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## PRESENTATION

The Road to 2022:
The Role of the Telco in the Digital Consumer Landscape

# The telco has never been so central to consumer's lives

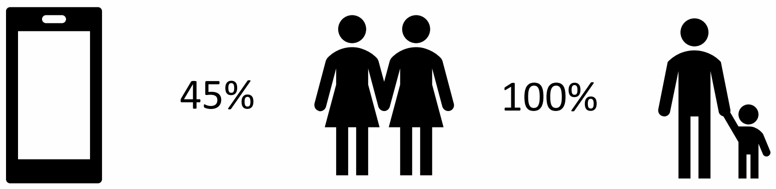
33% of pay-TV subscribers are telco

60% broadband subs have OTT video

63% music revenues from digital

88% gaming revenues from digital

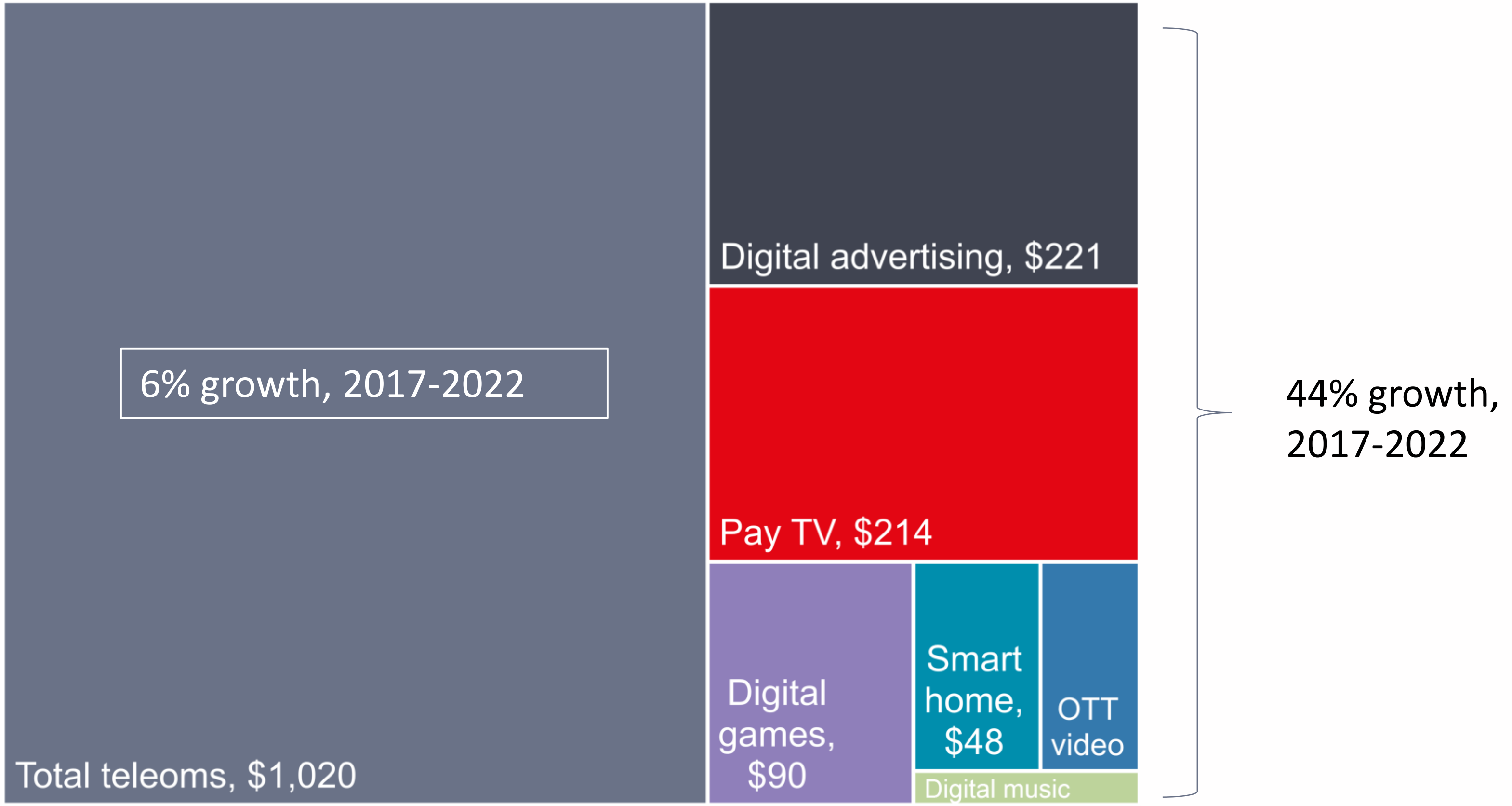
US adults spend




**Anything digital touches the telco**

# Has the death of the telco been over exaggerated?

Global consumer TMT revenues ($m), 2017



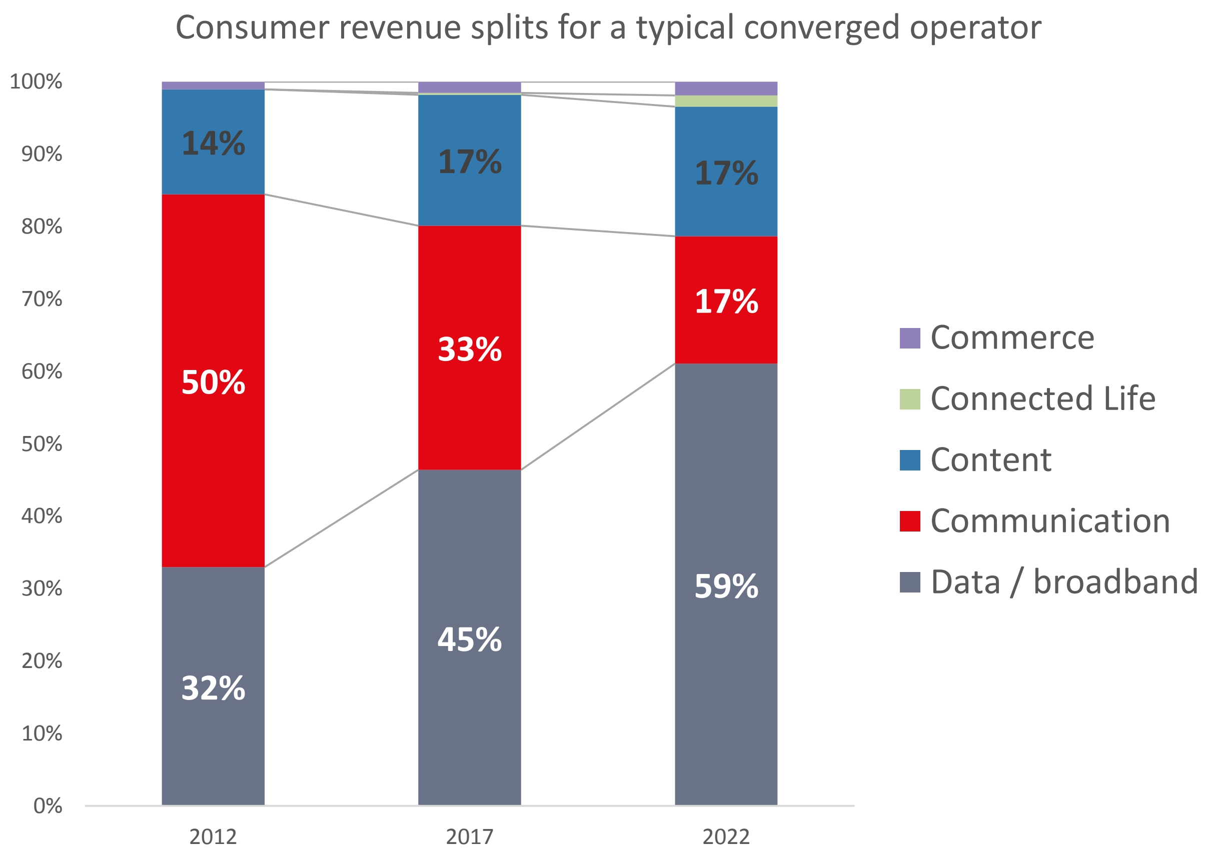

Capex / revenue = 17%

Telcos

OTT players

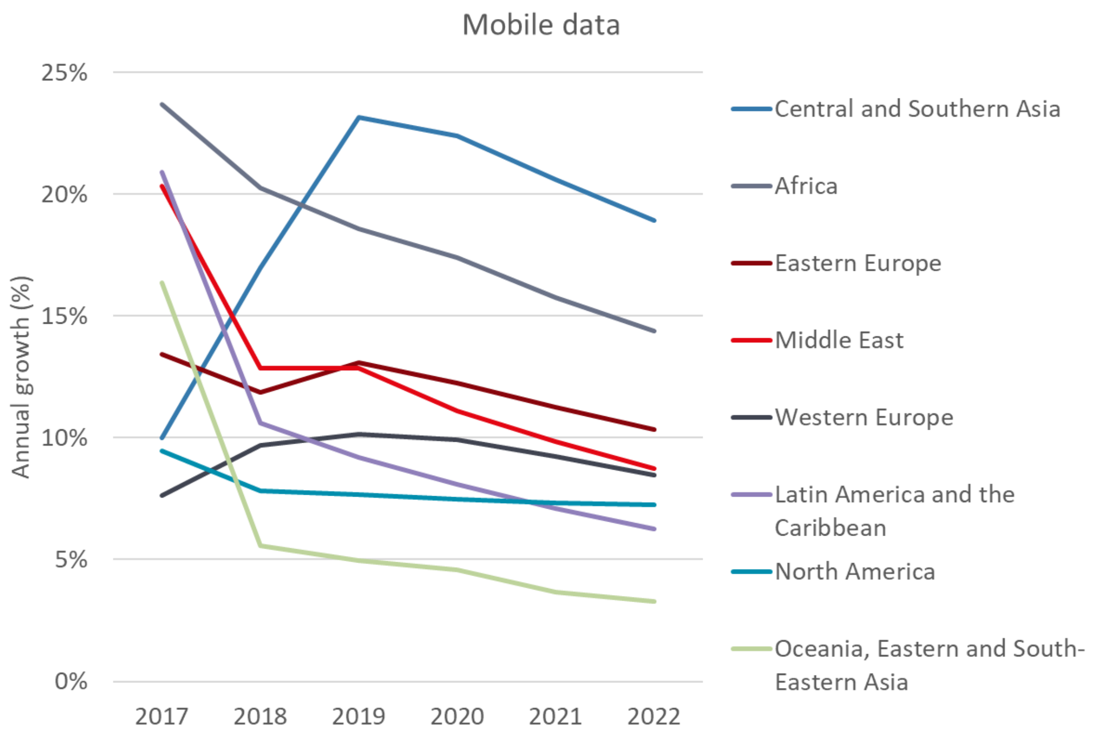
Capex / revenue = 7%

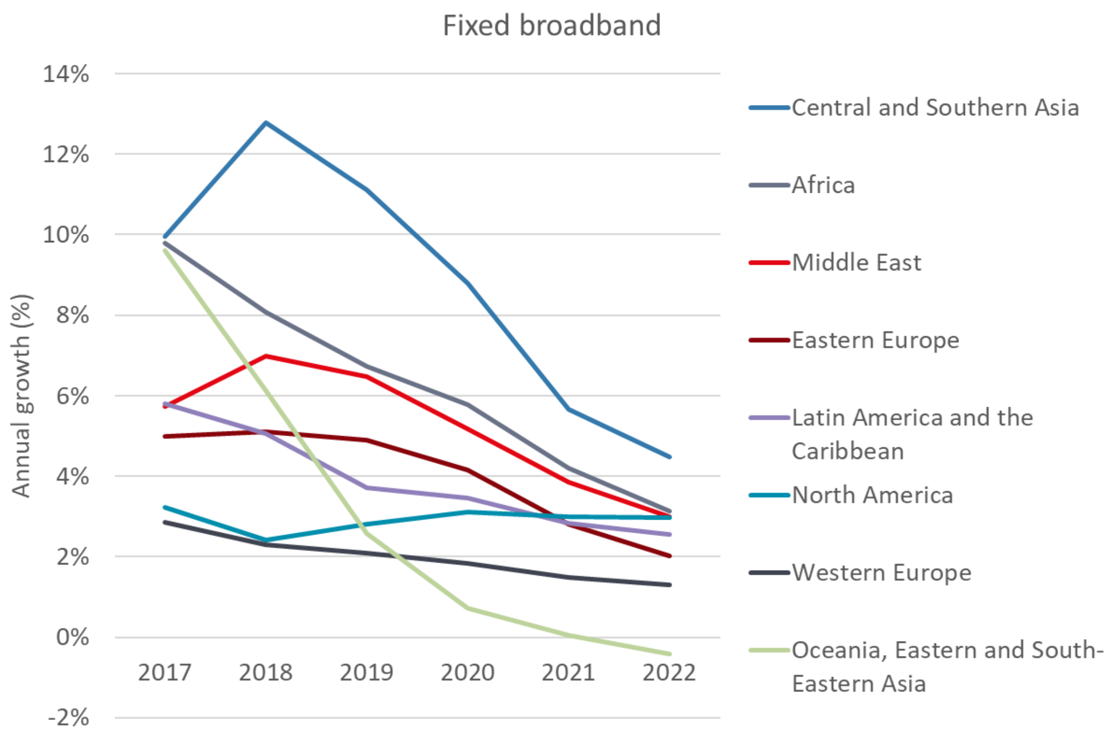
# Telcos have already gone through a huge transformation



## The big question is can they evolve once more?

# Annual consumer mobile data and broadband growth rates, 2017-2022

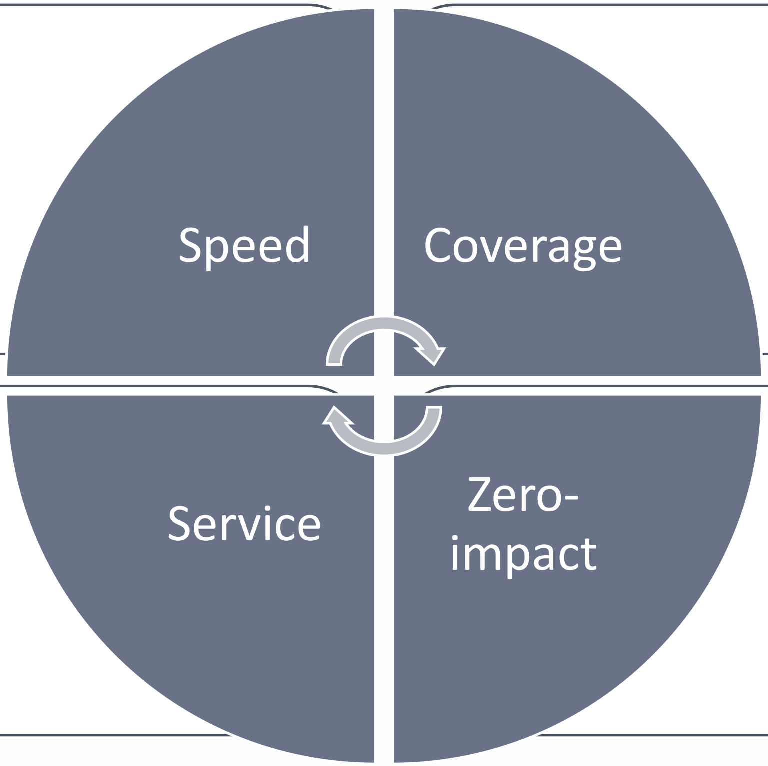


# Strategy 1: Developing a best in class consumer experience

By 2022
- 40% homes 100Mbps+
- 18% homes 500Mbps+
- 60% subs 4G
- 5% on 5G

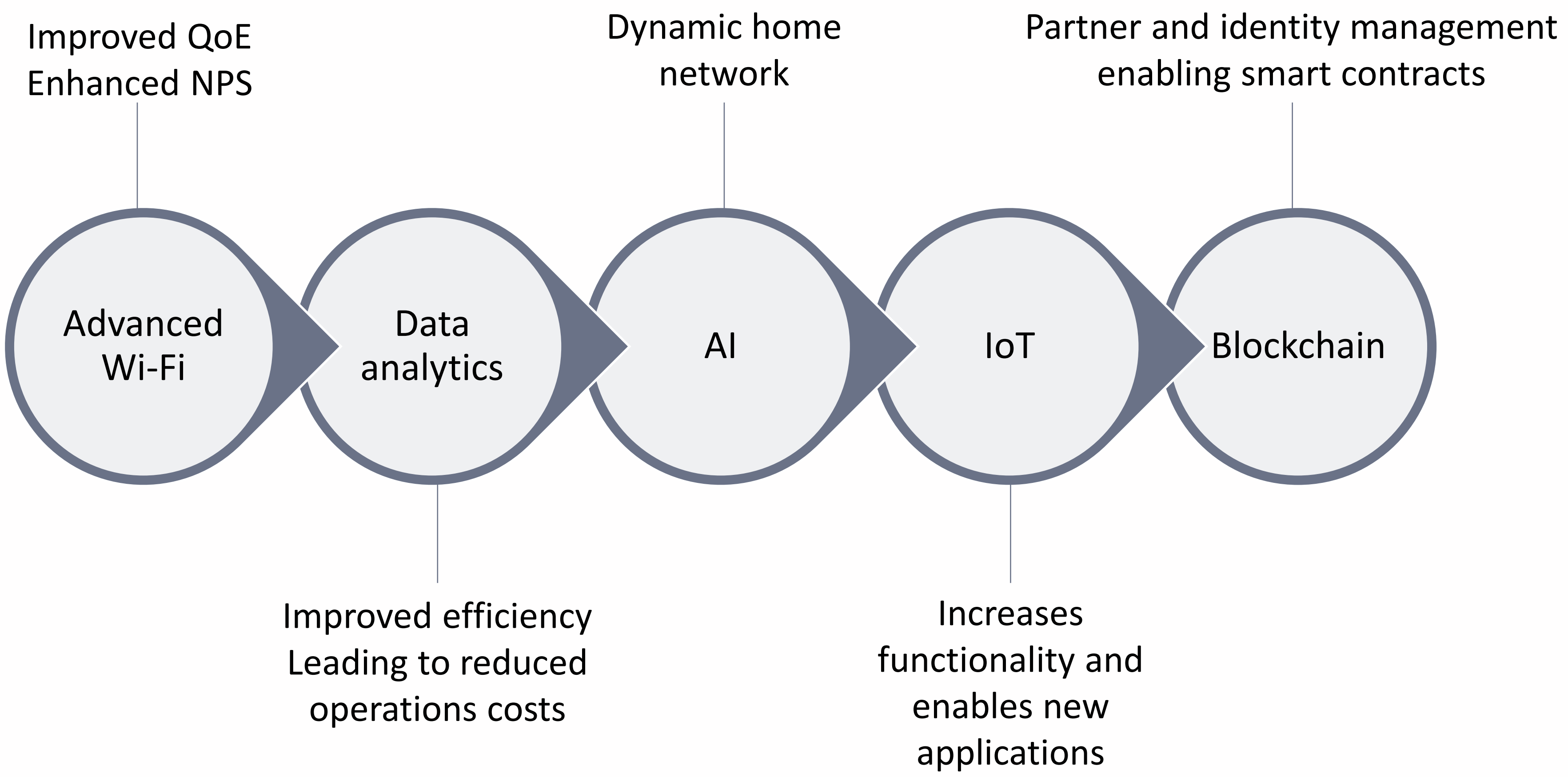
- Continual push of FTTP and 4G / 5G
- Smart Wi-Fi




- Fast, reliable
- Greater automation
- Zero-touch

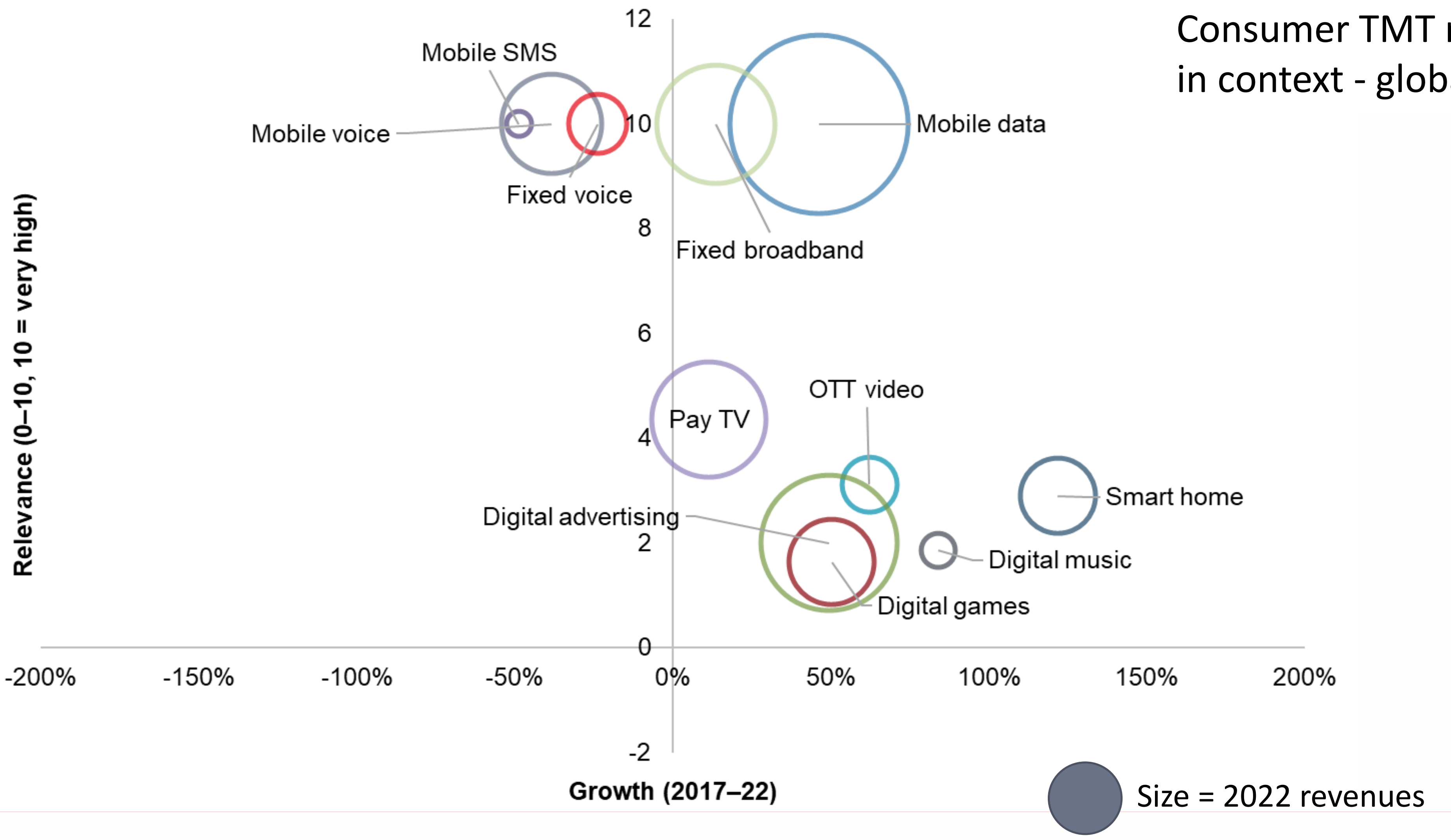
- Very low latency
- Zero packet loss

# Strengthening the role in the home



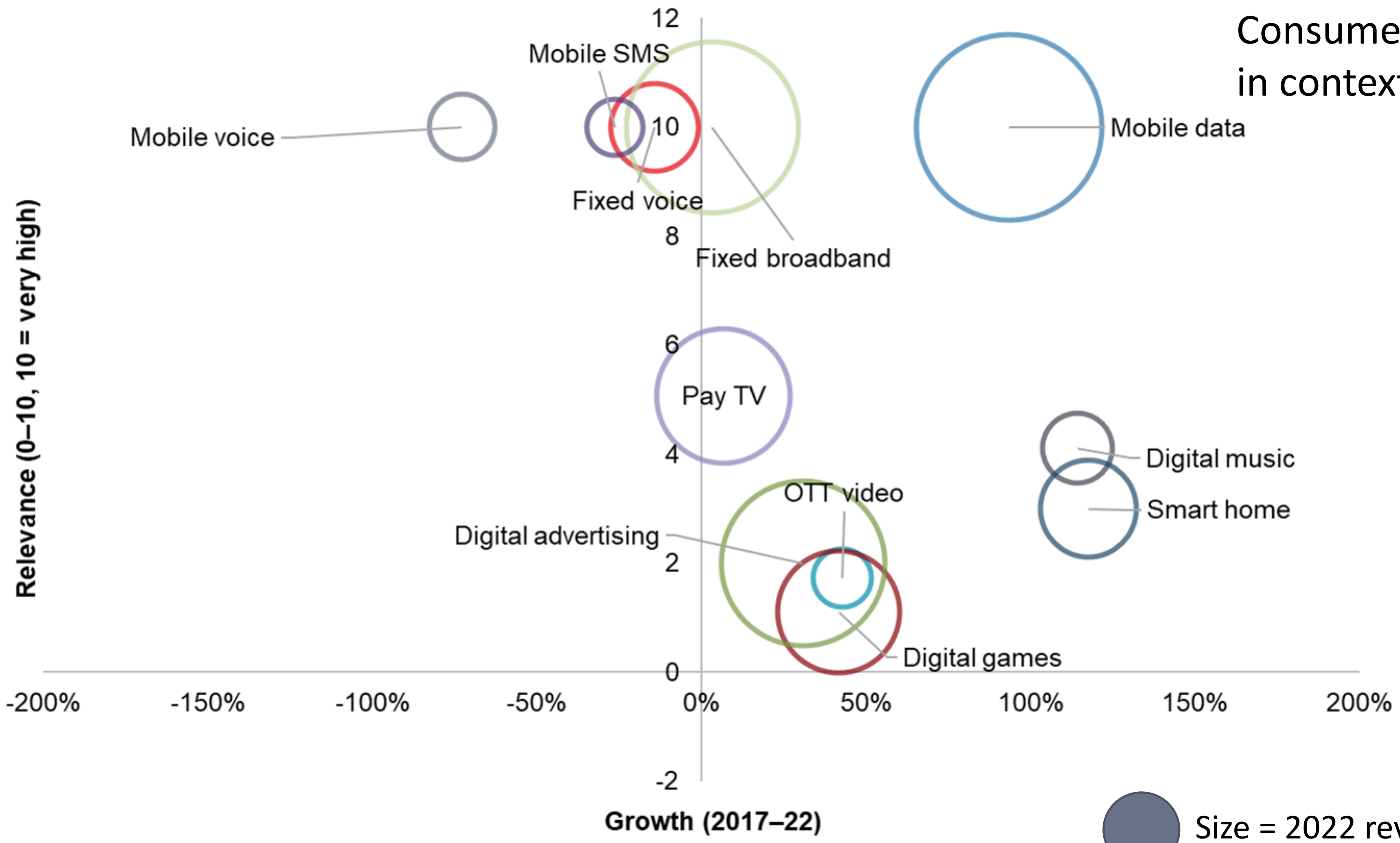
# Strategy 2: explore new digital service opportunities

Consumer TMT revenues in context - global



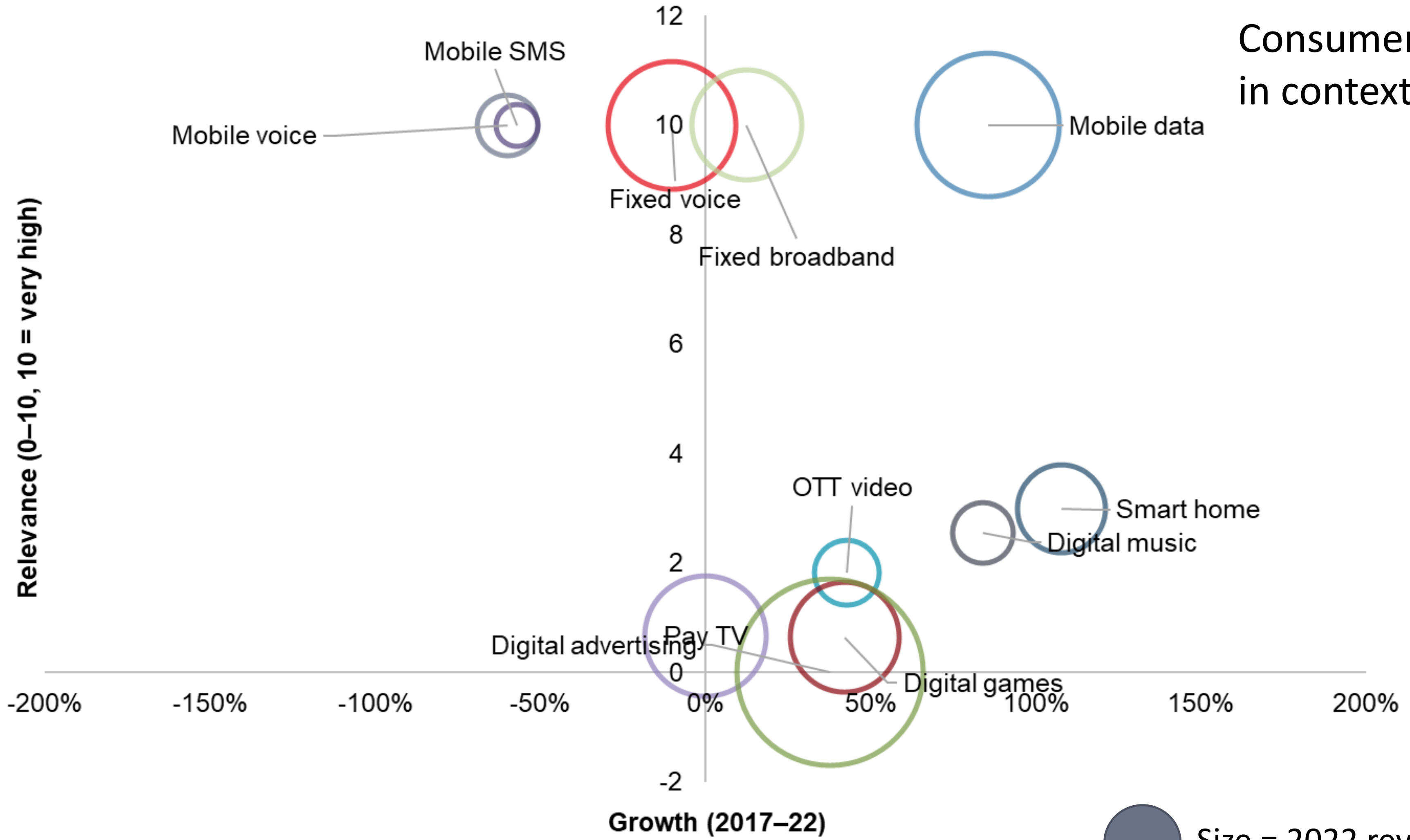
# The world is not flat – future opportunities will differ greatly

Consumer TMT revenues in context - Germany




Size = 2022 revenues

# The world is not flat – future opportunities will differ greatly

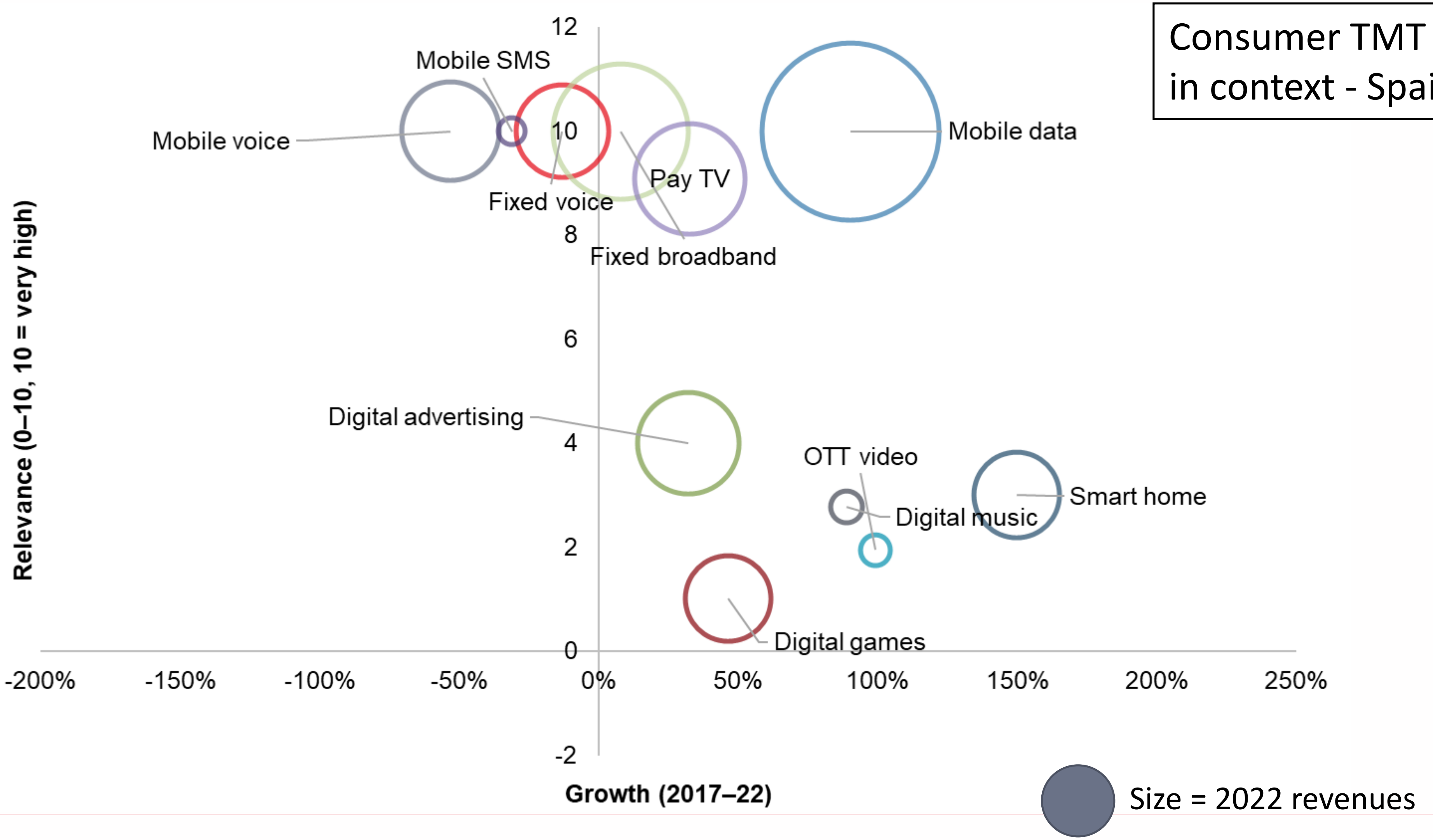



Consumer TMT revenues in context - UK

Size = 2022 revenues

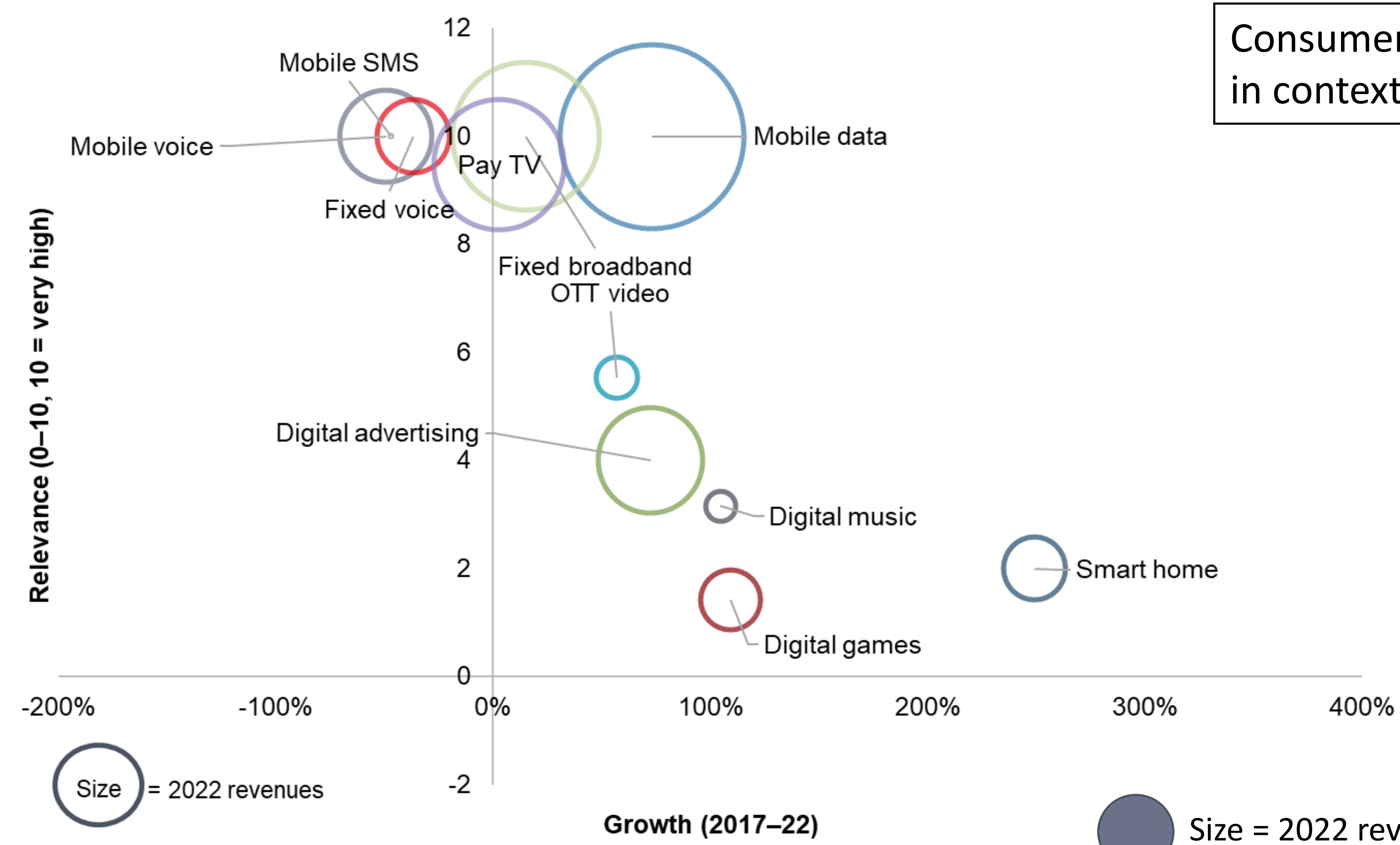
# The world is not flat – future opportunities will differ greatly

Consumer TMT revenues in context - Spain



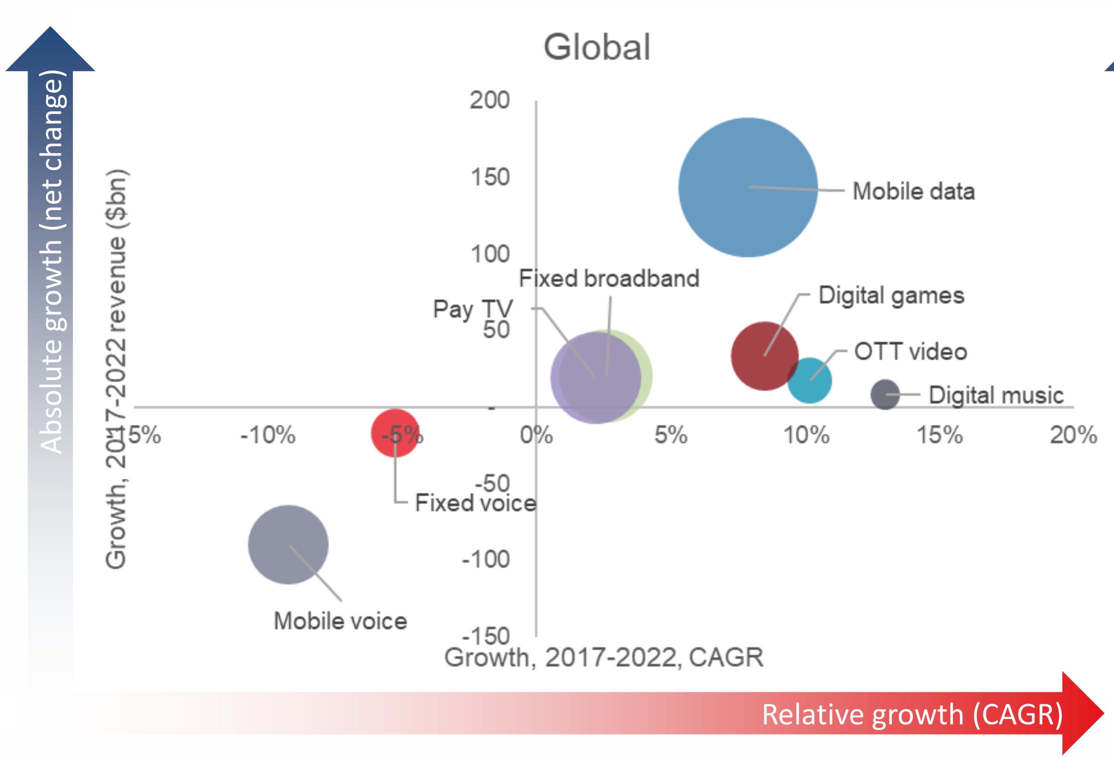
# The world is not flat – future opportunities will differ greatly

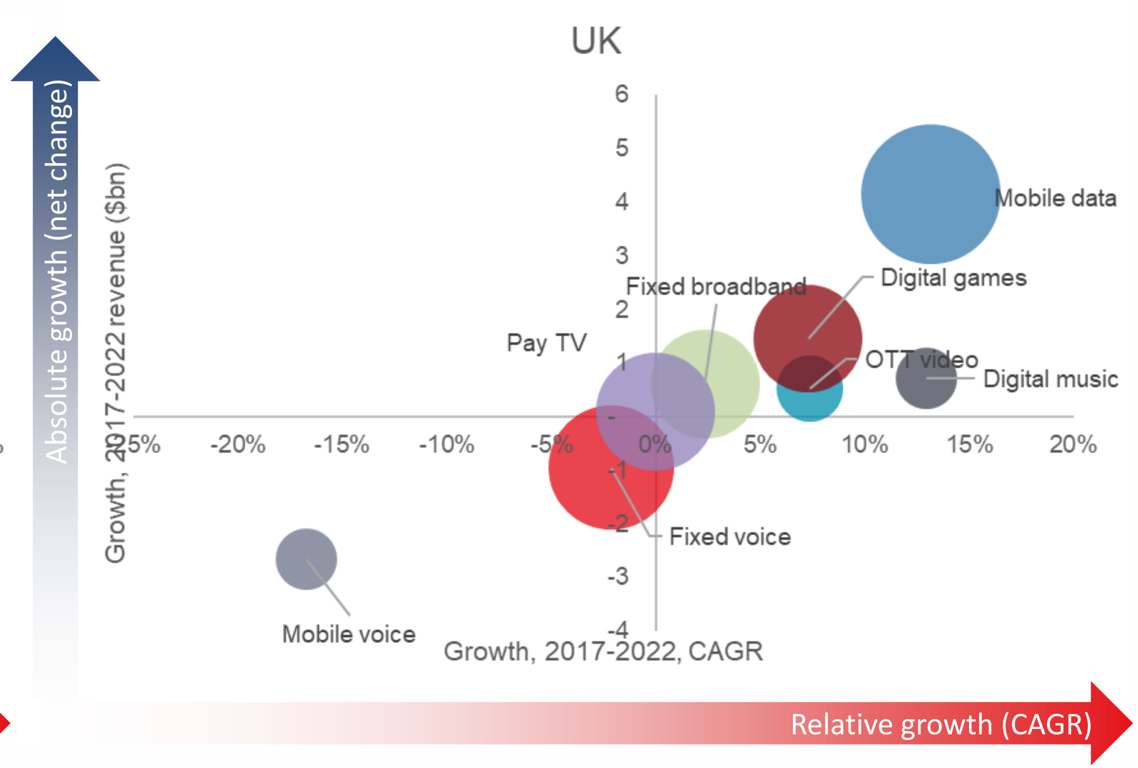
Consumer TMT revenues in context - Brazil




Size = 2022 revenues

# Strategy 3: Developing converged solutions to maximise the opportunity

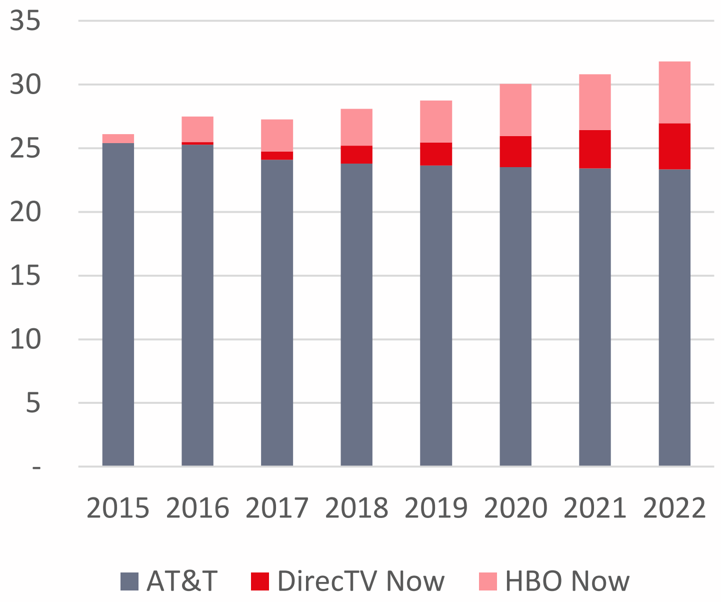


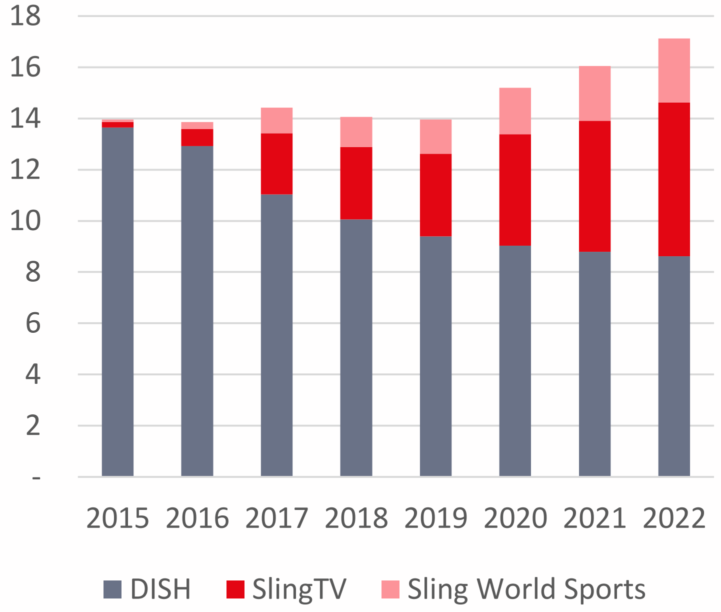



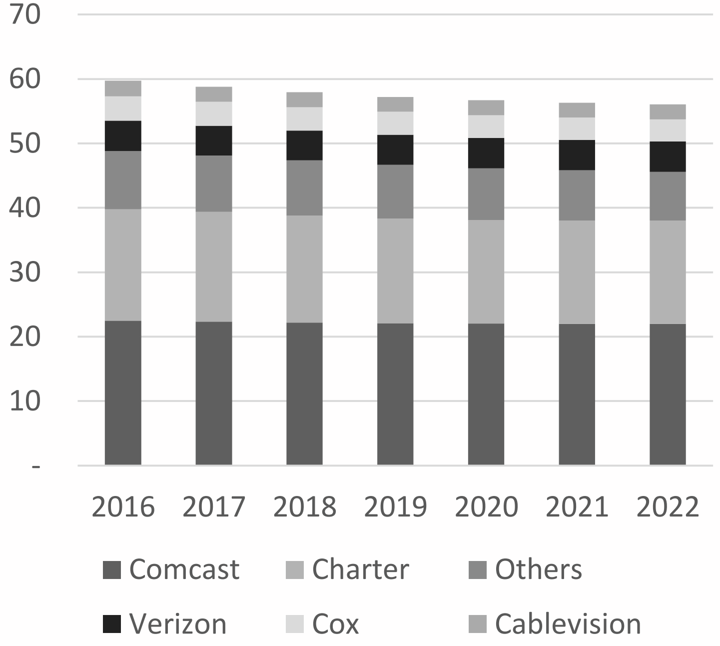

**Telcos and mediacos will use mobile to drive OTT media in emerging markets and OTT media to drive mobile in developed markets**

# OTT video will offer the only route to subscriber growth for US pay-TV operators

US, pay-TV and OTT video subscriptions by service provider, 2015–22



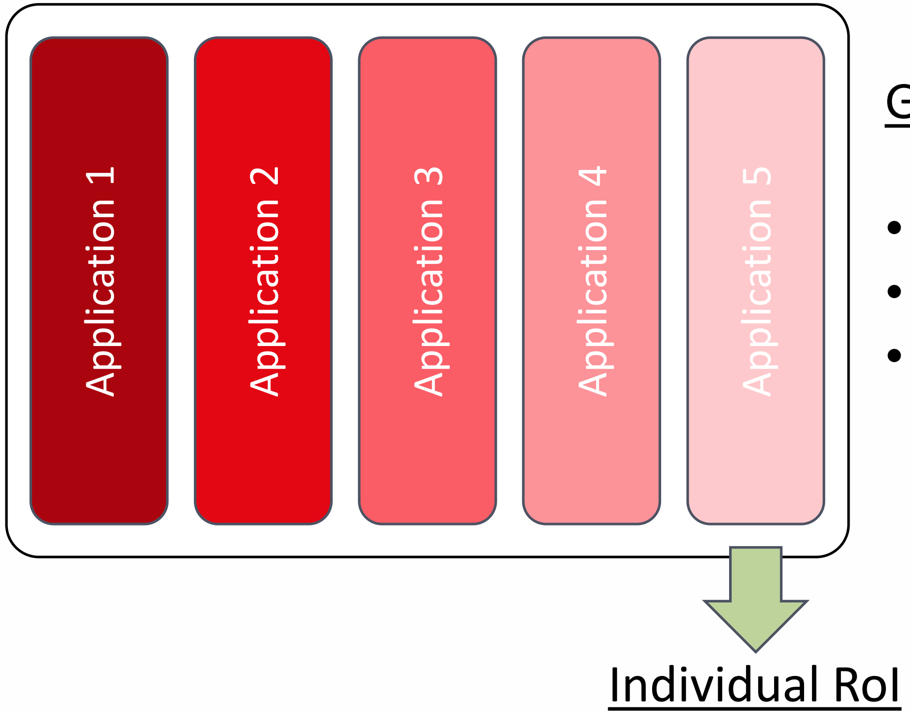

**AT&T: +5.7mn**

**Dish: +3.2mn**

**Pure-play pay TV: -4.0mn**

*Note: Pay TV numbers refer to primary TV households, OTT video to paying subscriptions. Forecasts are based on known operator services and plans.*
*Source: Ovum*

# Strategy 4: Be a smart aggregator and an a smart investor




Group KPIs:

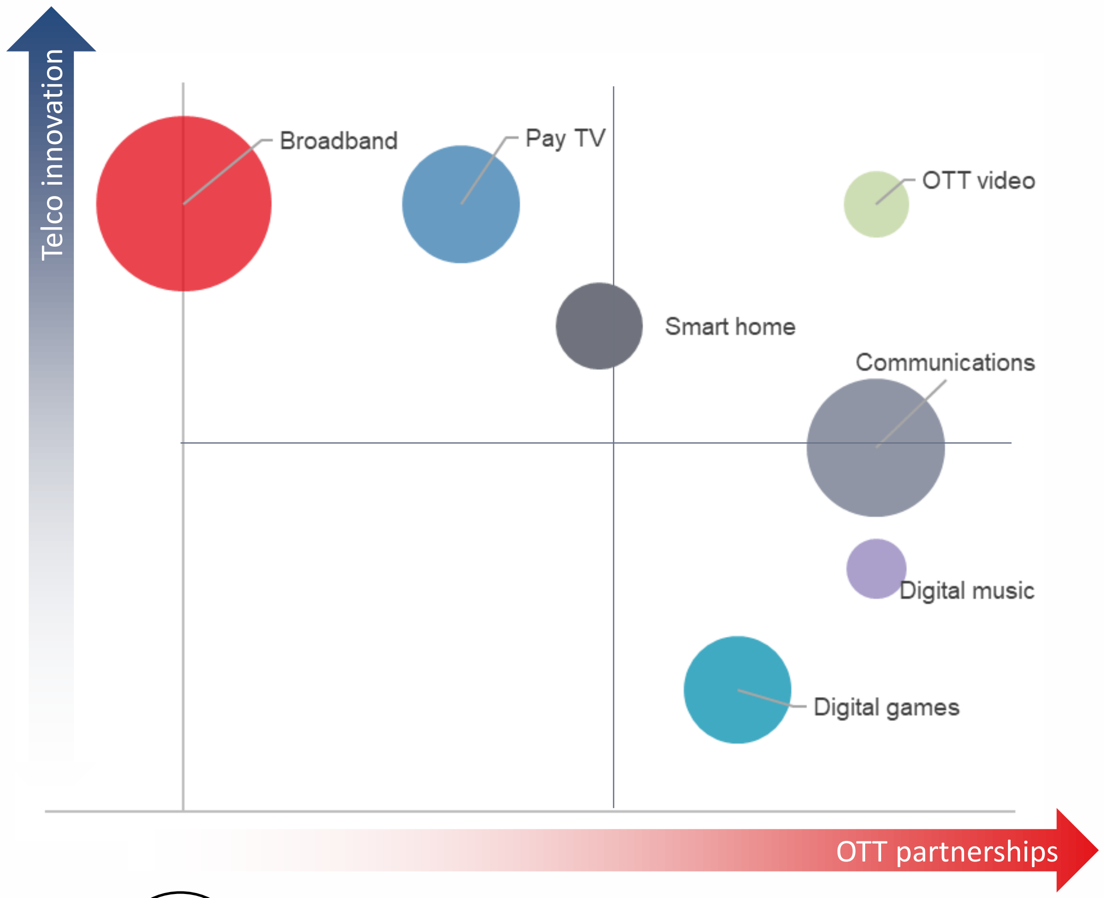
- ARPU
- Churn
- NPS

| Bundle | Typical level of churn |
|---|---|
| Single play broadband | 20-25% |
| Dual play | 15% |
| Triple play | 10% |
| Quad play | 5-7% |

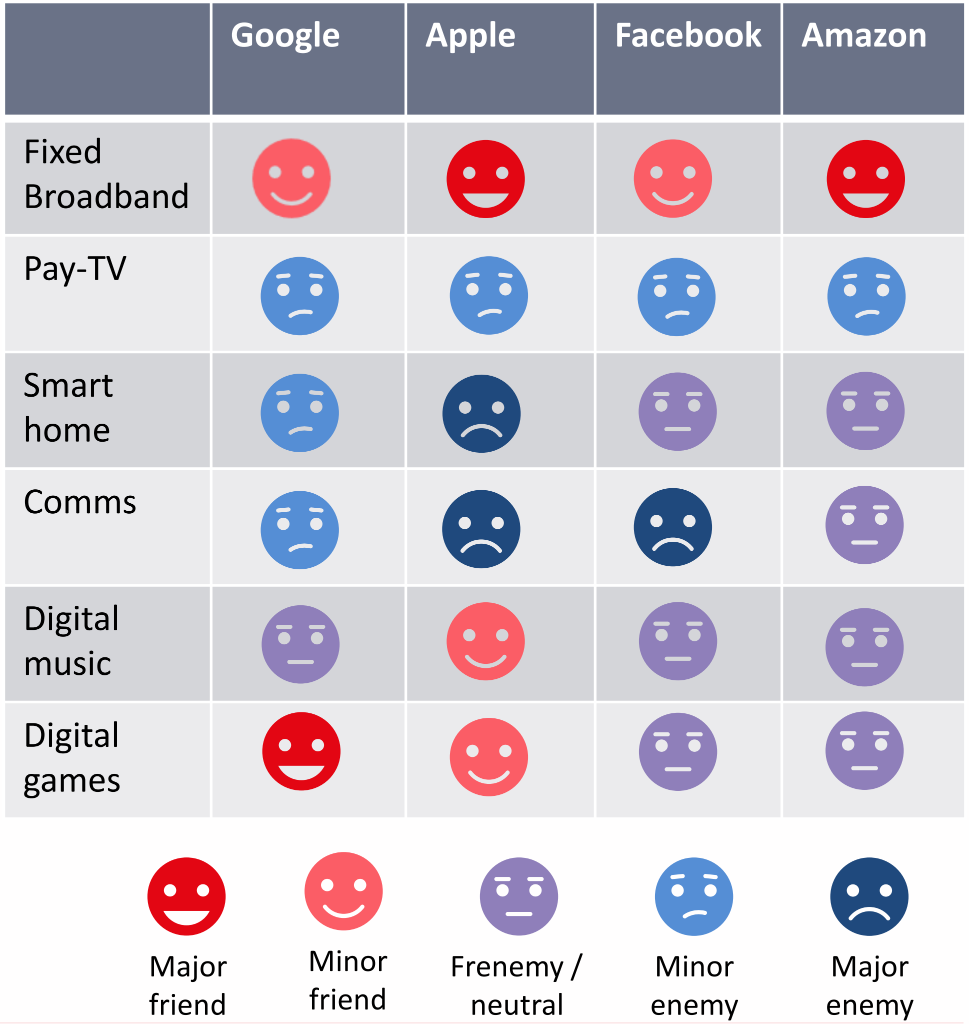
| Orange (France) | | |
|---|---|---|
| Mobile ARPO | Broadband ARPO | Quad play (ARPO) |
| €17 | €39 | €64 |

- Advantages of service bundling are well known
- However, it is essential to show that each element can provide a RoI – invest smartly!
- Bundles also need to increase in flexibility – not all consumers are equal!

# Getting the balance between investing and partnering correct




Size = 2022 revenues



# So in summary

The future role of the telco will be

- Creating the **best broadband experience** for their customers
- Providing customers a range of digital applications through **converged** networks
- Being a **smart aggregator**, which suggests the future is more B2B2C
- However, telco’s must maintain relevance and drive growth through also being a **smart investor**