



ED BARTON

Chief Analyst, Entertainment | Ovum

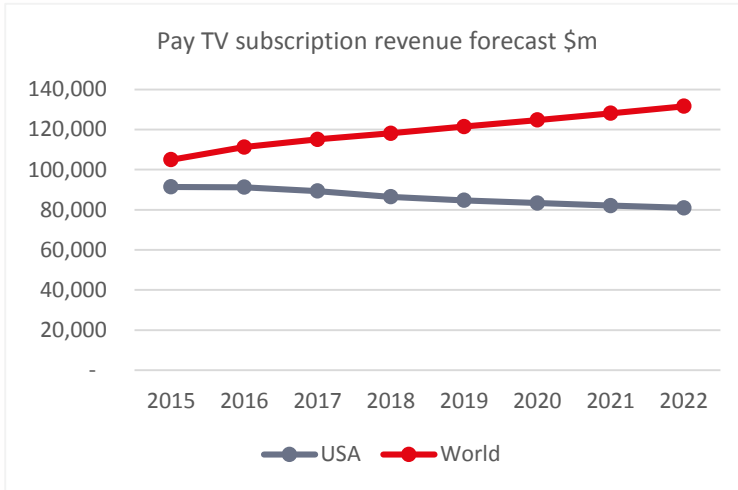
PRESENTATION

Transformative Strategies:
Super-Sizing Entertainment Distribution and Competition

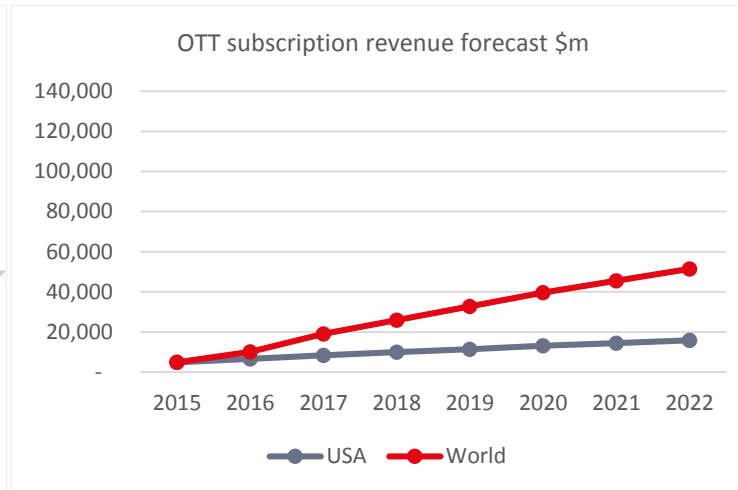
Will M&A enable traditional media to compete against the digital giants



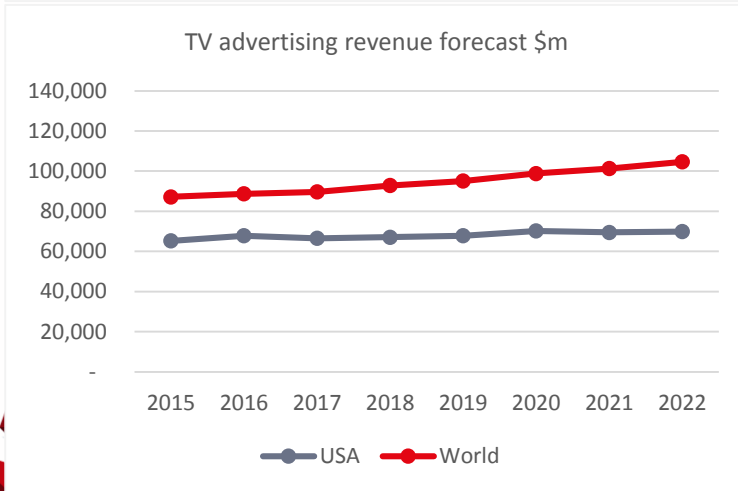
TV and video competition is intensifying because of the FAANGs



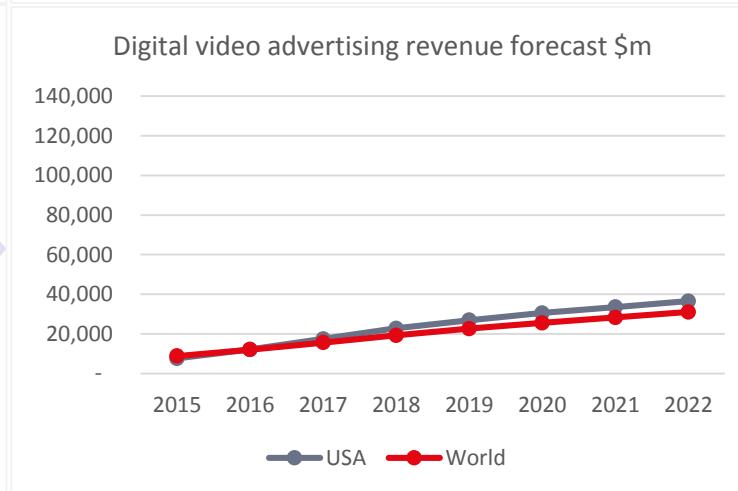
Pay TV is in secular decline in mature markets with growth slowing in many others: while still the greater part of total TV and video revenue, companies reliant on pay TV need new growth narratives



OTT subscriptions are growing strongly but market share is dominated by Amazon and Netflix, often to over 50 per cent of the market



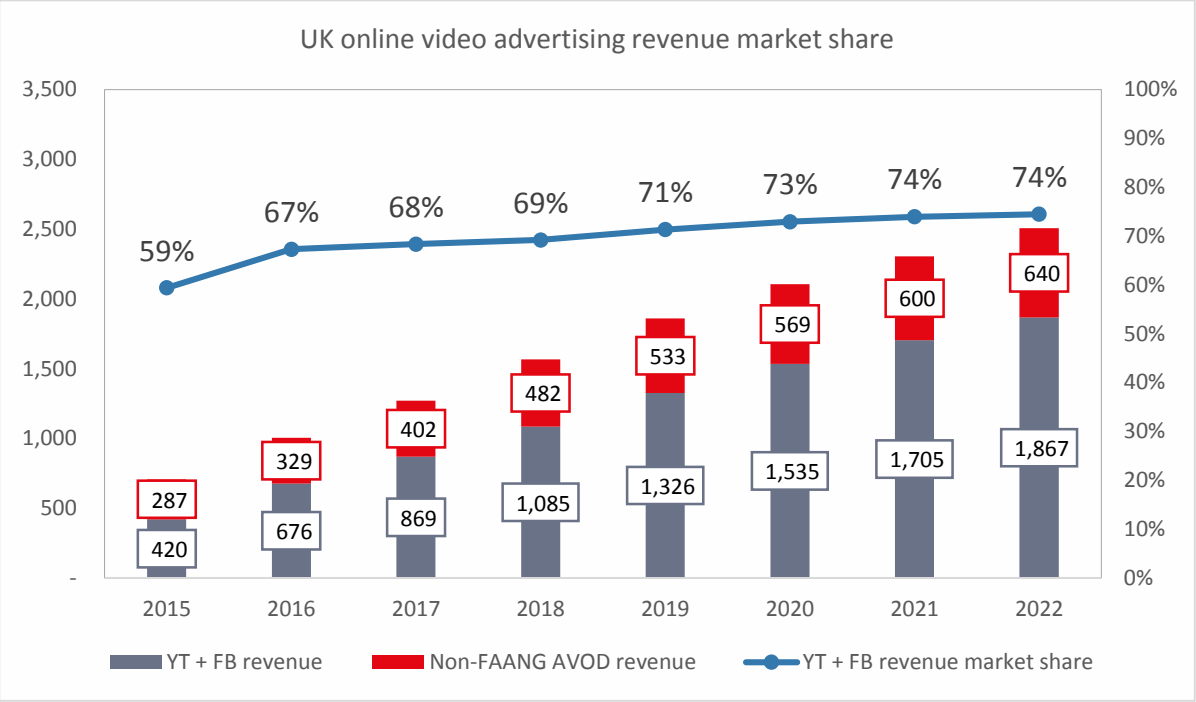
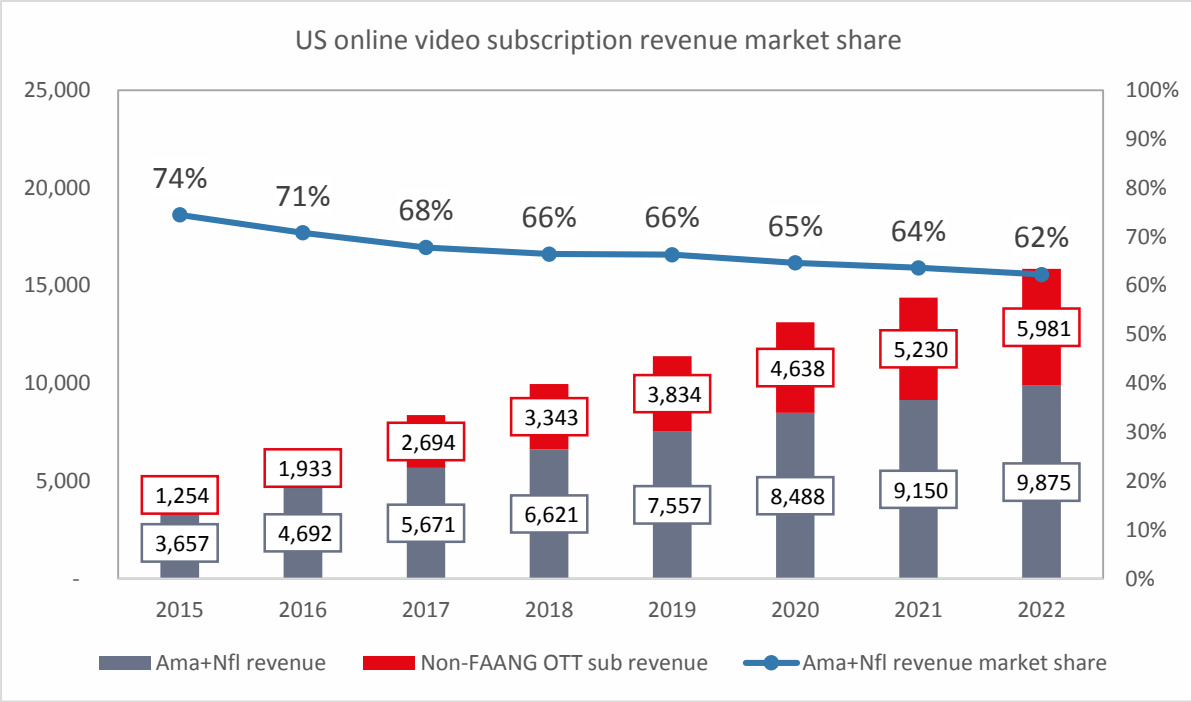
TV advertising is largely flat as audiences spend more time on non-linear viewing



Digital video advertising is growing strongly but is comprehensively dominated by Facebook and YouTube



Digital platform market dominance of the key growth opportunities – OTT subscriptions and AVOD - is expected to continue without a step-change in competition

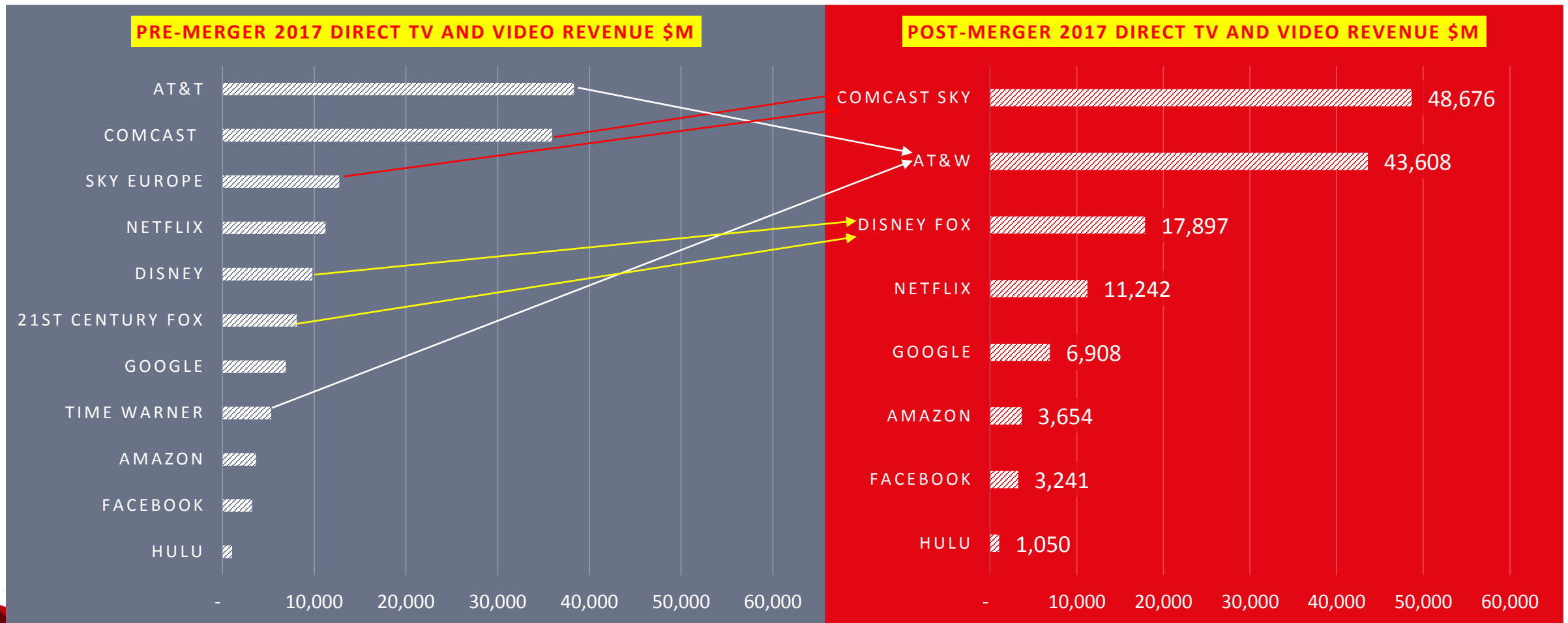


Note: Ama+Nfl = Amazon and Netflix combined; YT + FB = YouTube and Facebook combined

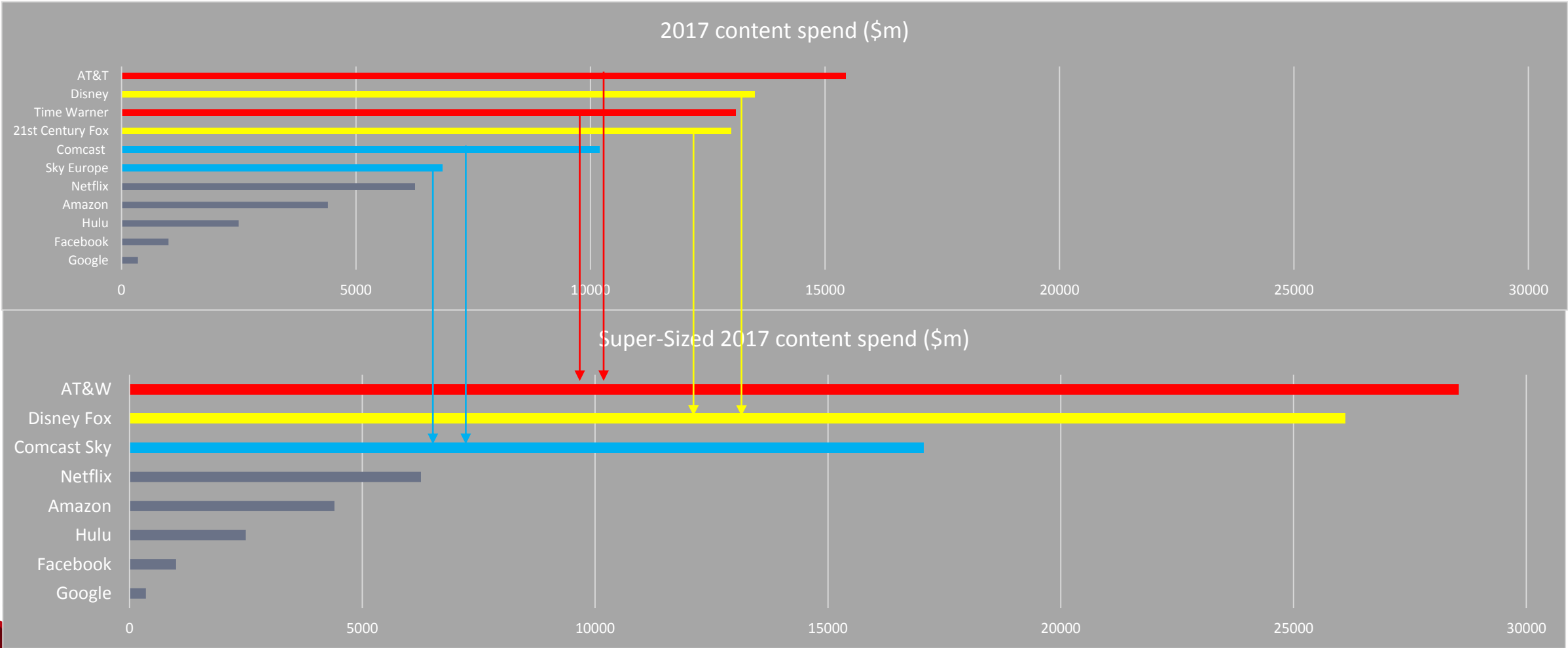
FANG market share of the two key growth stories in video distribution, OTT subscription and digital video advertising, is very high and actually increases when isolating mobile: the super-sized companies will look to compete more effectively in these revenue pools.



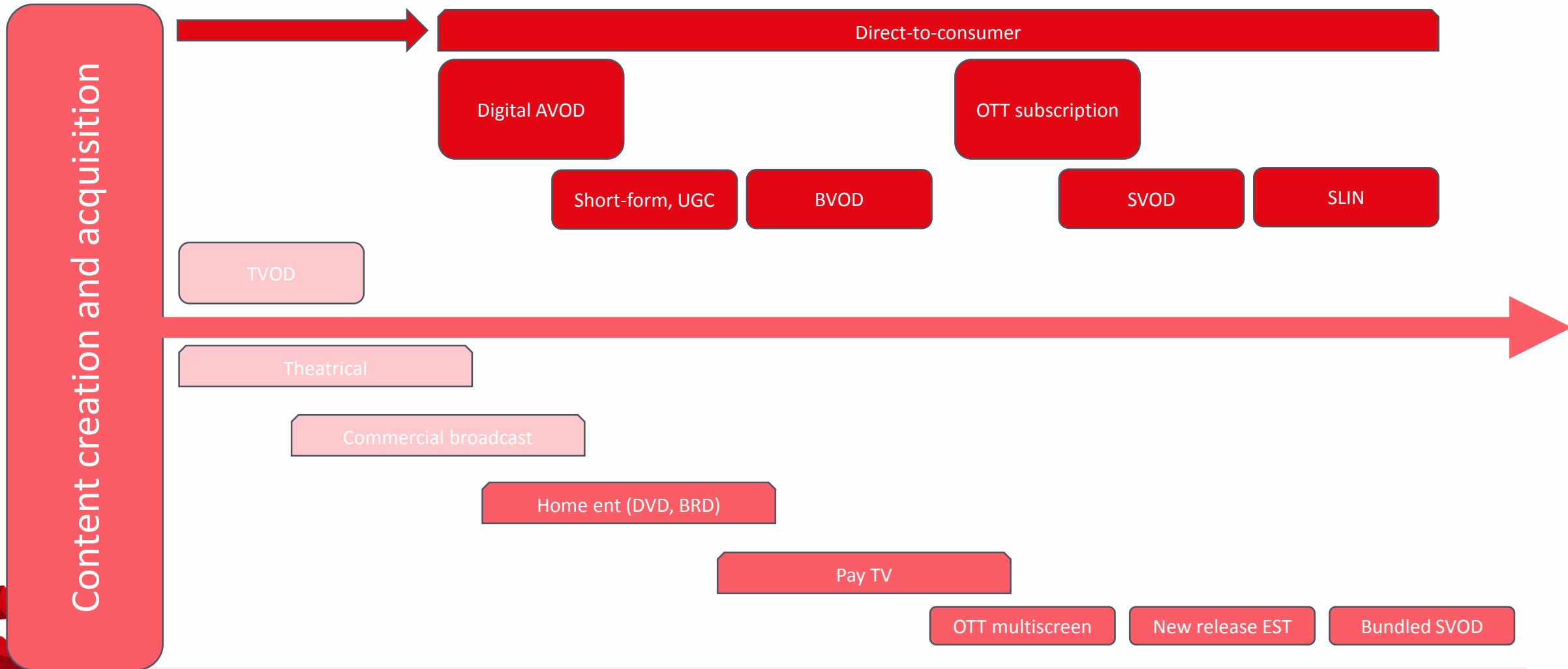
“I don't think there's any major media company on the planet that ultimately won't have a direct-to-consumer product launched in short to medium term” Lachlan Murdoch, 21st Century Fox



Super-sizing content spending: more money feeding fewer platforms

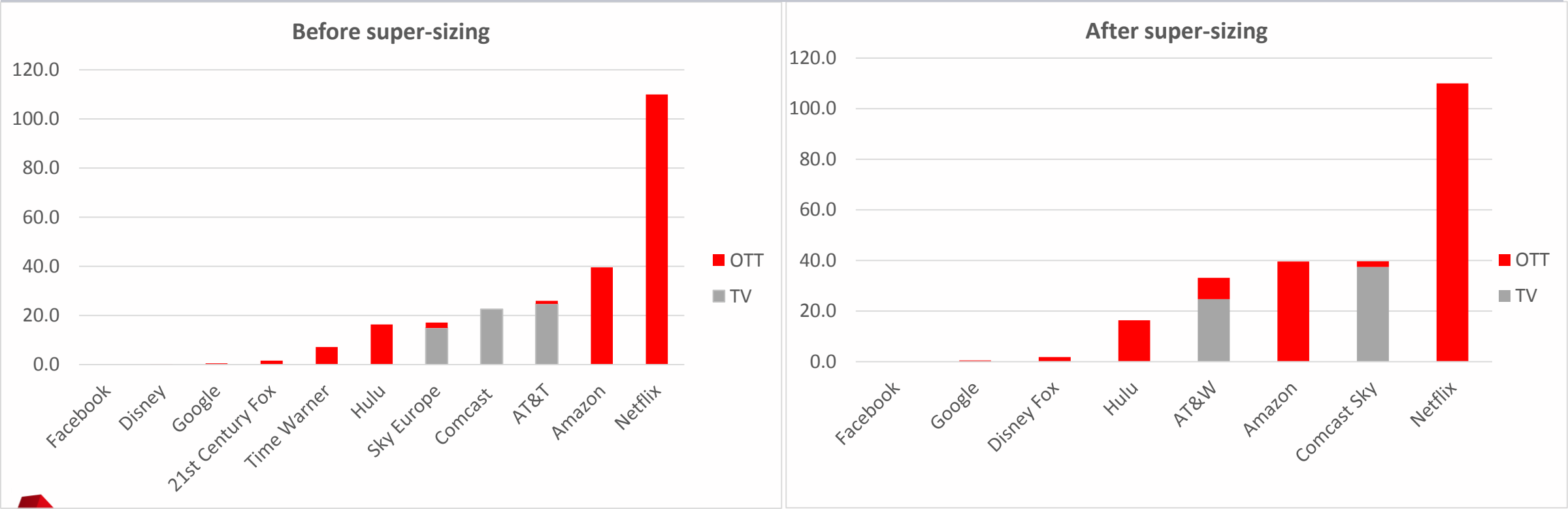


The search for growth is focused on D2C platforms: HBO NOW, 'Disneyflix', F1TV



Super-sizing subscriptions: Netflix remains in a league of its own

Selected companies, TV and video subscriptions by type (mn), 2017



5G places a personal, mobile device at the heart of the viewing ecosystem



A significant reorientation of the entertainment industry is underway

4-6 global video platforms

- Netflix, YouTube, Prime Video, Facebook Video
- HBO NOW? Disneyflix? iFlix? DAZ'N?

Super-sized competition

- Co-existence with Netflix and YouTube
- Content squeeze

Live sports is critical

- Digital is winning sports rights
- Rights-owner D2C proliferates, strengthens

5G's comprehensive impact

- Placing a personal mobile device at the heart of the entertainment ecosystem
- Improving existing mobile video, enabling new content and business models



Thank you

Ed Barton, Chief Analyst
ed.barton@ovum.com

