VOD Trends in Europe

Sichtbarkeit und Verwertung des österreichischen Films im digitalisierten Medienmarkt
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European Audiovisual Observatory

Outline

1. EU27 VOD Market 2017-2021 – Significant growth but still a small part of audiovisual market
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3. A glance at the EU27 Transactional VOD (TVOD) market
4. Advertising-financed VOD/Broadcaster VOD (AVOD/BVOD), the next opportunity?
5. Snapshot – The Austrian audiovisual market
6. The EU27 cinema market – recovery ?

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1. EU27 VOD Market 2017-2021
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Significant growth but still a small part of audiovisual market

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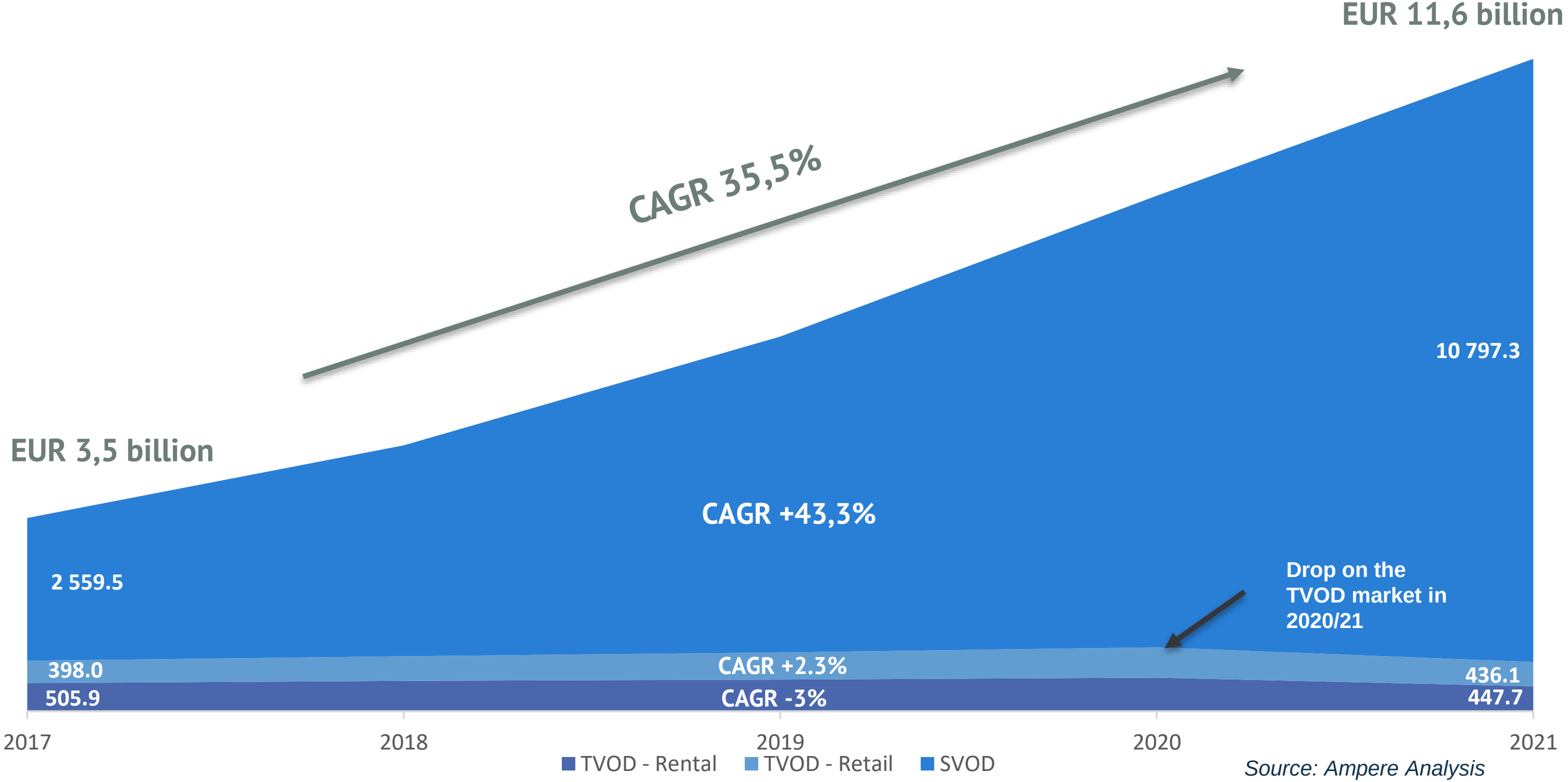
1. EU27 VOD market - Main figures

EU27 paid VOD revenues - Rapid growth, SVOD main growth driver

EU27 - SVOD and TVOD consumer revenues

In EUR billion, 2017-2021



Source: Ampere Analysis

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1.
EU27 AV market in 2020
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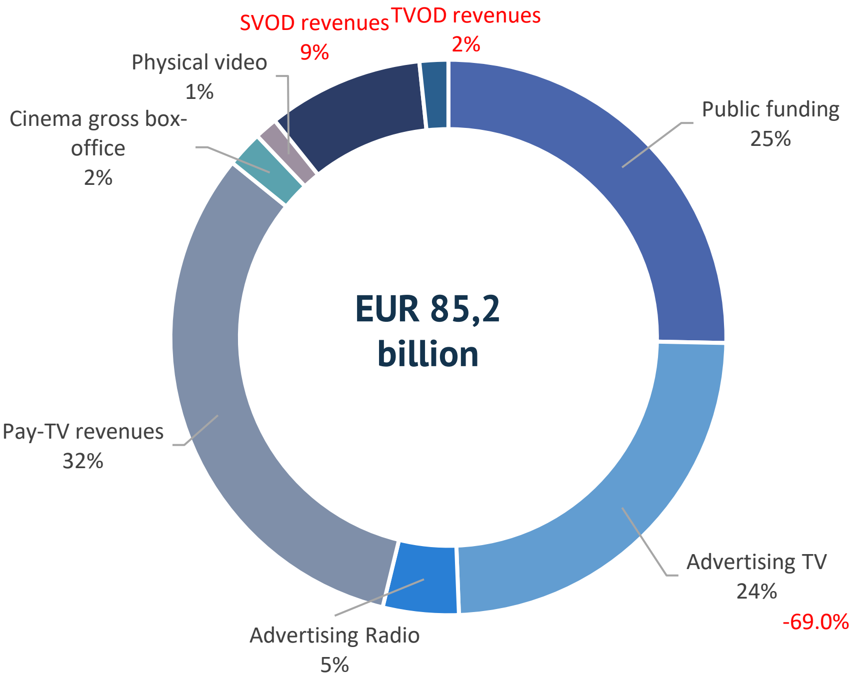
VOD still small but main growth driver

In 2020, in EU27 pay VOD accounted for 11% of the audiovisual market

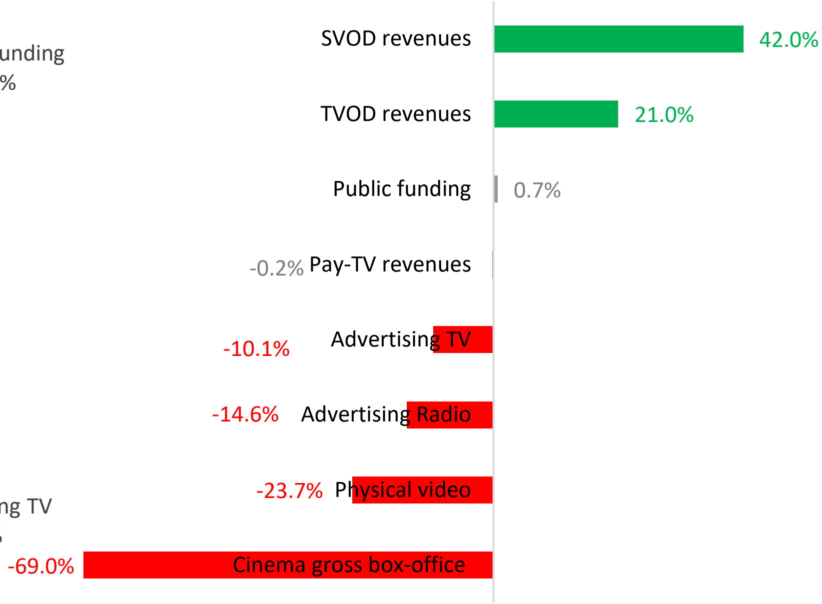
EU27 – Audiovisual market revenues by segment

2020, in EUR billion and % of total revenues



EU27 – Audiovisual market growth by segment 2019/20

In %



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

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

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2.
EU27 VOD market
-
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

- **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, WBD, RTL Group…
  - M&A and Alliances: Warner/Discovery, Sky Showtime, Salto…

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

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2.
EU27 SVOD market
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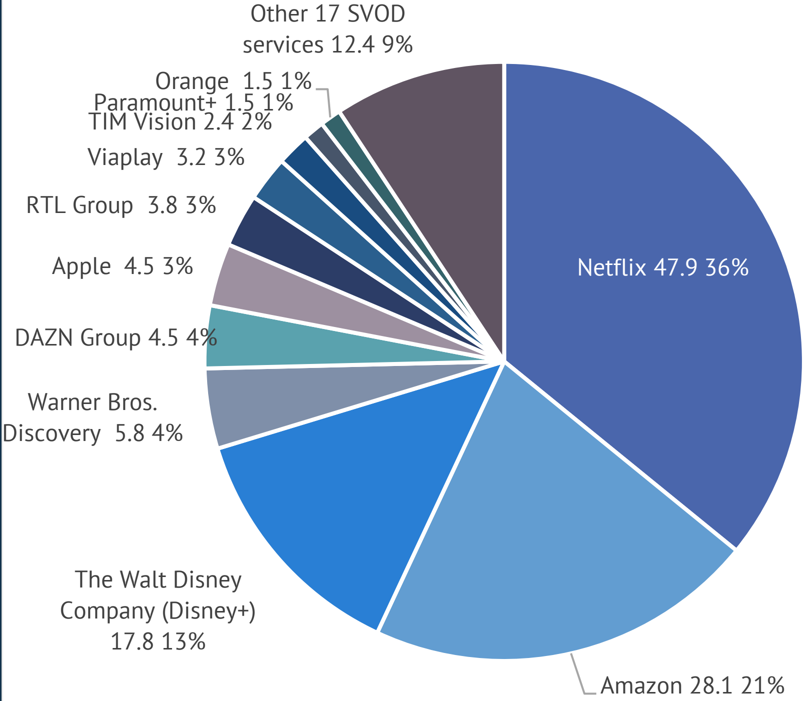
Main players

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

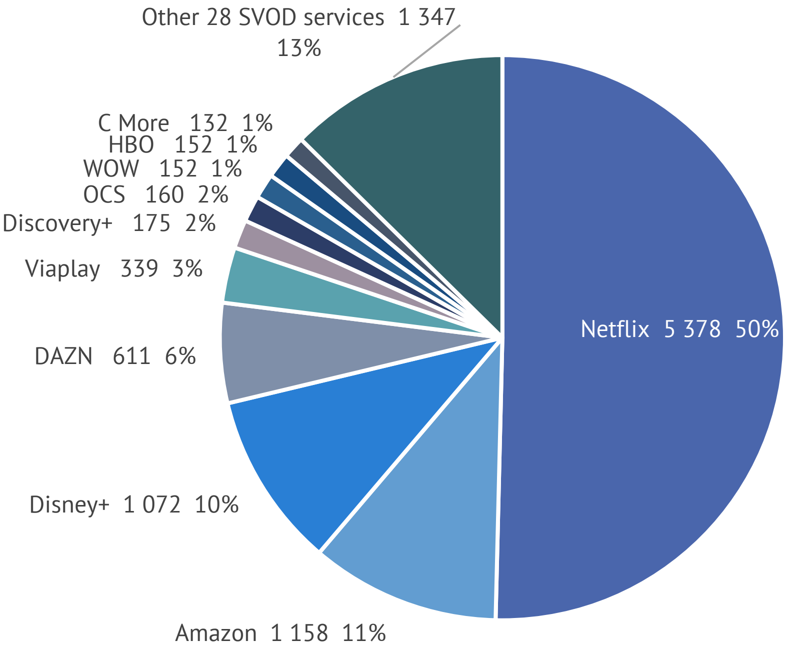
EU27 – Subscriptions to OTT SVOD 2021 – 133 million

in million



EU27 – Consumer revenues OTT SVOD 2021 – 10,7 billion

in EUR million



Source: Ampere Analysis

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2.
EU27 SVOD market
-
Impact on the entertainment sector

SVOD - a thriving business model but traditional 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
  ➔Consolidation

- **Financial resources and resilience:** 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, exclusive content and talent

- **Skill set:** New competencies - technical know-how, data analysis, infrastructure

- **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 of local audiences, **Niche/special interest** audiences, alliances and co-productions? **SVOD+AVOD?**
➔**Room for growth:** most EU27 markets not near maturation

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3. A glance at the EU27 Transactional VOD and physical markets
- Decline -

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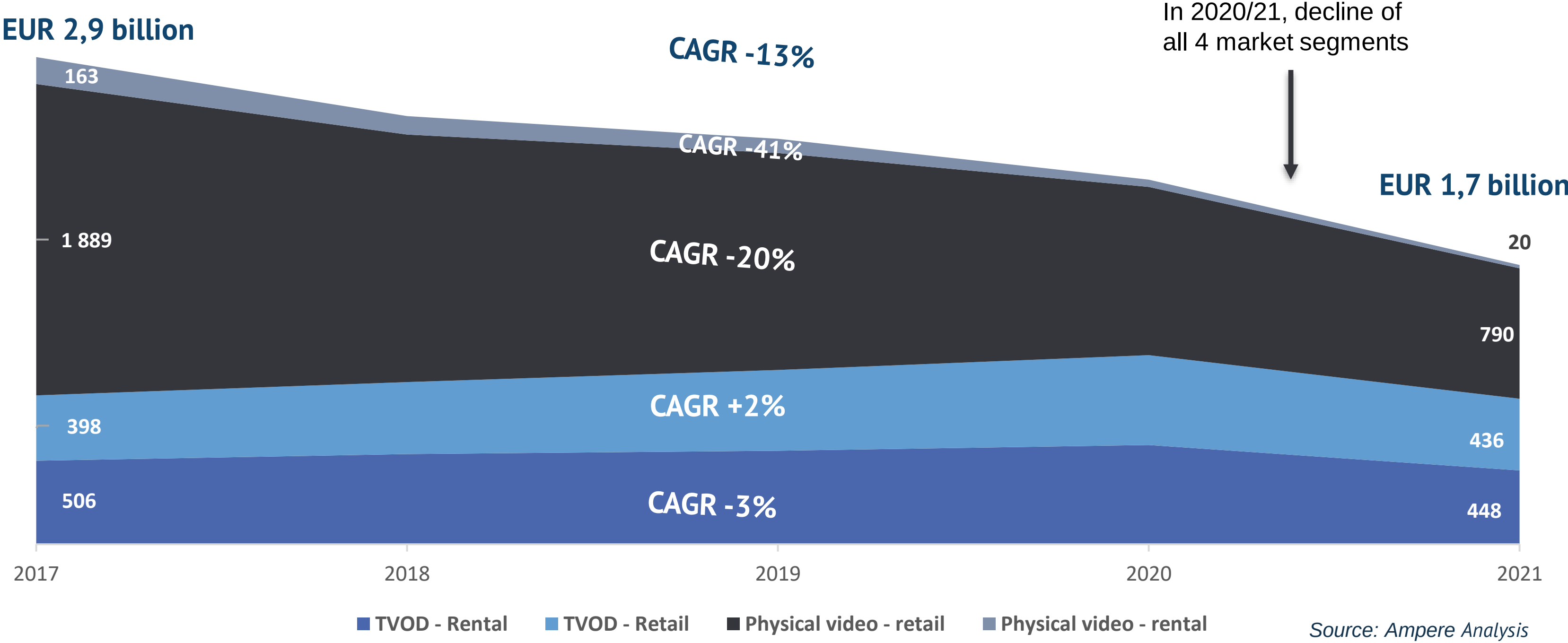
3.
EU27 VOD market
-
Transactional VOD

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

- Important **revenue source** for media players **halved in the past 10 years and decline continues with TVOD showing signs of maturation/decrease**
- TVOD used mostly for recent films, retail to overtake rental by 2022
- Lack of new releases in cinemas in 2020/21 might explain decrease of TVOD revenues in 2021

EU27 – TVOD and physical video revenues, retail and rental

2017-2021 - in EUR million



Source: Ampere Analysis

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4. Advertising-financed VOD/Broadcaster VOD/FAST as a solution to a concentrated pay VOD market ?

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

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

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

- **Acquisitions of AVOD services** by traditional US media players (Paramount/Pluto TV, Fox Corp/Tubi, NBC/Xumo & Vudu) + **international expansion** (Amazon's Freevee, Pluto TV, Chili AVOD, Roku Channel) into Europe + **Netflix & Disney's launches of ad-supported options**

- **AVOD/BVOD/FASTs 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…) ➔Recent decline of revenues of major players could indicate a future tightening on the ad market

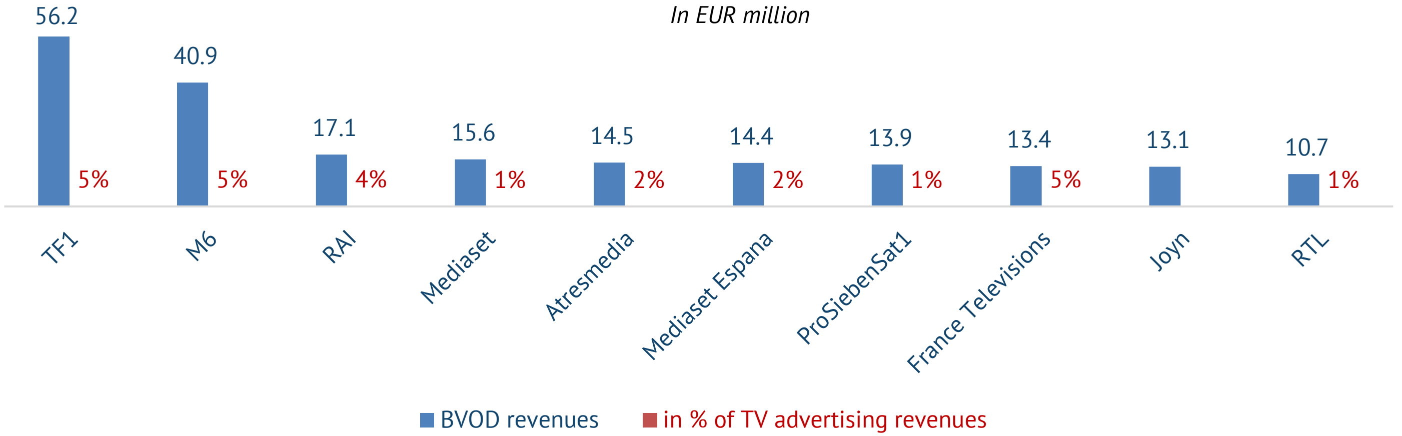
- **BVOD revenues still a fragment of TV advertising** revenues in Europe for broadcasters but set to play an important role in the near future ➔ Competition for linear TV ad budgets

➔**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"**

4. EU27 VOD market - BVOD revenues Fragment of TV and video advertising revenues

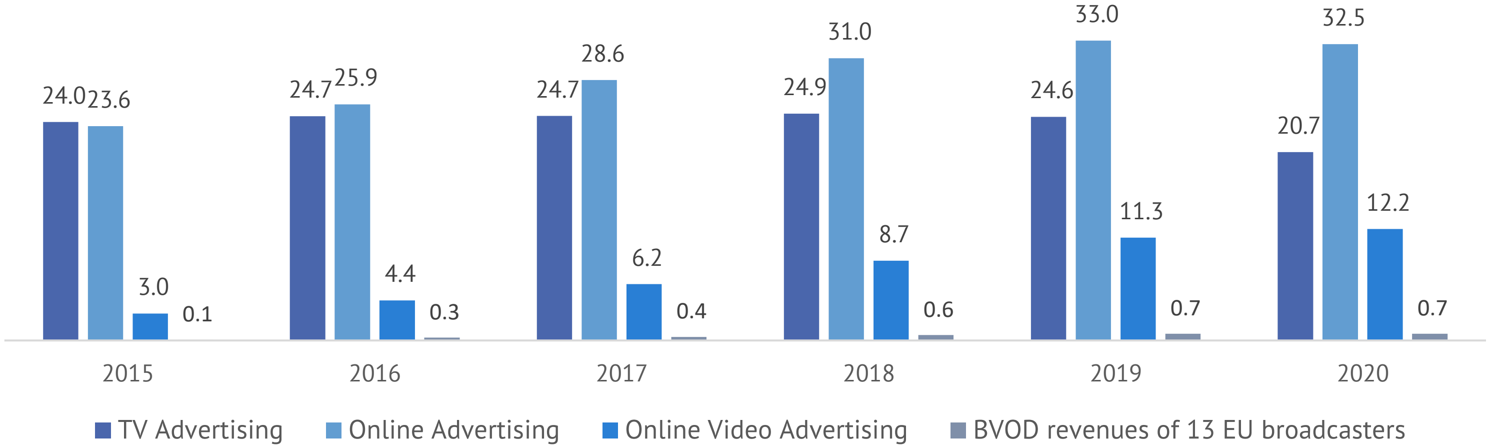
BVOD revenues of 10 selected EU27 broadcasters - 2020

In EUR million



EU 27 - TV, online video and BVOD advertising revenues

2015-2020, in EUR billion



Source: *Ampere Analysis*

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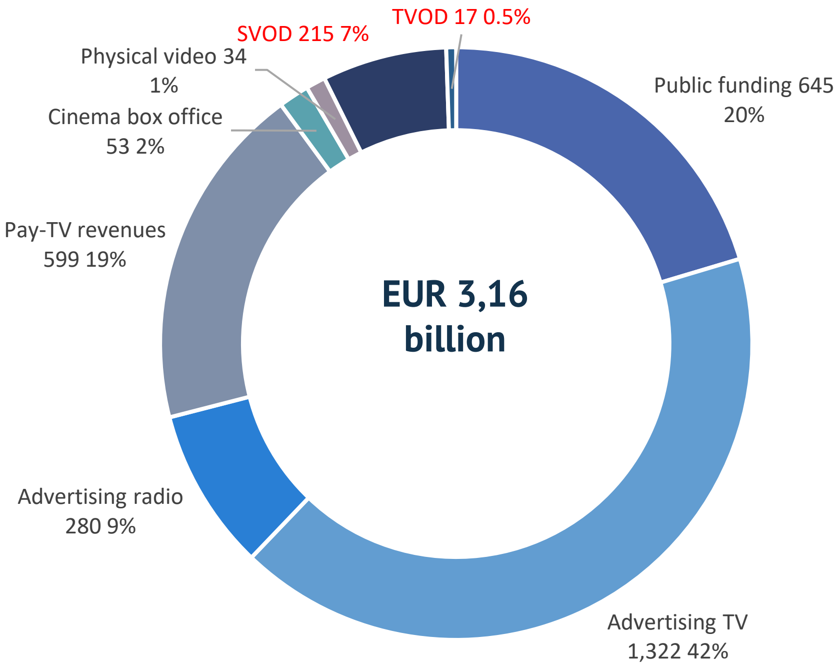
5. Snapshot - The Austrian VOD market

5.
The Austrian AV market in 2021

In 2021, in Austria pay VOD accounted for 7,5% of the audiovisual market

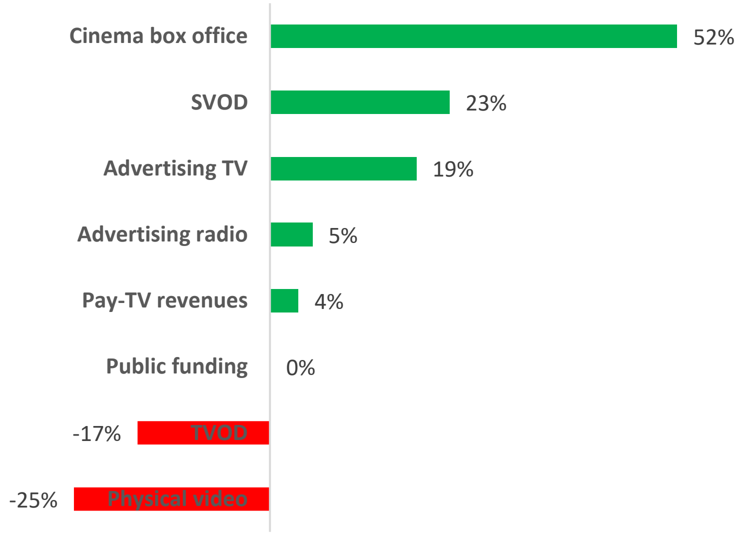
AT – Audiovisual market revenues by segment

2021, in EUR million and % of total revenues



AT – Audiovisual market growth by segment 2020/21

In %



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

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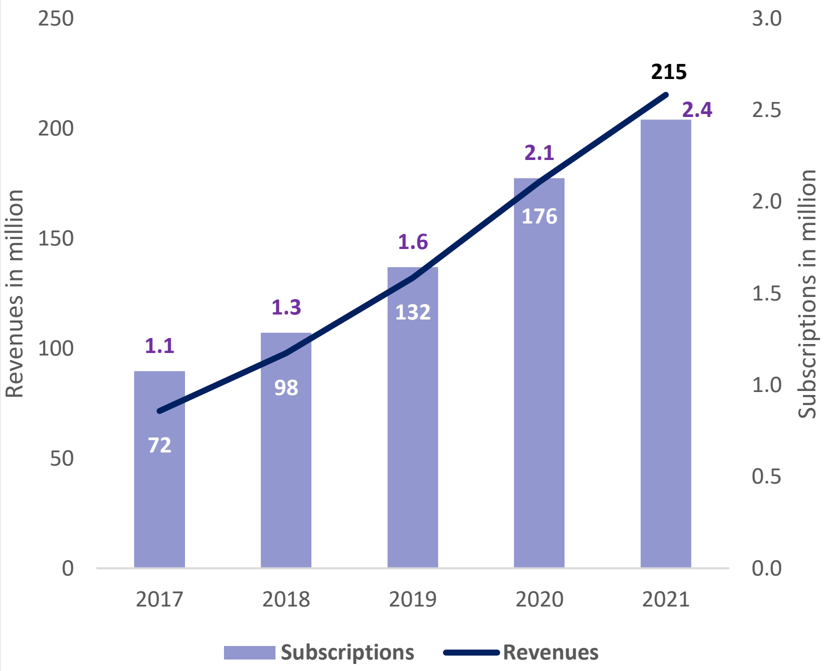
5.
Snap shot
-
Austrian SVOD market

Rapid rise in revenues and subs & HH penetration already higher than pay TV (62% vs 55%)

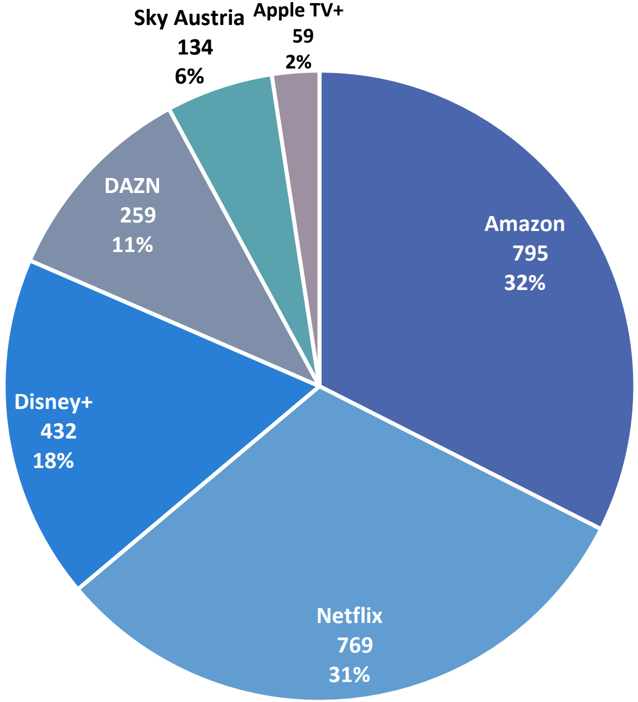
AT – Consumer revenues and subscriptions SVOD

2021 - in EUR million and million



AT – SVOD subscribers by service

2021 - in thousands and % of total



Source: Ampere Analysis

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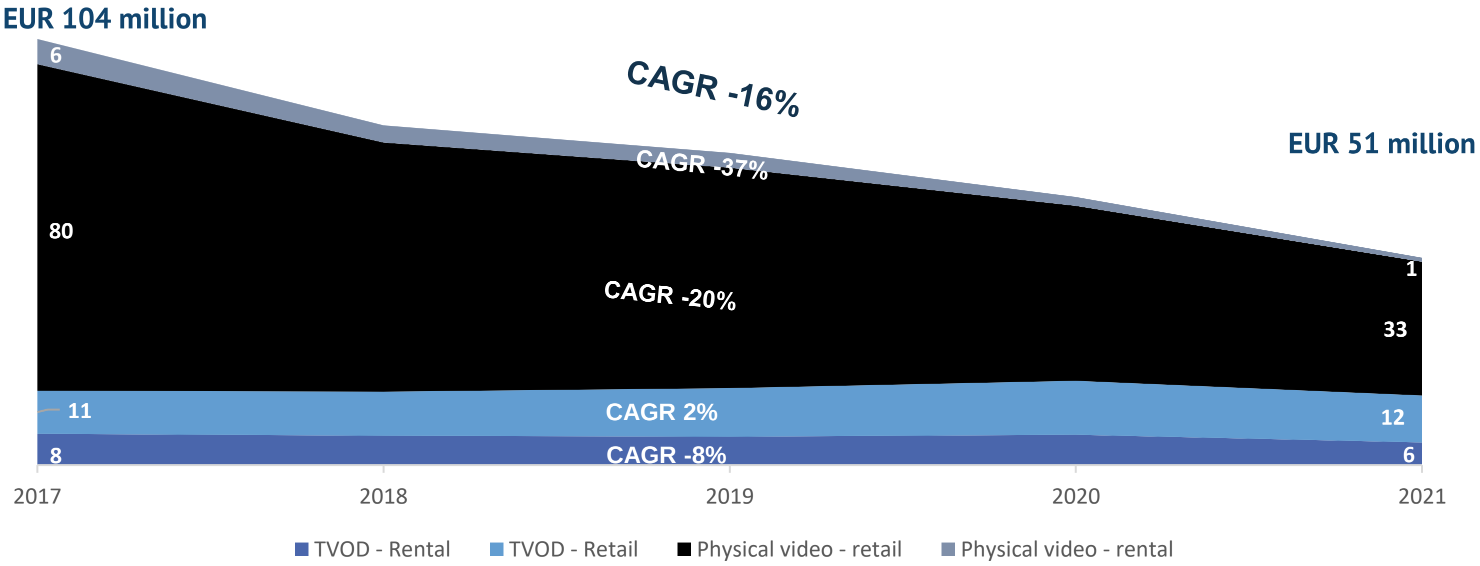
5.
Snap shot
-
Austrian TVOD and physical markets

Retail and rental market revenues halved in 5 years, TVOD does not compensate for physical losses and is a stagnant market over the past 5 years

AT – TVOD and physical video revenues, retail and rental

2017-2021 - in EUR million



Source: Ampere Analysis

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6. European Cinema market – recovery?

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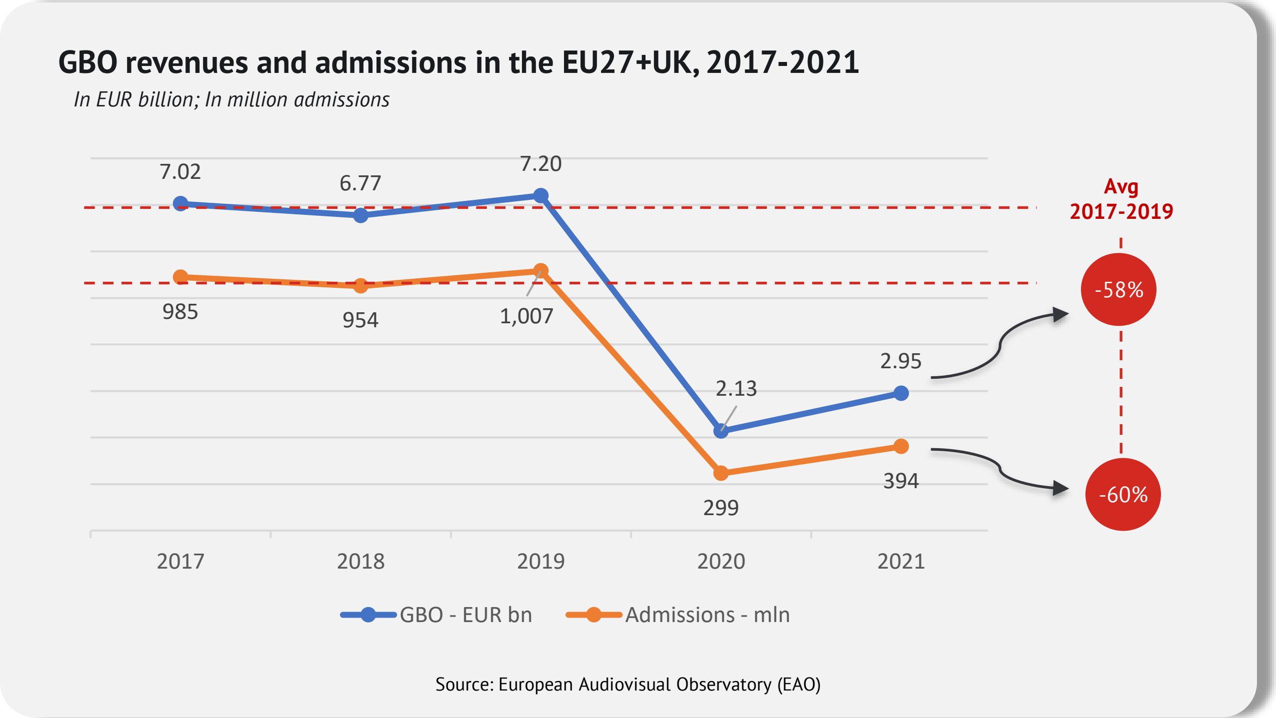
GBO and admissions increased in 2021 but still below 2017-2019 average

6. Cinema market - Slow route to recovery



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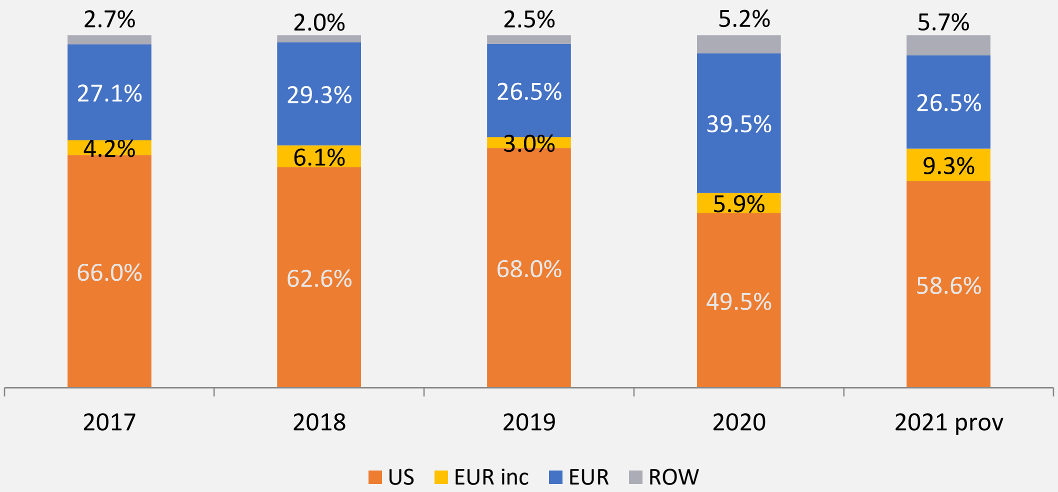
6. Cinema market - European films back to their average admissions share

European market share back to 26.5%

Market share by region of origin, 2017-2021

In % of admissions



Source: European Audiovisual Observatory (EAO)

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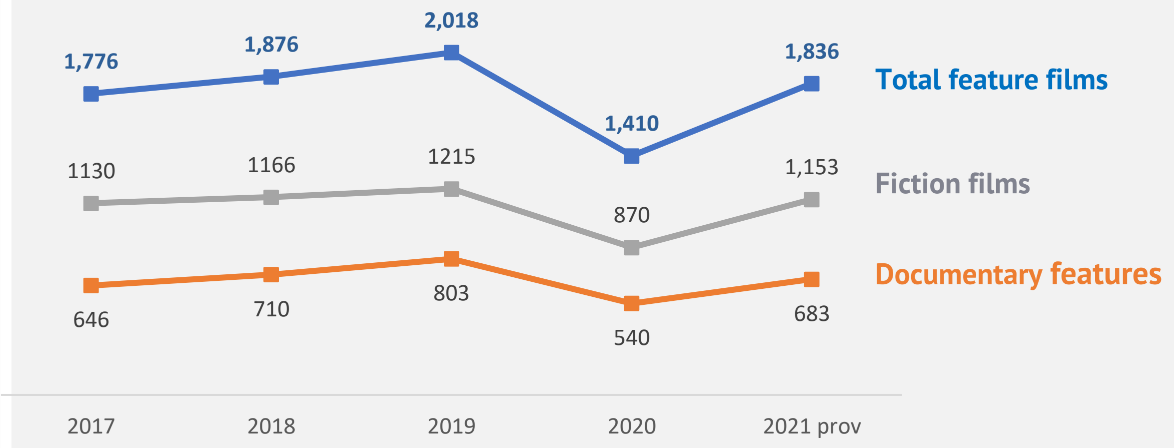
Film production back to pre-pandemic levels with over 1 800 feature films released in cinemas in 2021

6. Cinema market

Feature films produced in the EU27+UK, 2017-2021

In number of films



Source: European Audiovisual Observatory (EAO)

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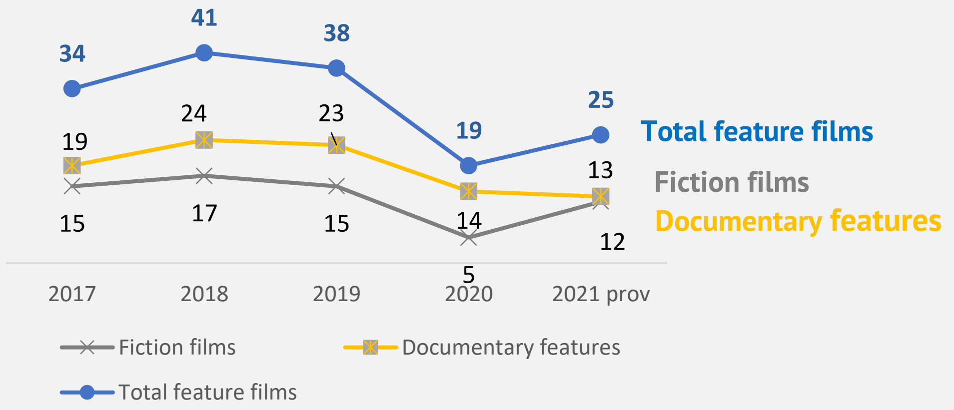
6. Cinema market
- A look at the Austrian feature film market

In Austria, film production is still not back on pre-pandemic levels

Feature films produced in Austria (100% and majority coproductions), 2017-2021

In number of films



Source: European Audiovisual Observatory (EAO)

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Outlook

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Outlook

1 - Impact of video on demand services

- **SVOD: Game changer** on the audiovisual market which rapid consumer adoption forced traditional players to adapt and shift their business strategy towards direct-to-consumer services and escalated competition.
- **TVOD: Evolution** towards recent films with shorter release windows of theatrical films and **from rental towards retail.**
- **AVOD: Set for a rapid rise** as advertisers and media players are trying to capture audiences online in a continuing shift of online content, product and service consumption by European consumers.

2 - The rise of direct-to-consumer services will propel US media groups as the main players on the European audiovisual market

- **Global US services, from tech, telecom and entertainment players** (Netflix, Disney, Amazon, Comcast, Apple, Warner Bros. Discovery, Paramount Global) are set to dominate this new media landscape in Europe, having the required scale, financial power and consumer base to outcompete European players on their own national markets.

3 - Consolidation of European players to be in a position to exist in this new media landscape

- **European audiovisual services, production and distribution players** will seek alliances, mergers and acquisitions to be able to compete in this landscape with US entrants on the European audiovisual market.

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Trends in the VOD market in the EU28