Private Equity comes to the rescue of Europe's cable industry

London 25th June 2007: The latest report from media analysts Screen Digest finds that the European cable industry is in rude health, thanks mainly to a massive injection of private equity investment over the past five years.

The European Broadband Cable 2007 report tracks 120 cable operators in 22 European markets and in it Screen Digest analysis shows that since 2002, private equity groups have made investments worth £11.5bn (€16bn) in the European cable industry.

Private equity has been actively investing in the cable industry for the last five years. Following the tech stock crash of 2002, investors shied away from the cable industry leaving companies without the financial support they needed to compete in an increasingly competitive market place.

Guy Bisson, head of Screen Digest's TV analyst team states: "Private equity investors moved in to the European cable industry at a time when other investors were running scared. With five years of their investment behind us and the much-needed industry consolidation that private equity investors led now complete in several markets, the cable industry has witnessed a huge turnaround in fortunes. The rate of digital TV and other new service roll-outs has increased rapidly and value of cable companies has increased as much as four fold."

Private equity groups saw an opportunity to invest in cable at price points greatly reduced from those that were achieved just a few years earlier. They jumped in where other investors feared to tread.

In terms of number of transactions, private equity groups accounted for 80 per cent of all European cable deals in 2006. Companies particularly active in this

space have been Cinven, Carlyle Group, Providence Equity Partners and Warburg Pincus.

More importantly, by buying several operators in individual markets, private equity groups have led cable industry consolidation across the region, strengthening the competitive position of cable, levering economies of scale and providing cash for investment in infrastructure, content and new service roll-out.

From an industry that was floundering in 2002, new investment has led to a sea-change in the industry with competitive broadband, telephony and digital television offers providing greater choice for consumers.

The true impact of all this investment started to become clear in 2006 and looks set to be even more apparent in 2007. Growth across all service areas was stronger than ever in 2006 notably:

- the number of digital cable TV subscribers grew more than 45 per cent during the year
- The number of cable Internet subscribers increased 27 per cent in the year
- The number of cable telephony subscribers increased 21 per cent.

Other key facts:

- The European cable industry generated €17bn in revenue in 2006 and has almost doubled in value since 2000
- Telecoms services (Internet and telephony) now account for more than 40 per cent of European cable revenue, up from just 22 per cent in 2000
- 16 per cent of cable TV subscribers in Europe are now digital cable subscribers, up from less than three per cent in 2000
- 10 per cent of cable homes passed in Europe now take digital TV services and around the same proportion take telephony services. Internet has emerged as the clear growth driver with 13 per cent of homes passed taking cable Internet services

- In terms of gross TV subscribers, the cable industry in Europe is three times larger than the pay satellite industry.

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About this research
The analysis in this press release is taken from Screen Digest's latest report – European Broadband Cable 2007. The seventh edition of this best selling report is the only study of the European cable industry that is fully endorsed by Cable Europe (previously ECCA) and its members. The report contains a detailed analysis of 22 Western and Eastern European cable markets - for each country coverage includes homes passed, cable TV, telephony, Internet, unique cable homes, digital versus analogue as well as breakouts for cable TV, telephony and Internet revenues.

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