

**For Immediate Release
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Pay-TV Set Top Box on target for 40% growth

Global shipments of Pay-TV Set Top Boxes (STBs) are on track to grow by nearly 40% by 2012 according to a new Industry Update Report from Futuresource Consulting. This represents an increase of 38M units, with growth derived from new subscribers and consumers trading up to STBs with Personal Video Recording (PVR) functionality and High Definition (HD) capability.

“Pay-TV operators around the world continue to use STBs to drive digital services, increase ARPU and reduce subscriber churn,” says Carl Hibbert of Futuresource Consulting, “with innovations such as High Definition, PVR, VoD and Home Networking.”

This competitive ‘technology push’ from the Pay-TV industry and the continued importance of content security will maintain the stability of the STB industry for at least the next two to three years, despite the wider availability of TVs with open interfaces like CableCARD and CI+, and increasing trends towards CE product connectivity into Pay-TV networks.

“Consumer desire for higher spec and higher value products is providing the market with buoyancy,” continues Hibbert, “but as features such as HDD and MPEG-4 continue to move mainstream, competition will bring down prices and reduce future margins.

“The next five years will see further consolidation in the STB industry, with smaller vendors being absorbed or pushed out, especially as China’s major OEMs and brands increase their drive on export markets. And in a commoditising market, the long haul survivors will be the ones with solid account relationships, competitive economies of scale and/or unique competencies in software or end-to-end network solutions.”

Furthermore, the next five years will see a geographical shift in demand for STBs. Futuresource research shows that EMEA accounted for the largest

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proportion of demand in 2007, generated through rapid subscriber adoption across both cable and satellite, with Analogue Switch Off generating additional traction for DTT boxes.

By the latter part of the forecast period, Asia Pacific will become the dominant territory, accounting for nearly 50% of global demand. India and China will account for the majority of this, though both have witnessed slow uptake of multi-channel TV to date, due to price and technology limitations. As costs reduce, both countries will generate phenomenal growth.

The Americas will lose share of the overall market over the forecast period: North America is a mature Pay-TV market with limited growth potential, though multi-room boxes and HD/PVR functionality will continue to stimulate demand.

Other emerging markets, of which Latin America is the most noteworthy, are also seeing strong growth in Pay-TV uptake, with many STB vendors witnessing strong demand from the region. It will, however, remain small in comparison.

"Although subscriber saturation and CAPEX evaluations are raising some industry concerns for the future growth of set top boxes within the Pay-TV industry, we're confident they will continue to be a core part of the product and service roadmap for operators, presenting a gateway to the home for a growing range of services, and allowing operators a great degree of customer lock-in," concludes Hibbert.

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