



Discovering New Perspectives



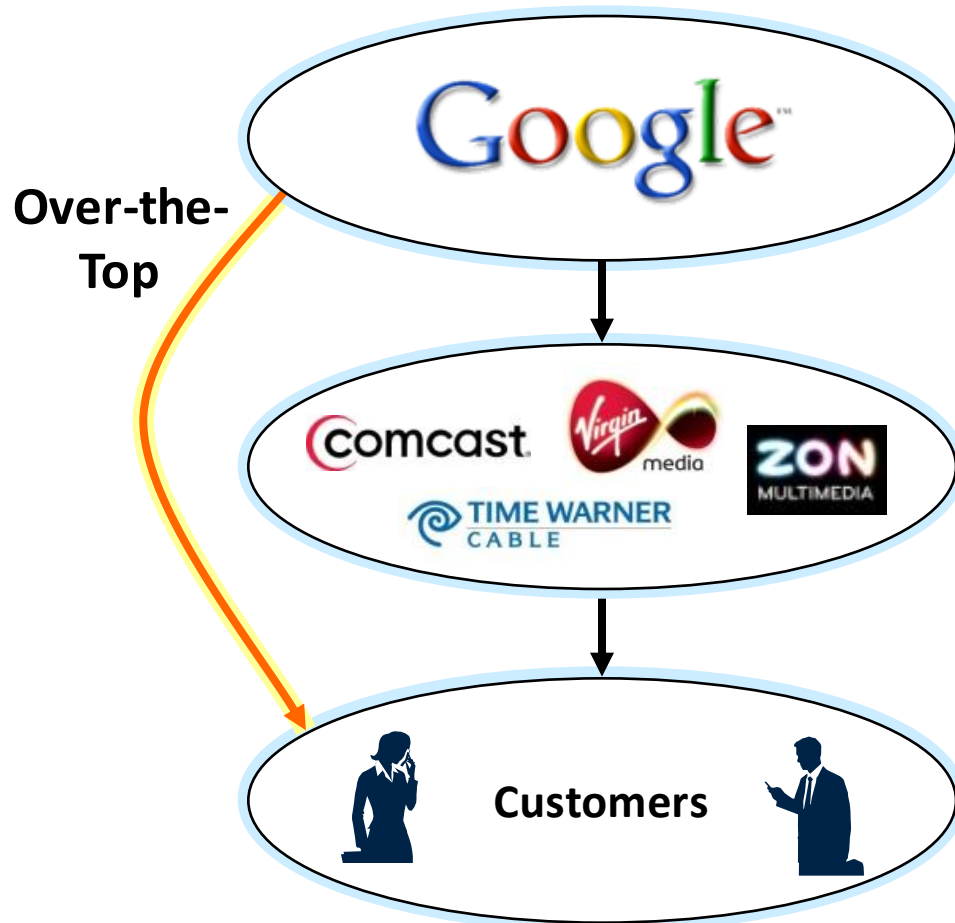
Google: Friend or Foe?

Opportunities and Threats for Cable MSOs



Conventional wisdom positions Google as a disruptive threat to cable MSO business models

Google Over-the-Top Threat



“Free is a better price than cheap ... It’s a different business model from what most of us are used to.”

- Eric Schmidt, CEO

“We are a company that is a disruptor.”

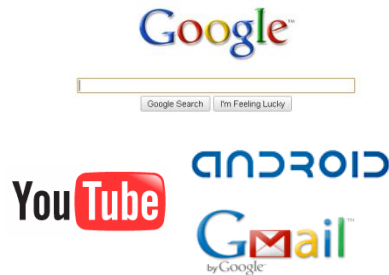
- Eric Schmidt, CEO



However, in reality, Google operates as both a friend and a foe, requiring a mix of competitive and cooperative strategies

Google: Friend or Foe?

Google Strategy & Overview



- What are core lines of business?
- What is its growth strategy?
- How does its “DNA” compare to cable?

Opportunities & Threats



- What Google initiatives encroach on cable MSO lines of business?
- Opportunities versus threats?

MSO Strategies

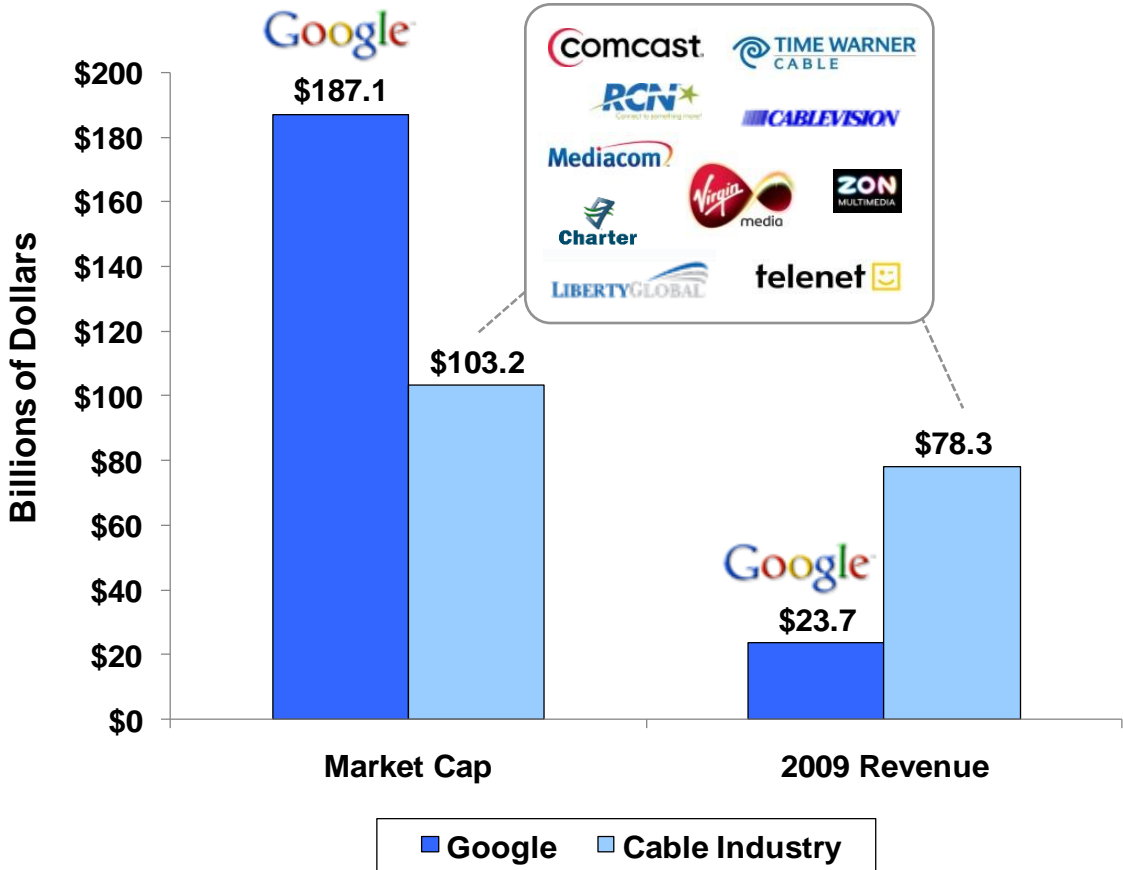


- How should MSOs handle Google?
- What are the range of strategies?
- What is the potential MSO impact?



Google is among the largest market caps in the world. It is well-resourced even relative to major cable operators

Market Cap & 2009 Revenue,
Google vs. US / European Cable Industry



- One of largest public companies in world
- Google’s market cap is higher than 10 large public MSOs in US and Europe combined
- Revenue story paints a different picture
- Deep cash resources on hand (currently \$24B)

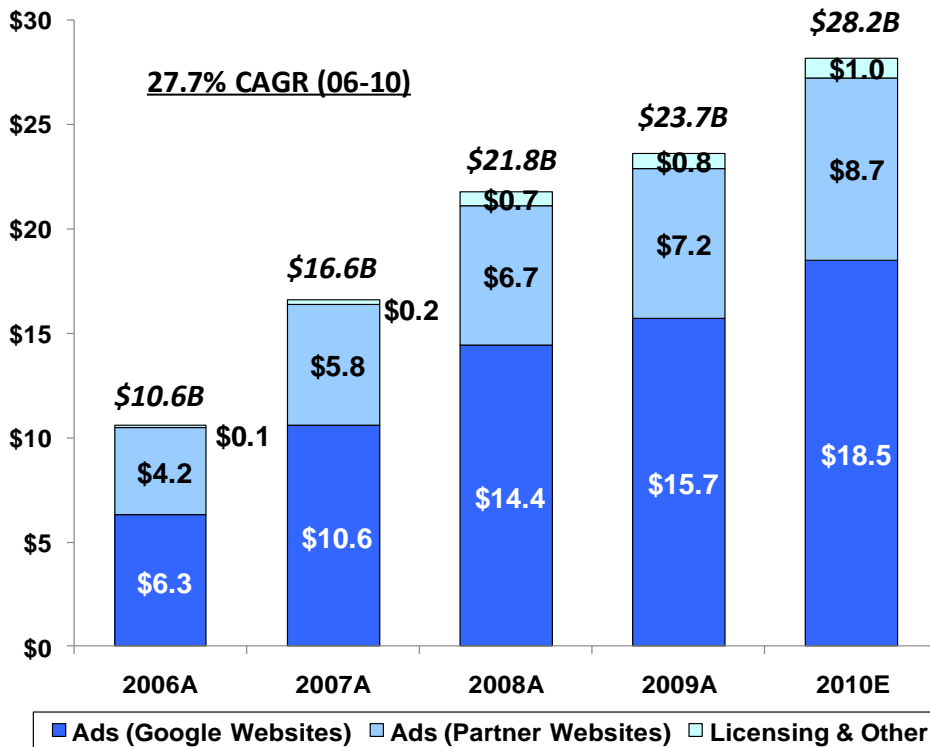
Note: Revenues for cable industry include communications and content service revenues (video, HSI, and voice) for the 10 US and European operators shown on chart
Source: Company filings, Yahoo! Finance, SNL Kagan, NCTA, Cable Europe, CSMG analysis
CSMG Confidential and Proprietary — © 2010 CSMG



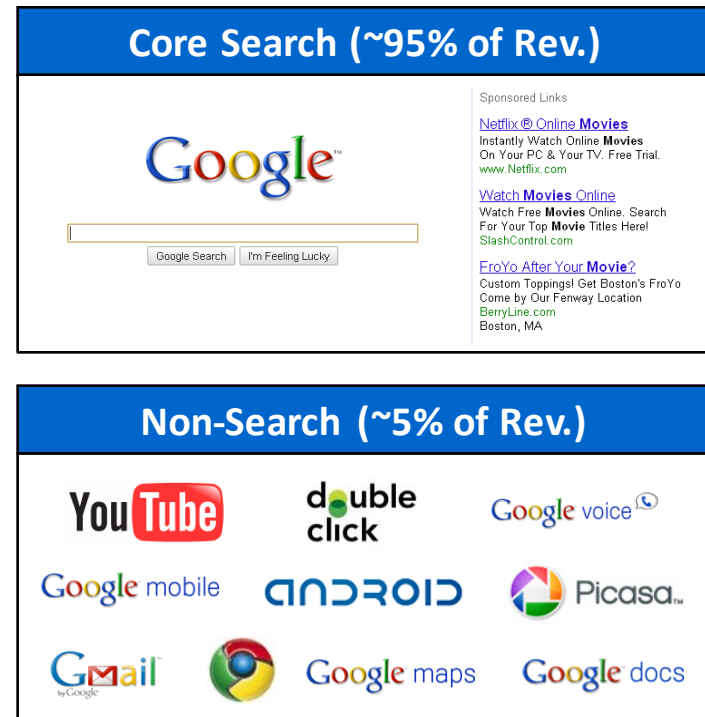
Google is still a search-based advertising company (95% of revenues) despite significant product expansion

Google Revenue Mix

Revenue by Source, 2006-2010



Revenue by Product Type, 2009





Google embraces free, ad-supported and open business models—in contrast to typical cable models

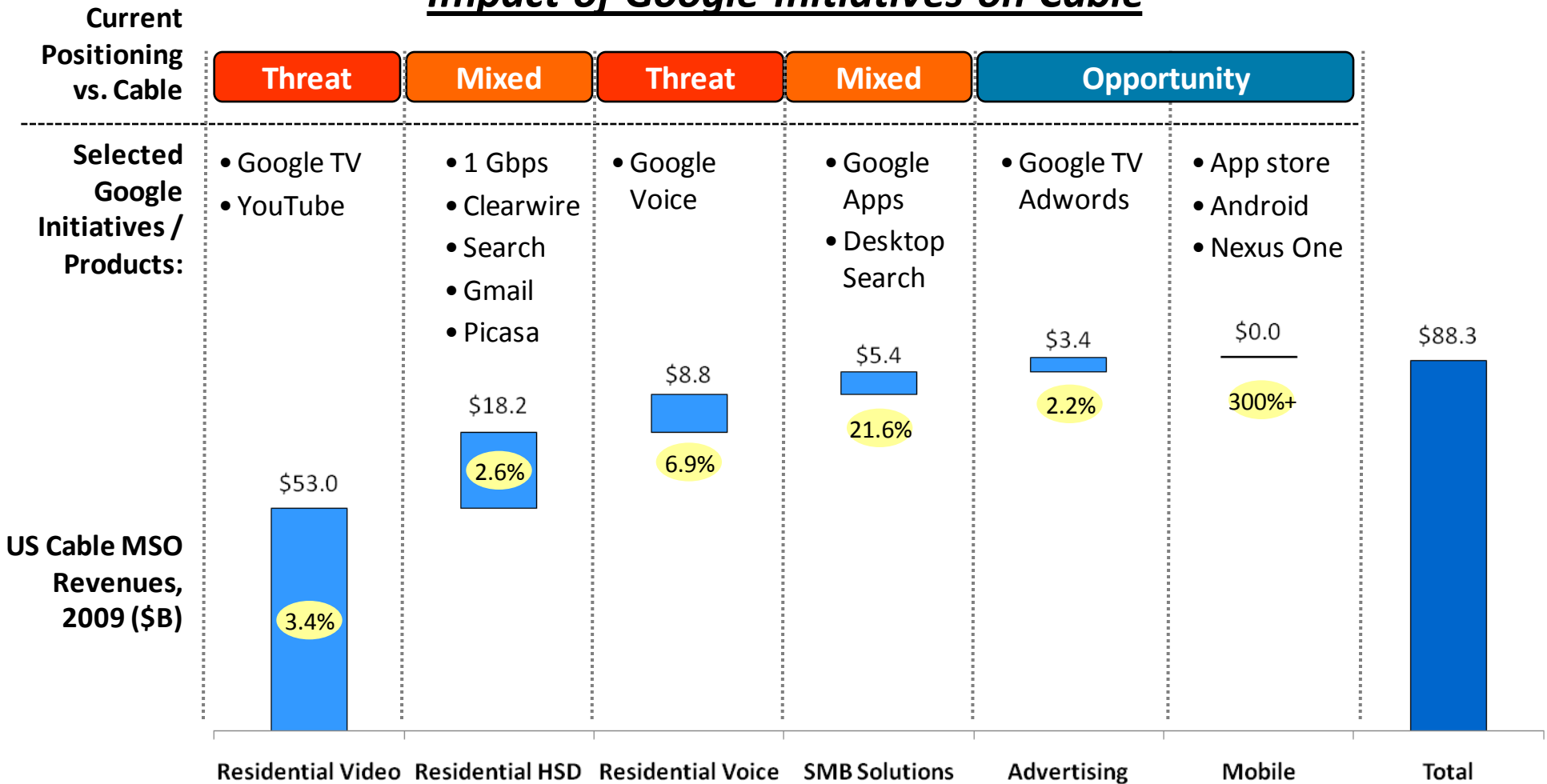
Google versus Cable MSO Business Models

	Google	Cable MSO
<i>Monetization</i>	Ad-Supported	Subscription
<i>Value Drivers</i>	Transactions / Exchange	Customers
<i>Typical Ecosystem Approach</i>	Open	Closed / Bilateral
<i>Network</i>	Core / Over-the-Top	Ownership



Google is increasingly encroaching upon cable MSO lines of business — creating a mix of opportunities and threats

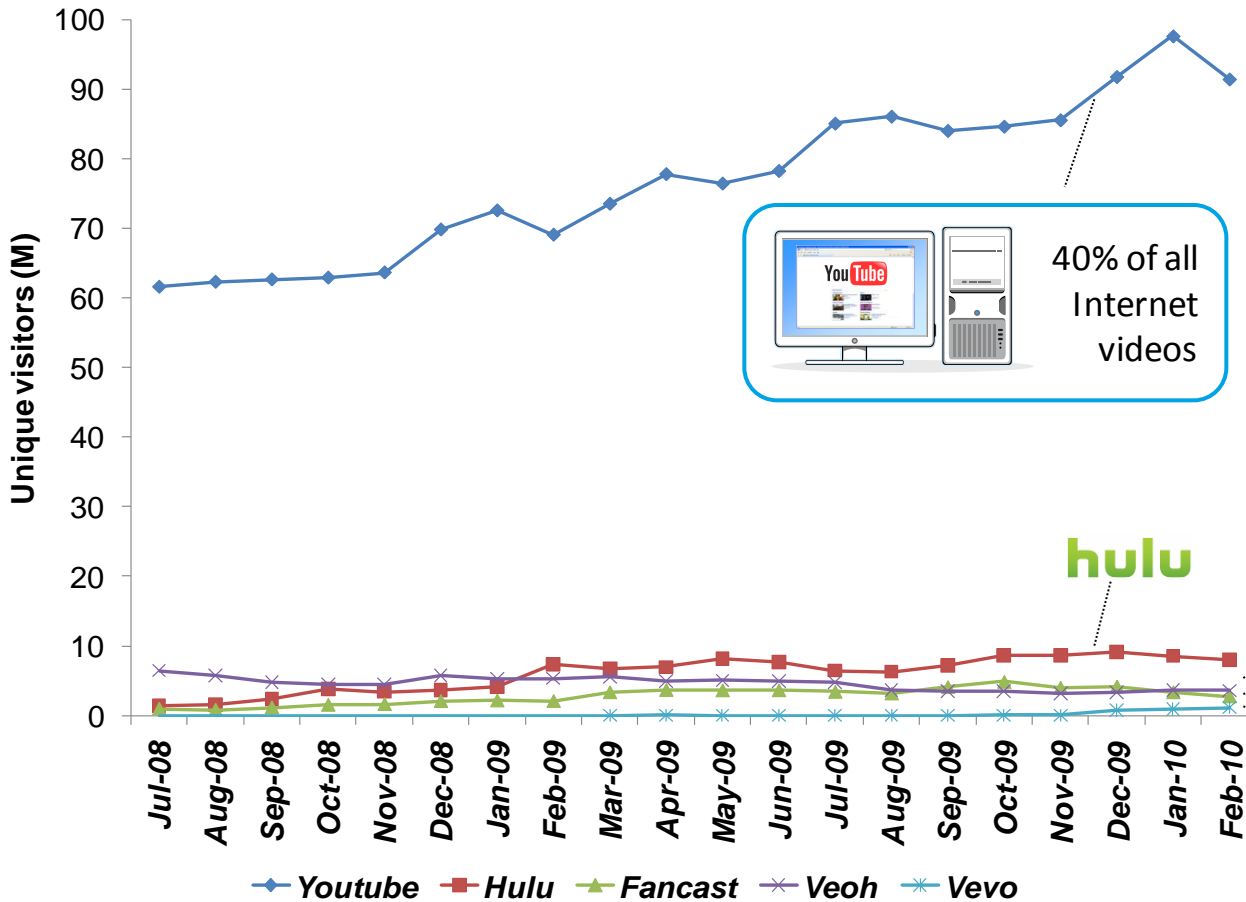
Impact of Google Initiatives on Cable





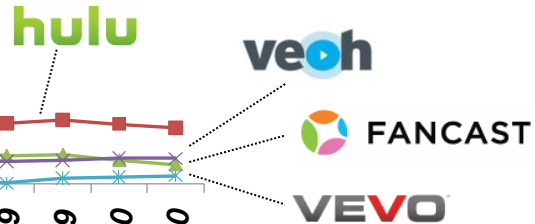
YouTube accounts for 40% of all Internet videos—but only puts limited pressure on cable MSO video businesses to date

YouTube Accounts for Bulk of Internet Video Usage



40% of all Internet videos

- 0.5% of broadband households cut-the-video cord and watch more than 5 hours of Internet Video
- 8% would consider cutting-the-video cord
- Potential opportunity

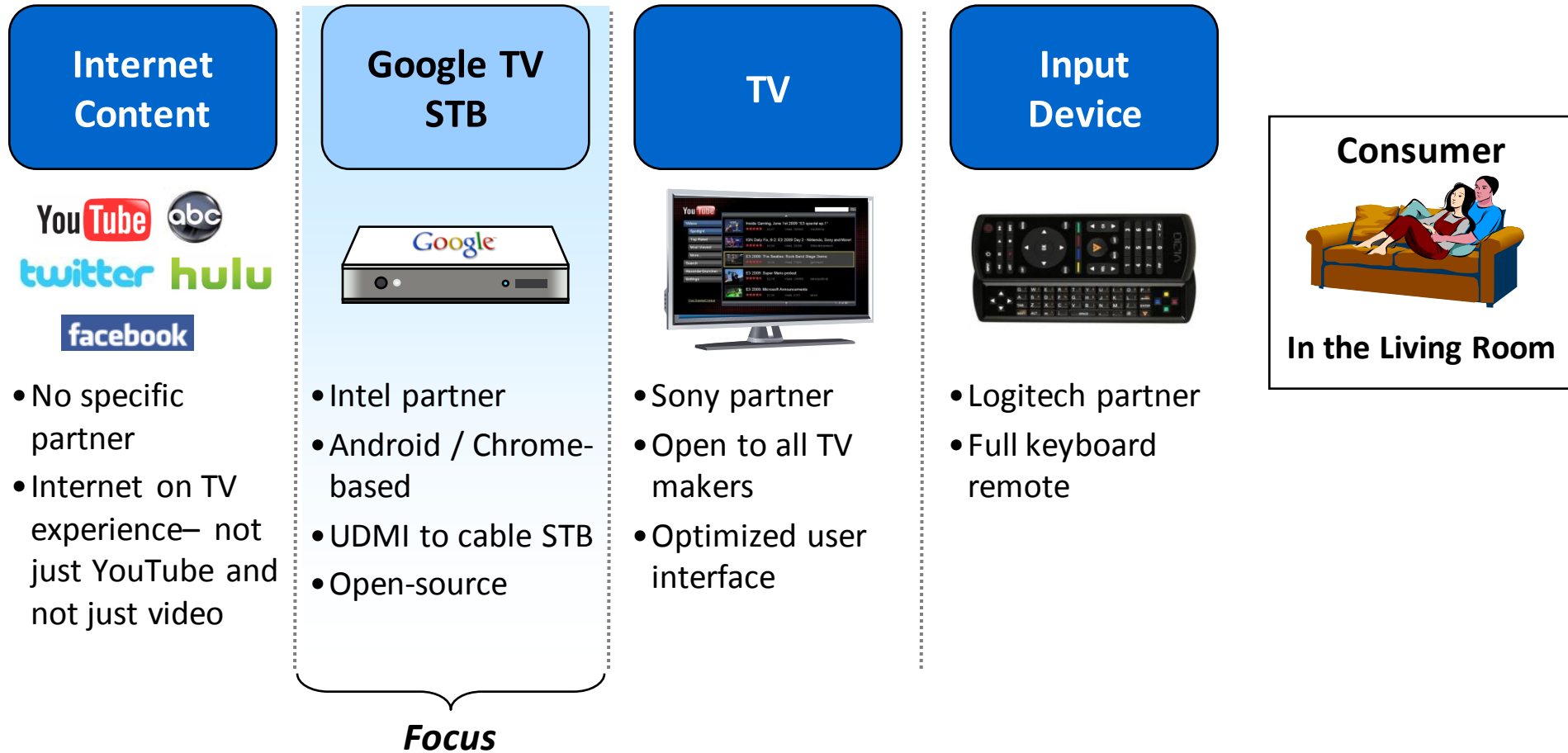


Note: based on all unique visitors to each respective site
 Source: Compete, ComScore, Parks Associates 2010, CSMG analysis
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However, Google TV represents a more significant challenge to cable MSO dominance of living room entertainment

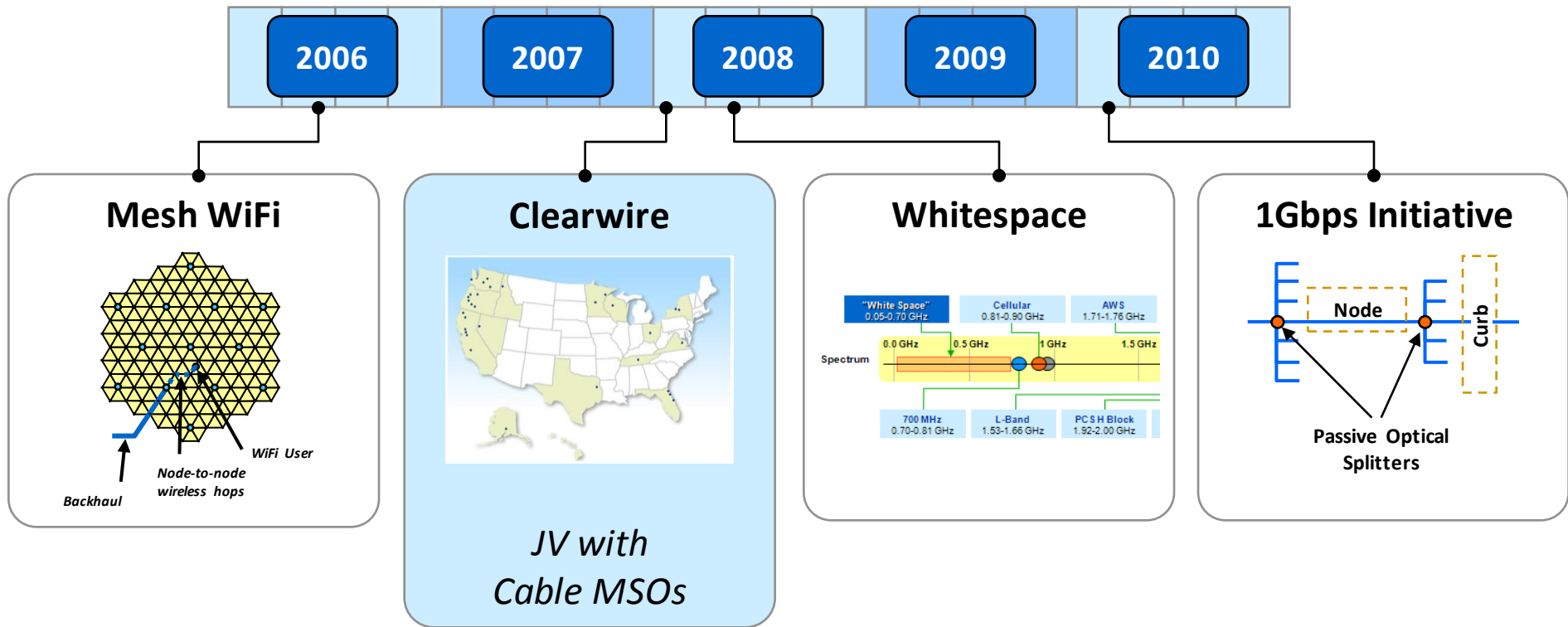
Google TV Strategy





Google has a history of supporting alternative broadband access methods—but to date has never seriously challenged cable

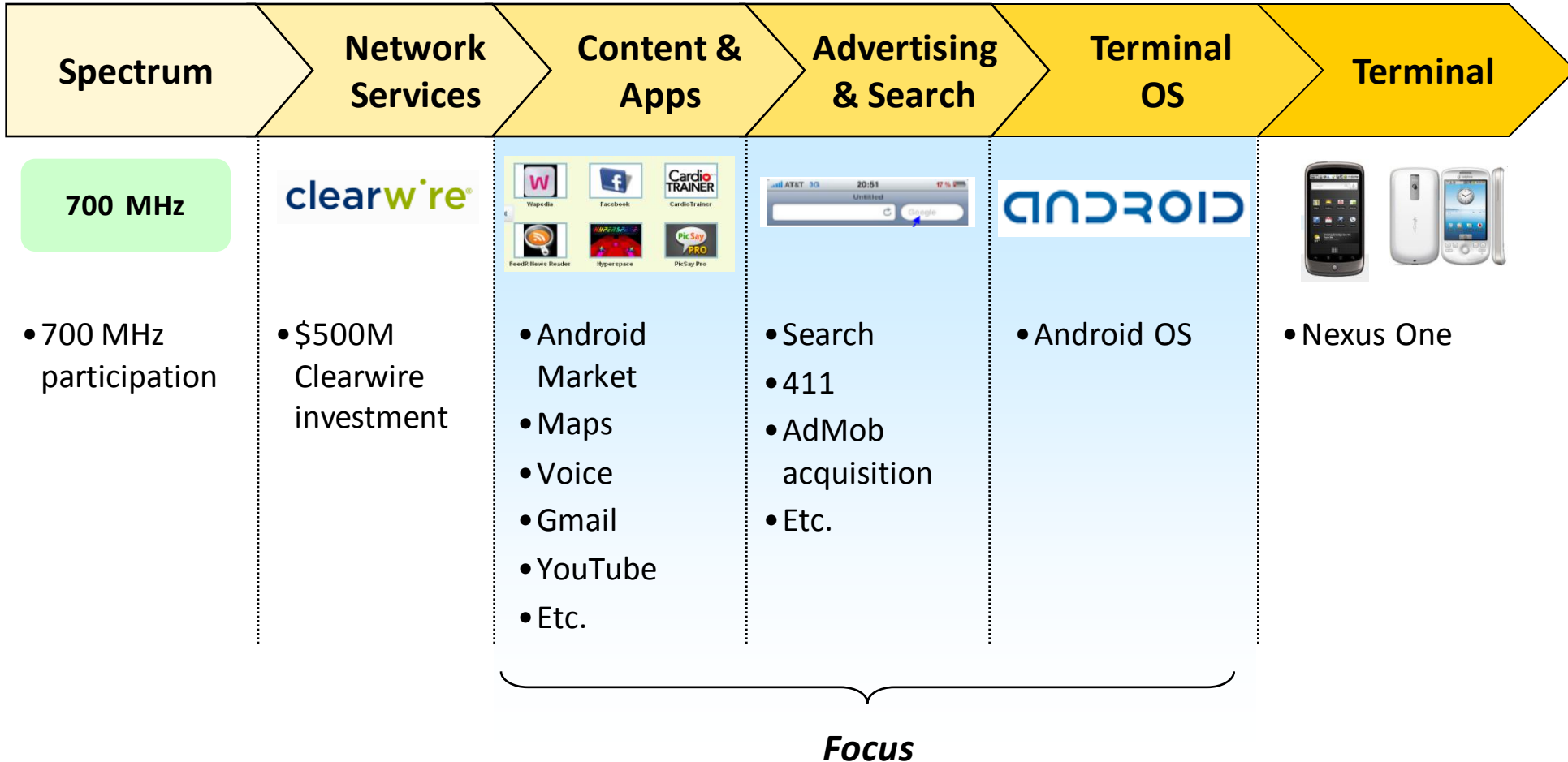
Google Broadband Access Initiatives





Google's open source strategies could be beneficial in markets where cable is not a dominant player (such as mobile)

Selected Google Mobile Products and Initiatives





MSOs have a strategic choice in how to play with Google

Cable MSO Strategic Choices

Compete

- Core cable products
- Can utilize partners vs. Google



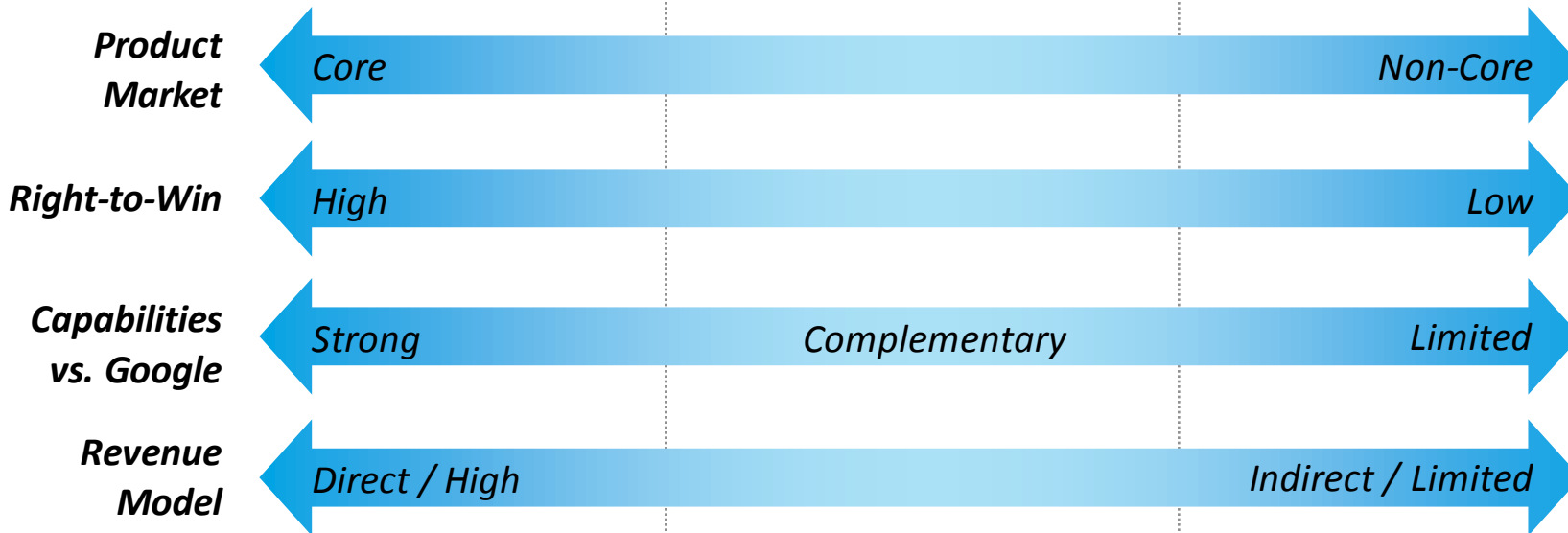
Collaborate

- New opportunities
- Mutual benefit
- Complementary assets



Outsource

- Outside cable core competencies
- Channel relationship





Cable MSOs must compete with Google in core products such as video by improving capabilities and finding partners

Compete: Video Example

<p>Tightly Integrated Cross-Platform Content</p>		<p><i>Expand interface across platforms</i></p>
<p>Content Discovery Tools</p>		<p><i>In-depth program information & content recommendation engine</i></p>
<p>Redesigned Graphical UI</p>		<p><i>Enhanced visual user interface</i></p>
<p>Robust Input Tools</p>		<p><i>Convenient input method for new content types</i></p>



Cable MSOs should assess partnerships with Google in potential areas of mutual interest such as next-generation TV advertising

Collaborate: Next-Gen TV Advertising Example

Potentially Complementary Capabilities + Mutual Opportunity



- Ad tracking platform
- Ad inventory exchange

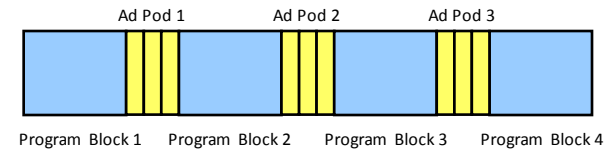


- Custom ad insertion
- Interactive advertising

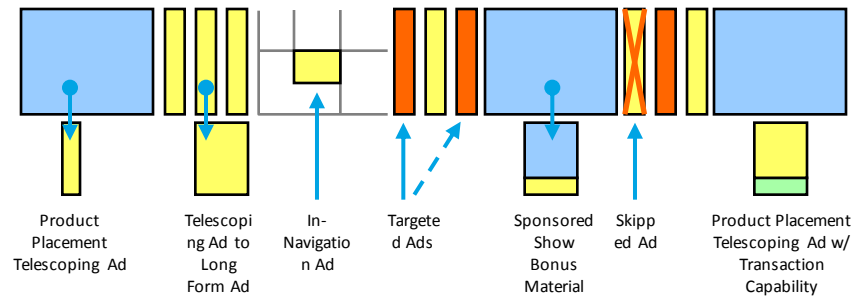


Interactive TV Advertising

Old Static Ad Avail Mappings



New Dynamic Ad Avail Mappings



Creates New Advertising Inventory



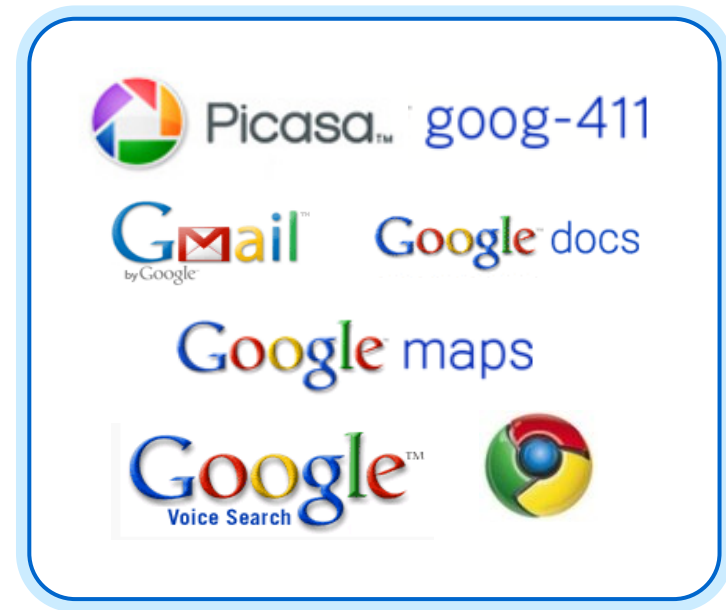
Cable MSOs should outsource non-critical areas to Google

Outsource: Internet Value Added Services Example

In-Portal Search Toolbar



Other Opportunities

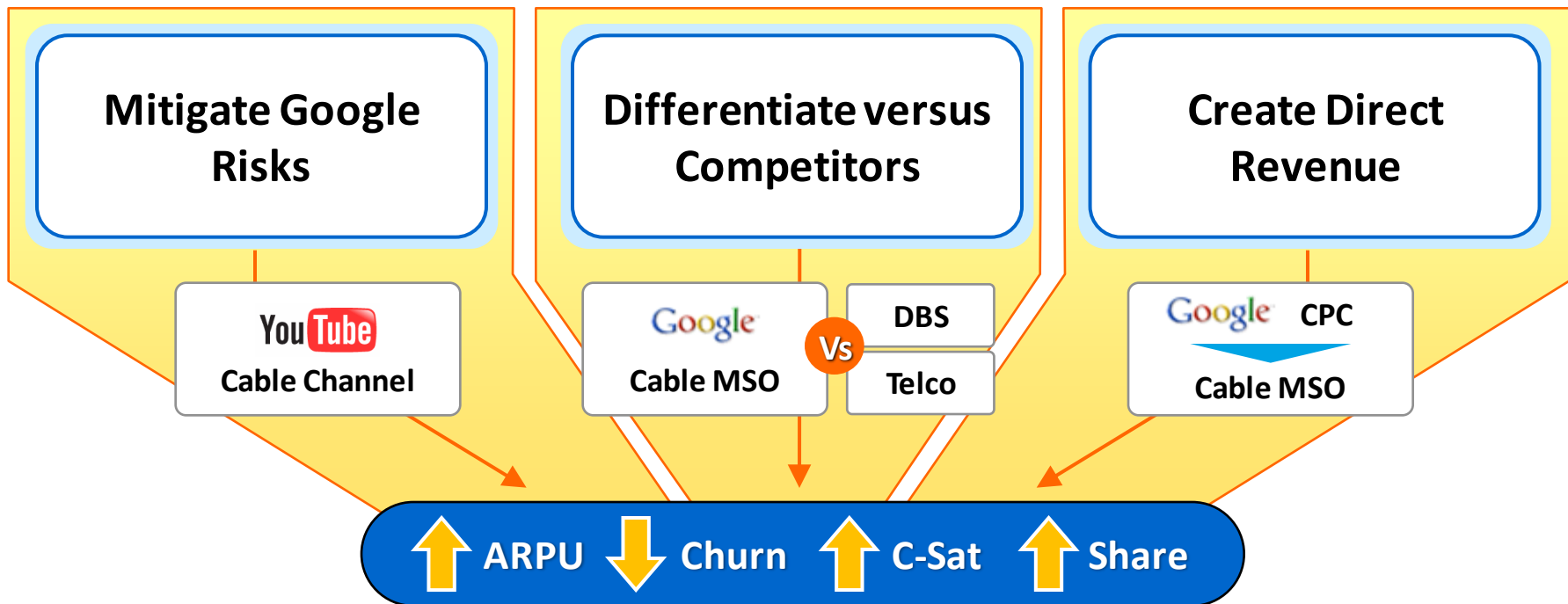


Cable acts as channel and earns revenue share on search advertising



Overall, a pragmatic and constructive approach to engaging Google will drive financial and strategic benefits

Benefits of Pragmatic Approach to Google: Impact for Cable MSOs





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