VOD Trends in Europe

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Outline

1. EU28 VOD Market 2010-2020 – Significant growth but still a small part of audiovisual market
2. Focus on the EU28 Subscription VOD (SVOD) market
3. A glance at the EU28 Transactional VOD (TVOD) market
4. Advertising-financed VOD/Broadcaster VOD (AVOD/BVOD), the next opportunity?
5. Snapshot - The Polish VOD market

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1. EU28 VOD Market 2010-2020
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Significant growth but still a small part of audiovisual market

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1.
EU28 VOD market
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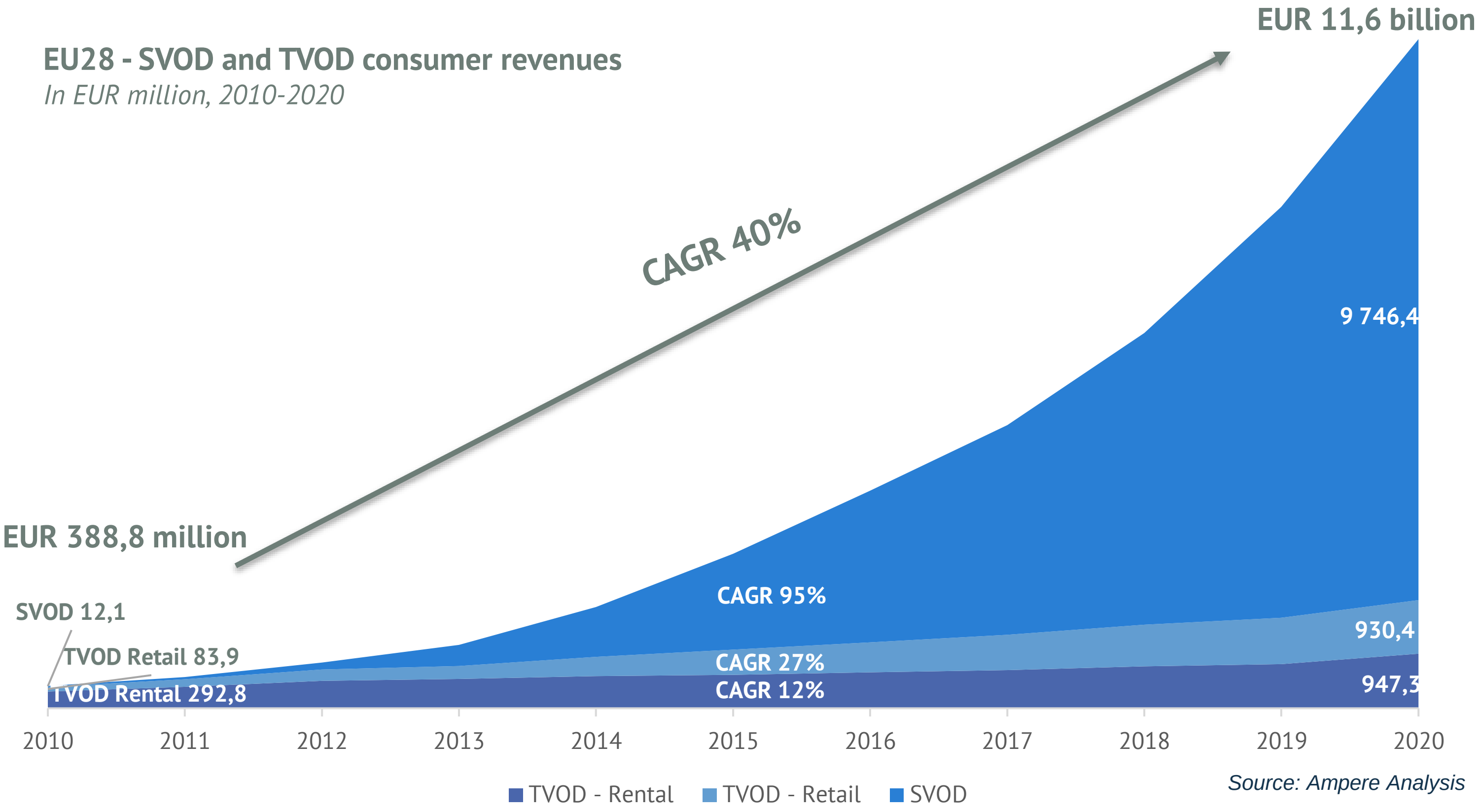
Main figures

EU28 paid VOD revenues - Rapid growth, SVOD main growth driver



Source: Ampere Analysis

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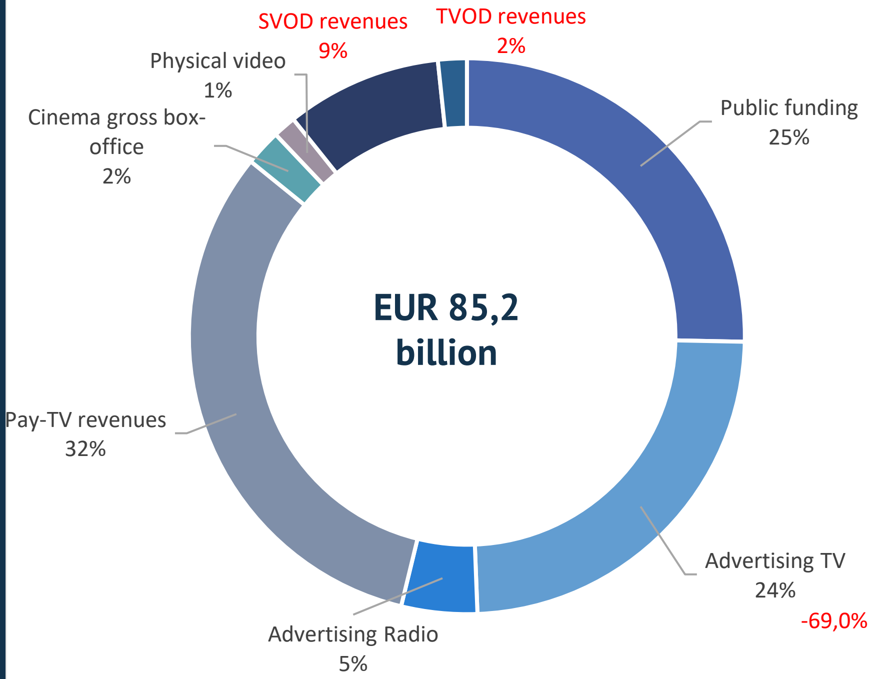
VOD still small but main growth driver

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

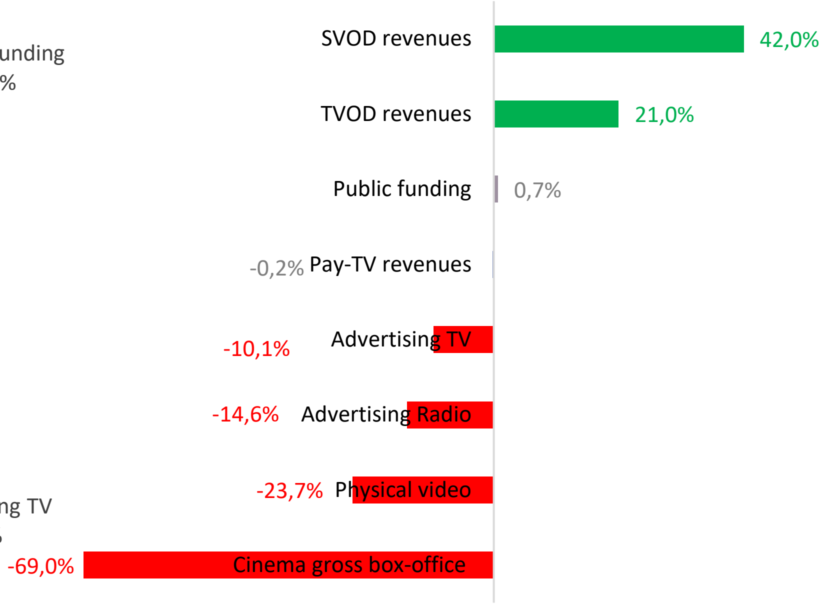
EU27 – Audiovisual market revenues by segment

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 EU28 Subscription VOD market – growth driver

Focus on SVOD – the "rising star" on the audiovisual market

2.
EU28 VOD market
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SVOD as growth driver

- **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, WarnerMedia, Discovery, ITV…
    - 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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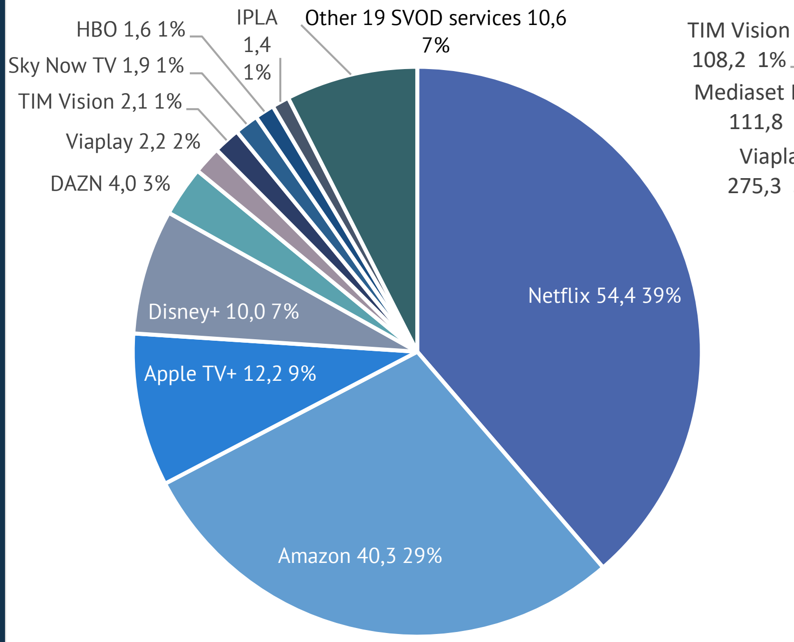
Scale as a necessity on the streaming market for generalist entertainment services?

2. EU28 SVOD market - Main players

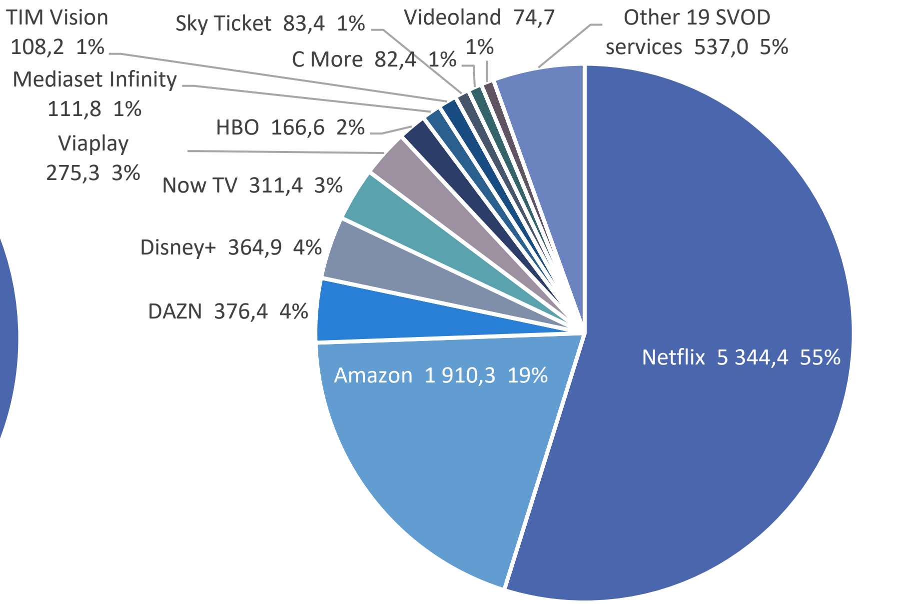
EU28 – Subscriptions to OTT SVOD 2020 – 140,7 million

in million



EU28 – Consumer revenues OTT SVOD 2020 – 9,7 billion

in EUR million



Others: Mediaset Infinity, Joyn Plus, TV Now, Videoland, Dplay, TV2 Play, Voyo, C More, Sky Ticket, ITV Hub+, Streamz, Player.pl, Atresplayer Premium, cda.pl, Ruutu+, Mitele Plus, Rakuten TV, Go3, Eleven Sport

Source: Ampere Analysis

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2.
EU28 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, niche/special interest audiences, alliances and co-productions? SVOD+AVOD?
➔**Room for growth:** most EU28 markets not near maturation

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3. A glance at the EU28 Transactional VOD market

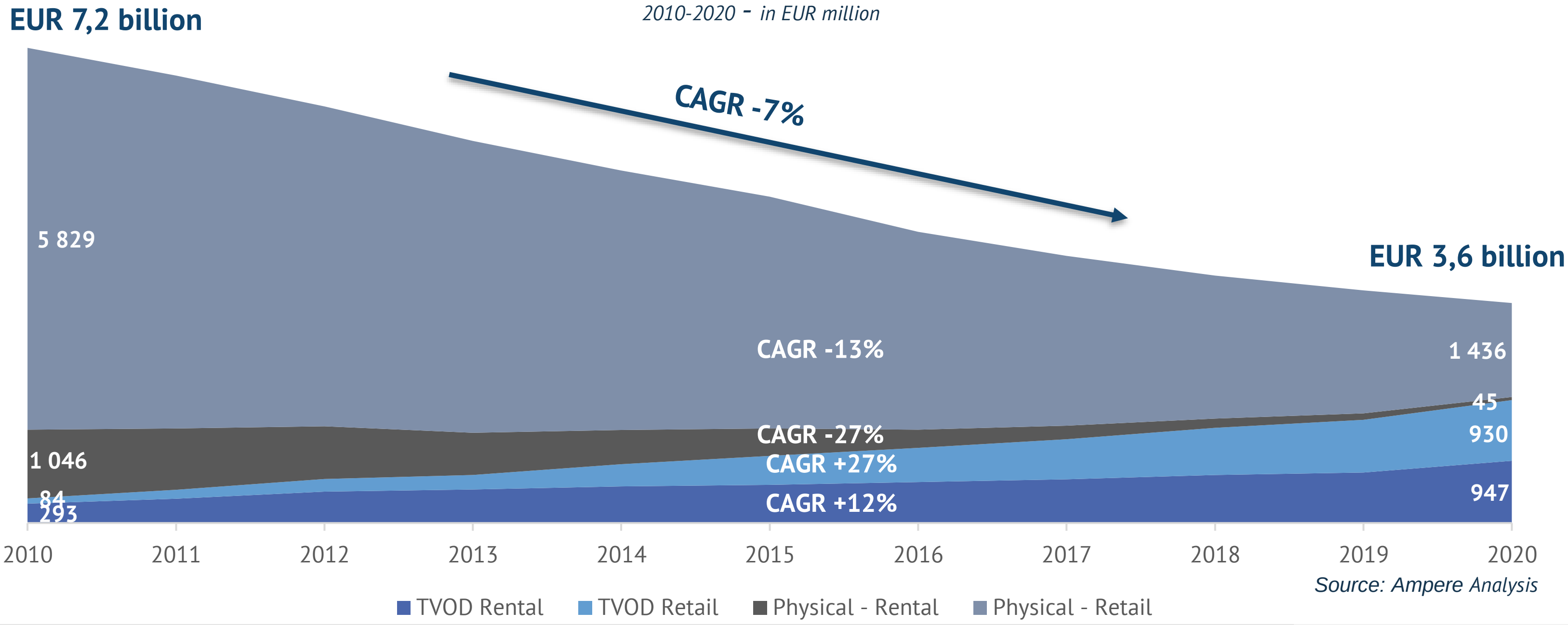
TVOD market does not compensate for the loss on the physical market

3.
EU28 VOD market
-
Transactional VOD

- 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'
- "Day-and-Date" release experimentation by major studios in 2020 and 2021

EU28 – TVOD and physical video revenues, retail and rental

2010-2020 - in EUR million



Source: Ampere Analysis

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

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4.
EU28 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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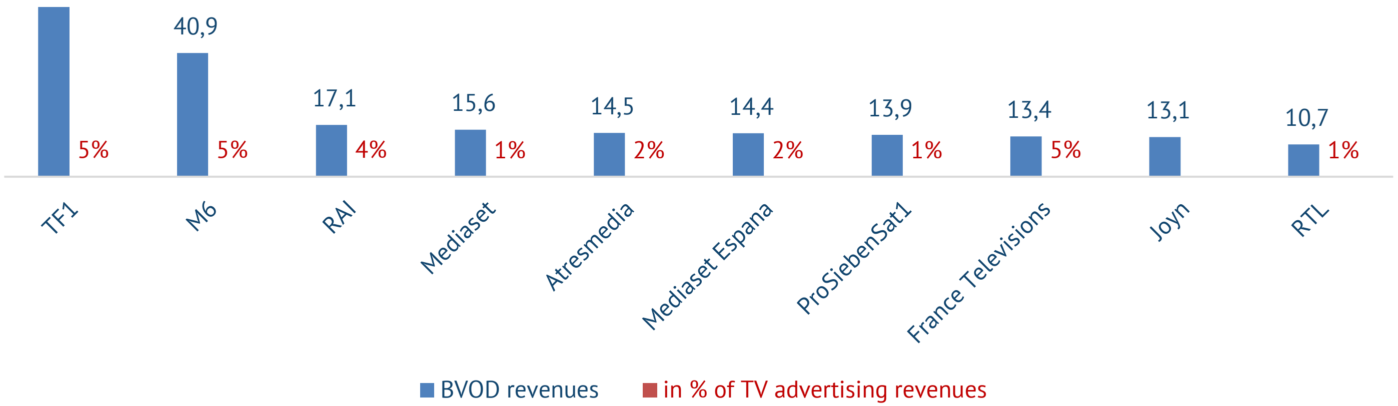
4. EU28 VOD market - BVOD revenues Fragment of TV and video advertising revenues

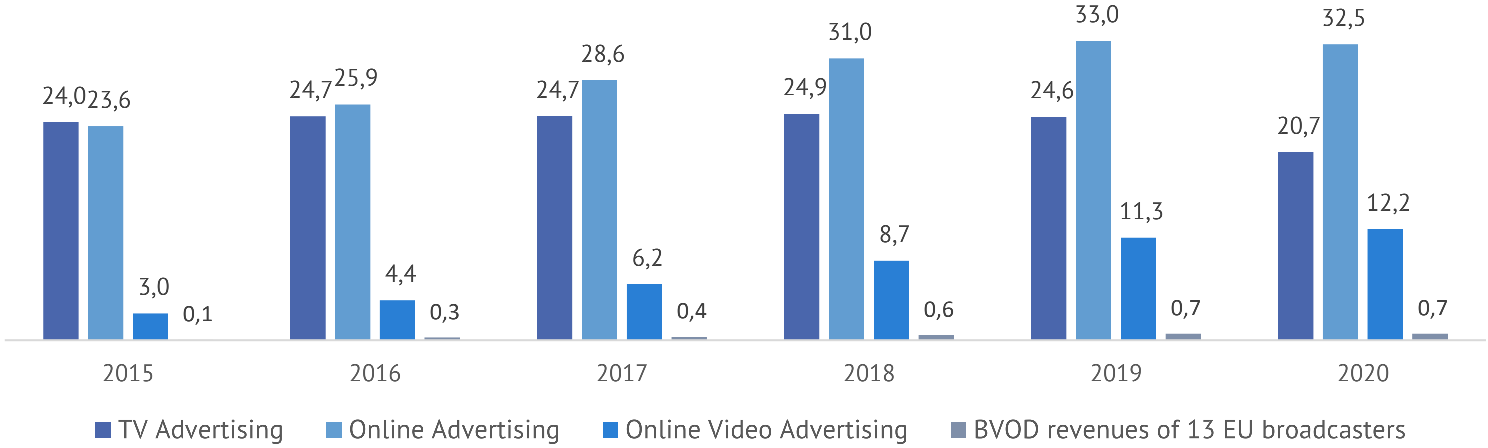
BVOD revenues of 10 selected broadcasters - 2020

In EUR million



EU 28 - TV, online video and BVOD advertising revenues

2015-2020, in EUR billion



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Source: *Ampere Analysis*

5. Snapshot - The Polish VOD market

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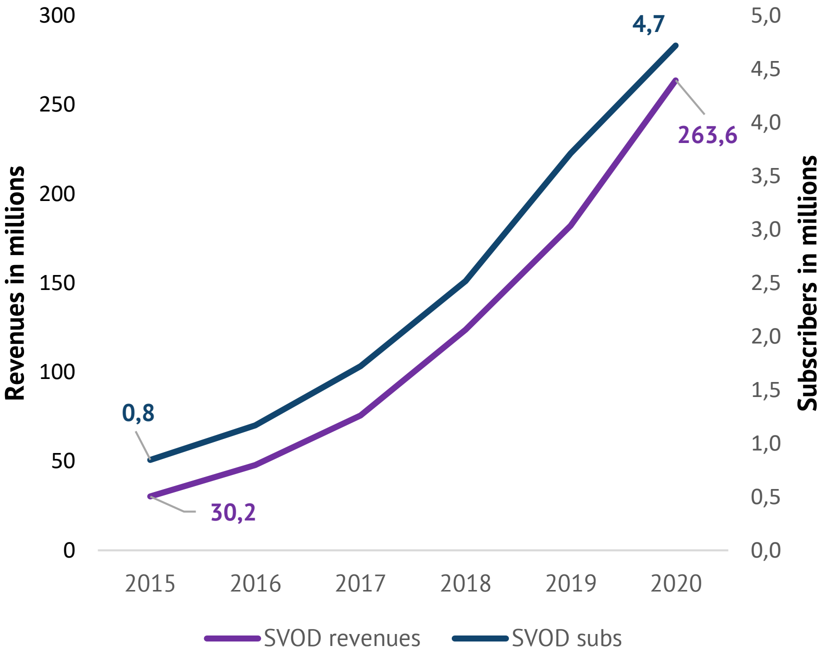
5.
Snap shot
-
Polish SVOD market

A vibrant SVOD market: rapid rise in revenues and subs but HH penetration still low compared to pay TV (34% vs 83%)

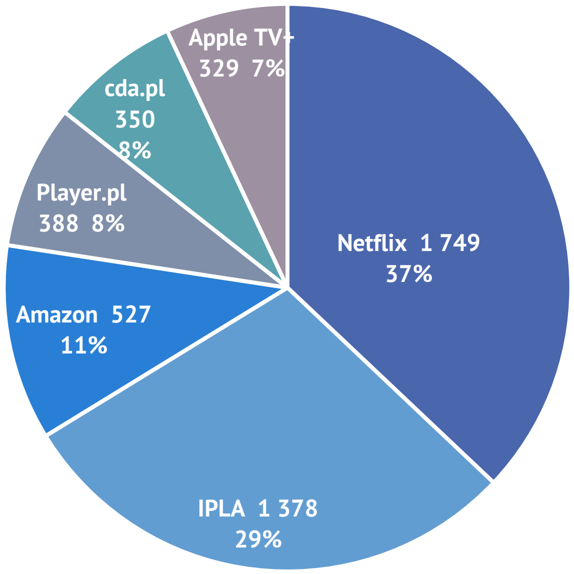
PL – Consumer revenues and subscribers SVOD

2020 - in EUR million and million



PL – SVOD subscribers by service

2020 - in thousands and % of total



Source: Ampere Analysis

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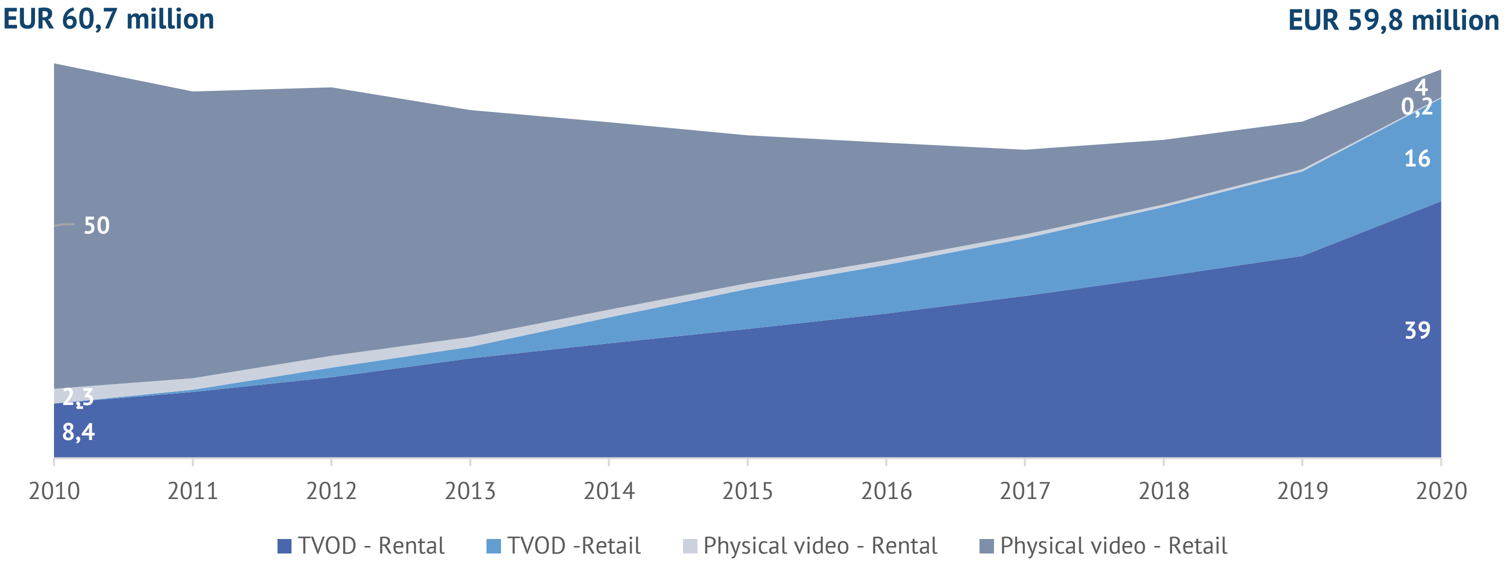
5.
Snap shot
-
Polish TVOD market

TVOD managed to compensate for loss on physical market – shift from physical retail to TVOD rental & retail

PL – TVOD and physical video revenues, retail and rental

2010-2020 - in EUR million



Source: Ampere Analysis

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Outlook

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, WarnerMedia/Discovery, ViacomCBS) 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