

MIPTV

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Laurine Garaude

Good afternoon and welcome back for today's second Media Mastermind Keynote. I'm delighted to introduce Jorgen Madsen Lindemann, President and CEO of MTG, a Swedish media company that is transforming itself into a global digital entertainment provider. As you probably know, MTG operates channels throughout Scandinavia, the Baltic States, much of Eastern Europe and the UK. Born in Denmark, Jorgen has been with MTG for more than 20 years in a number of leadership roles and has been highly instrumental in MTG's evolution. He will discuss how new technologies and the changing demands of consumers are driving a true story telling revolution, as well as the new content trends that he believes impact MTG in the broader entertainment industry. After his keynote, Jorgen will sit down for a Q&A with UK journalist and media commentator Kate Bulkley. Please join me in welcoming Jorgen and we'll start with a short video. Thank you.

VIDEO CLIP

Jorgen Madsen Lindemann

Thank you very much. I think it's fair to say that the story of the video you just saw is one of the, I think, most interesting stories that we have seen the last two years at least, something that we as a company, of course, are very excited about having invested in. I will in the next 20 minutes try to give you an idea on what we as a traditional broadcaster are trying to do in order to make sure that we capitalise on all the consumer trends that we see around us, which of course is very exciting. For those of you who don't know, Modern Times Group started to broadcast some 30 years ago, operating in four business areas today where we have the Nordic business consisting of free TV channels, pay TV channels, satellite platforms, OTT platforms, AVOD, satellite, radio. The international business consists of free and pay TV operations around the globe. We have a very important content business, a production business, where we have 28 production companies in 16 countries. Of course, given the changes we see right now, we understand that IP and being able to tell a strong story becomes more and more relevant; and then last but not least is, of course, all the new digital content or digital businesses that we have invested in in order to capitalise on these consumer changes that we are seeing, because in all fairness they are quite massive. This is people using television, this is from the US. Of course, our stats

around Europe look a bit different from what you see here. In our markets, it is actually a bit more aggressive when you look at the decline of people using television, particularly amongst the youngsters, particularly amongst what we call the millennials. So people are moving away from that product group, luckily into something new, which is then online video. There is good news for the ones who have a story to tell there and quite bad news for the ones who in time have not invested into these trends. If we look at our markets, you will see that we have an enormous broadband penetration. Almost all households in the Nordic have a pipeline big enough to be able to consume video. I think 73 percent of the Swedish population of households have more than 100 megabits. The mobile devices are exploding in terms of sale as well, and you see also more and more content is now also consumed via mobile. In our markets, these technology changes have, of course, also changed the way the ecosystem worked. In the old days when we had a story, we needed to go to a broadcaster who then hopefully would like the story, produce it together with us, publish it on one of the channels. Hopefully they had some fairly good distributors as well so we could go out to the wider population outside of Sweden. These days are over due to this very high broadband penetration, so now actually you are going directly to the consumer and that has changed the pattern, that has changed how we watch content, it has changed when we watch the content and - very important for us and very interesting, of course - what kind of kind of content is it now that we are watching? Because content which wouldn't have a life before because it didn't make the tough editorial line of a TV broadcaster or a distributor, you can now, as I said earlier, directly produce and broadcast to your audience. That is, of course, a very interesting opportunity for us who like changes, have that in our DNA, and that is also what we have invested in. But obviously as a traditional broadcaster, you need to make up your mind what you do then because you will start to disrupt yourself. A very important learning that we had is that we needed to understand, we needed to invest in digital, we needed to launch new products which might be competing a bit with our traditional products, and we have seen that many of our peer groups have not made the same journey but are praying that things will be different, things will stop, the [INAUDIBLE] level of decline, people using television decline would stop automatically. That has not happened; it has accelerated in some of our markets, actually, so of course very important for us is that we change the strategy. We now also understand what we want to invest in. We understand as well that we need to go out of some businesses. You might have seen us selling a lot of traditional media business in order to have finances to invest in these new trends and that, of course, has been a big undertaking for the whole organisation, but a necessity if you want to play a role as a storyteller going forward. What we have invested in so far, and that is since 2015, is areas which

we believe to some extent we know something about, so we have invested in storytelling that is common for the digital verticals that we invested in. Storytelling video is very important for us. We understand video. We haven't invested in mobile banking whatever, we are probably not that good in this area, and we understand the revenue stream, the mechanism, how do we make sure that we can capitalise on the stories that we are producing as well. So that is quite important for us in the segmentation or in the selection of businesses that we have invested in, something that we understand as a media company. It moves fast, very fast. This is a picture from Q2 2016, this is Sweden, a quarter where you also have the European Championship football, where you see now that eSport and mobile gaming has more reach and more minutes viewed than you have in traditional sport, and we have a lot of sport in our countries. So obviously this is a fantastic trend that we see right now and that is what I'm talking about, the whats, meaning new content is suddenly out there, new distribution opportunities, and luckily we have invested in those IPs. eSport, as we just discussed before, is growing very fast. We are the main shareholder in number one and number three biggest franchises in the world, [INAUDIBLE], and we are now rolling up eSport companies around the globe. Super exciting. You see more and more people starting to watch eSport. We had an event recently in the [INAUDIBLE], 170,000 people visiting the arena, more than 50 million unique viewers on the products that we launched in [INAUDIBLE]. It's a global phenomenon. It's quite interesting, because the games are taking place in a global way, so we are in US, we are in Latin America, we are in Asia, in Europe and so forth. What we also understood is that a the skeleton of the storytelling is something which we can transfer into the new digital world, the traditional sports storytelling that we have done around the Champions League, the Premier League, the Olympics and so forth, so that is actually something we can help the new companies with, is to make sure we can articulate a proper story. I'll try to give you an example of what we have done for eSport here.

VIDEO CLIP

Jorgen Madsen Lindemann

That was one of the shows which we produced for Twitter, and now we use Facebook, You Tube and many others as well in taking eSport global, which of course is very interesting, and so does traditional broadcast as well. We are broadcasting on pay TV platforms and so forth and we see a very strong intake of customers when we are having these shows as well. As I said, a global phenomenon. We have studios around the world now to make sure that we can do tournaments

24/7 365 around the world and that is a very important part of our business model. Moving on, a very interesting area as well is mobile gaming, which we have invested in. Why have we invested in it? Because we understand it's about storytelling. We have studios now creating a range of new mobile games. We publish these games and we go into the distribution side as well. This is Force of Empire. If you started now and wanted to play the game, you can play non-stop three years from now. There's so much content which is quite amazing. It is catering for many more customers coming in and it has a very long take, of course, since there's so much content already produced for these games. 30 per cent of daily mobile usage is mobile gaming, which is quite amazing, so this is a very interesting area for us to have invested in. We do more and, again, something which we understand very well, we understand the creation of the IPs, we understand the publishing and also the distribution. More interesting part as well is the whole set up when it comes to these [INAUDIBLE]. We just heard go90 before and obviously this is a slide I am using when I am out on investor roadshows, because we normally ask the analysts when we have meetings with them, we say, "Can you name me the ones you would like to have dinner with tonight?" and they talk about a lot of celebrities, James Bond and so forth, but this is when you ask the millennials, "Who are your favourites? Who are the big stars?" New stars, new [INAUDIBLE] who are complete media machines. This is one of the young female gamers which you see in her studio and she has millions of followers. She has long life broadcast and she also does all kinds of different shows as well, fairly humble studio surroundings you can see as well, and it's easier to get out there now due to the new techniques as well. We are learning and we are investing in different areas, in different businesses, in different revenue streams, because we need to understand that it is not enough for us as a media company just to have millions and millions of followers, we also need to understand how to translate that into revenue and something relevant to advertisers and, of course, profit as well. Our Zoomin effort is very important, which is a big global network, 4,000 video journalists producing 400 video stories a day, which we then sell to a range of media companies, The Telegraph, Microsoft, Yahoo, whatever, who wants that written story to be documented as well with a video. But that's one part of that business we're exploring right now. Then you can see they have around 4,500 channels, and the digital influences in their channels are something we need to understand as well. What does that mean and how do we capitalise on these influences on a global scale? Last but not least, the company do a lot of branded content, so we're doing channels for the likes of Philips, L'Oreal, whatever, who would like to have a story told on social media and to millennials. I will show a video just to introduce the company.

VIDEO CLIP

Jorgen Madsen Lindemann

Interesting. The guy I want to show you now is a very interesting phenomenon. I don't think he would pass any TV broadcaster and be able to publish his story. Now the guy has been on air and he has been seen more than one billion times on You Tube.

VIDEO CLIP

Jorgen Madsen Lindemann

That was Alfredo. We have good news for you, a company discount for those of you who would like to have haircut before the weekend or before the ball tonight, we can fly him in if some of you would like to. He now has his own reality show. You can win the Golden Sword with him and so forth, so it's quite an evolution for him as well, very interesting. Moving to another direction of the multiplatform network. This is Splay. Splay is not focused that much on advertisements, contrary to Zoomin which we saw just now. Splay has customers like the big traditional broadcasters like us and others who would like to have a big advertising video on demand platform, a platform gearing for these millennials. They're producing content for mobile telephone companies who would like to have unique selling points on the data packages. They're producing content, as I said before, to newspapers who would like to have documented their story in a different way; and last but not least, they are making different storytelling for advertising to mobile companies who need to engage with these millennials. The normal way of advertising to these millennials is probably not going to work on normal traditional TV spots because they are gone from TV, as we just saw, so here we need to rethink and here we have a campaign which increased the net MPS for that specific mobile company by 16 points by using some influences and put them to India.

VIDEO CLIP

Jorgen Madsen Lindemann

Just to put things in perspective, we saw there were one million people who have seen it. We

have seven million people in Sweden, so it's quite a big percentage of the population actually watching that show. As I said earlier, big broadband penetration, 93 per cent above 12 years in Sweden are on the internet and that of course gives an opportunity for the traditional broadcasters who have taken up this challenge. Right now, we are producing big advertising video on demand products in the Nordics; advertising video on demand or advertising online is growing by some 25, 30 per cent, so obviously it's a great opportunity for us, if we have the right stories, to be able to fight for that money as well. What you see here is our Viafree, which is a free solution, unique content, unique produced drama, youngsters, whatever, are on that platform only catering for the millennials. What we have seen as well is that the technology has changed and more and more broadband penetration also means a bigger portion of opportunities for our pay TV products, which is quite interesting. We have more opportunities now to get products launched globally in our market and make people subscribe to them. The OTT penetration you can see behind me on the left side is as big as it is in the US. The other grey stables, as you see, are Germany, England, UK and so forth, so quite a massive opportunity for us because we now see that we can come out to more and more customers. Therefore we recently launched a new franchise. We launched two global boxing tournaments, together with other partners. We are a big fan of boxing and now we have the opportunity to go directly to the consumer globally as well, so now we have scheduled regular boxing with the biggest boxers and prize money of \$50 million annually. We have our first event taking place in June. Another thing is that with constantly more and more expensive rights, we need as a broadcaster to be able to monetise on them because the rights fees are not going down. On the contrary, you are ready to pay for all good stories and the Champions League is a good story. That's just the way it is. What we see here is that due to the OTT launch that we are seeing, due to the broadband penetration, we have been able to capitalise much more on the content than we did in the past, so now we can take matches, free TV, pay TV and also online on our OTT service. We launched Viaplay in the Nordics, which is a full blown OTT product, also having the local productions they premier on Viaplay. We have a range of acquired content and, as you can see, local drama and we have a lot of sport. That is offered to the customers online, and that is what I said at the beginning about making sure that you are not afraid of taking advantage of your own product. Here you have an opportunity to capitalise on the content. What we have found out is that locally produced content has an enormous attraction. It is, of course, a new opportunity for our production companies because our audiences really like the locally told story and we see the impact with the acquired content is massive, as you can see on this screen as well. We now have some 50 drama series either produced or in the pipeline, together with a

range of our partners. We had one of our shows attending the MIP Drama screening yesterday. Unfortunately, it didn't win. It's a good story about a producer who has spent all his money and thought that he would do the best show ever. Unfortunately, it turns out that it's going to be a big failure, so the guy now has two opportunities in order to make some money - either go with his father and stay home at the farm and help cleaning up after the pigs, or he can become an adult TV show producer, and I think the guy chose the latter.

VIDEO CLIP

Jorgen Madsen Lindemann

Poor guy. It's interesting as well, when we talk about technologies, we would like the customers to get much closer to the products that we are doing. VR is something we are operating with a lot right now. We produced the Olympics in VR. We produced as well the last of the latest eSport events in Via, and now we do that for our locally produced content as well to make sure that we keep the fans close to us. What I'll show you now a reality show that we are having with a very famous golf player called [INAUDIBLE] who is living in Miami and the whole show is about following him and here we invite the fans of Jespa into his house using Via.

VIDEO CLIP

Jorgen Madsen Lindemann

Quite interesting. What we are a bit dependent on is to making sure that these devices are sold and the higher penetration, the more business we can see going forward. The last video I will show you is from one of our very interesting companies called Trace, urban entertainment, urban music, and it is such a clear story that these guys are telling. It's more than a business, it's a movement, to be honest, and of course they're super excited about the fact that they can get their story out now to all households globally that has big enough broadband in order to watch video. This is very unique storytelling. It is something which we are now capitalising on through our Trace Play offering, so now we have a story told globally. It's a long video, it's two minutes, it's the last one though, but I think it's such a strong story and that is very important here when we talk about video consumption increasing and so forth. We shouldn't forget the relevance because there is so much storytelling out there and you simply need to be able to cut through

the noise because there is an amount of people who would like to take the time of your customer. Trace is a very strong story, it's a unique story catering for those who find this movement interesting.

VIDEO CLIP

Kate Bulkley

Hi, I'm Kate Bulkley, and I'm here to interview Jorgen just a little bit. That was a really interesting vision for what your company has done. Literally in the last, I don't know, three to five years, you've turned this company around from a very traditional broadcaster of creative content to something you gave a vision of that's very different with those three verticals. Let's talk just a little bit about the transition, because it must have been an interesting one. You've sold off a lot of your free to air businesses. I think you sold off Africa, you sold off the Baltics recently, you sold off Czech, so you've really got out of free to air TV, you've created a war chest to buy some other things. So how much more money do you have left? Are you going to continue to buy things to feed these verticals that you talked about?

Jorgen Madsen Lindemann

Yes, we do have more money otherwise I will call the shareholders and ask for more if that is needed. I think what we are struggling with right now, not struggling, the focus is to find these very interesting companies to make sure that they have something which is something you need, i.e. they are storytellers. When we find mobile gaming companies, it's not a one hit wonder. We need to make sure that they over the years show that they can produce IPs with travel. They also have to make a transformation from being a browser company to mobile as well, so it is a range of parameters which we're looking at when we are talking about these investments that we do. I think for all of them, it is important for us that we are comfortable with the business we are buying, so it's video, storytelling, and we know the revenue streams. Also we need to understand we can add something and not just join the party, sitting and watching the other one doing it.

Kate Bulkley

It's interesting you mentioned, for example, content creation and that has changed. In other words, it's not just all premium premium content; it's stuff that will fit on different platforms. I heard in the media that you were thinking of buying Clutch Entertainment, for example, so branded type content. Are you interested in companies like Clutch or are you interested in doing much more branded content?

Jorgen Madsen Lindemann

Yes, we are interested in doing much more branded content. I think we've had a lot of discussions with our advertisers, with our partners as well, about how to make sure that we can help them not only reach the audience that they used to reach with us, but also reach the global millennials as well in all kinds of different story telling. So that is interesting for us. I think that is also quite important for us that the companies we're investing in, it's very important that the founders stay on board so this intellectual capital is kept in the business, because we probably don't know, probably do, but at least the founders know a lot about the history of the company and what can be done with their products; and, of course, the idea for us is then to accelerate either financially or with the network that we have so get out broader.

Kate Bulkley

Ok. How bad a situation is regular TV, free TV, really in? You still own a lot of free TV businesses, TV3, TV6, TV10. How bad is it? I always think of a diagram - in other words we have free TV doing this, sort of steady, staid advertising, isn't really growing that much, it's not falling particularly but it's not growing. Then you have digital that's kind of doing this, and I always talk about the gap. Where are we now? Do you think that gap's going to start getting filled? You talked about SVOD, is that the gap filler? Is that the answer?

Jorgen Madsen Lindemann

Yes, for us I think it is to a large extent, because obviously we have some customers leaving our free TV product, they must go somewhere, and the whole idea is to create a lot of new products online which cater for these moves, for these changes in viewing trends. Right now what we see is that the group in the Nordics, they're growing their revenues and they're growing their profits, and that is despite the fact that we see the decline in people using television. Now, luckily TV is a very strong media. If you want to reach your audience very fast and efficiently, then TV is the superior, and the return of the advertising dollar is also very strong on TV and that will last for many years. But we decided at an early stage, I talked about disruption before, to say we need to do something more because we saw the trends already, and particularly with infrastructure that we are having, big pipelines of broadband, we will see faster. So we are making a transformation as a group but the advertising market is still very lucrative, it's a big billion Euro market, so of course we want to play a very important role there and we want to play a very important role in advertising on demand and also then SVOD, TVOD, EST and so forth, all launching new IPs like the boxing and so forth.

Kate Bulkley

Right, so no plans to sell TV3 any time soon?

Jorgen Madsen Lindemann

No. I think also the model that we have in the Nordic where we have multiple revenue streams to the content, we have free pay, OTT satellite, AVOD, so we have quite a luxury situation where we can actually capitalise on the content in many different ways.

Kate Bulkley

Let's talk a little bit about eSport, because this is a huge move for you. You bought ESL 2015, so you've been doing this for a while and you talked a lot about it. The boxing thing is new. You mentioned it a little bit in your speech, the Global Boxing League. You actually have created a new league. Now, why do that? Is that about creating just another property that you can own and own that IP and go out, and is this the beginning of many more new leagues?

Jorgen Madsen Lindemann

Yes, it is. I think it is. In order for us to get up in the value chain, I think right now we see that we are a victim of our own success, so the more we do with Premier League, the more we do with Champions League, the more expensive it becomes. So it could be a bit charming that it was us hopefully one day who will be able to monetise and capitalise on these trends. It is for us to make sure that we are IP developers and we hold IPs. I think that is a very interesting spot to be in for a storyteller.

Kate Bulkley

Ok, so more to come probably. Boxing League is just the beginning.

Jorgen Madsen Lindemann

Yes.

Kate Bulkley

Ok. We talk a lot about Gaffer and the big digital players, Google, Amazon, Facebook, all those guys, now Snapchat. Do you see them as friends or foes? Where do they fit into your value chain? Because in a way they've got what you don't have. They have a global platform, they have huge amounts of deep pockets, huge amounts of money, and they have big ambition. Are they friends or foes?

Jorgen Madsen Lindemann

No, they're friends. At least, right now they're friends for sure. We have very good partnerships with them all and we recently, as I said, teamed up with Twitter and YouTube and Facebook as well. I think it's nice to have deep pockets, but it's not that easy just to fly into Germany and then

wipe out competition in Germany or the UK. It takes a bit, in all fairness, and therefore there are some practicalities around the global players just wiping us out. I don't see that happening, to be honest. I think, as you just saw right now, the local content, the local storytelling is for us very strong and to go in and then as an international to cover globally all the markets, be able to find the best scripts and so forth, is quite an undertaking.

Kate Bulkley

One last question. VR - you talked a little bit about it, it's something that's coming. That's a test, that one with the golfer talking about going around his home with VR. How big is VR content? We're seeing a lot of it in this market. Where do you think the potential is?

Jorgen Madsen Lindemann

It is low potential to be honest. The market is not that big yet because obviously you need the devices, so that goes without saying. I had a week when I was in San Francisco and LA, only doing AR and VR, and it was amazing. It was so funny to see all these different new opportunities, the what is now, and what you don't know exists you normally don't look for. Therefore for us, it was quite a new situation actually to see, whoa, it can be used for this. Now the [INAUDIBLE] is one example. In LA, I was a quarterback in an NFL team, put my glasses on, and I had to hit the guys who were running, and if I didn't do that properly I had the coach in my face screaming all over. So it was quite an interesting experience.

Kate Bulkley

How did you do?

Jorgen Madsen Lindemann

I did bad, so bad. It's probably not a sport we are good at.

Kate Bulkley

Stay CEO, don't become an NFL player.

Jorgen Madsen Lindemann

That is not a career move for me, no, absolutely right.

Kate Bulkley

It's been great talking to you, I'm sorry we have to stop so soon, but very interesting. Could you please join me in thanking Jorgen Lindemann?

Jorgen Madsen Lindemann

Thank you.