

TEM REPORT

altran

Value migration in the
Telecom and Media sector in Europe:
a European tragedy?

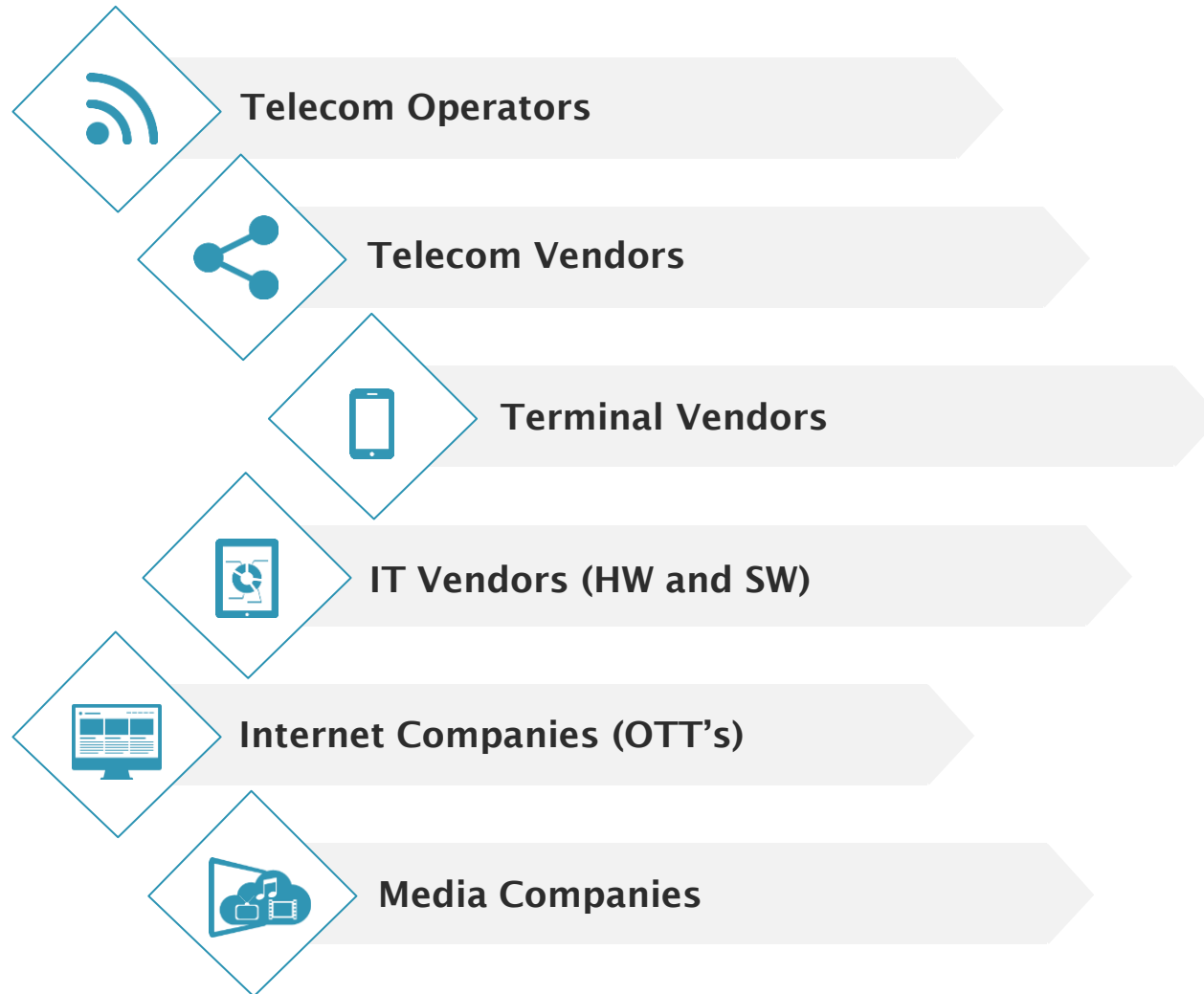


Object of the report

Value migration in the **Telecom and Media sector in Europe:** an European tragedy?

« THE OBJECTIVE OF THIS REPORT IS TO ANALYSE THE VALUE MIGRATIONS THAT HAVE TAKEN PLACE BETWEEN THE DIFFERENT TELECOM AND MEDIA SECTOR SEGMENTS FOR THE LAST TEN YEARS AND, WHEN IT IS APPROPRIATE, COMPARE THE EUROPEAN POSITION VERSUS THE REST OF THE WORLD, MAINLY THE USA »

Segments of the Telecom and Media Sector analysed

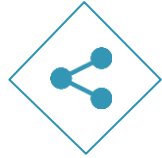


Companies included in the analysis



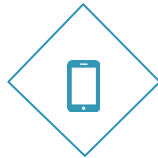
Telecom Operators

AT&T
Verizon
Vodafone
America Movil
Telefónica
Deutsche Telekom
British Telecom
Telecom Italia



Telecom Vendors

Cisco
Qualcomm
Ericsson
Nokia
Juniper
ZTE
Alcatel Lucent



Terminal Vendors

Apple
Samsung
TCL
Sony Mobile
Lenovo
LG



IT Vendors

Microsoft
IBM
Oracle
HP
SAP



OTT's

Google
Amazon
Facebook
eBay
Yahoo



Media Companies

Vivendi
Lagardere Media
Pearson PLC
Walters Kluwer
Mediaset
Netflix
ITV PLC
France Télévisions
Grupo Pria

Methodology

« THE REPORT ANALYSES THE VALUE EVOLUTION OF THE 41 COMPANIES BELONGING TO THE MENTIONED SEGMENTS, THRU THE EVALUATION OF ITS MARKET CAP VALUE IN APRIL 2004 AND ITS VALUE IN NOVEMBER 2014 »

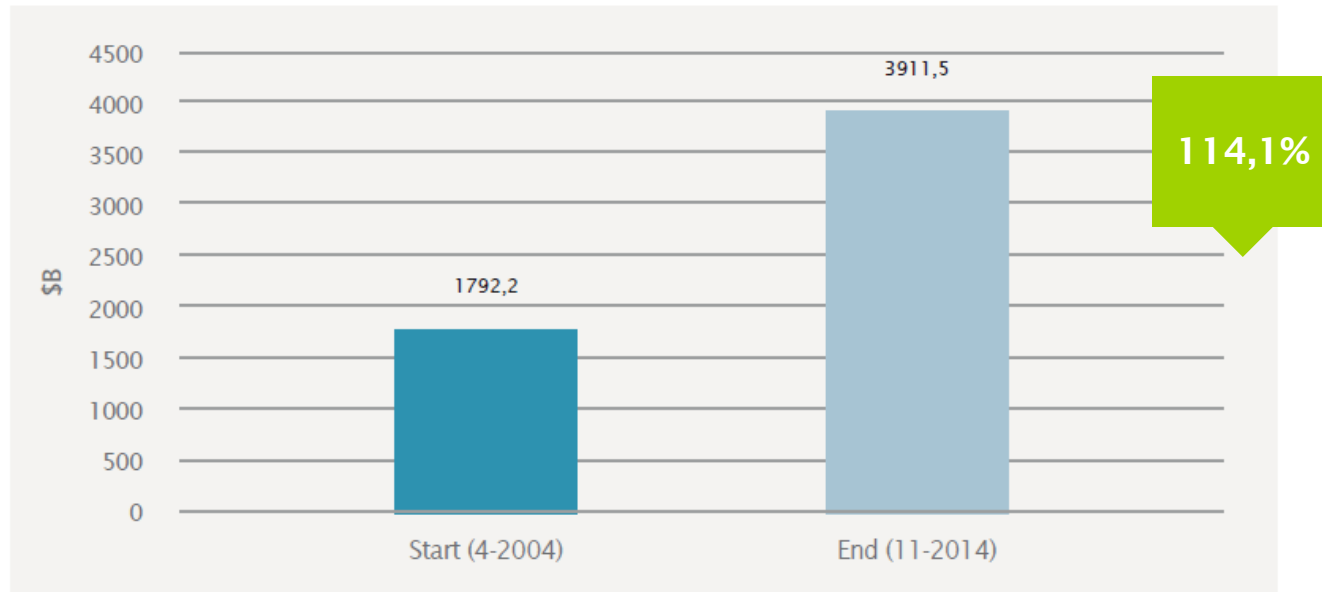
- Total sector evaluation thru the addition of the values of each segment
- A similar calculation for each segment defined
- Value evolution of the different segments and their comparison
- Value evolution of the different clusters defined in every segment
- In every segment, comparisons of the value evolution of different companies in this segment

Some conclusions

- THE TELECOM AND MEDIA SECTOR HAS INCREASED ITS VALUE IN 114%
- THE EUROPEAN TELECOM OPERATORS HAVE DESTROYED VALUE OVER THE PERIOD
 - European market very fragmented and strongly regulated
 - The investment done by the European Operators has decreased while their American peers have increased their investments
- THE TELECOM VENDORS VALUE WAS NOT ABLE TO GROW MORE THAN 8% IN ELEVEN YEARS
 - All the American and European Vendors have destroyed Value
- TERMINAL VENDOR MARKET CAP IS DOMINATED BY A SINGLE AMERICAN COMPANY (APPLE) AND A BUNCH OF ASIAN VENDORS
- OTT'S ARE CAPTURING A SIGNIFICANT PART OF THE TOTAL VALUE OF THE MARKET
- EVEN IN THE MEDIA SEGMENT, THE WINNERS ARE THE INTERNET BASED COMPANIES

The Telecom and Media Sector has created value in the last decade...

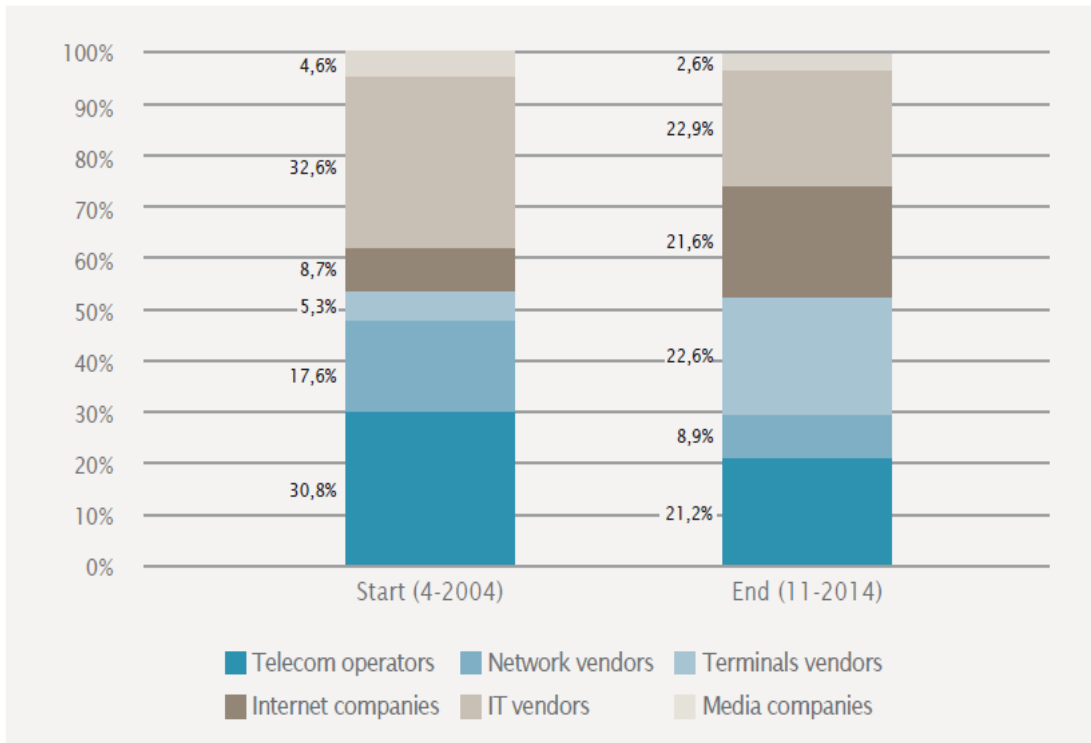
TOTAL MARKET CAP AT START AND END



Source: Altran Business Consulting (2015); Worldscope (2015)

... But with a strong reconfiguration of the value per segment

MARKET CAP SPLIT BY SEGMENT



« SHARP VALUE MIGRATION FROM THE TELECOM OPERATORS AND VENDORS TO THE TERMINAL VENDORS AND INTERNET COMPANIES »

« THE OPERATORS AND TELECOM VENDORS HAVE DECREASED THEIR VALUE SHARE BY MORE THAN 18 POINTS, FROM 48.4% IN 2004 TO 30,1% IN 2014 »

Source: Altran Business Consulting (2015); Worldscope (2015)

Telecommunication Operators



TELECOM OPERATORS SEGMENT VALUE AT BEGINNING AND END



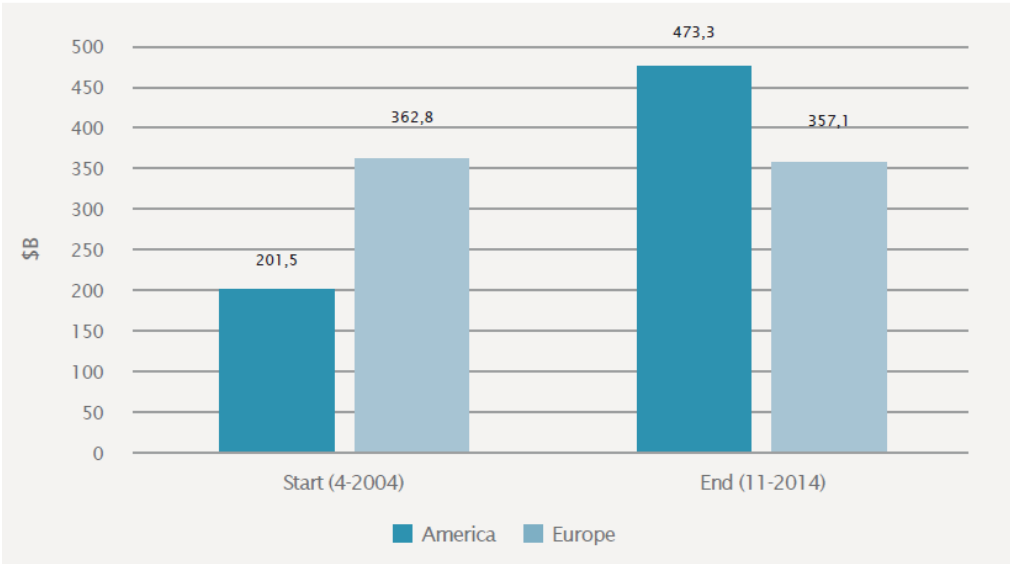
« THE VALUE OF THE TELECOMMUNICATION OPERATORS SEGMENT HAS GROWN BY 50% DURING THE LAST ELEVEN YEARS »

Source: Altran Business Consulting (2015); Worldscope (2015)

Telecommunication Operators



INITIAL AND FINAL CLUSTERS MARKET CAP



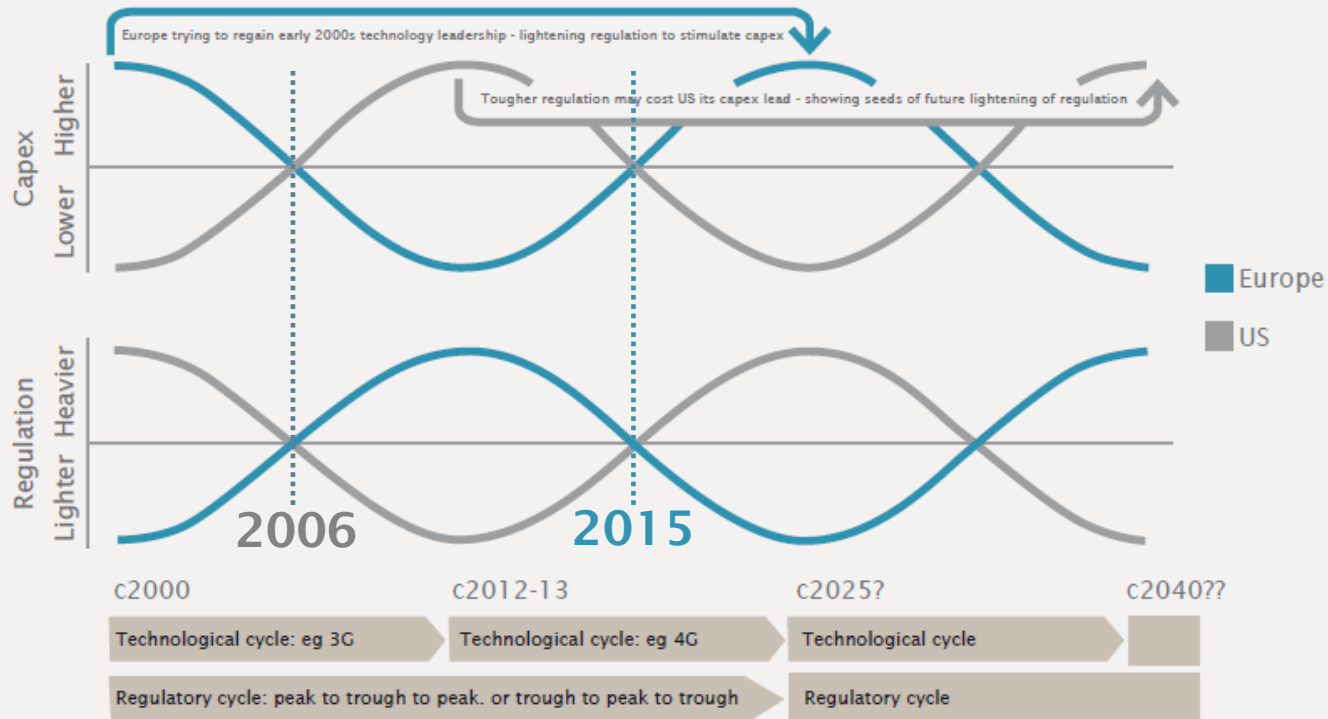
« BUT THE AMERICAN OPERATORS ARE THE ONES DRIVING THIS GROWTH, DOUBLING ITS CAPITALIZATION, WHILE THEIR EUROPEAN PEERS HAVE DESTROYED VALUE »

Source: Altran Business Consulting (2015); Worldscope (2015)



Telecommunication Operators

Wavelength of regulatory cycle seems twice that of technological cycle: regions acquire technological leadership, toughen regulation, which discourages capex, costing them technological leadership - and then lighten regulation to regain technological leadership.

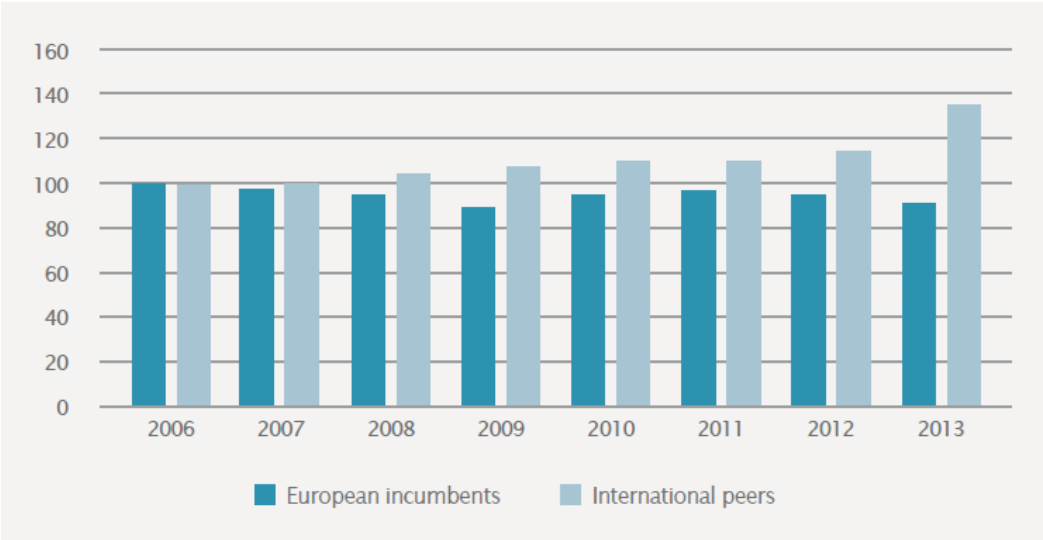


Source: HSBC

Telecommunication Operators



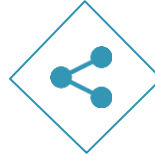
RELATIVE EUROPEAN INCUMBENTS VS INTERNATIONAL PEERS CAPEX



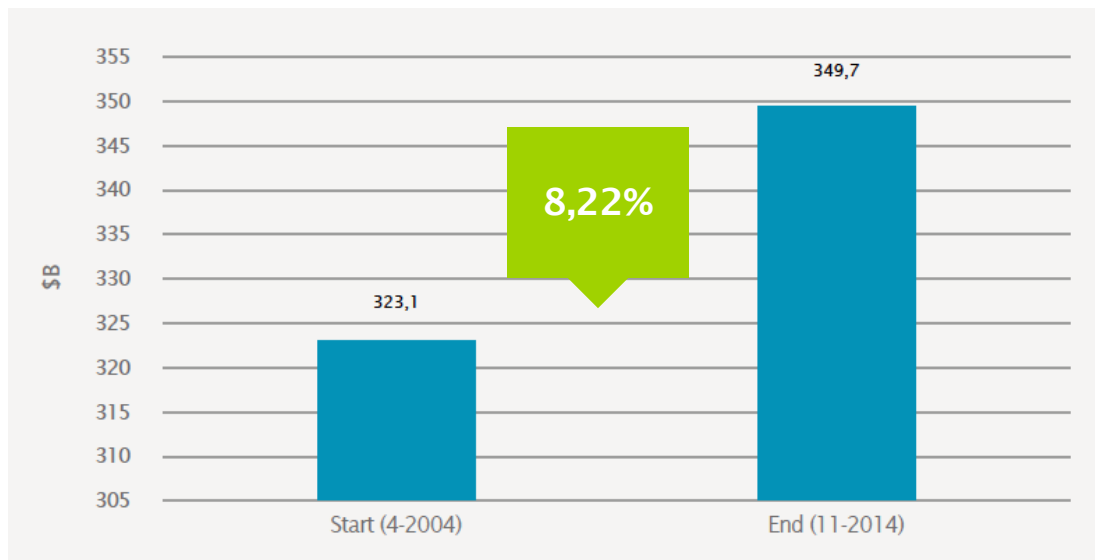
« DUE TO THE EUROPEAN COMPETITIVE ENVIRONMENT, THE INVESTMENTS DONE BY THE EUROPEAN OPERATORS SHOW A NEGATIVE TREND, COMPLETE DIFFERENT THAN THE ONE SHOWN BY THEIR OTHER GLOBAL PEERS »

Source: Altran Business Consulting (2015); Worldscope (2015)

Telecommunication Vendors



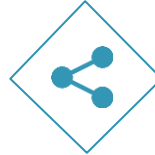
TELECOM VENDORS SEGMENT VALUE AT BEGINNING AND END



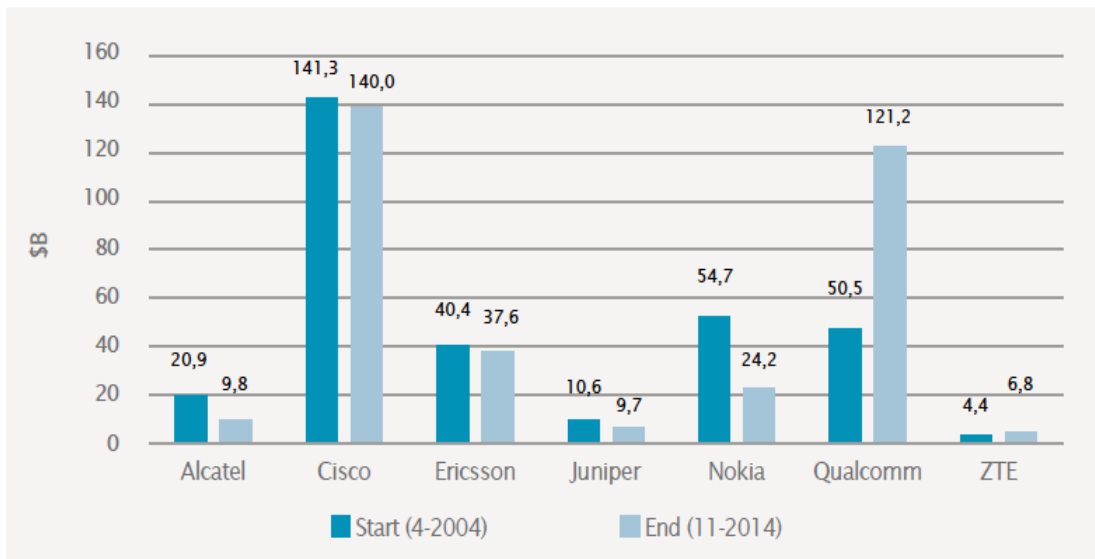
« THE VALUE OF THE TELECOMMUNICATION VENDORS SEGMENT WAS NOT ABLE TO GROW MORE THAN 8% »

Source: Altran Business Consulting (2015); Worldscope (2015)

Telecommunication Vendors



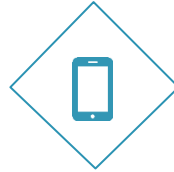
TELECOM VENDORS MARKET CAP EVOLUTION



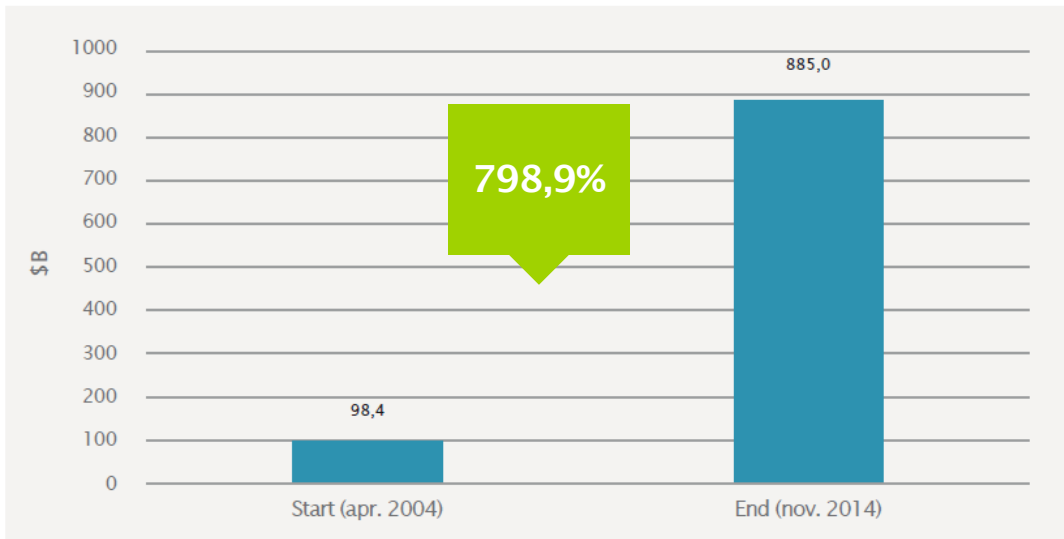
« LED BY THE SILICON COMMUNICATION VENDORS AND THE ASIAN ONES, ALL THE OTHER VENDORS (BOTH AMERICAN AND EUROPEAN) SHOW A NEGATIVE TREND IN THEIR MARKET CAP VALUE »

Source: Altran Business Consulting (2015); Worldscope (2015)

Terminal Vendors



TERMINAL VENDORS SEGMENT VALUE GROWTH

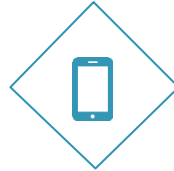


IT IS REMARKABLE HOW THIS SEGMENT SHOWS A CLEAR LEADERSHIP IN GROWTH RATE DURING THE LAST TEN YEARS

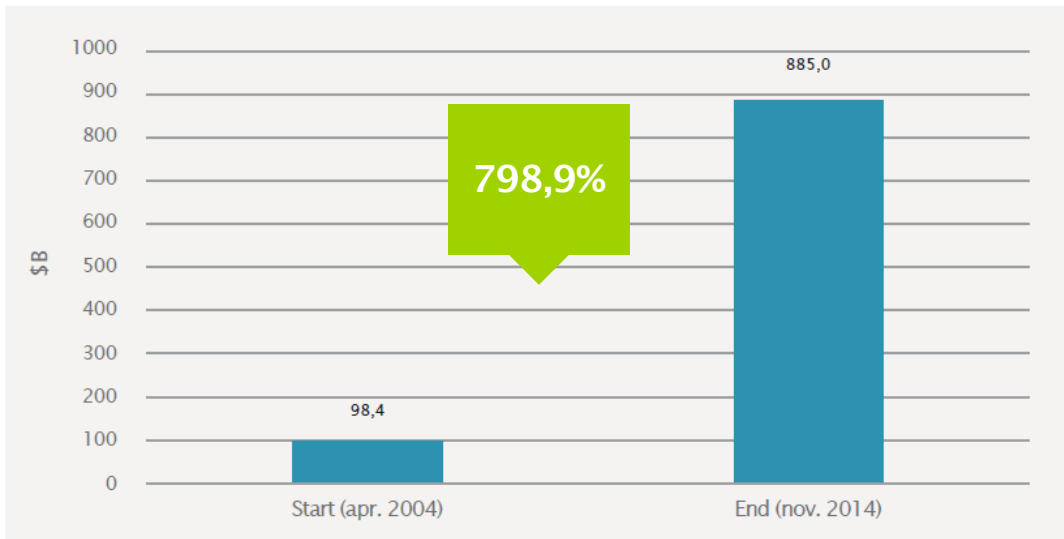
« NONE OF THESE COMPANIES ARE EUROPEAN »

source: Altran Business Consulting (2015); Worldscope (2015)

Terminal Vendors



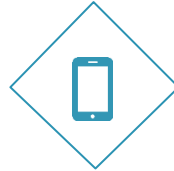
TERMINAL VENDORS SEGMENT VALUE GROWTH



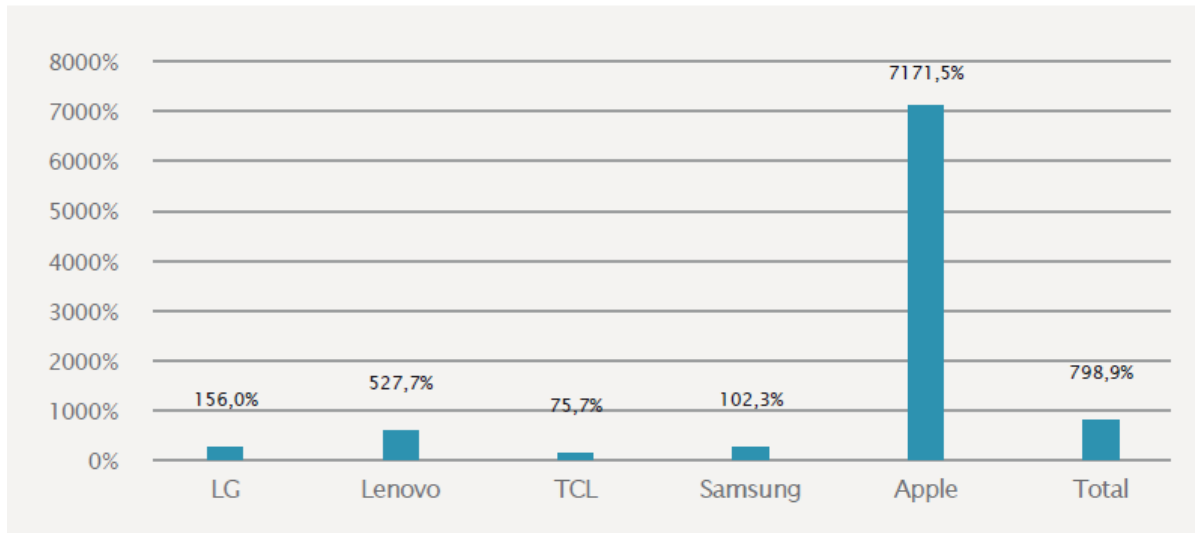
« THIS GROWTH HAS BEEN SPECIALLY HIGH DURING THE LAST FOUR YEARS DUE TO THE SMARTPHONES AND TABLETS ADOPTION PROCESS IN THE MARKET »

Source: Altran Business Consulting (2015); Worldscope (2015)

Terminal Vendors



TERMINAL VENDORS VALUE GROWTH OVER THE PERIOD



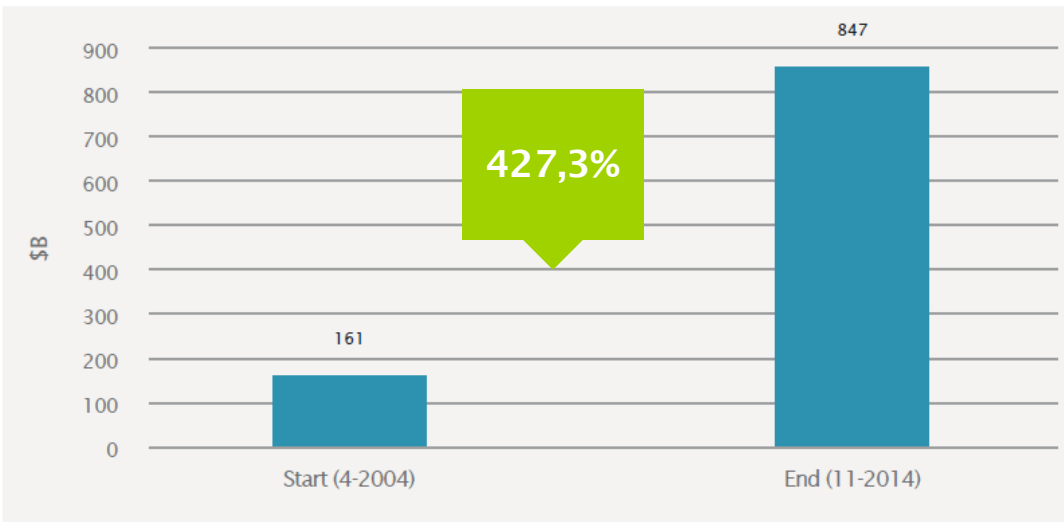
« ALL THE ACTORS IN THIS SEGMENT HAVE GENERATED VALUE DURING THE LAST ELEVEN YEARS, BUT APPLE CLEARLY LEADS THE GROWTH »

Source: Altran Business Consulting (2015); Worldscope (2015)

Internet Companies (OTTs)



INITIAL AND FINAL VALUES FOR THE INTERNET COMPANIES SAMPLE



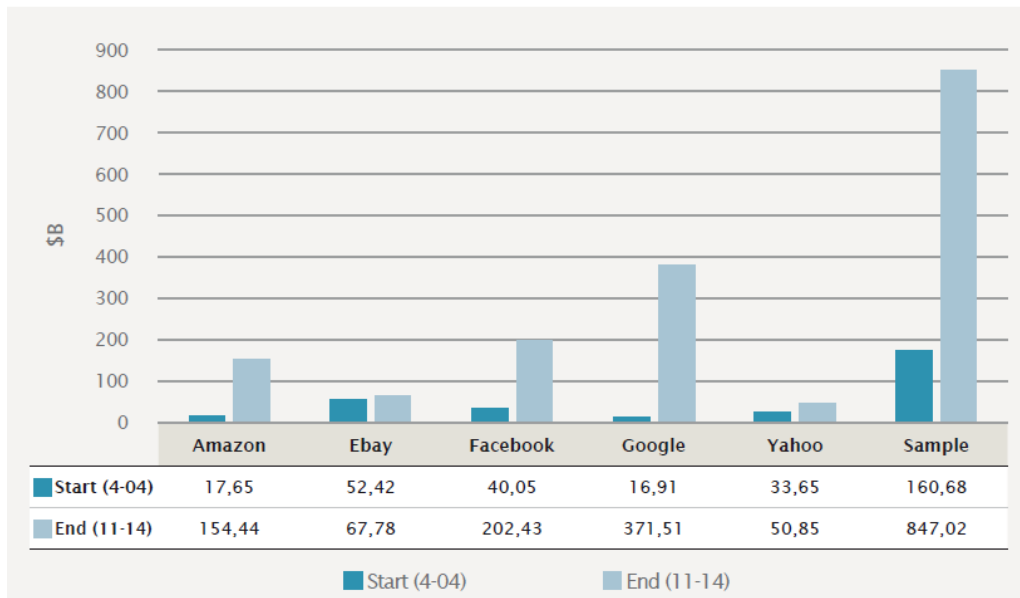
« THE INTERNET COMPANIES SEGMENT SHOWS AN IMPORTANT GROWTH, THE SECOND BIGGEST OF ALL THE SEGMENTS CONSIDERED IN OUR ANALYSIS »

Source: Altran Business Consulting (2015); Worldscope (2015)

Internet Companies (OTTs)



INTERNET COMPANIES MARKET CAP EVOLUTION



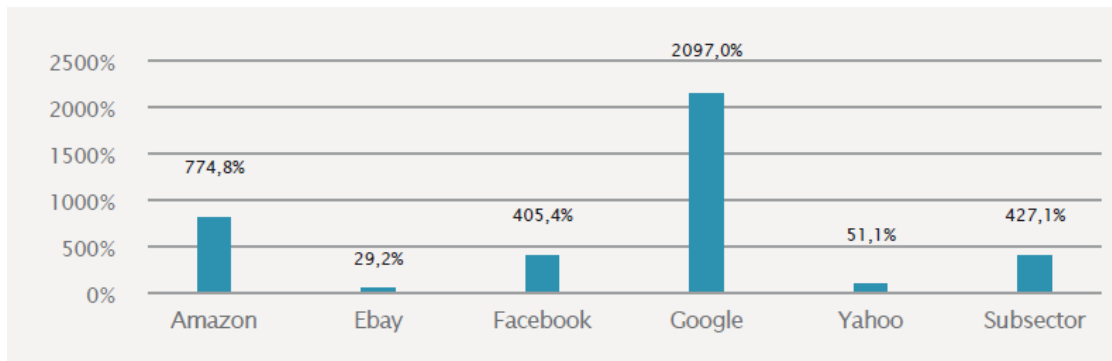
« THIS SEGMENT IS CLEARLY DOMINATED BY NORTH AMERICAN COMPANIES, LED BY GOOGLE, WHICH HAS 44% OF THE AGGREGATED VALUE OF ALL THE ACTORS ANALIZED »

Source: Altran Business Consulting (2015); Worldscope (2015)

Internet Companies (OTTs)



INTERNET COMPANIES VALUE GROWTH OVER THE PERIOD



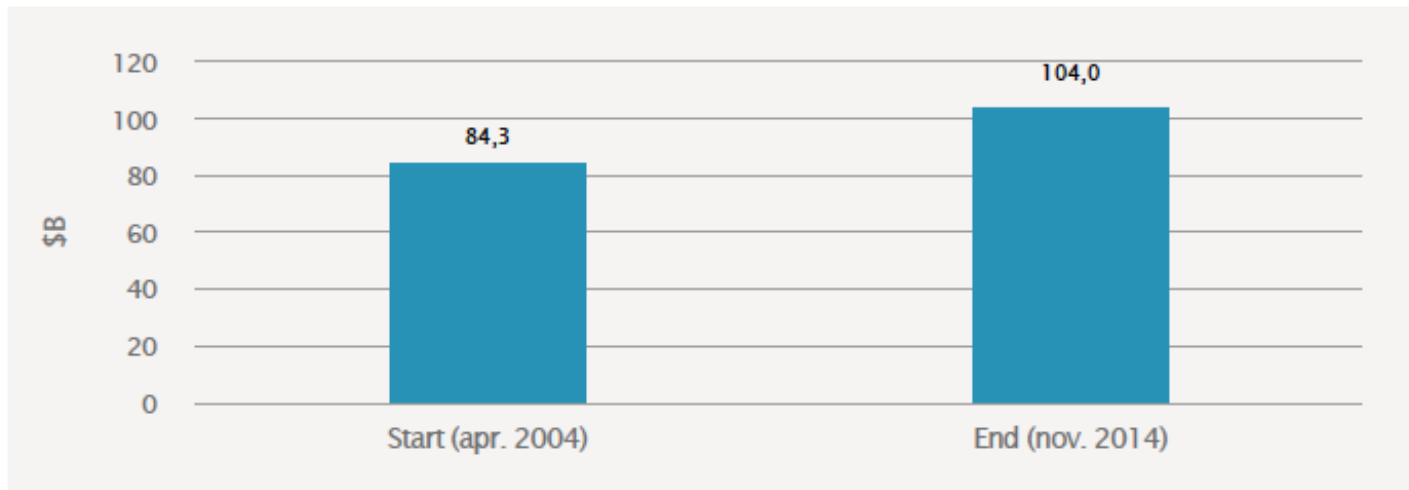
« GOOGLE'S VALUE IS VERY LINKED TO THE WIDE PORTFOLIO OF ACTIVITIES IN THE DIGITAL ECONOMY AS SMARTPHONES, WEARABLES, MOBILE PAYMENTS AND, RECENTLY, TELECOMMUNICATION SERVICES »

Source: Altran Business Consulting (2015); Worldscope (2015)

Media Companies



MEDIA COMPANIES MARKET CAP SPLIT

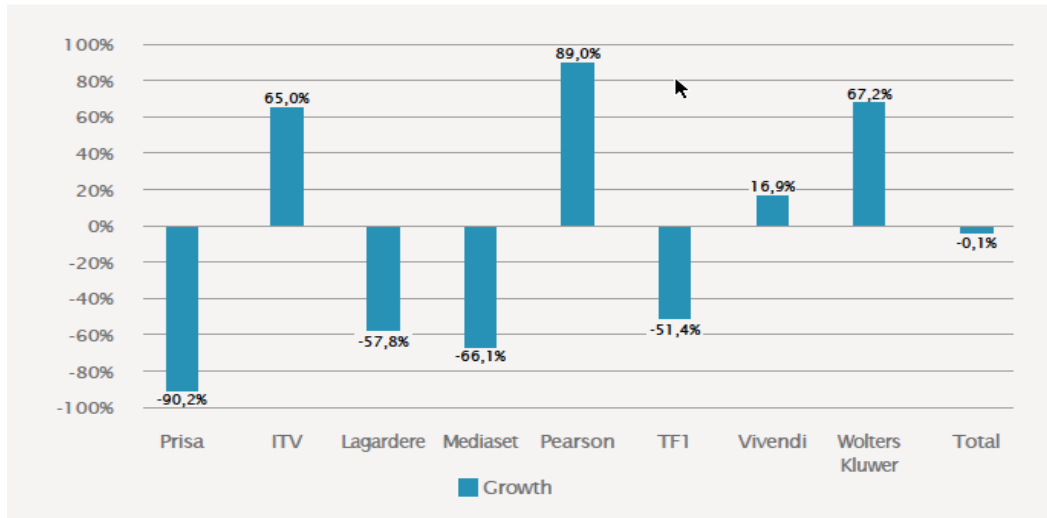


Source: Altran Business Consulting (2015); Worldscope (2015)

Media Companies



EUROPEAN MEDIA COMPANIES GROWTH OVER THE PERIOD



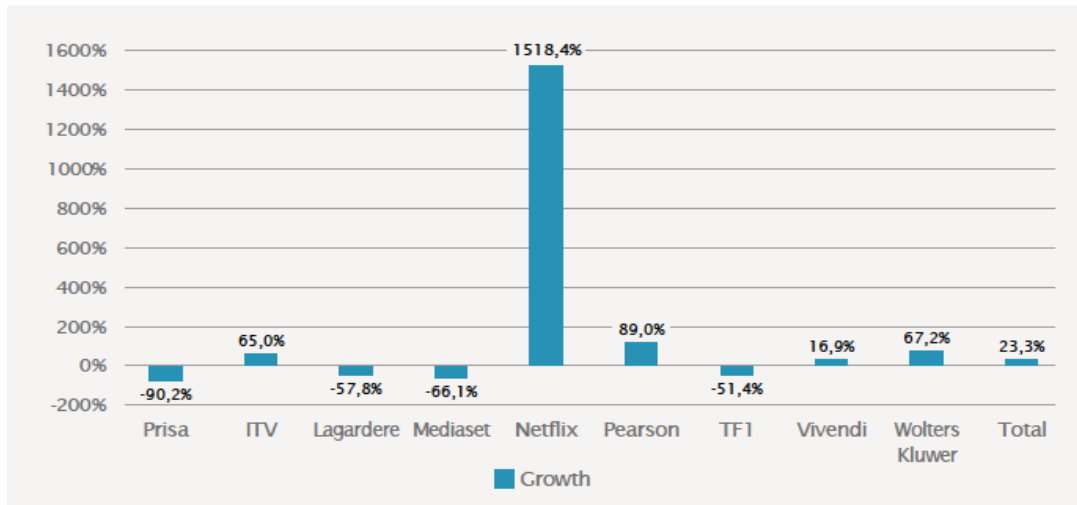
« THE SUM OF THE EUROPEAN COMPANIES IN THE SAMPLE HAS LOST VALUE IN TEN YEARS, BUT SHOWING A COMPLETELY DIFFERENT EVOLUTION FROM ONE TO THE OTHER »

Source: Altran Business Consulting (2015); Worldscope (2015)

Media Companies



MEDIA COMPANIES VALUE GROWTH OVER THE PERIOD



« THE GROWTH SHOWN BY NETFLIX COMPARED WITH THE REST IS IMPRESIVE, MAINLY BECAUSE ITS INTERNET BASED DIGITAL BUSINESS MODEL »

Source: Altran Business Consulting (2015); Worldscope (2015)

What are the future Opportunities and Challenges?

INNOVATION MAKERS

