VOD Trends in Europe

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Outline

1. EU27 VOD Market 2015-2020 – Significant growth but still a small part of audiovisual market

2. Focus on the EU27 Subscription VOD (SVOD) market

3. A look at the EU27 Transactional VOD (TVOD) market

4. Advertising-financed VOD/Broadcaster VOD the next opportunity?

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1. EU27 VOD Market 2015-2020

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Significant growth but still a small part of audiovisual market

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1.
EU27 VOD market
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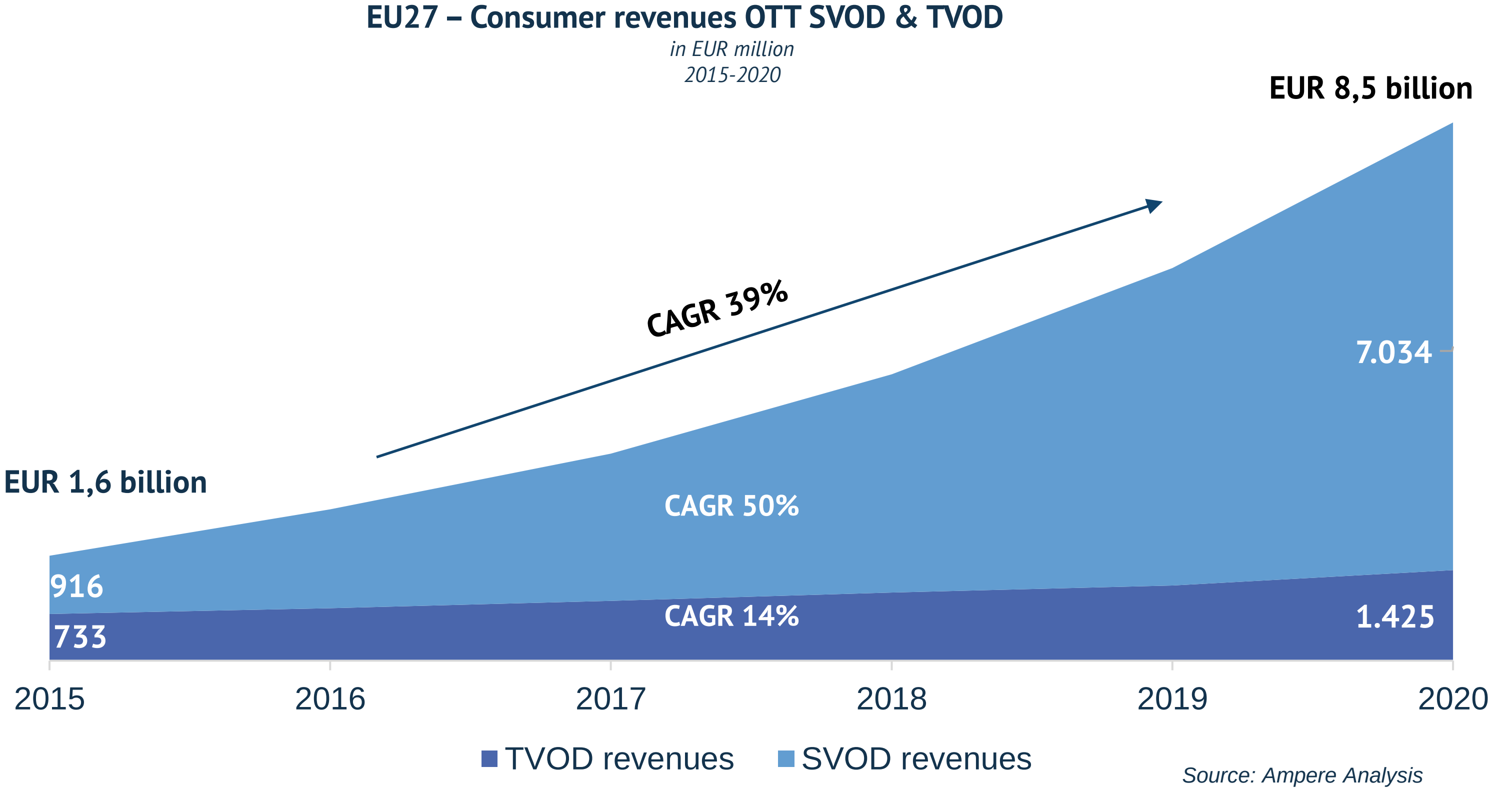
Main figures

EU27 VOD revenues - Rapid growth, SVOD main growth driver



Source: Ampere Analysis

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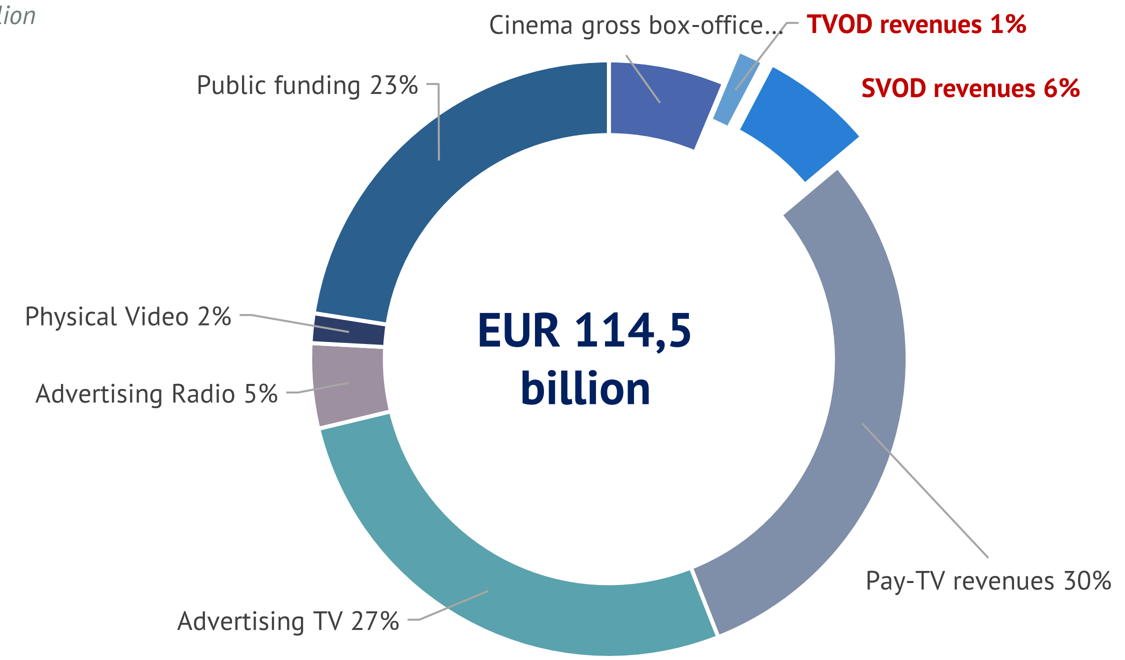
1. EU28 AV market in 2019 - VOD still small but main growth driver

In 2019, in EU28 pay VOD revenues accounted for 7% of the audiovisual market

- In 2019, **VOD only represented 7% of the 114,5 billion revenues** generated on the EU28 audiovisual market
- However, **TVOD and SVOD revenues were by far the fastest growing revenue segments in 2019**, a trend that should also be the case in 2020 in light of the difficulties of other segments, notably cinema box-office and TV advertising, during the Covid-19 crisis

EU28 Audiovisual market revenues by segment 2019
In EUR billion



Source: OBS, Ampere Analysis, Warc, EBU/MIS, company/public reports

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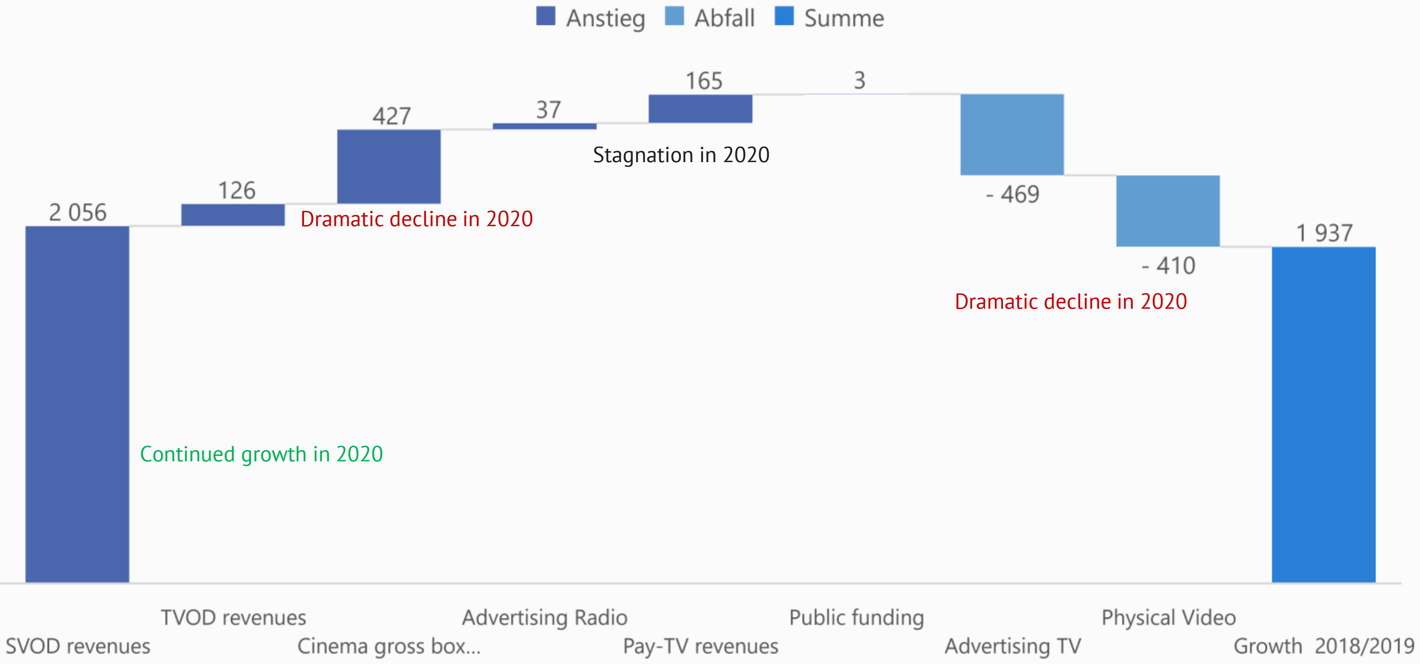
Without SVOD revenues, the EU audiovisual market would have decreased in 2019

- **With stagnant and declining market segments, VOD revenues compensate the fall of revenues** of other segments
- Furthermore, this reflects a **structural change on the audiovisual market**, present before 2020, accelerated by the economic crisis and an increased focus of media players on direct-to-consumer streaming services

EU28 Audiovisual market - Increase and Decrease in revenues 2018/2019 by market segment
In EUR million



Source: Ampere Analysis

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2. Focus on the EU27 Subscription VOD market – growth driver

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2.
EU27 VOD market
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SVOD as growth driver

Focus on SVOD – the “rising star” on the audiovisual market

- **SVOD** is the **main growth driver of the EU audiovisual sector,** accounting for the majority of growth while other AV segments stagnant or declining

- This trend is likely to continue, supported by:
  - Launches by established media players & new entrants of their own **direct-to-consumer** streaming services (pay TV, commercial TV, public TV, telecom and tech players) & New entrants on the EU market
  - **Rapid consumer adoption**, accelerated by stay-at-home orders, further places SVOD on a growth path
  - Shift of preferences to **access instead of ownership of content**

- **Structural changes**, underway before Covid-19, in the media sector to place **streaming at the core of business strategies** likely to accelerate:
  - Studios produce content for their own streaming services
  - Reorganisations: Disney, NBCUniversal, WarnerMedia, Discovery, ITV…

➔**Not a “winner-takes-all”** outcome but intense competition for subscribers
➔Coexistence of global services and local/niche services?

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EU SVOD and pay TV market
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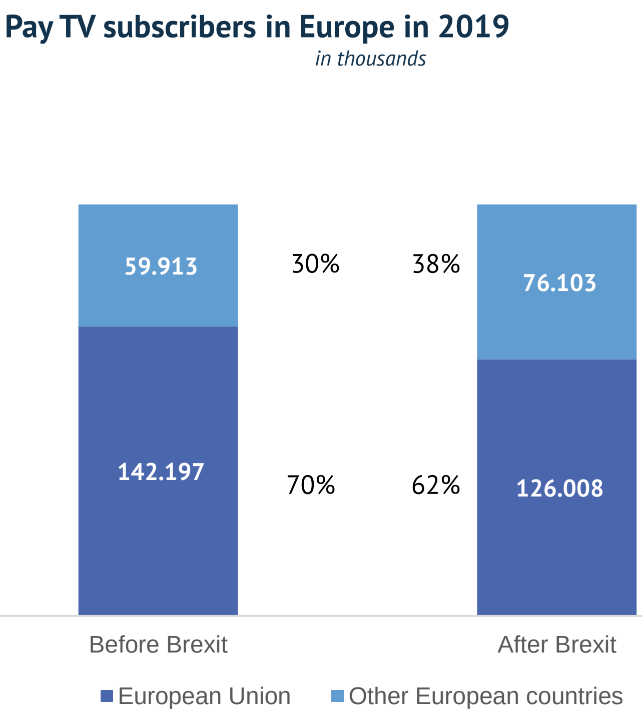
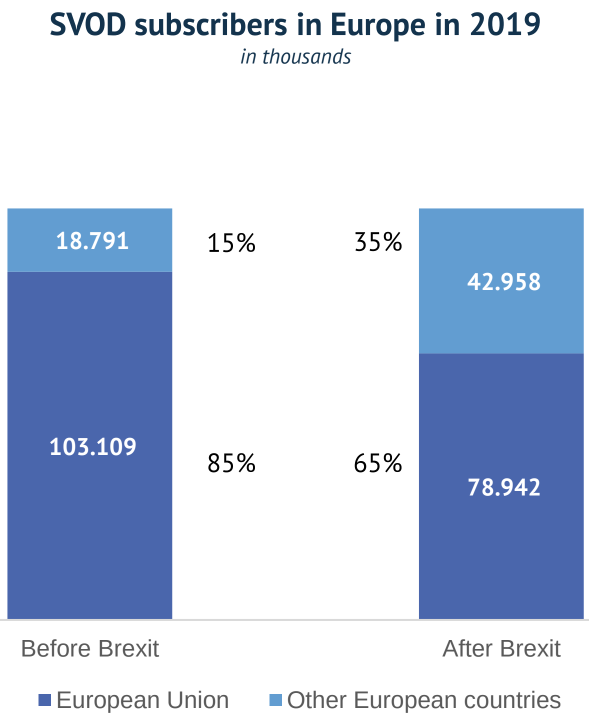
The impact of Brexit

Putting the EU pay TV and SVOD market into perspective – Before and after Brexit





Source: Ampere Analysis

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2.
EU27 SVOD market
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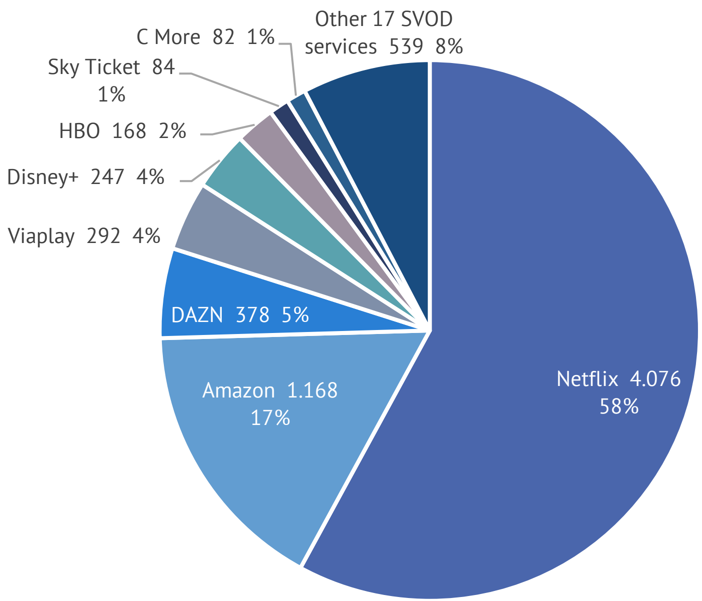
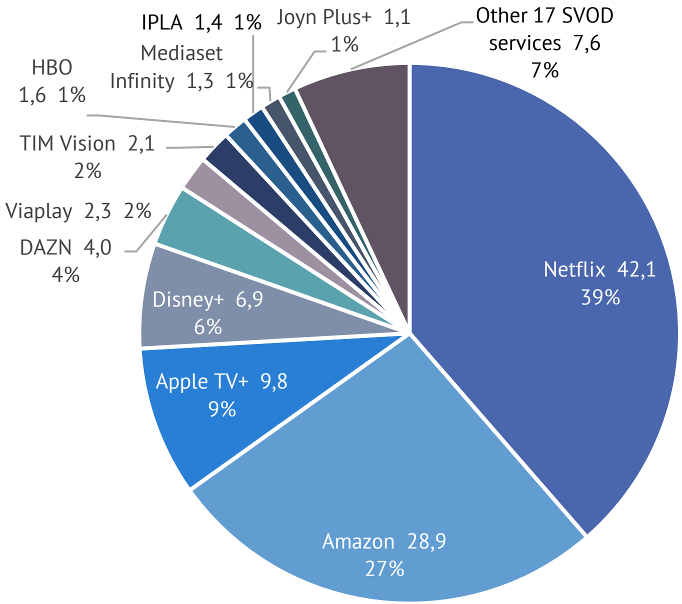
Main players

Scale as a necessity on the streaming market for generalist entertainment services?

EU27 – Consumer revenues OTT SVOD 2020
in EUR million



EU27 – Subscribers to OTT SVOD 2020 – 109 million
in million



Source: Ampere Analysis

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2.
EU27 SVOD market
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Impact on the entertainment sector

SVOD - a thriving business model but traditional game rules are changing due to direct-to-consumer approach

- **Scale**: Competition of mostly national EU players with international giants, operating in several world regions and with other core businesses
- **Financial power:** Still a loss leader for most players, how to finance SVOD investments and transition traditional business model?
- **Content:** Competition on content ➔huge investments for premium content and talent ➔ Major studios retain content for their own services
- **Skill set:** Requires technical know-how, data analysis skills
- **Consumers:** How many services will consumers subscribe to? Abundance of content and scarcity of attention while entertainment budget limited

➔**Opportunities for EU players:** Local content and knowledge, niche/special interest audiences, alliances and co-productions? SVOD+AVOD?
➔Room for growth, most EU27 markets not near maturation

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EU27 VOD market
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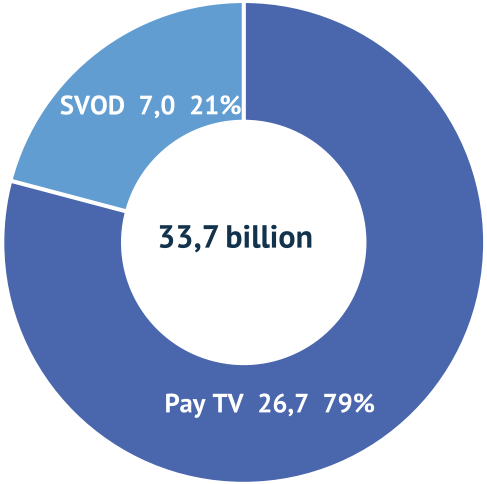
SVOD and pay TV

SVOD and pay TV: still only a small part of pay services in revenues but soon equal in subscriptions and HH penetration

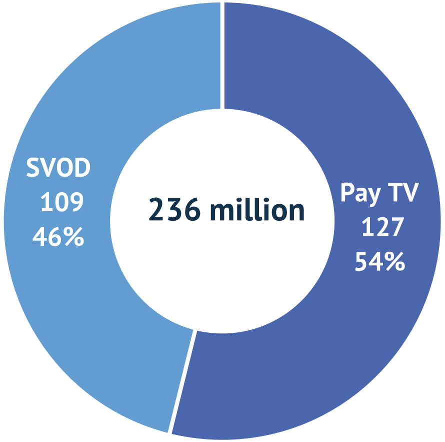
EU27 – Consumer revenues pay subscription services

2020 - in EUR million



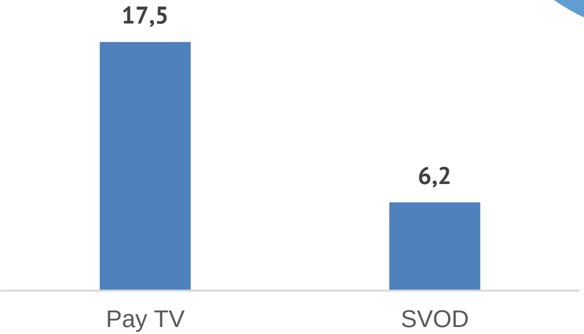
EU27 – Subscribers to pay subscription services

2020 - in million



ARPU pay TV and SVOD

2020 - in EUR/customer



Sport rights as a differentiator
+
Broadband access

'Frenemies'
=
Distribution of SVOD services by pay TV players
➔Aggregation

Source: Ampere Analysis

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3. A look at the EU27 Transactional VOD market

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3.
EU27 VOD market
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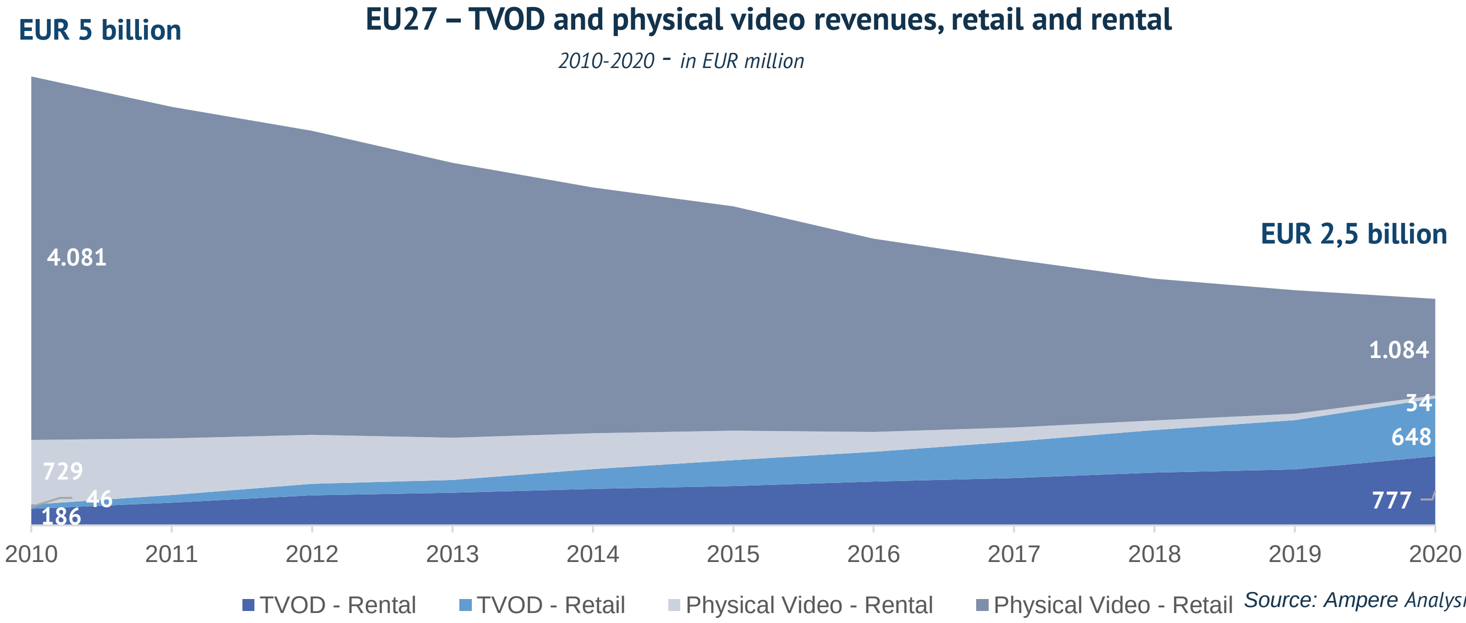
Transactional VOD

TVOD market does not compensate for the loss on the physical market

- Important **revenue source** for media players **halved in the past 10 years**
- TVOD used mostly for recent films, retail to overtake rental by 2022
- **Premium VOD** viable for studios & Impact on cinema exhibitors? Will be used primarily for low- to mid-level budget films not 'blockbusters'



Source: Ampere Analysis

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4. Advertising-financed VOD/Broadcaster VOD as a solution?

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4.
EU27 VOD market
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Rise of 'free' AVOD / BVOD services

Advertising-financed VOD/Broadcaster VOD, an opportunity in a crowded pay VOD market

- **AVOD/BVOD services attractive to viewers** in a crowded SVOD market and **to traditional broadcasters to monetise their content online**

- **Acquisitions of AVOD services** by traditional US media players (ViacomCBS/Pluto TV, Fox Corp/Tubi, NBC/Xumo & Vudu) and **international expansion** (Amazon's IMDb TV, Pluto TV, Chili AVOD, Roku Channel) into Europe

- **AVOD/BVOD revenues small part of online video advertising**, dominated by international tech giants, video-sharing platforms and social media players (Google's YouTube, Facebook, Snapchat, TikTok, Amazon…)

- **BVOD revenues still a fragment of TV advertising** revenues in Europe for broadcasters but set to play an important role in the near future

➔**Increased e-commerce** and **heavy hit TV advertising sector** could provide significant lift to BVOD/AVOD revenues **as advertisers shift budgets online in search of "eyeballs"**

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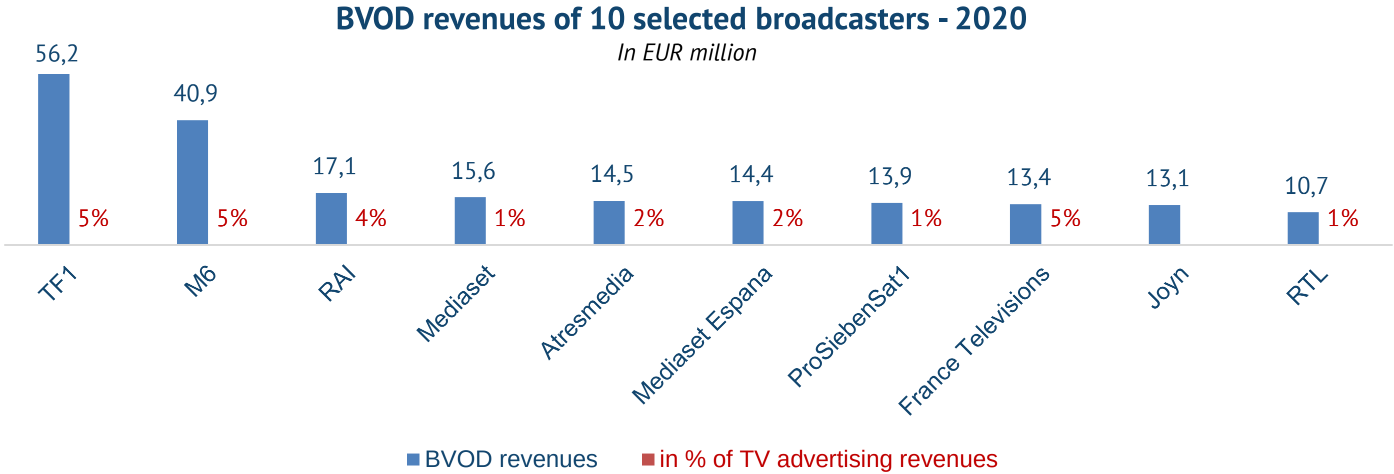
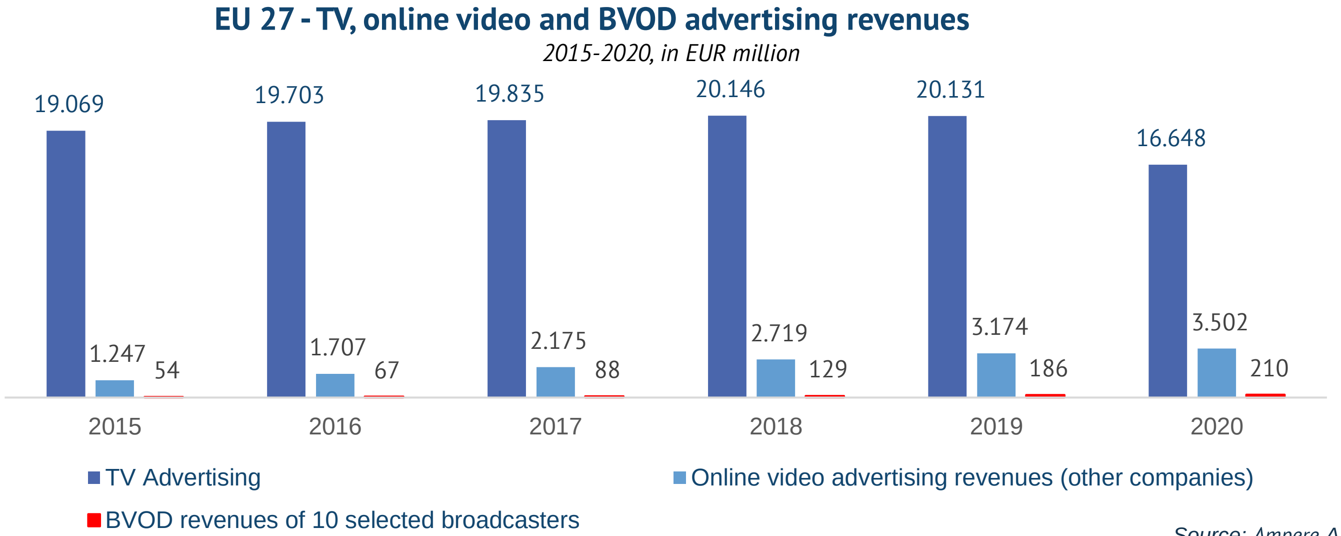
BVOD revenues Fragment of TV and video advertising revenues





Source: *Ampere Analysis*

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Outlook

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Outlook

A structural shift on the audiovisual market

- SVOD rapidly adopted by consumers and will surpass pay TV in HH penetration next year before becoming one of the main sources for paid content consumption

- Media players **adapt their internal organisation around streaming** but with less revenues than in their traditional business and **heavy losses**, not all streaming services will succeed to **find a profitable subscriber base**

- **AVOD/BVOD market forecasted to play a major role in streaming** and could be a **growth relay** for commercial broadcasters who will suffer a decline in TV advertising revenues

- **Structural changes underway**, not provoked by pandemic but accelerated

- **For EU players**, local knowledge of audiences and content preferences, alliances with others and mix of business models (AVOD/SVOD) could help to compete with global giants

➔ **Streaming market still growing** and **not a "winner takes all" outcome**
➔ **Co-existence of streaming giants** with **smaller players**
➔ Possible **consolidation** on the streaming market

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