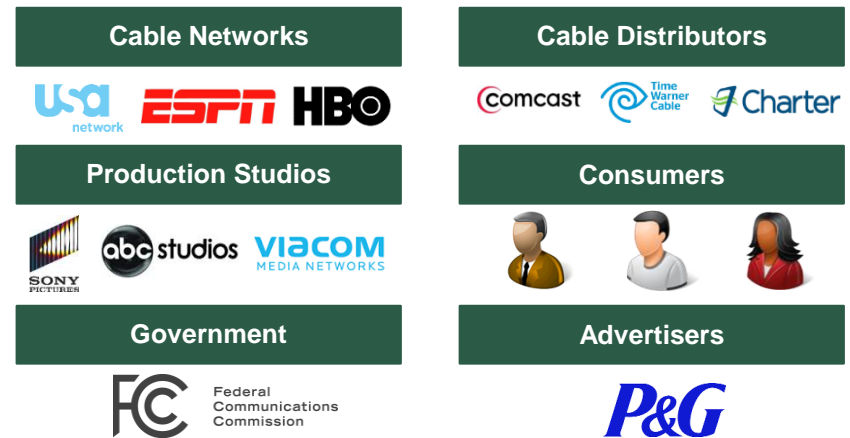
# Executive Summary

## Cable Industry Overview

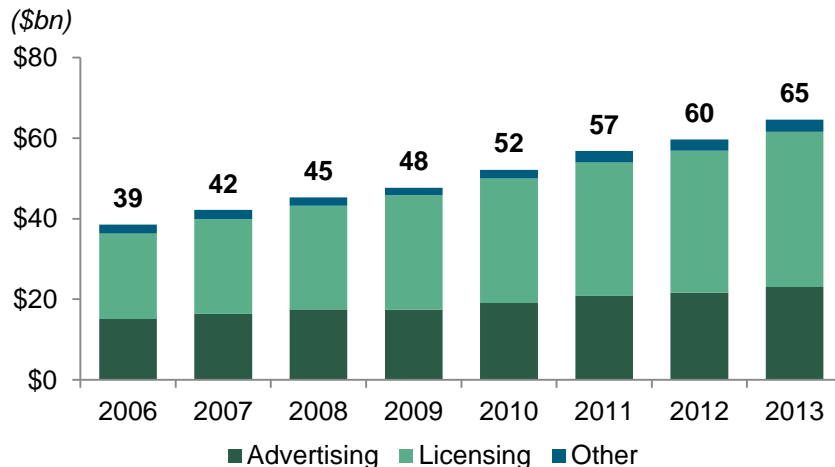
### Overview

- ▶ Large industry that emerged in the 1980s. Major participants are cable networks that license or own content and distributors that transmit content to viewers. Industry is well developed and relatively consolidated at both network and distributor levels
- ▶ Industry Characteristics
  - High barriers to entry
  - Capital intensive
  - Network owned content is a differentiated product
  - Distribution is a commoditized product
  - Highly government regulated

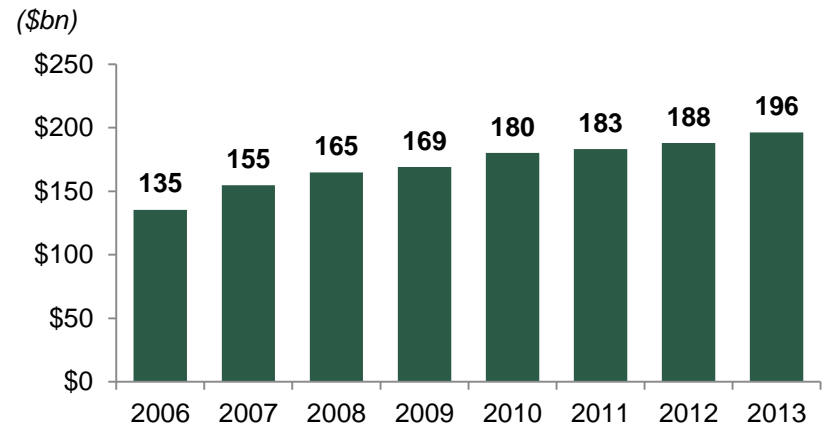
### Cable Industry Ecosystem



### US Cable Network Industry Revenues



### US Cable Distributor Revenues



# Executive Summary

## Cable Industry Overview

### Key Industry Themes

#### ► **Cable Networks**

- Attempting to maintain viewership of increasingly fragmented audiences
- Seeking to increase revenues from distributors by increasing programming costs
- Adapting to digital distribution world

#### ► **Cable Distributors**

- Desiring to bundle lower margin cable subscription products with higher margin internet and phone service products to drive profits
- Trying to slow growth in programming costs
- Adapting to digital distribution world

### M&A Activity

2000-2014

**Cable Distributors**  
659 Acquisitions  
\$348.3 (bn) Disclosed Deal Value

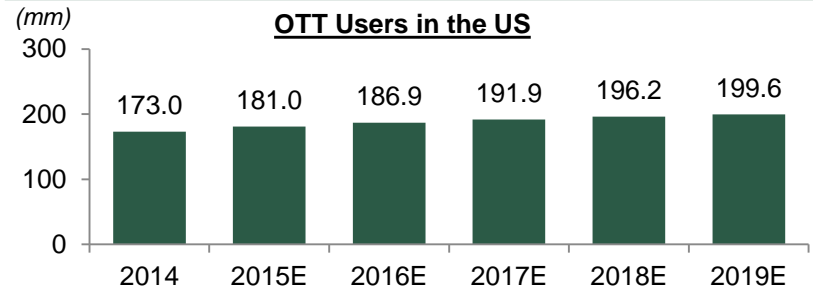
- Deal activity driven by consolidation, most deal activity occurring outside the US

2000-2014

**Cable Networks**  
122 Acquisitions  
\$86.1 (bn) Disclosed Deal Value

- Deal activity driven by desire to reach new audiences

### Over the Top (OTT) Platforms



- The emergence of anytime, anywhere devices and streaming services such as Netflix is changing the way consumers view content



### Government Regulation

- Highly regulated industry by FCC and local government entities

#### Areas of Regulation

Customer Service Rules

Ownership Rules

M&A Approval Process

Service Quality (Net Neutrality) Standards

Signal Carriage/Retransmission Fees

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