Global Media Business & Technology Trends

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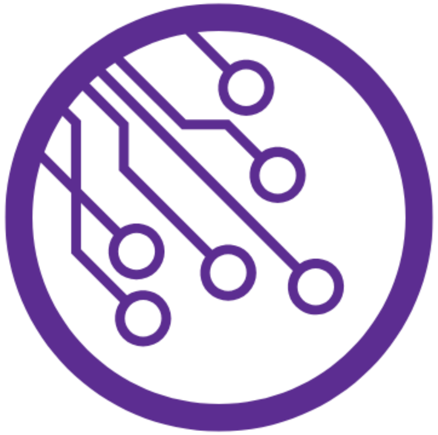
Drivers of Change



Buying Trends & Immersive Formats Outlook

Sources: IABM, Variety, Seeking Alpha

Drivers of Change

3 Drivers of Change – The 3 Faces of Digital

#1 Digital Warfare:
Traditional and new media companies continue to launch streaming offerings to attract digital eyeballs. Welcome to the new media battlefield.

#2 Digital Inflation:
As the number of digital outlets increases and investment in content skyrockets, only a few will keep up with the giants while others rise to appeal to niche audiences.

#3 Digital Speed:
Everything is quicker in the brave new digital world as consumers' expectations reach new levels. Media companies are responding to this shift by streamlining their operations.

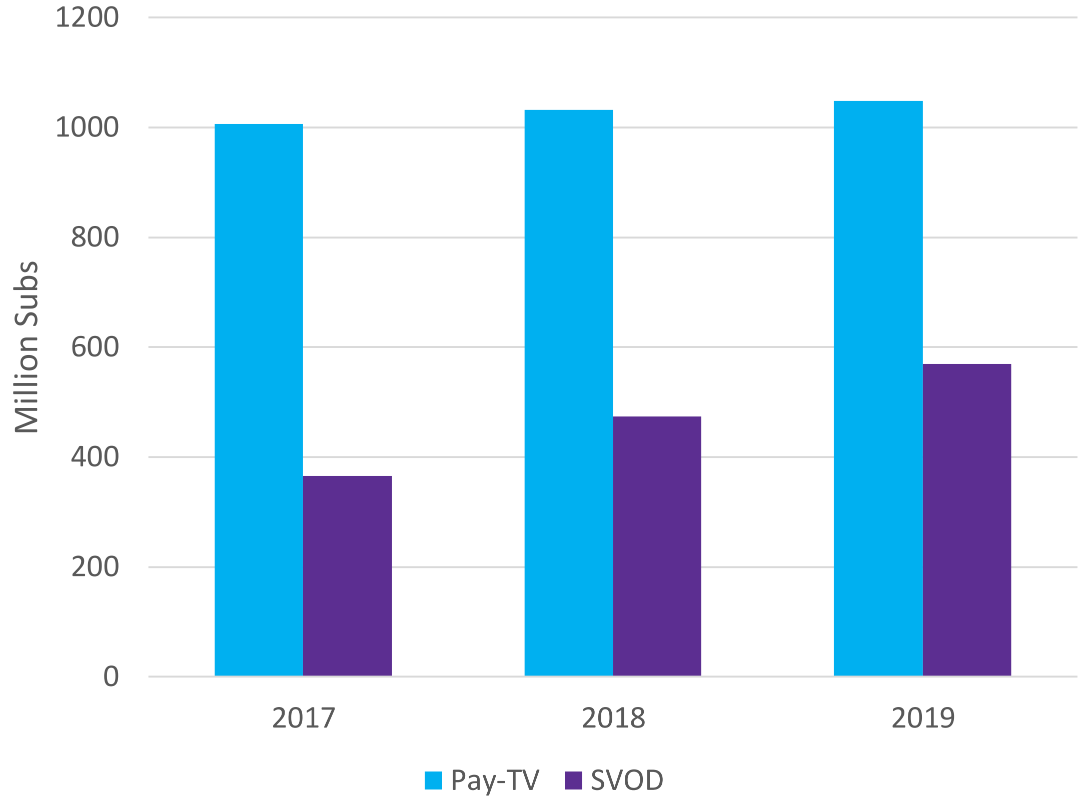
Digital Warfare

Conflict Escalation

More Media Companies Go Direct!

- **Disney** launched ESPN+ in 2018 and set to launch Disney+ this year
- **Apple** to launch streaming service this year after 1$bn investment in 2018
- **WarnerMedia** to launch a streaming service this year
- **BBC and ITV** to launch joint UK streaming service this year
- **BBC and Discovery** to launch joint streaming service focused on wildlife programming
- **TF1, Télévisions and M6** removing content from Netflix and Amazon after 2018 streaming launch

Global Subs: Pay-TV vs. SVOD



Sources: IABM, Digital TV Research

Digital Warfare

Worldwide Battle

More Media Companies Go Global!

- **Disney** launched ESPN+ in 2018 and set to launch Disney+ this year. Planning to expand Hulu and Disney+ internationally
- **Apple** to launch a global SVOD service
- **WarnerMedia** to launch a global streaming service this year
- **Comcast** plotting a global streaming service after Sky's acquisition
- **BBC and Discovery** to launch joint global streaming service focused on wildlife programming
- **Discovery** to launch global streaming service focused on golf

Implications

TV Exports Rise

Data from the UK, France and even emerging content markets like Turkey points to double digit growth

Scale & Complexity

Scale needed for global services. Added complexity in making it work, from content localization to rights management

Sources: IABM

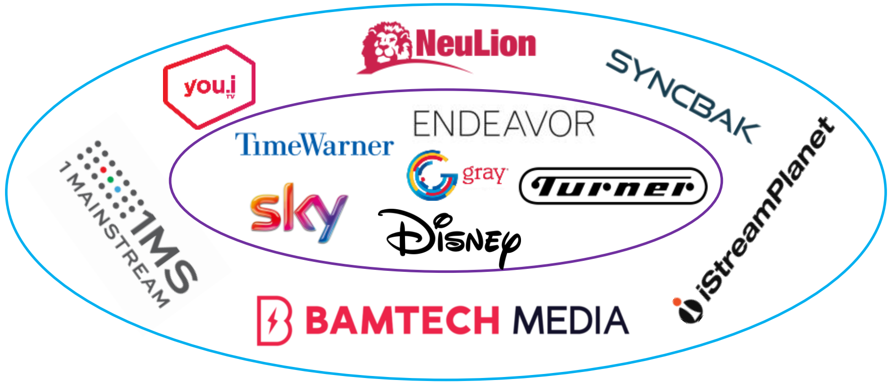
Digital Warfare
Alliances

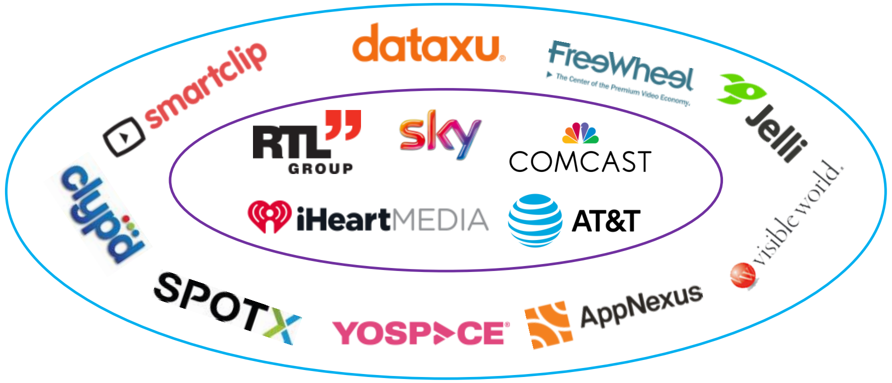
Alliances Focus on Revenue-Generating Activities

OTT
Many joint DTC initiatives in Europe – France (Salto), UK (Britbox), Spain (LOVEStv), Germany (Joyn). Broadcasters also vouching to collaborate on streaming tech

Advertising
Rise in number of collaborative initiatives to increase audience size and improve addressability (European Broadcast Exchange, Blockchain Insight Platform, Sky/Virgin partnership, Project OAR, RTL/Prosieben partnership)

Investment in Tech Suppliers Following Similar Pattern





Digital Warfare
Alliances

Is More Consolidation Coming to Europe?

- **<u>Canal+</u>** bought Pay-TV operator **<u>M7</u>** for $1.1bn at the end of May 2019
- **<u>Mediaset</u>** bought 9.6% in **<u>ProSiebenSat.1</u>** for $380m at the end of May 2019
- Market is very fragmented, more could happen as European broadcasters search for scale
- Consolidation and collaboration aim to address cost of competing with FAANGs on ad revenues, streaming and content

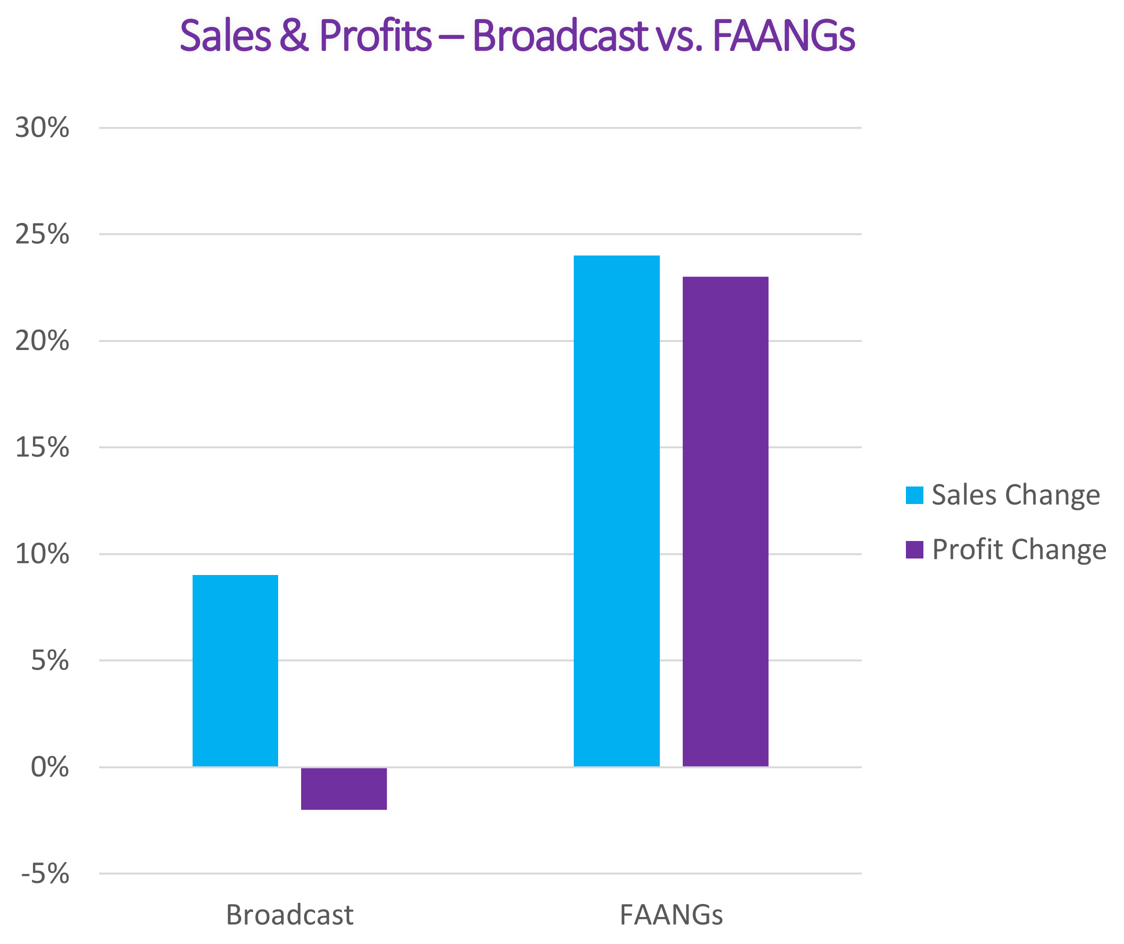
“

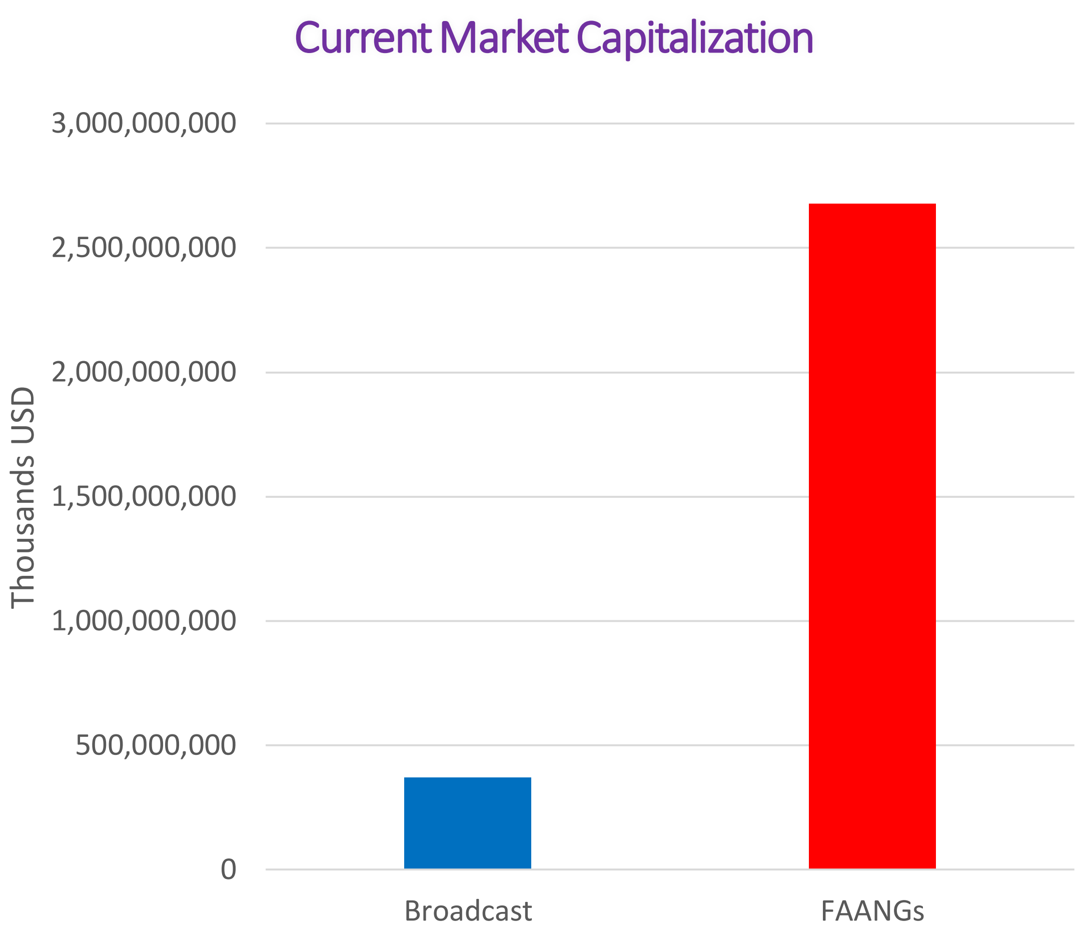
European media companies like us need to join forces if we are to continue to compete, or even just resist, in terms of our European cultural identity, eventual attacks by the global giants

Pier Silvio Berlusconi,
Mediaset Deputy Chairman & CEO
May 2019

Digital Warfare

Data Snippets



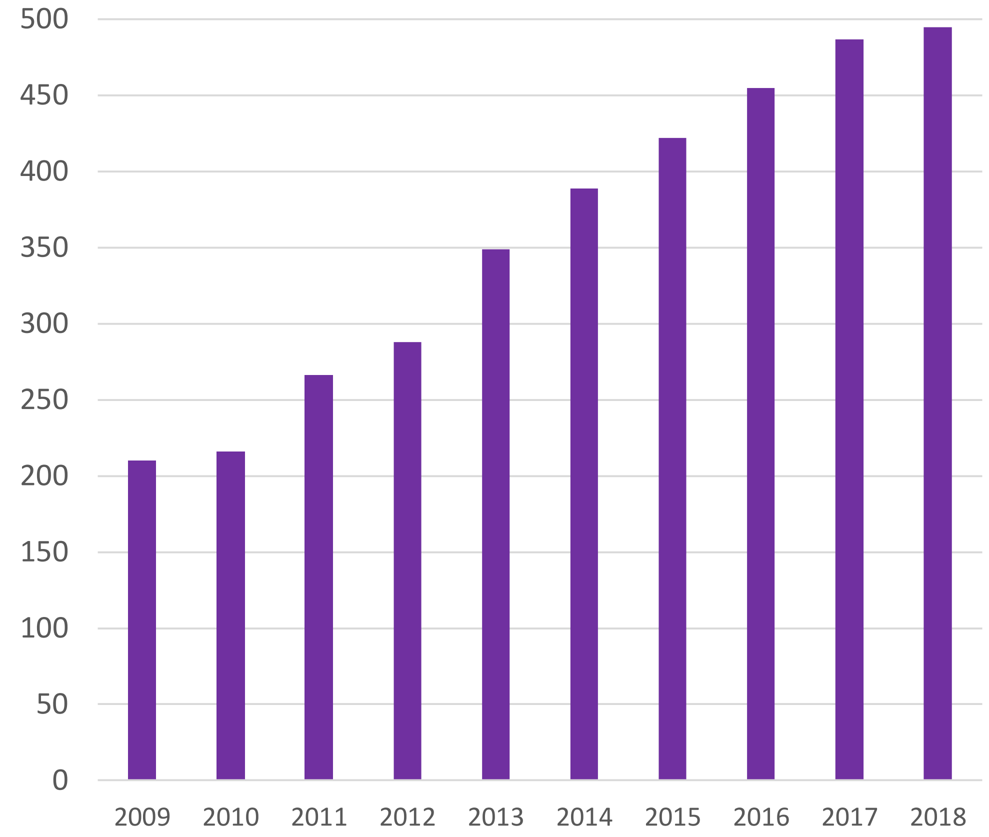


Sources: IABM

Digital Inflation

Content Bonanza

Number Of Original Scripted Series In The US



Sources: IABM, Variety, MSCI, Statista

The FAANGs Double Down on Media

Investment up by over 40%

Given the success of Hulu so far in terms of subscriber growth and the relative brand strength and other things too like demographics, we think there's an opportunity to increase investment in Hulu notably on the programming side

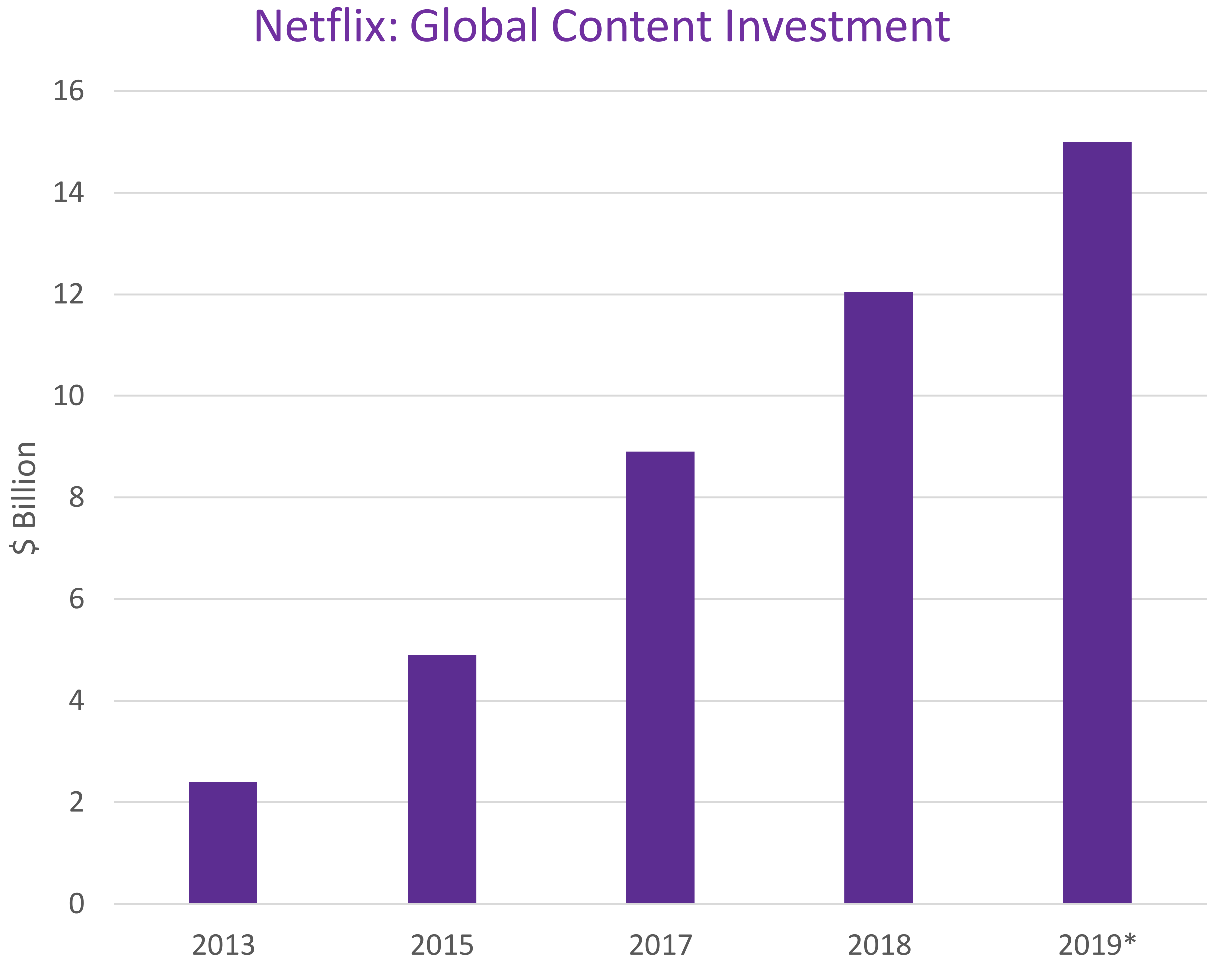
Bob Iger, Disney CEO
Nov. 2018

Digital Inflation

Content Bonanza

Content is Crucial

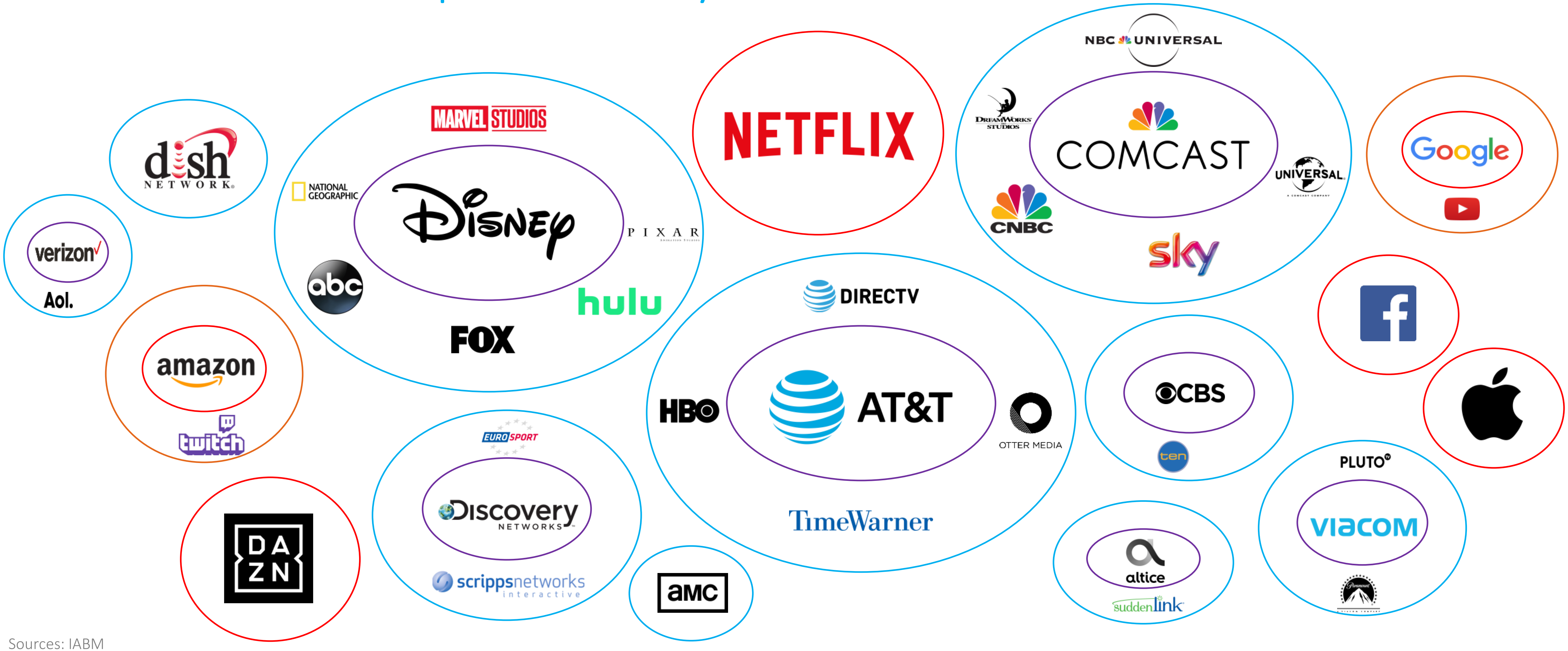
- New media companies spending an estimated $30bn on content in 2019
- This less than what broadcast is spending, but is growing much more quickly
- Netflix has opened a plethora of production hubs between 2018 and 2019
- Industry shifting but demand for high-quality content rising



Sources: IABM

Digital Inflation

M&A and Content Landscape in the US & Beyond



Sources: IABM

Digital Inflation

Demand for Content & Tech Spurs Consolidation

BIY

Our strategic purchase of BAMTech allowed us to enter this arena quickly and effectively, as evidenced by our successful launch of ESPN+ six months ago. More than 1 million users have already subscribed. And we continue to see impressive growth.

Bob Iger, Disney CEO
Nov. 2018

[The new offering will be funded through] incremental efficiencies within the WarnerMedia operations, consolidating resources from sub-scale D2C [direct-to-consumer] efforts, library content, and technology reuse

AT&T's SEC Filing
Oct. 2018

Efficiencies

Sources: IABM, Multichannel News

Digital Inflation

Content Fragmentation

Content Divide

Content Supermarkets

Netflix, Amazon, DAZN and now Disney offering a varied slate of content

Niche Providers

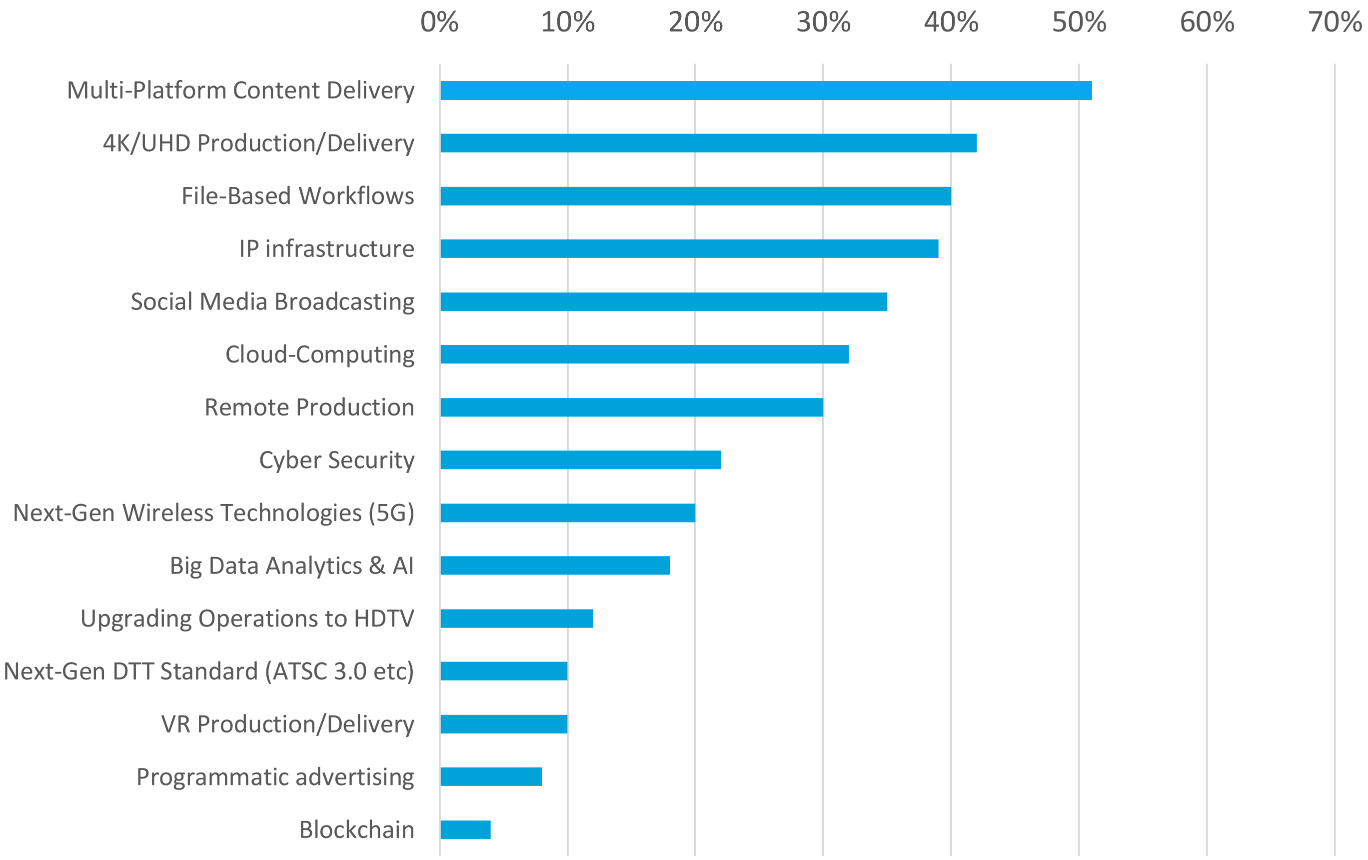
Rise of niche OTT offerings by emerging players and existing broadcasters

Sources: IABM

Digital Speed

Velocity

Top Media Tech Priorities



> *[The iPlayer] is the way people will consume the BBC in the future. We need more content there and for longer. This is no longer a catch-up service…it's a destination*

Tony Hall, Director General, BBC
Dec. 2018

Sources: IABM, Financial Times

Digital Speed

Digital Speed Driving BIY and Partnerships with Tech Suppliers

Digital Speed

Need to do things quickly and effectively in multi-platform world

BIY

Through acquisitions and internal SW development

Partnerships

Through increased collaboration with suppliers

We are not looking for products anymore, we are looking for partnerships where product development is driven by our requirements

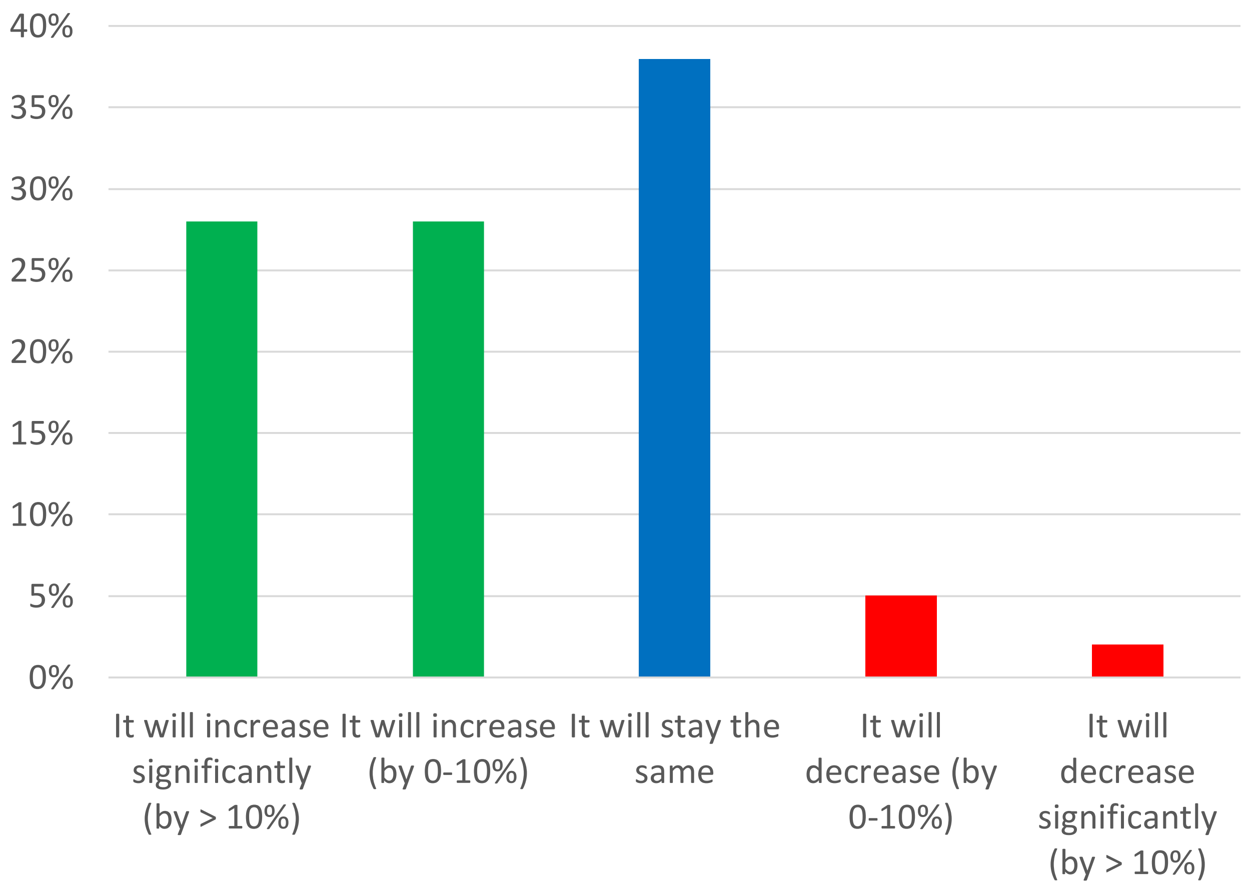
European broadcaster responding to our Buying Trends Survey

Sources: IABM,

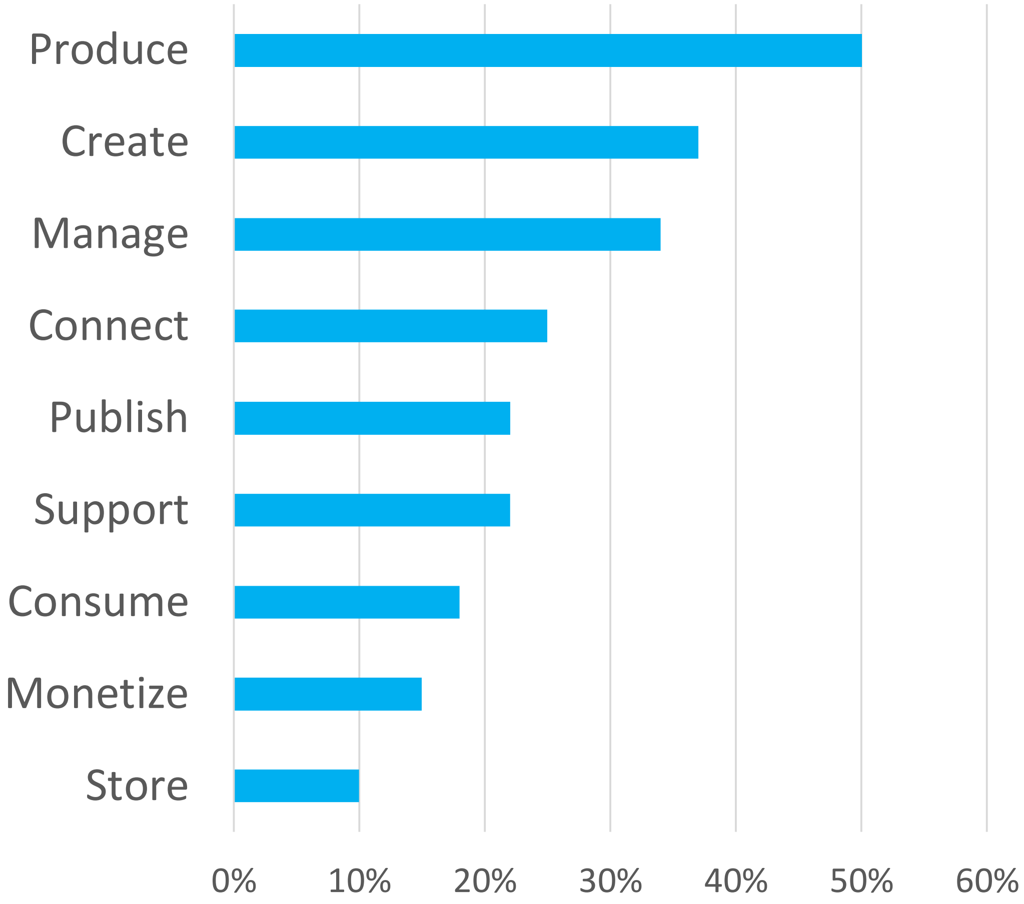
Digital Speed

BIY Update

SW Development Investment



Top Areas for BIY



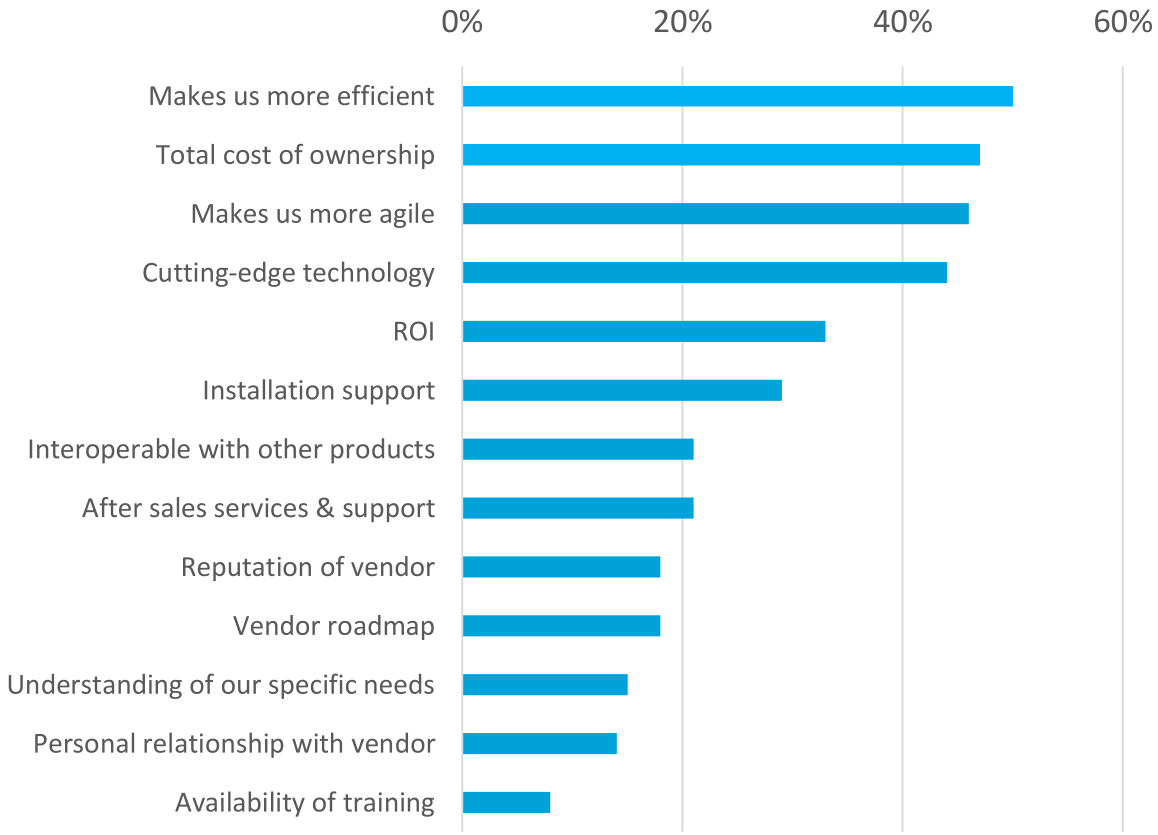
Sources: IABM

Buying Trends

Buying Trends

Media Factory

Top Factors Influencing Technology Purchase



Top 3 Priorities in Content Chain Management

Optimize

Resource utilization and avoid effort duplication

Predict

Unknown variables and events

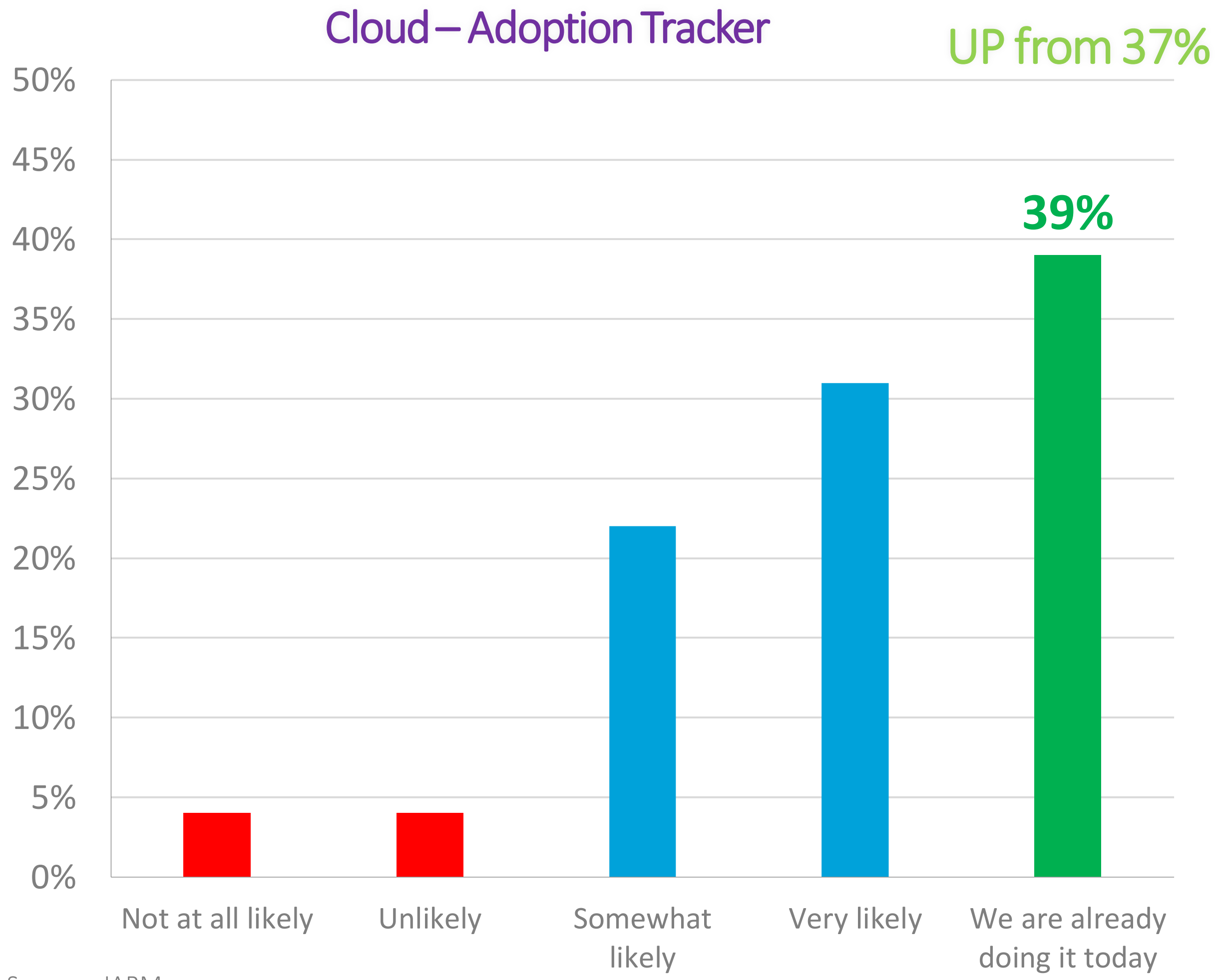
Gather

Data on content, rights, operations, audiences

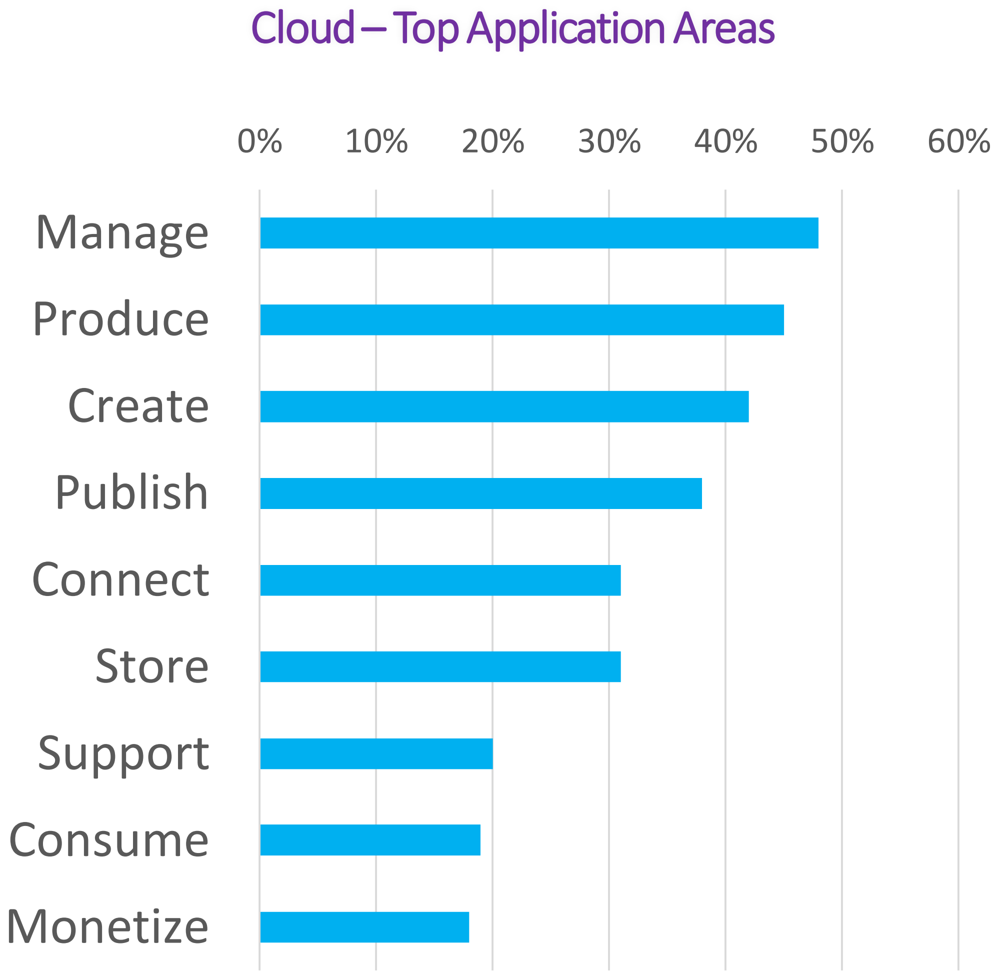
Sources: IABM

Buying Trends

Cloud



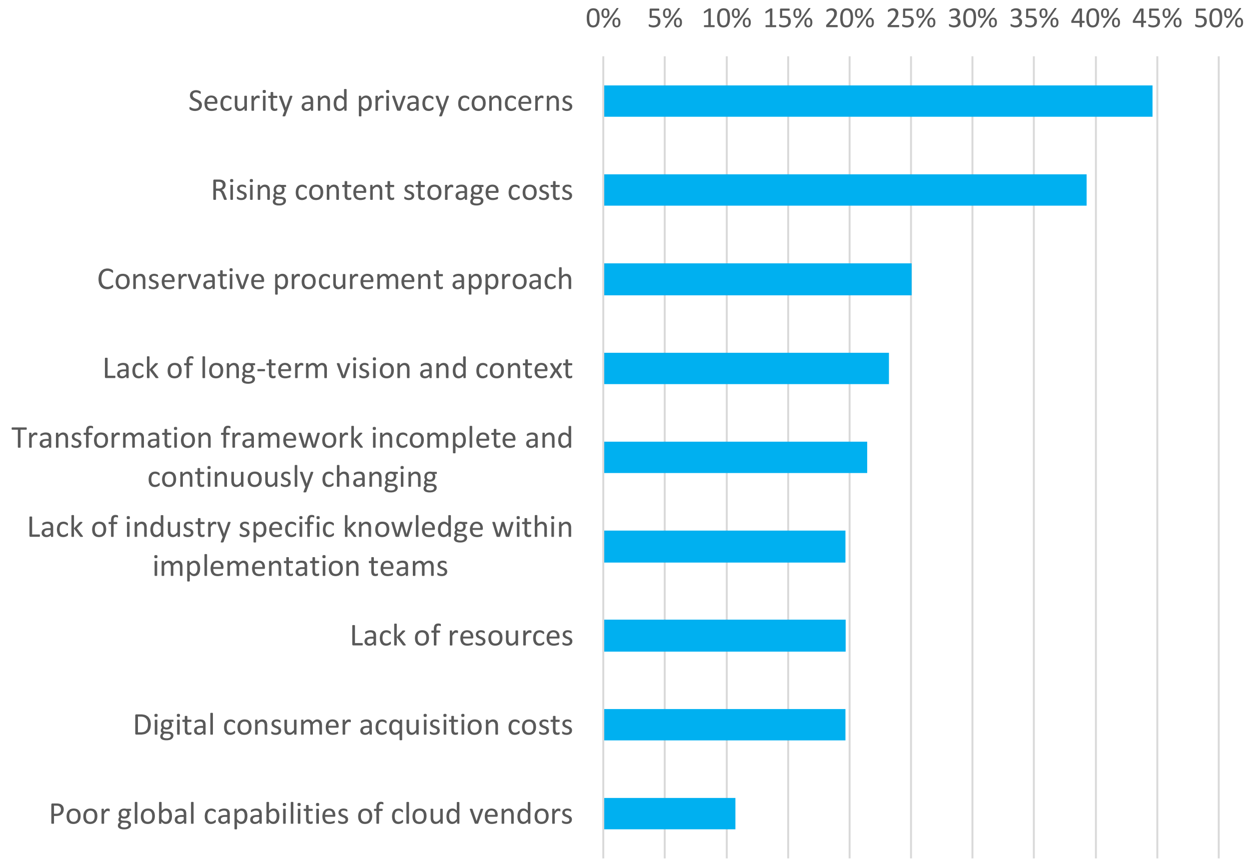
Sources: IABM



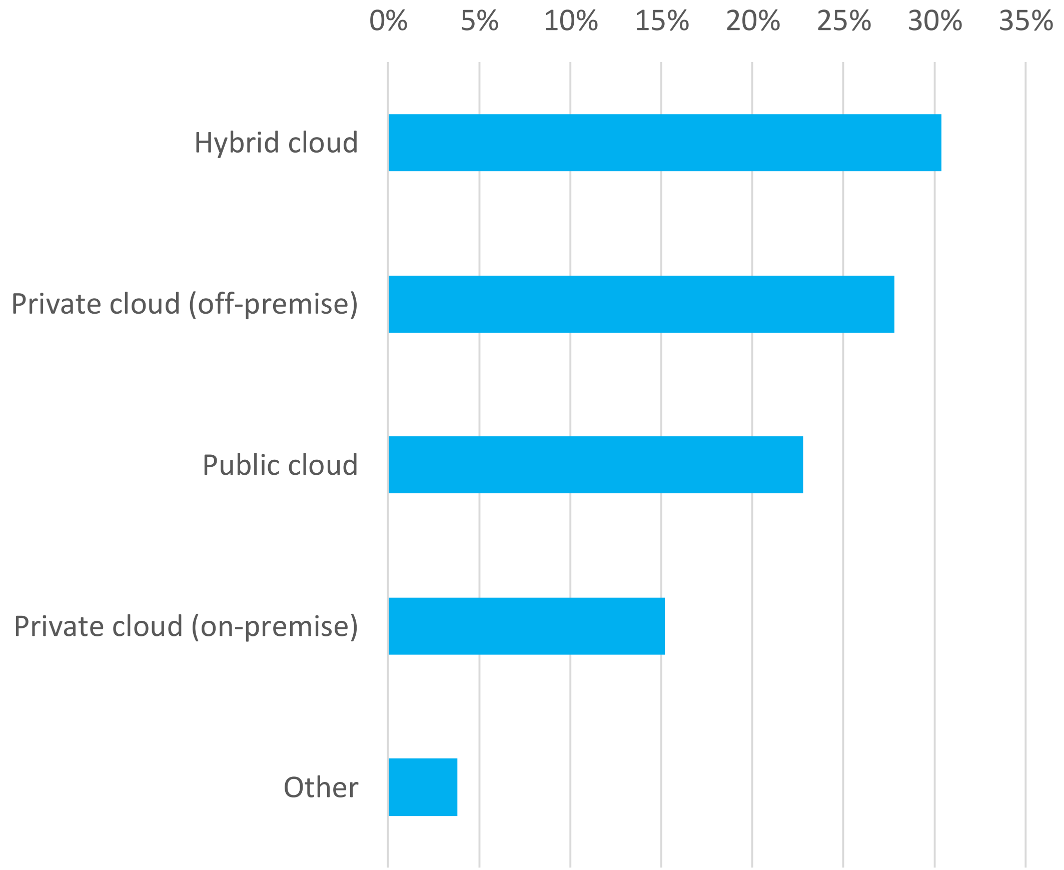
Buying Trends

Cloud

Cloud – Top Challenges



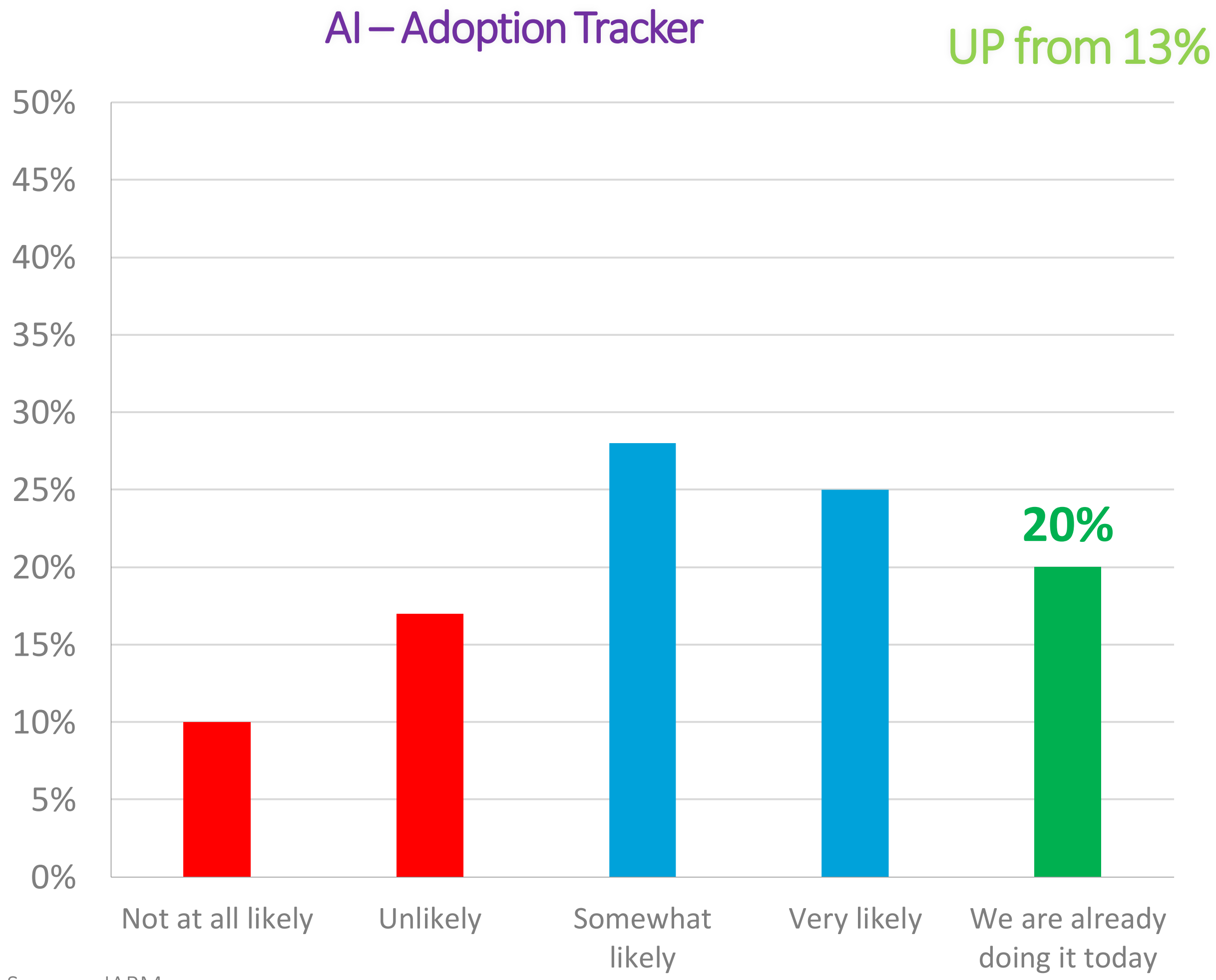
Cloud – Preferred Deployment Model



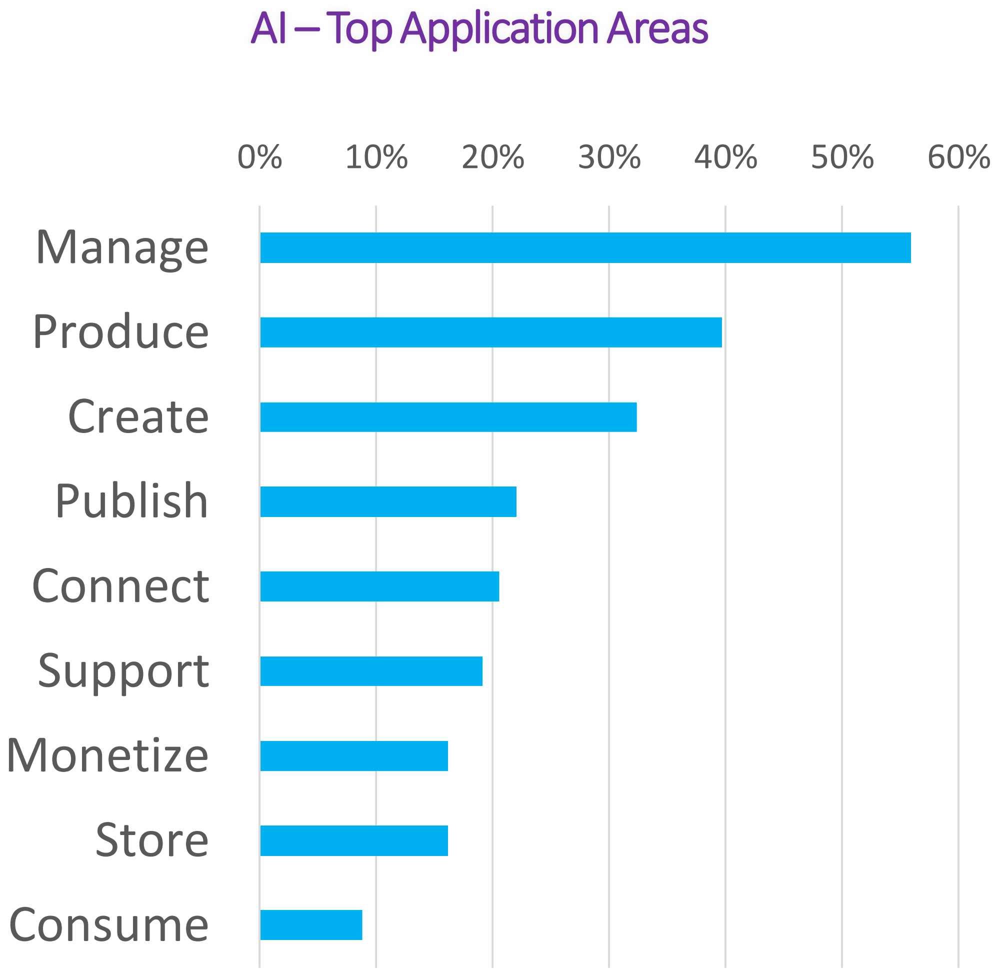
Sources: IABM

Buying Trends

AI



Sources: IABM



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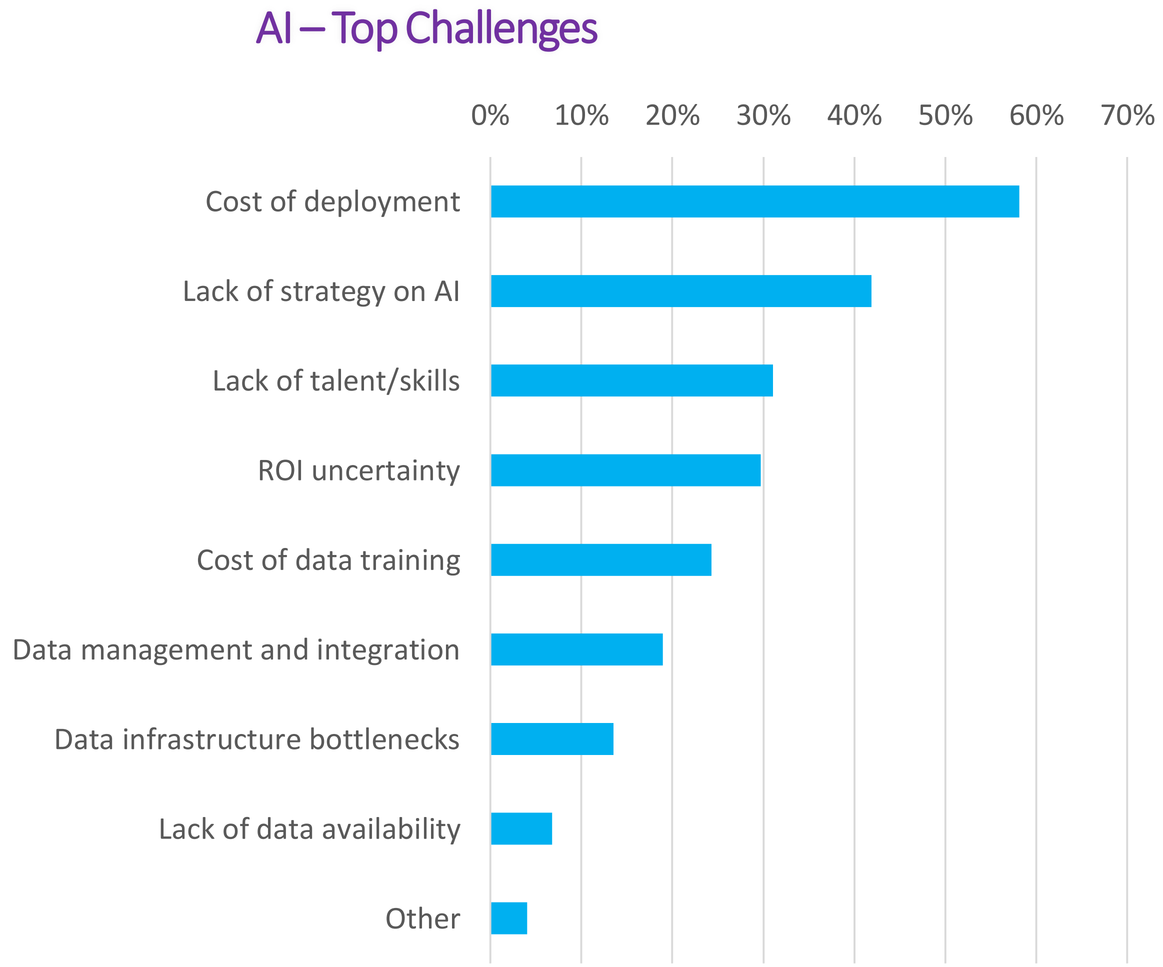
AI



Sources: IABM

It is not about the algorithms, that part is surprisingly easy. Getting the data right was the most difficult task for us when adopting AI

European broadcaster responding to our Buying Trends Survey

Buying Trends

AI driving Cloud Adoption

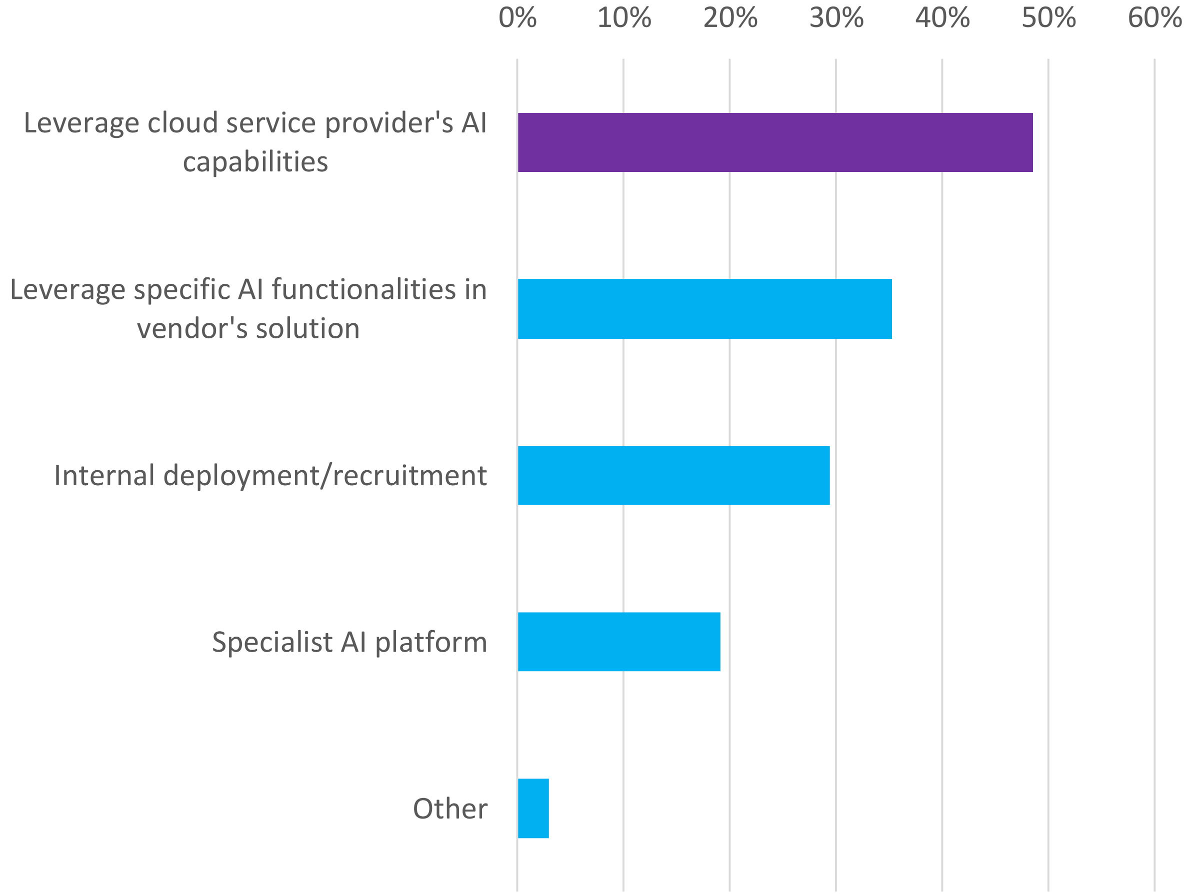
NASCAR moves 500,000 hours of content archive (18-petabyte) in the cloud

We started to digitize six or seven years ago. We are jumping into machine learning to automate processes and add metadata

Steve Stum, NASCAR VP Operations and Tech Production
June 2019

Sources: IABM

AI – Preferred Deployment Model



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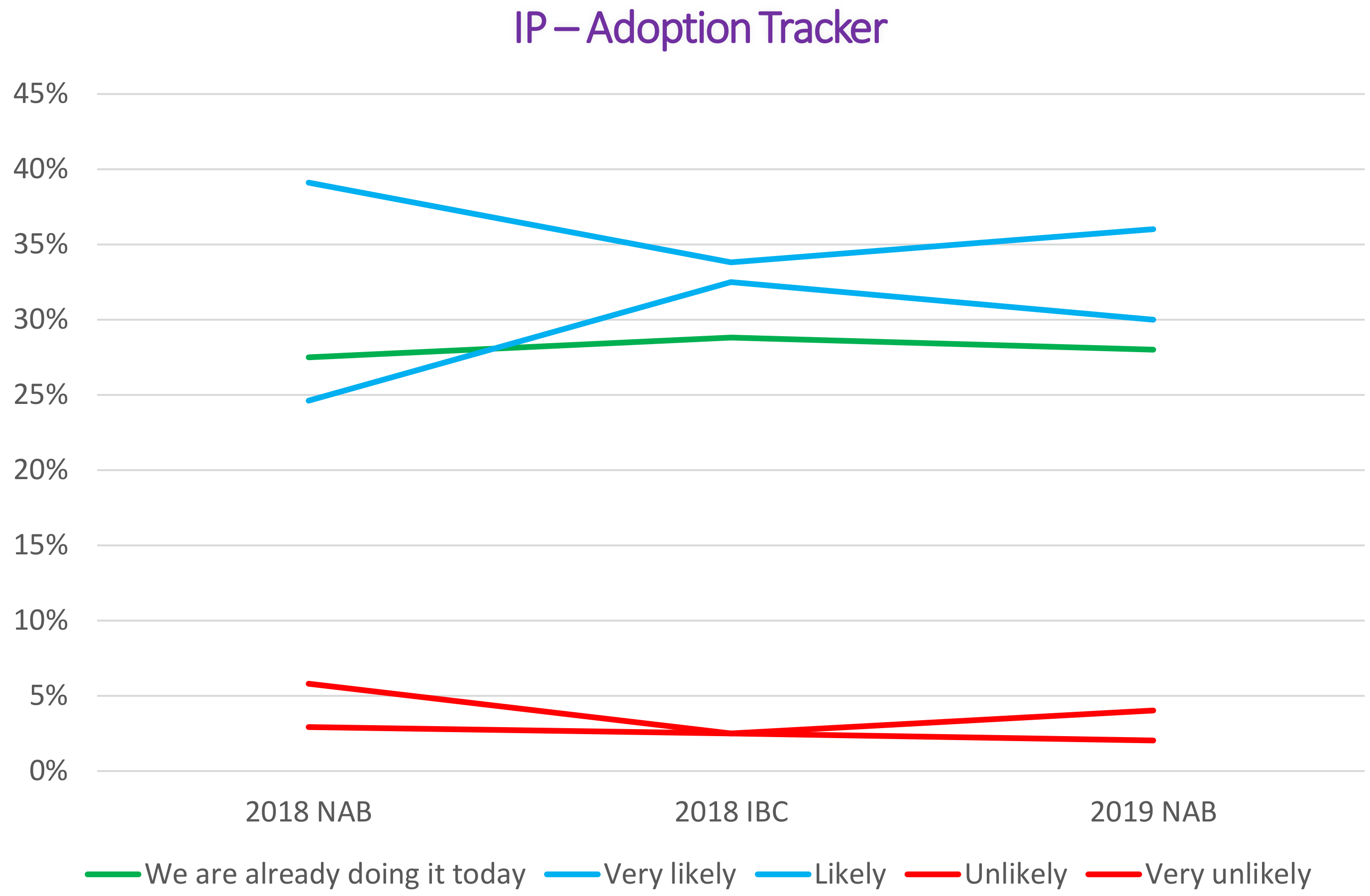
IP



Efficiency Driver

Efficiency-boosting activities like remote production continue to drive IP deployments

Quality Driver

69% of respondents want to go UHD with IP or hybrid SDI-IP

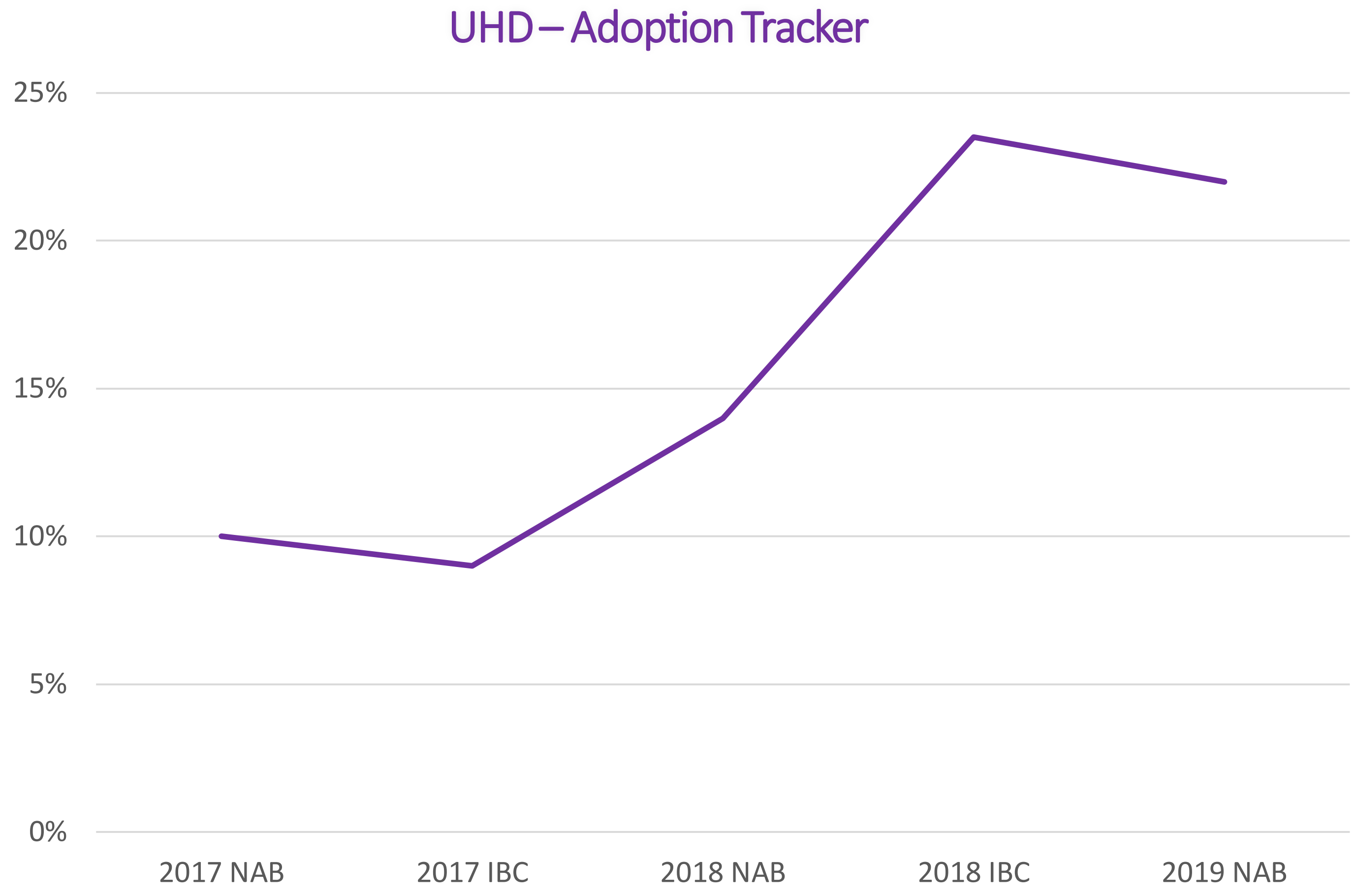
New Facilities

Major upgrades driven by new facilities so far – otherwise, a gradual transition

Sources: IABM

Buying Trends

UHD



Sources: IABM

The HDR Factor

HDR the preferred enhancement, most companies still want to marry HD with enhancements

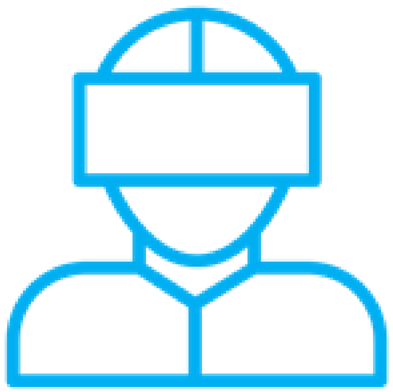
Production: Infinite Content

High priority for production and post companies for future-proofing content and sell to Amazon/Netflix ($20bn)

Distribution: Limited Content

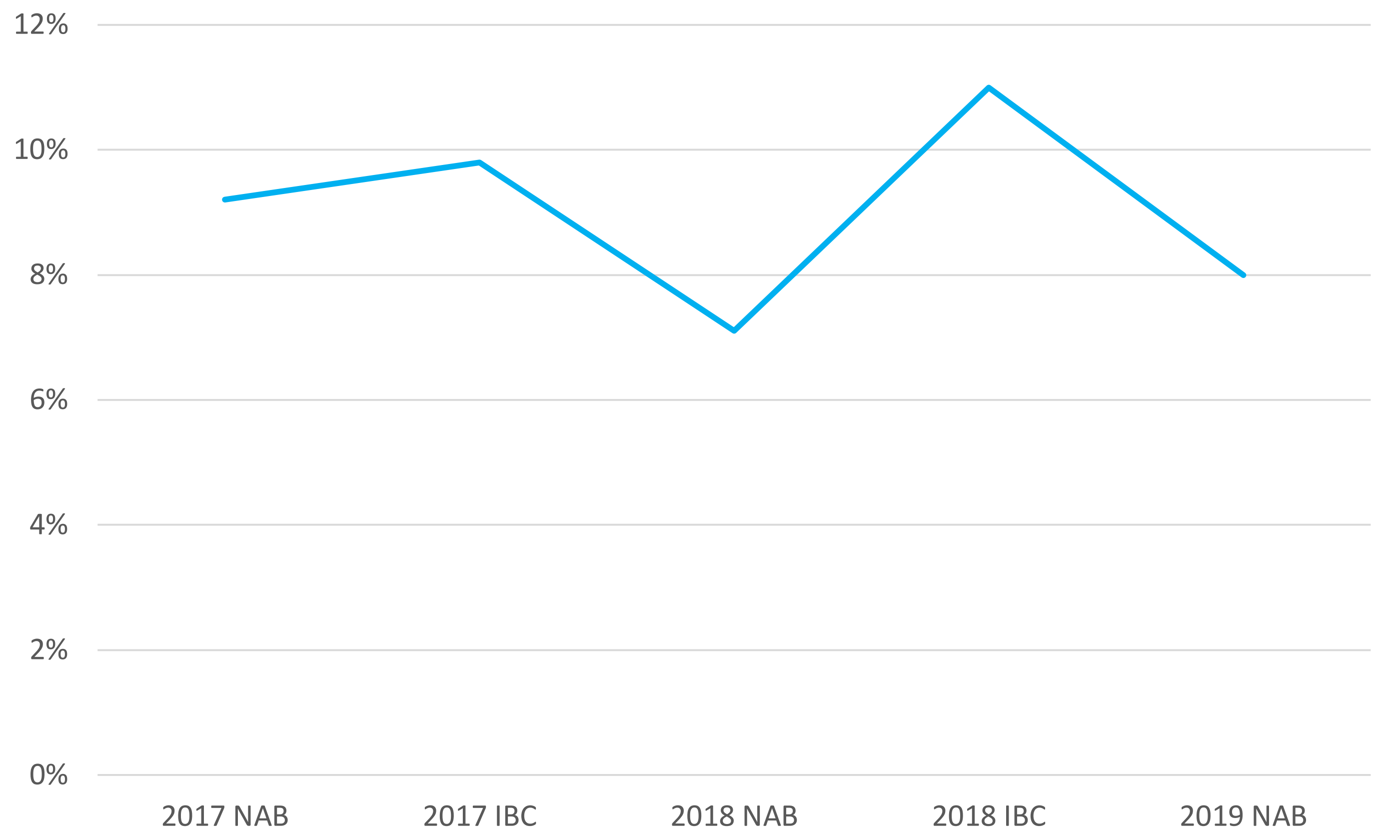
Limited content distribution aside from Pay-TV and OTT operators. Major events as driver of spending

Immersive Formats



Immersive Formats
VR Focus

VR – Adoption Tracker



Consumer Adoption
Consumer adoption and experience have represented major obstacles

Monetization
Most initiatives have not been monetized. Lack of clarity around business models is major hurdle

Complexity
Production complexities, including storytelling, coupled with costs of processing/storage other constraints

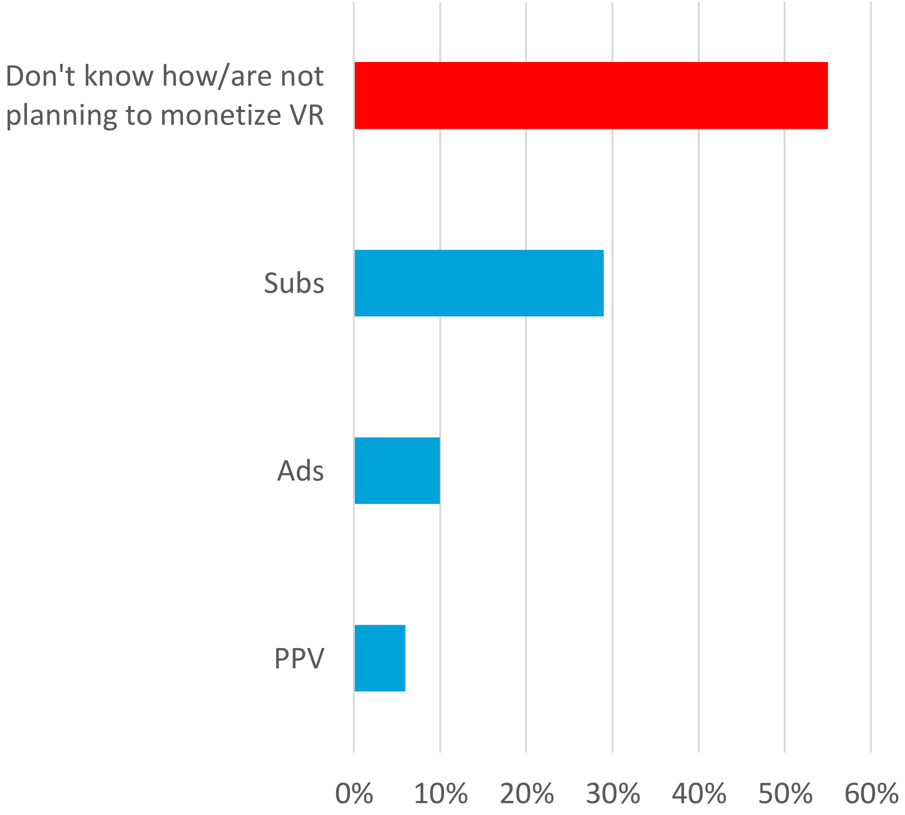
Sources: IABM

Immersive Formats
VR Challenges

Selected Deployments

End-User	Country	Year	Deployment	Genre	Model
Fox	US	2016	VR broadcast of various sporting events	Sports	Free Trial
NBC	US	2016	VR broadcast of 85 hours of Rio Summer Games	Sports	Free Trial
BT	UK	2017	VR broadcast of UEFA Champions League Final	Sports	Free Trial
NBA Digital	US	2017	VR broadcast of one game a week	Sports	Susbscription
Fox	US	2017	Social VR broadcast of CONCACAF	Sports	Free Trial
ESPN	US	2017	VR broadcast of X Games	Sports	Free Trial
MLB	US	2017	VR broadcast of one game a week	Sports	Free Trial
PGA Tour	US	2017	VR broadcast of The Players 2017	Sports	Free Trial
WWE	US	2018	VR broadcast of WWE highlights	Sports	Free Trial
NBC	US	2018	VR broadcast of 50 hours of PyeongChang Winter Games	Sports	Free Trial
BBC	UK	2018	VR broadcast of 2018 FIFA World Cup	Sports	Free Trial

Preferred Business Models



Sources: IABM

Immersive Formats

VR Timeline

2014	2015	2016	2017	2018	2019

The Landmark Acquisition (2014)

Facebook acquires Oculus VR for US$2bn and launches Oculus Rift headset (US$799)

Investment Continues (2015)

Disney leads US$65mn fundraising round for Jaunt. NextVR raising similar level of investment

Investment Peaks (2016)

Broadcasters like Sky and NBC prop up investment in VR. NextVR funding surpasses 100$m

Adoption Worries (2017)

Facebook cuts the price of the Oculus Rift twice and launches Oculus Go to incentivize adoption

Investment Slumps (2018)

Jaunt layoffs a significant number of employees and refocuses on AR. NextVR fails to raise funding

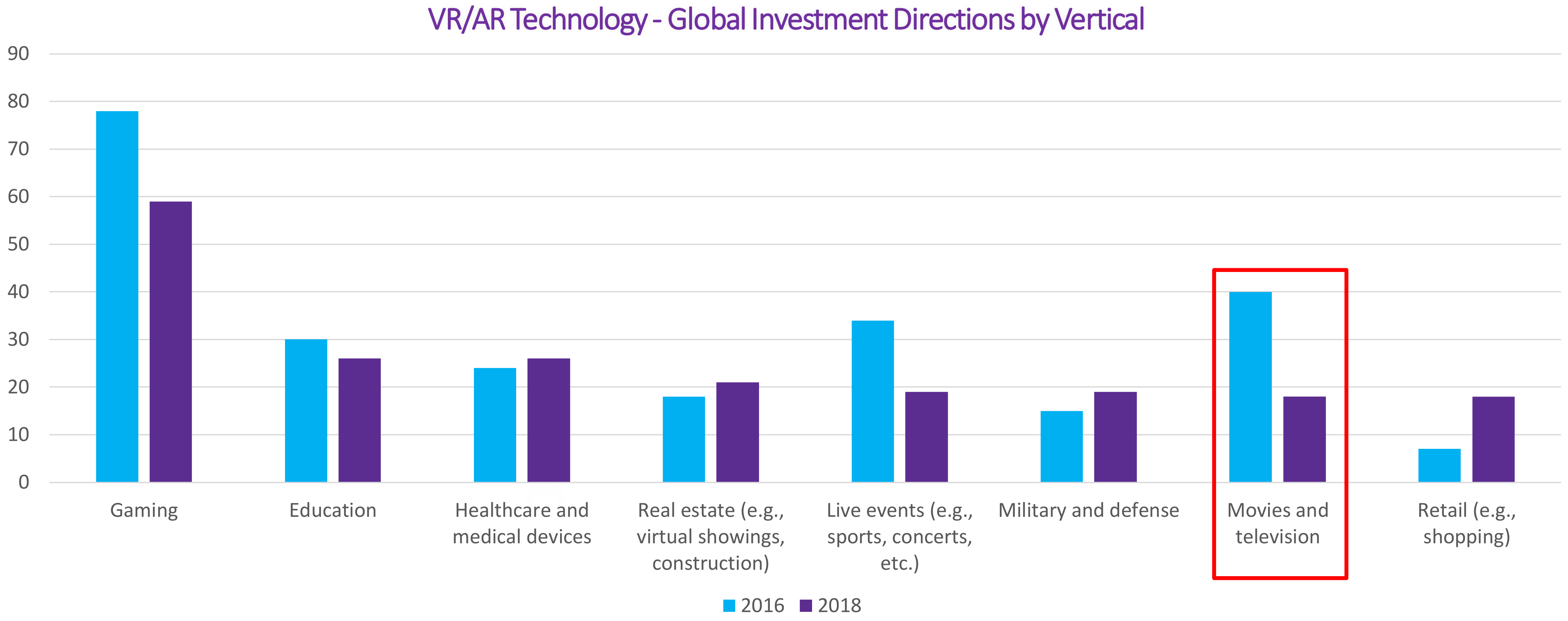
Reality Check (2019)

NextVR undergoes 40% workforce reduction. VC investment plummets to 80% of 2016 level

Sources: IABM

Immersive Formats

VR/AR Reality Check – In Numbers



Sources: Statista

Immersive Formats

AR Focus

Production Graphics

Significant investment in AR production graphics to augment broadcasts

Engagement

Some broadcasters experimenting with AR-powered apps for increased consumer engagement

Model

AR advertising models are emerging. Less worries around consumer adoption and experiences

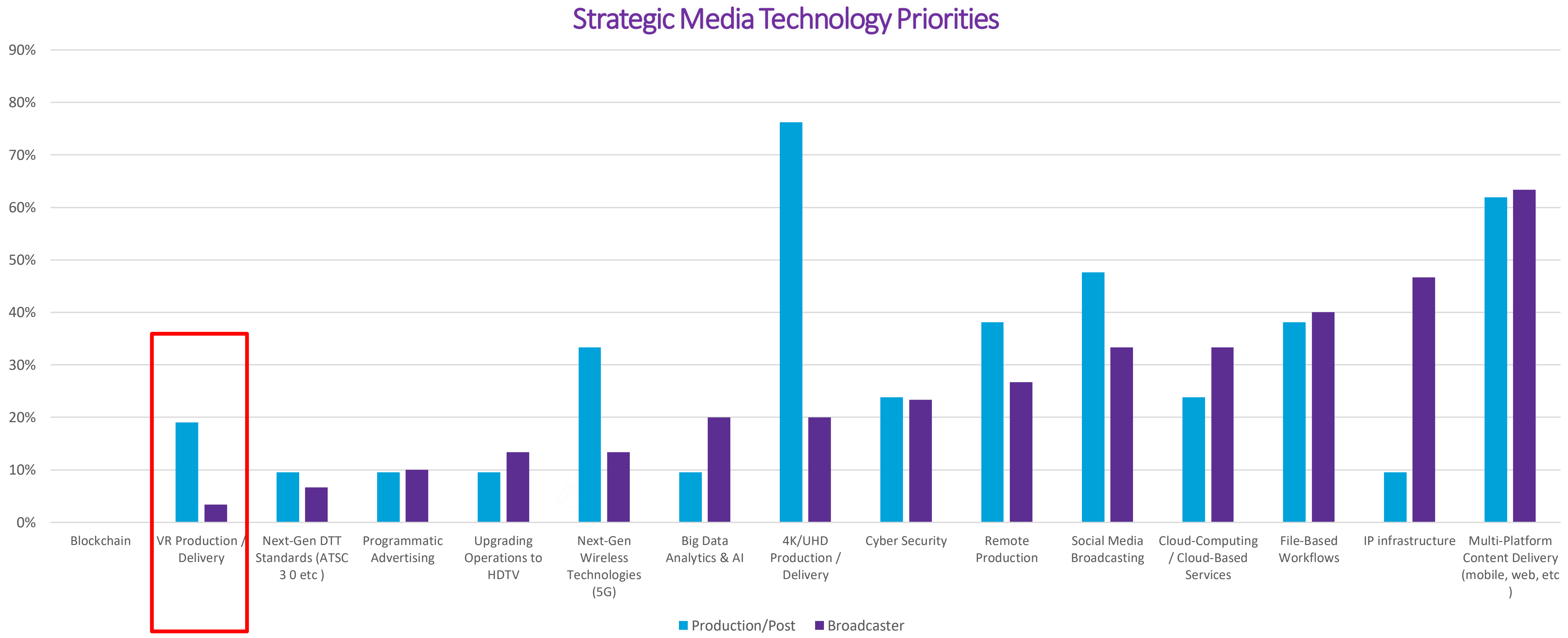
> *Today, 40% of Snapchatters play with AR experiences daily for an average of three minutes, making AR one of the best ways to get in front of your customers.*

Snapchat blog post
June 2018

Sources: IABM, Snapchat

Immersive Formats

Immersive Production



Immersive Formats

Immersive Production

- **Content investment** is rising significantly
- Immersive is a **priority for the production/post industries**
- Need to get **business models right** (focus on consumer/monetization)
- Need to get **storytelling right**
- **Deployment costs** still a challenge

"

[Bandersnatch] is a huge hit around the world, and we realized, wow, interactive storytelling is something we want to bet more on. We're doubling down on that. So expect over the next year or two to see more interactive storytelling

Todd Yellin, Netflix Product VP
March 2019

Thank You!

Lorenzo Zanni, Head of Insight & Analysis, IABM