“Vertical distribution and the integration of content in a changing world”

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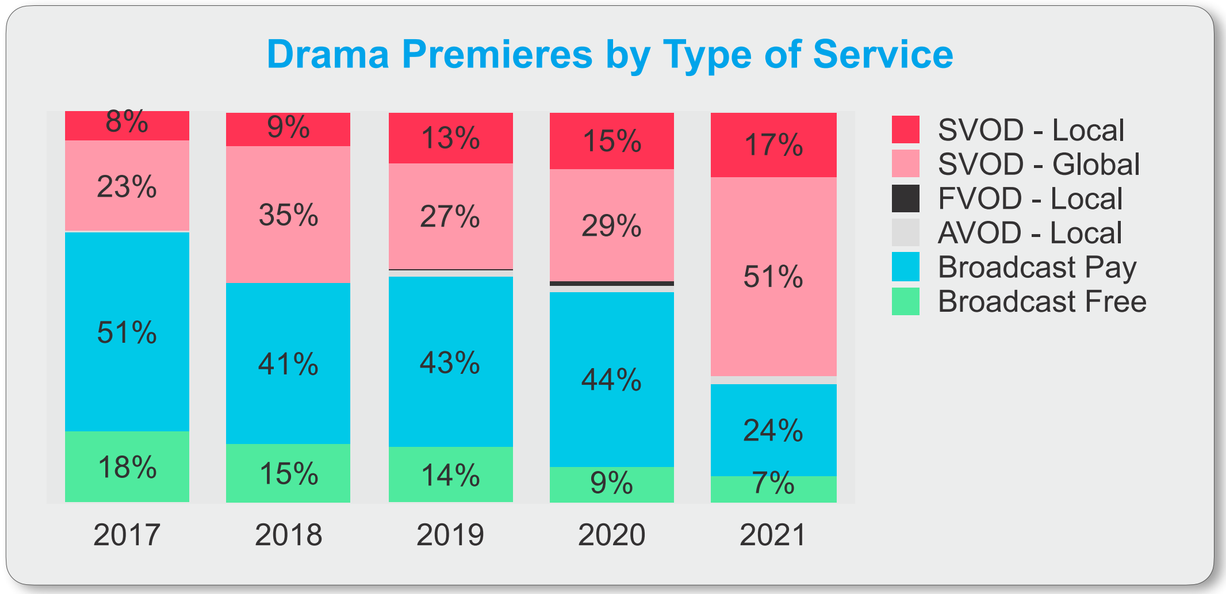
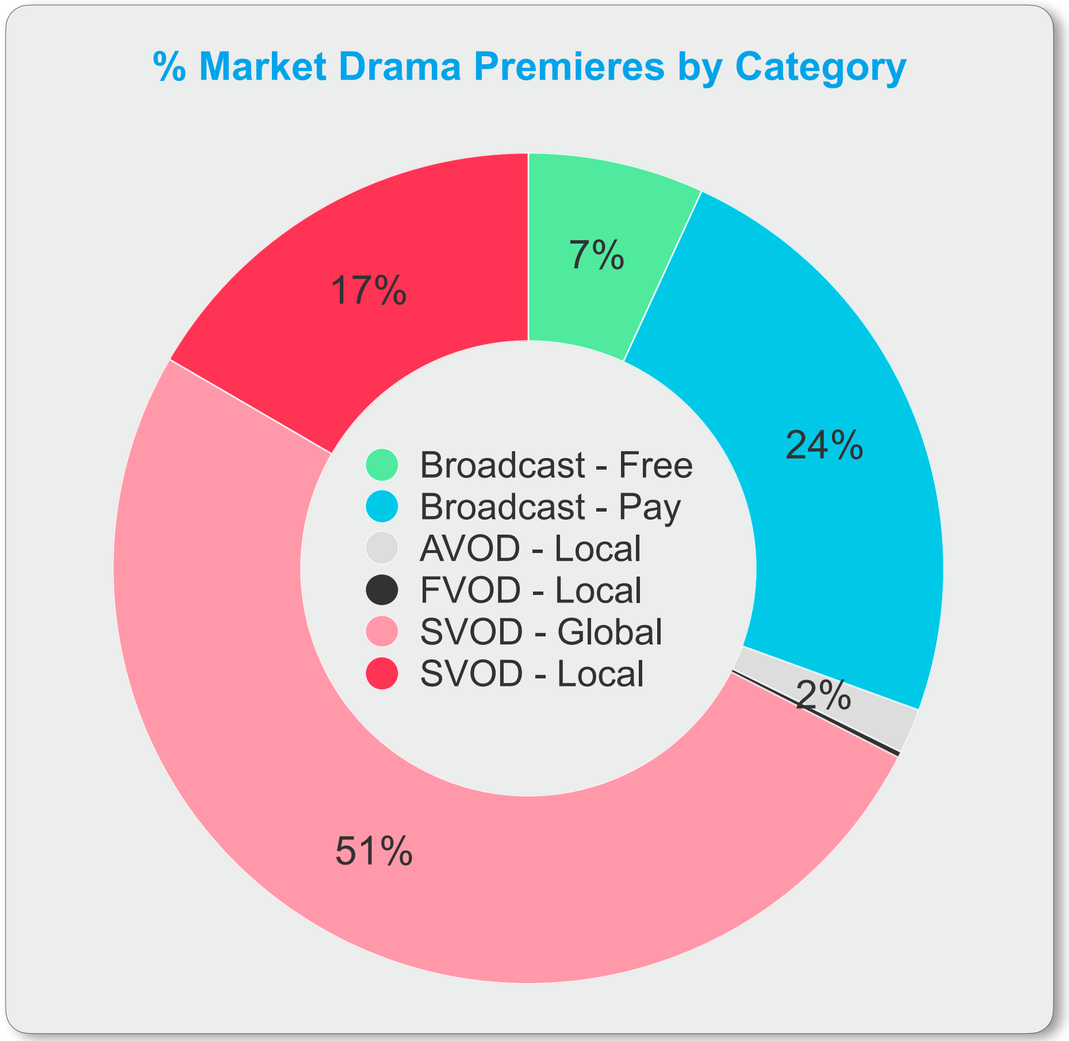
Introduction
Shifting global content markets

Global Content Markets

Over the last 10 years, we have observed an unprecedented evolution in the world of content distribution. With the market for content continuously evolving, consumer behaviour has shifted and so have the ways in which operators and stakeholders serve them.

We have seen a significant change in terms of the type of services that are buying international content, with the growth of local, regional and global VOD services all featuring, along with the decline of some traditional markets including Basic Pay TV.





Source: 3Vision Show Tracker. First Season, First Window premieres of US & US/UK Acquisitions. Nine Global Markets (ex-US).

Introduction
SVOD driving a revolution in Direct-to-consumer (D2C) initiatives

D2C and SVOD boom

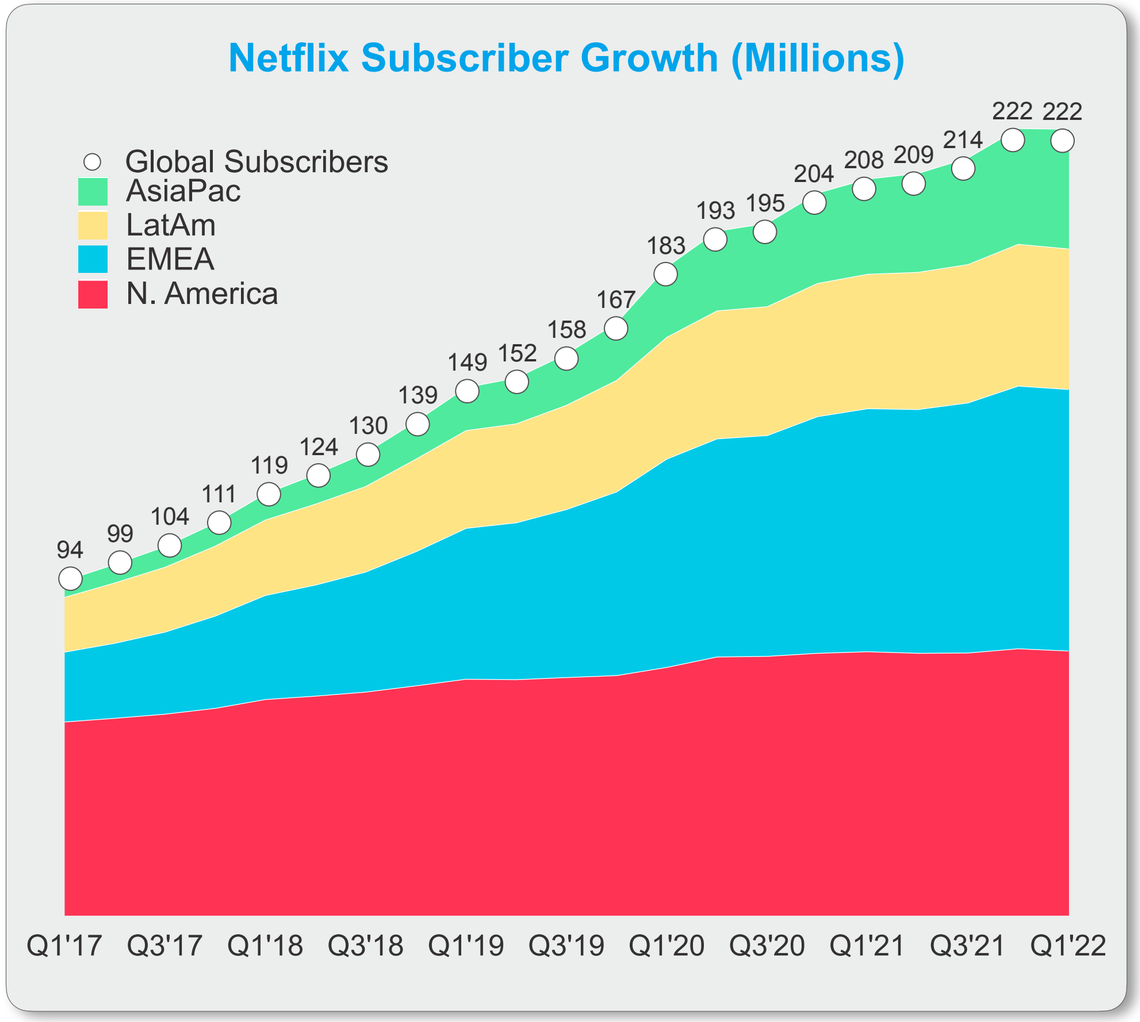
Over the last 15 years, we have seen a huge volume of SVOD launches, with Netflix leading the way globally with 46 quarters of continuous global growth to well over 200 million subscribers.

As SVOD grew and traditional media watched the seemingly unstoppable rise of Netflix they decided it was time for them to move faster and harder into D2C and SVOD. Fuelled further by the implications of a global pandemic, they increased the focus on D2C, fundamentally changing the dynamics of content markets as Studios withheld content for use on their own services.

The opportunity remains strong for content distributors as services compete for content with increasing intensity, but distributors need to be increasingly strategic about their approach, balancing activity across multiple areas and looking for growth in key sectors.

It remains challenging to keep up with current activity today. Studios are altering their strategies in the face of competitive market pressures, resulting in less clear cut outcomes, and there is increasing pressure from Wall Street to focus on profitability as well as subscriber numbers. There is not enough room for all the service operators in the market and with everyone facing change, the need for creators and distributors to innovate practices and improve tools is stronger than ever.

Using data to reveal where shows premiere in global markets it is clear how the market for US content is changing and how different Studios vary their approach.



Source: Company releases.

Studio Direct-to-Consumer Race for Subscribers

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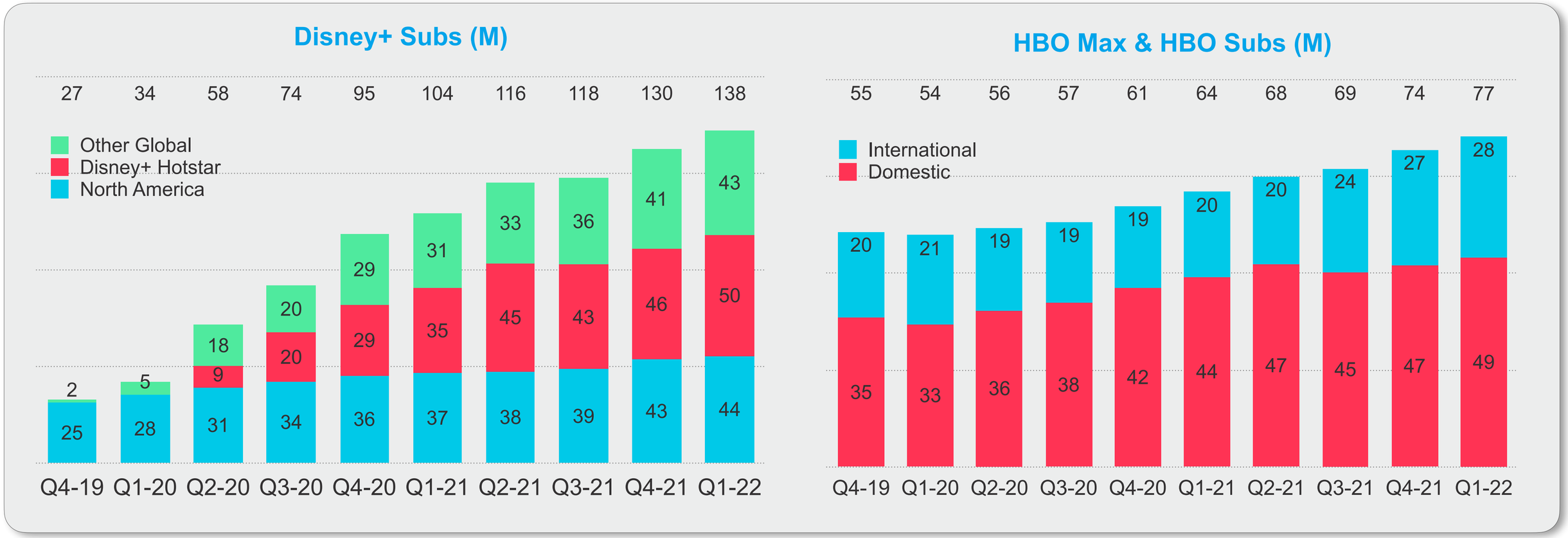
Studio D2C Growth

US Studios are racing for subscribers, with their future increasingly dependent on their global performance. Although some studios have significant variations in their approach, the majority have clearly pivoted to move to D2C models, as the data will start to show. Distribution partnerships, bundling opportunities and territorial variations all ensure that there is no single global blueprint for the D2C model, but it is clear they are directing their content pipelines towards their D2C services.



Source: Company releases.

Studio Direct-to-Consumer Race for Subscribers and Security

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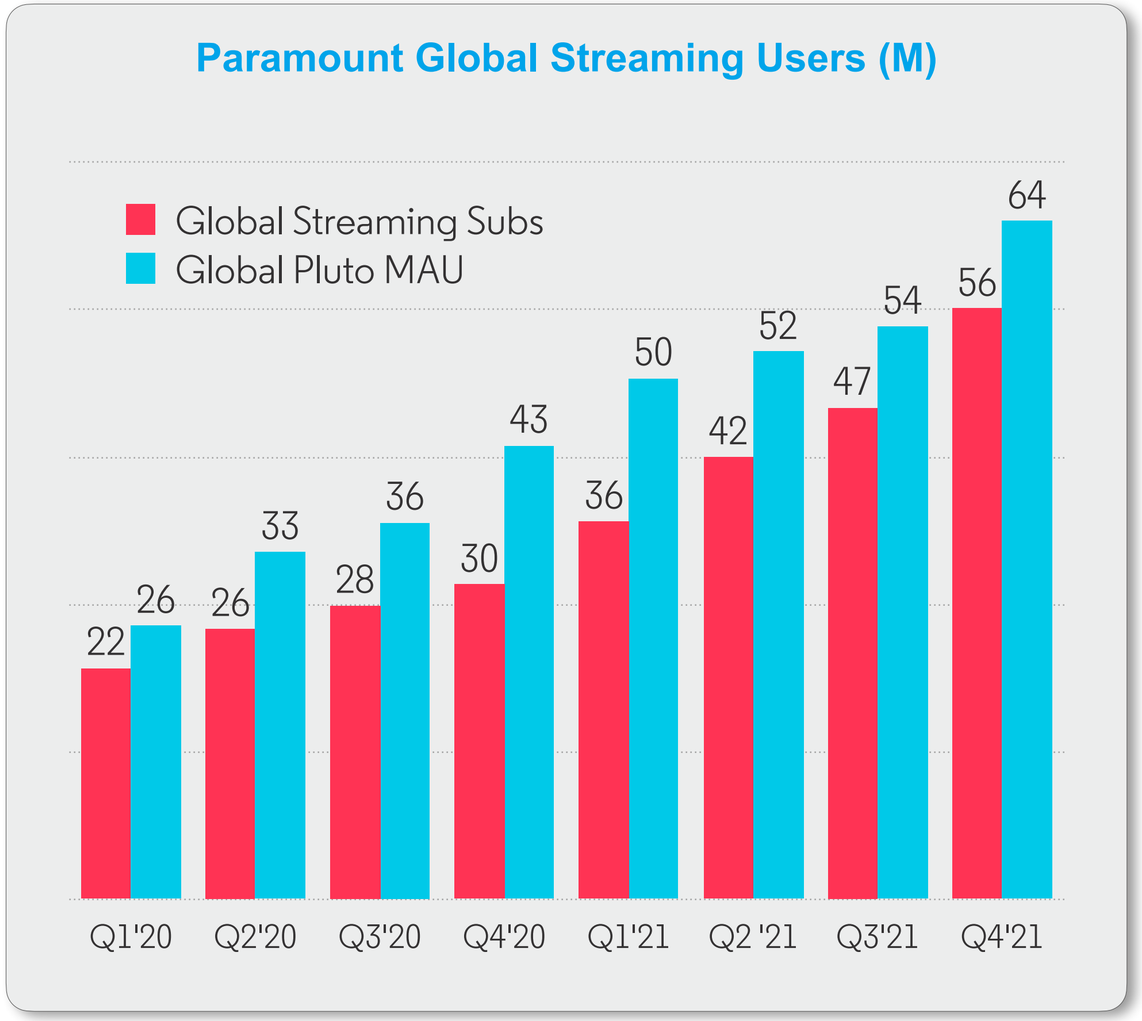
Paramount continue to drive SVOD and AVOD growth globally, but with different approaches by region.

Competition is unrelenting and to succeed in the streaming wars it is clear that scale is everything. The Sky Showtime Joint Venture between NBC and Sky's owners Comcast with Paramount is the clearest sign of recognition that they are not stronger alone.

Rebranded from CBS All Access	
US & Canada	'21
Australia	
LatAm	'21
Bundling Paramount+ in Sky Marke	
UK & Ireland	'22
Italy	'22
Germany	'22

Sky Showtime Markets	
Nordics	'22
Central & Eastern Europe	'22
Spain	'22
Netherlands	'22



Source: Company releases.

Studios selling-to-self
Significant growth from 2020 to 2021

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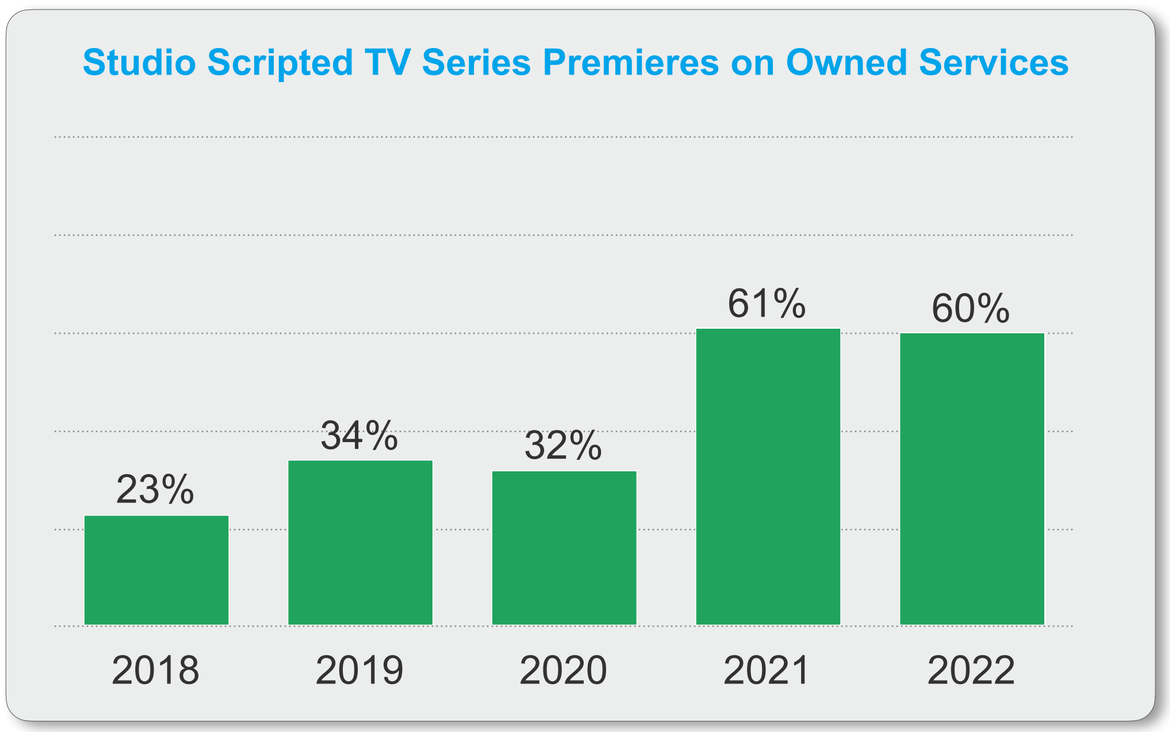
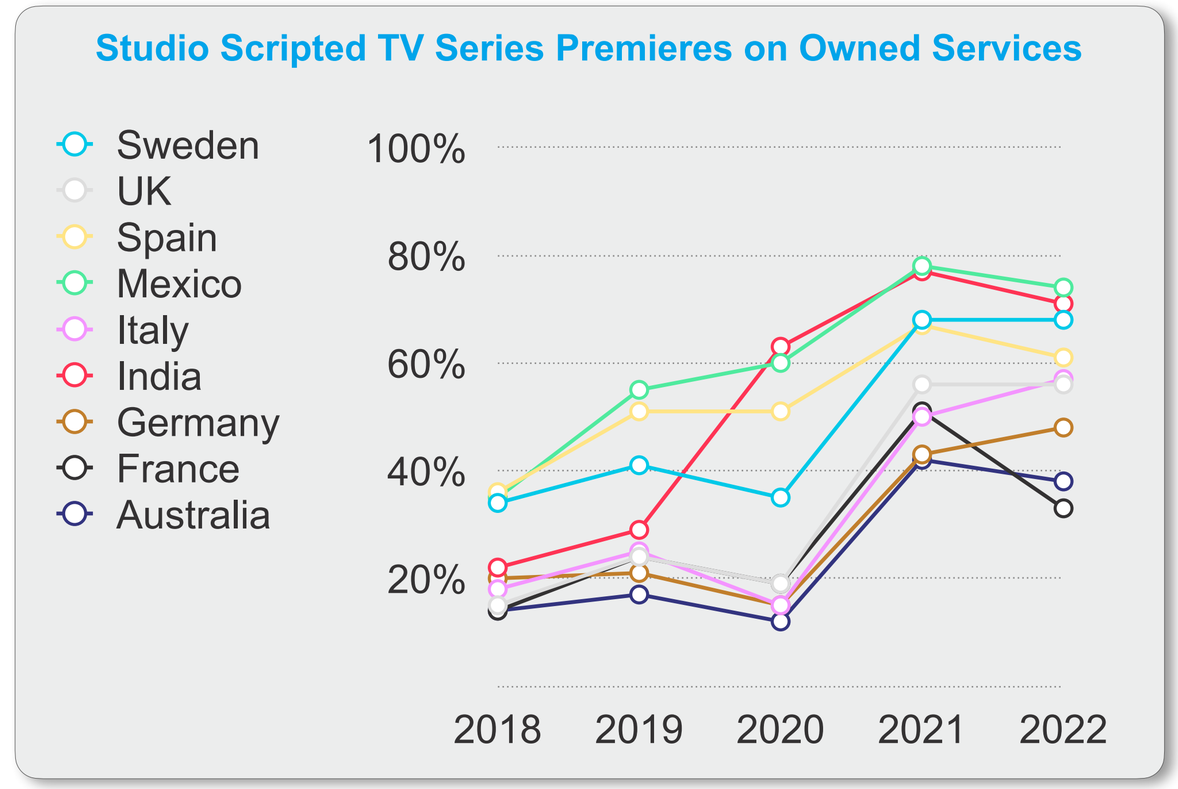
Studios Withholding Content for D2C

Studios have operated their own services since the dawn of the multichannel revolution when they launched their own TV channels. However, with the launch of D2C OTT services, the withholding of content has taken on a new dimension. Since 2018, in nine key global markets, the percentage of scripted drama premieres of Studio distributed product premiering on their own services has grown from 23% to 60%.





As Studios have launched and rolled out services to additional global markets, the practice of withholding content for their own services has grown. Although there are significant variations by Studio and Territory that we will go into further with the data, on an aggregate basis this growth is clear to see.

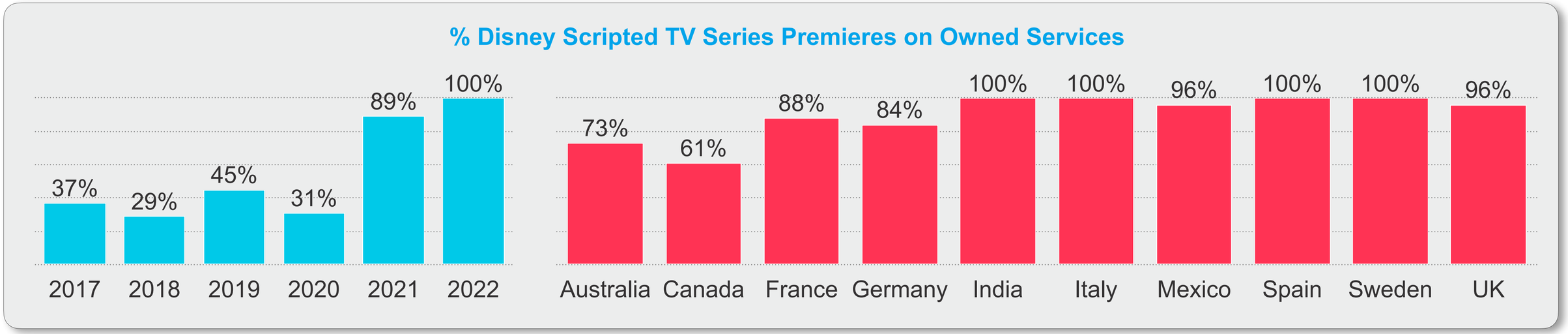
Source: 3Vision Show Tracker. First Season, First Window premieres of US Shows debuting in calendar years - Excludes Digital Originals.

Studios selling-to-self
Disney leading the way, fully invested in a global product

Disney currently has the clearest D2C focus amongst the Major Studios. Almost all titles they own premiere on their own services rather than 3rd party platforms, and they have been fully invested in pushing content through their D2C service rather than selling to third parties.

100% of premieres of Disney distributed content (not including Digital Originals) in global markets have been premiered on owned platforms. This number has jumped significantly since the launch of Disney+ and grown exponentially since the introduction of the Star component of Disney+ in 2021, enabling them to pipeline content from their extended US content portfolio (i.e. FX, Freeform, ABC, Hulu).

Across global markets the story is the same, with isolated examples of 3rd party sales, typically driven by pre-exisiting content relationships that they haven't unwinded such as FX output deals.



Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
Disney Pipeline in Spain illustrates the shift clearly

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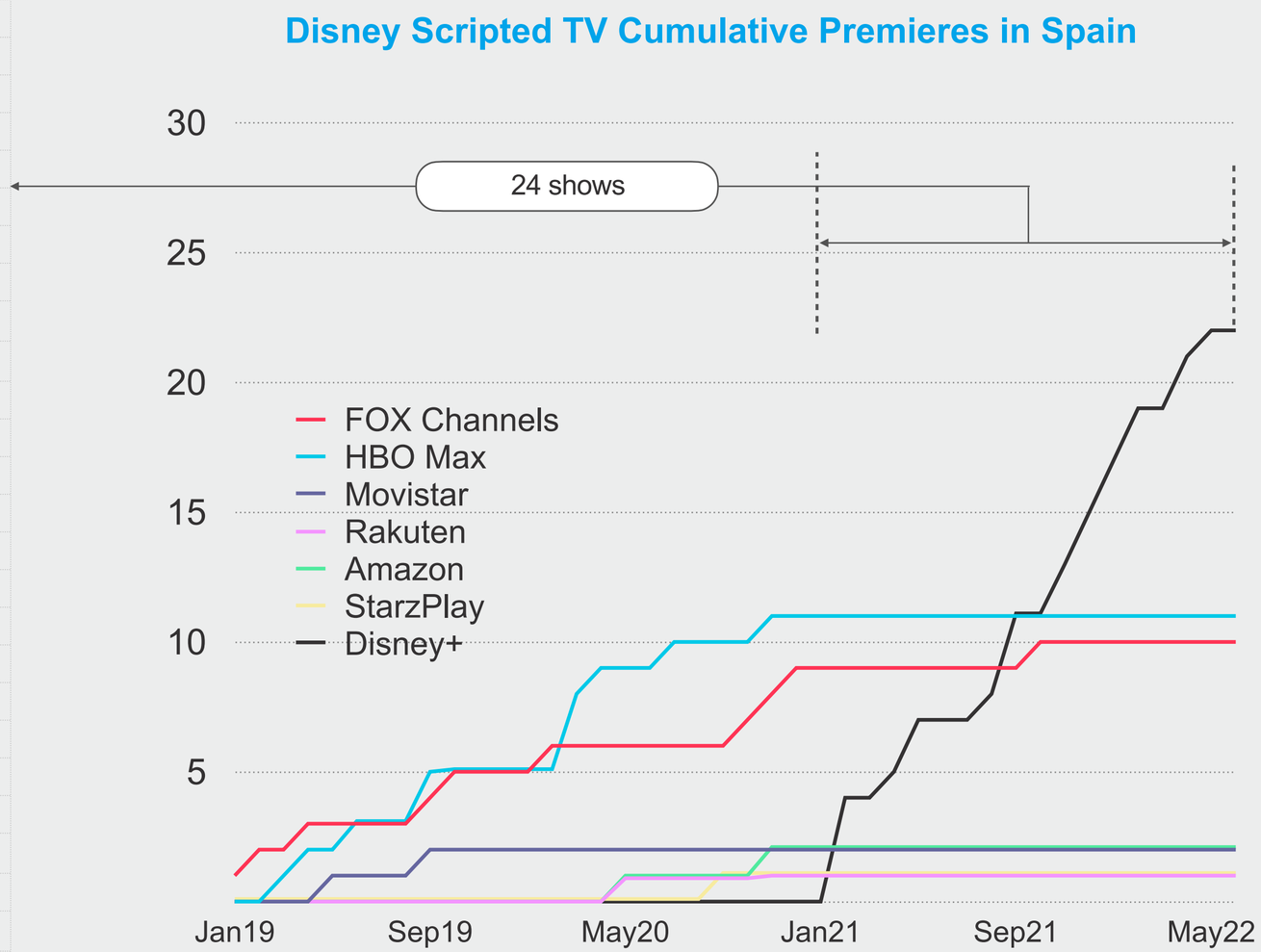
TV Series	US Service	Spain Premiere and Service	
Love, Victor	Hulu	23-Feb-21	Disney+
Solar Opposites	Hulu	23-Feb-21	Disney+
Big Sky	ABC	23-Feb-21	Disney+
Helstrom	Hulu	23-Feb-21	Disney+
Black Narcissus	FX	16-Apr-21	Disney+
Marvel's M.O.D.O.K.	Hulu	21-May-21	Disney+
Rebel	ABC	28-May-21	Disney+
Only Murders in the Building	Hulu	31-Aug-21	Disney+
American Horror Stories	Hulu	08-Sep-21	Disney+
Y: The Last Man	Hulu	22-Sep-21	Disney+
Great North, The	FOX	29-Sep-21	Disney+
Reservation Dogs	Hulu	16-Oct-21	Disney+
Big Leap, The	FOX	18-Oct-21	FOX
Premise, The	Hulu	03-Nov-21	Disney+
Dopesick	Hulu	12-Nov-21	Disney+
Wonder Years, The	ABC	22-Dec-21	Disney+
Mixed-ish	ABC	29-Dec-21	Disney+
Queens	ABC	19-Jan-22	Disney+
Marvel's Hit Monkey	Hulu	26-Jan-22	Disney+
Pam & Tommy	Hulu	02-Feb-22	Disney+
Our Kind of People	FOX	16-Feb-22	Disney+
Single Drunk Female	Freeform	06-Apr-22	Disney+
Dropout, The	Hulu	20-Apr-22	Disney+
How I Met Your Father	Hulu	11-May-22	Disney+



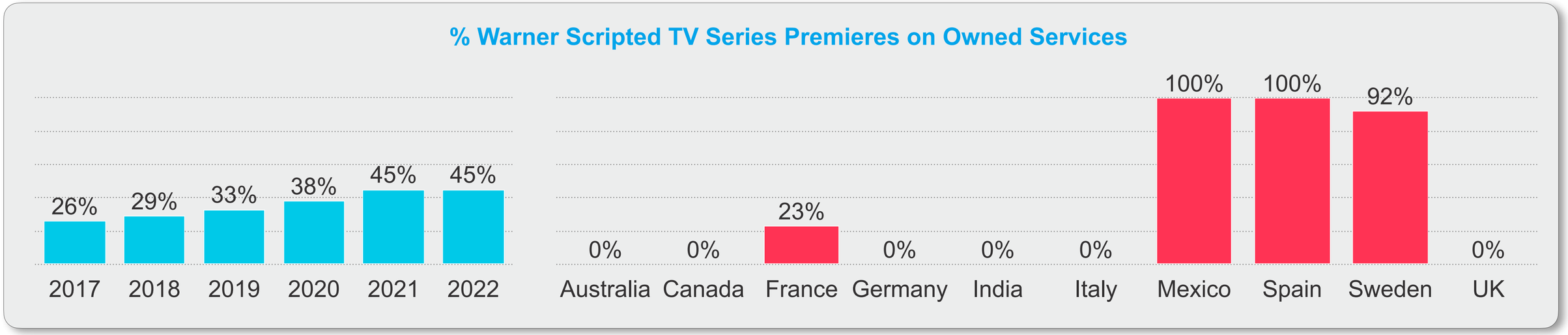
Source: 3Vision Show Tracker (March 2022). First Season, First Window only.

Studios selling-to-self
HBO

HBOs rollout hold back the simple metric of vertical integration. As with Disney, in markets where HBO Max has launched we are almost entirely seeing premieres of shows they distribute premiering on HBO Max.

Their key launch markets show intent - pipelining all of their content - with a few smaller linear businesses like Warner TV in France. Warner Bros. Discovery has the same issue in these markets as their existing output deals are holding back launches.

Warner so far has been unable to match the prolific levels of vertical integration that has been exhibited by its rivals such as Disney. This is due to the 3rd party deals already in place in the market, including the key markets of Germany, UK and Italy where Sky hold on to their content until 2022.



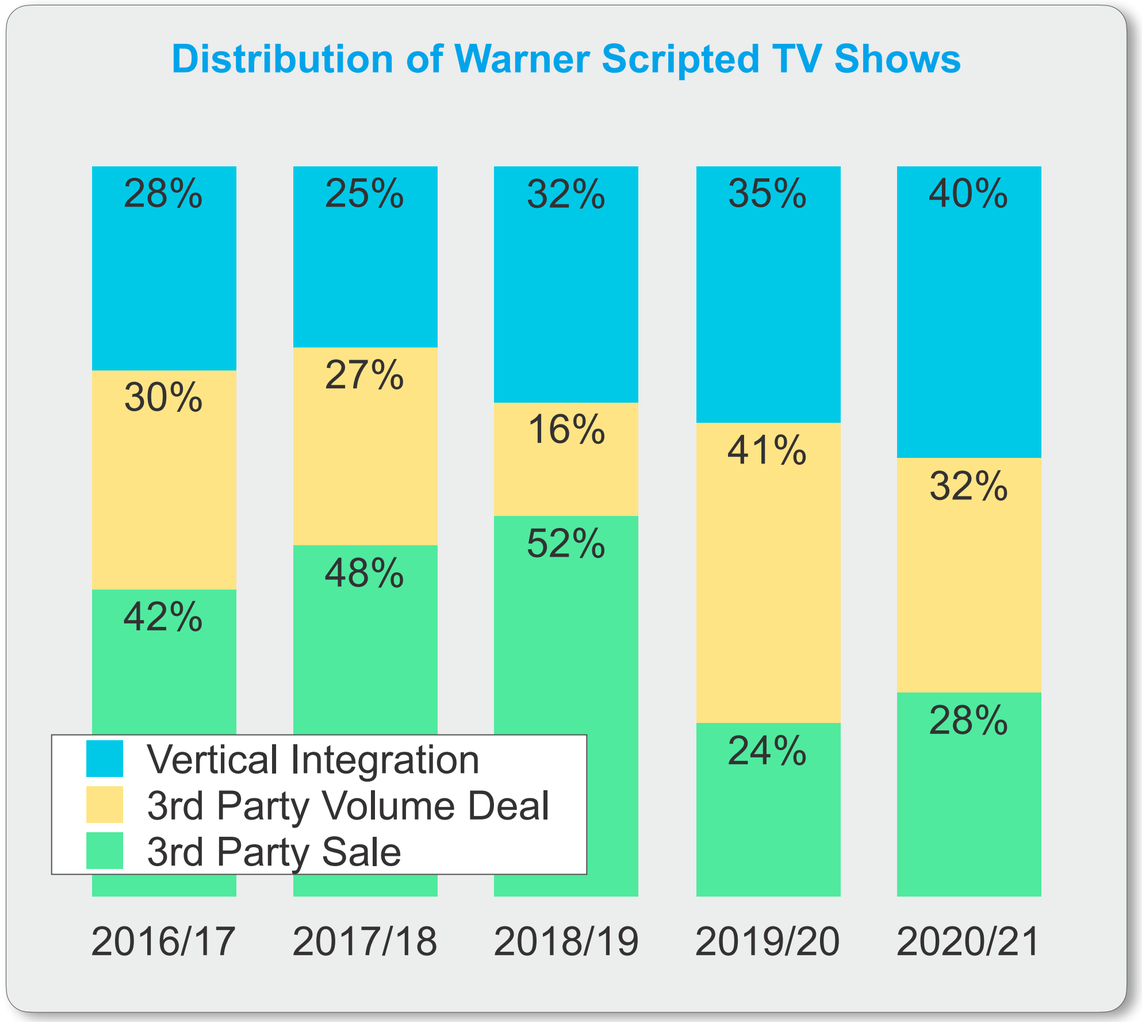
Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
HBO pre-existing content deals limiting vertical integration

Warner's vertical integration is held back by volume deals that represent over 30% of their content in nine key markets (UK, Germany, France, Italy, Spain, Sweden, Mexico, Canada and Australia).

Only after Warner's existing volume deal with Netherlands operator VodafoneZiggo had expired was it able to launch HBO Max, their most recent European launch, with more markets facing the same issue.

The Sky HBO deal (UK, Germany and Italy), OSN in MENA, Foxtel/Binge in Australia, OCS in France and even Disney's Indian service Disney Hotstar+ are all further examples of problematic markets with deals still in place.



Source: 3Vision Show Tracker - % First Season, First Window Acquisitions licensed by WarnerMedia across nine Show Tracker markets

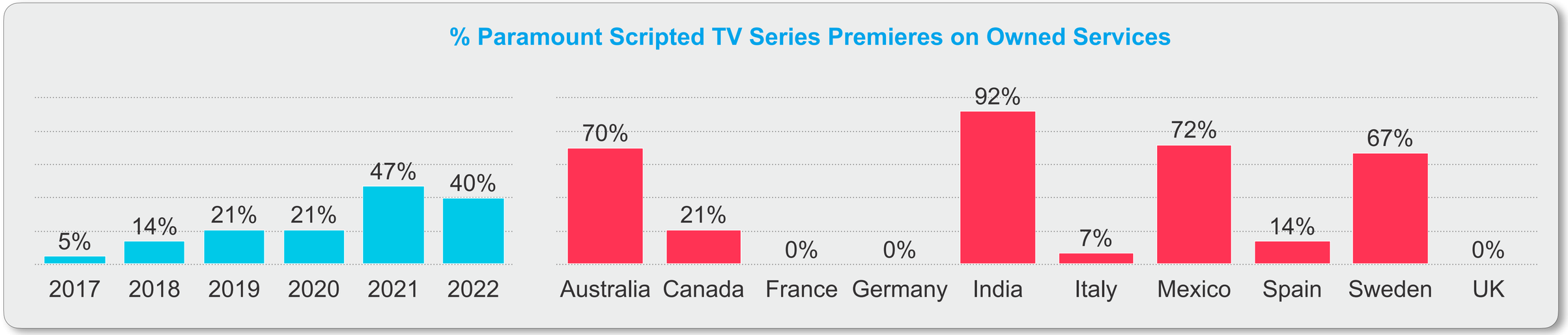
Studios selling-to-self
Paramount

Service presence dictates content pipelines and levels of vertical integration for Paramount. With Paramount however, there is likely to be more variety driven by the more varied approach to global markets.

Paramount operate their own SVOD service (Paramount+), AVOD (Pluto) and will soon launch their JV SVOD with NBC Universal, Sky Showtime in EMEA markets where Sky's current Pay TV products are not offered. This year will be a significant development year for them with new services launching.

Where Paramount+ is present, they are typically pipelining content to the service (Mexico, Sweden, Australia, Canada), with ownership of Voot Select in India also receiving Almost all Paramount content.

Elsewhere imminent launches will change factors, most notably with the UK that launches in June 2022.

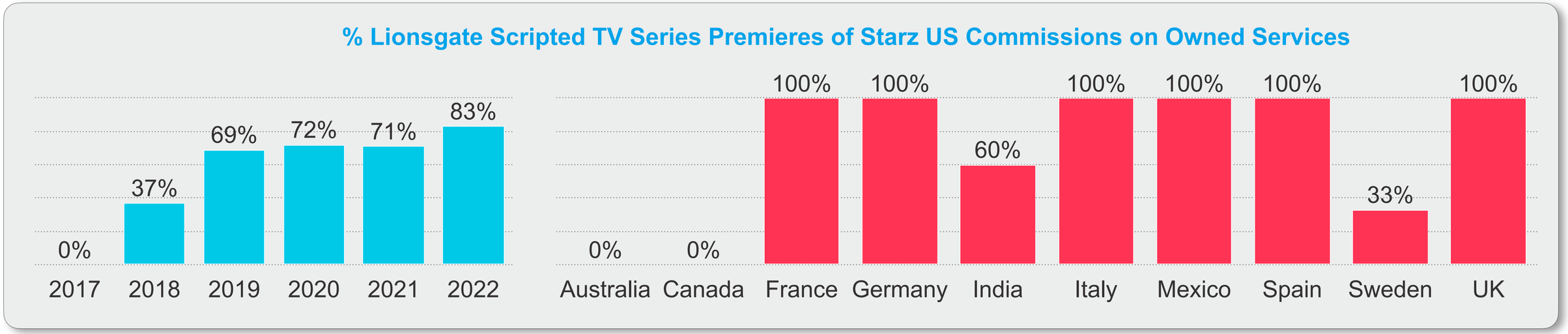


Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
Lionsgate and Starz Play

Lionsgate continue to pipeline content commissioned by their US Starz business into its Starz international rollout with virtually all content premiering on owned services in 2022. Only the lack of services in Australia and Canada decreases the overall aggregate view and there are few signs of any change.

Additional Lionsgate distributed content, typically commissioned by a 3rd party service in the US with Lionsgate not necessarily getting all rights in international markets, are finding homes elsewhere and sits outside of these numbers, but with fully controlled content the path to consumers is clear.



Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
NBC Universal (NBCU)

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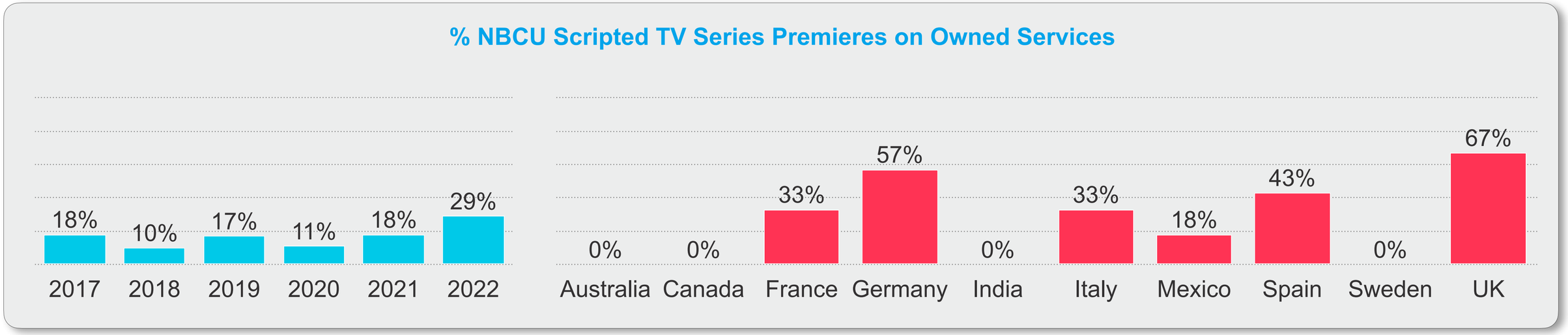
NBCU has a mixed approach with its streamer Peacock and its content outside of the US, with strategic support of its Pay TV business Sky in Germany, Italy and the UK primary areas of support.

Peacock has launched as part of the Sky Pay TV proposition in Europe. Content has been sold through 3rd party distribution deals with local partners in Australia (Stan) and Canada (Corus) and in wider Europe, they have formed the 'Sky Showtime' joint-venture between Paramount and NBCU's owner Comcast, with the planned launch in European markets enabling both to establish a direct pipeline for their new TV shows.

By combining with Paramount to launch SkyShowtime, the two distributors together will likely be able to pump a much higher volume of content into their SVOD service than Disney or Warner can into theirs.

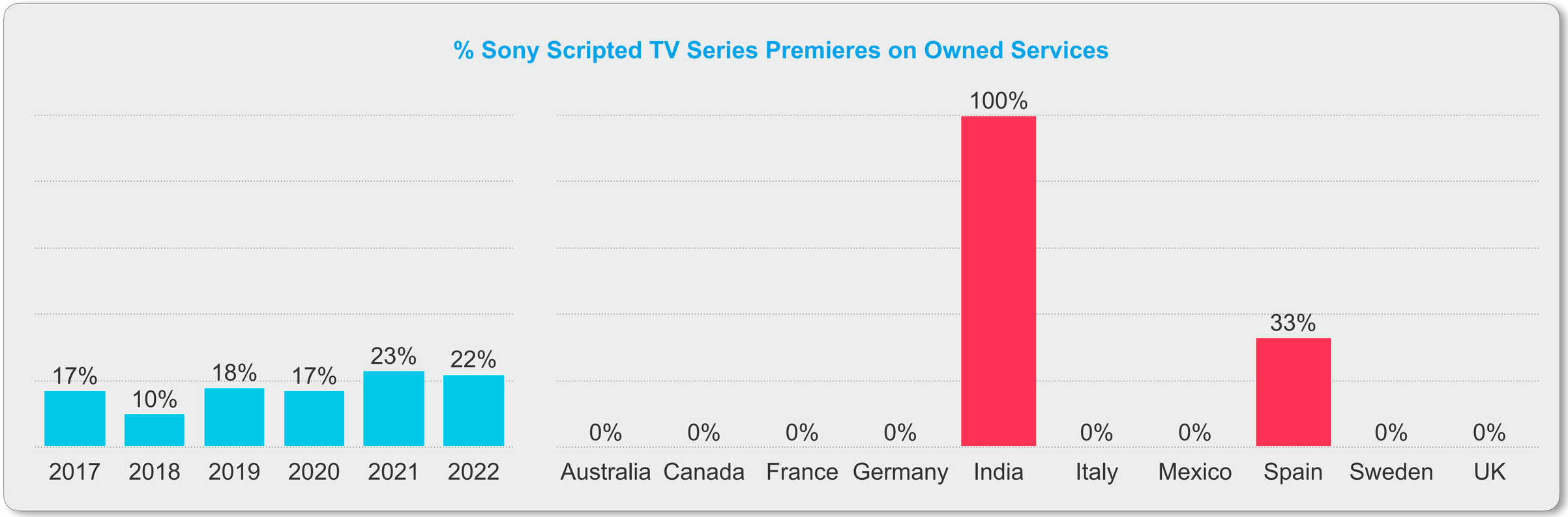


Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
Sony remain the only clear seller in the race for content

Sony remain the only clear arms dealer in the streaming wars, selling their content to 3rd parties in global markets including other Studios, global streamers and local/regional players.

Only their ownership of Sony Liv, a hybrid AVOD and SVOD streaming service in the Indian market and selected legacy Pay TV channel businesses such as AXN in Spain benefit from a Sony relationship and offer Sony distributed content.



Source: 3Vision Show Tracker (March 2022). First Season, First Window titles in ten included markets. US originated shows.

Studios selling-to-self
Mixed picture of vertical integration with individual Studios

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Virtually everything that comes from the Disney Platform Distribution catalogue is destined to debut on Disney+ outside the US whether it's commissioned by Disney+, Hulu, ABC, Freeform or FX. The enhancement of the SVOD abroad with Star changed the distributor's levels of vertical integration almost overnight.

WarnerMedia would probably hope to divert as much of its content to its own services as Disney but a series of long-established volume deals have kept this activity on hold. With certain homes of HBO such as Sky Atlantic in the UK, Germany and Italy promised HBO TV series until 2025, the international expansion of the SVOD is being kept at bay for now. Warner's volume deal with VodafoneZiggo in The Netherlands ended earlier this year and was followed promptly by the launch of HBO Max in the market, demonstrating how quick a launch turnaround the studio is aiming for in its potential future markets.

The recent rebrand of ViacomCBS to Paramount signifies a renewed commitment from the studio to the SVOD but so far its approach to vertical integration has been disparate and varies from territory to territory. While more recent developments such as its imminent launch in the UK seem to show the beginnings of a more unified international strategy, the sheer volume of titles from the Paramount catalogue gives the studio the potential to play multiple angles, supporting their SVOD service while also bringing in revenue with sales to third party services increasingly starved of US content.

NBCUniversal has historically held lower levels of vertical integration than the other studios internationally with much of this type of activity limited to Peacock Originals appearing on Sky platforms and conversely Sky Originals appearing on Peacock in the US. So far international expansion of the SVOD has been limited as a branded section on the Sky platform, with the studio setting up some volume deals of its own with certain international third parties for Peacock Originals.

While each Studio faces its own challenges to succeed in the streaming wars we are nonetheless beginning to see an acceleration in all of their strategies. Even those that are perhaps not quite all in like Paramount and NBCUniversal are finding innovative ways to expand, with the studios coming together with the Sky Showtime JV in Europe. Their overall effect on the landscape puts many other services, both linear and VOD, in a difficult position as previous sources of content have dried up. Opportunity lies with those few distributors who do not have their own D2C service to win over these services with their own content.

Studios selling-to-self
Mixed picture of vertical integration with individual Studios

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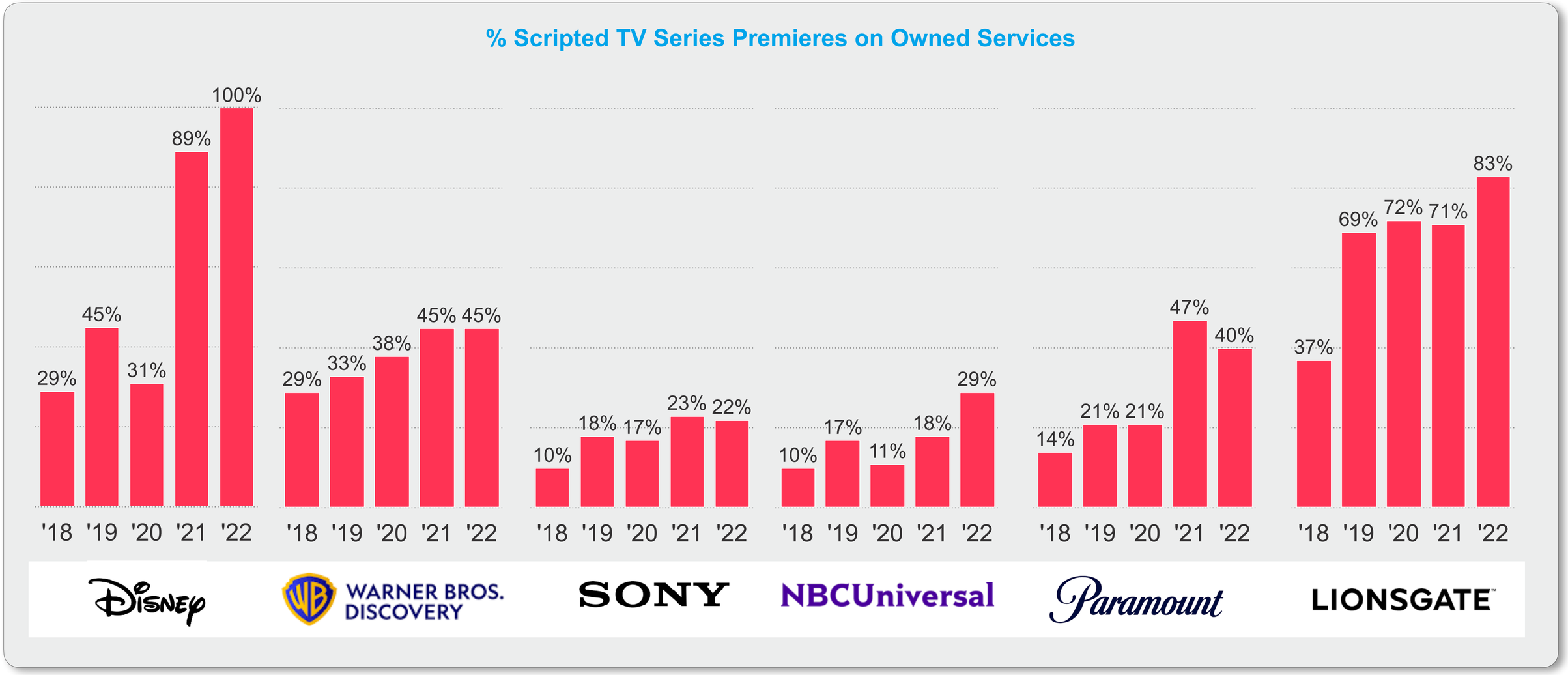

Source: 3Vision Show Tracker. First Season, First Window premieres of US Shows debuting in calendar years - Excludes Digital Originals.

Studios selling-to-self
Mixed picture of vertical integration with territory status a factor

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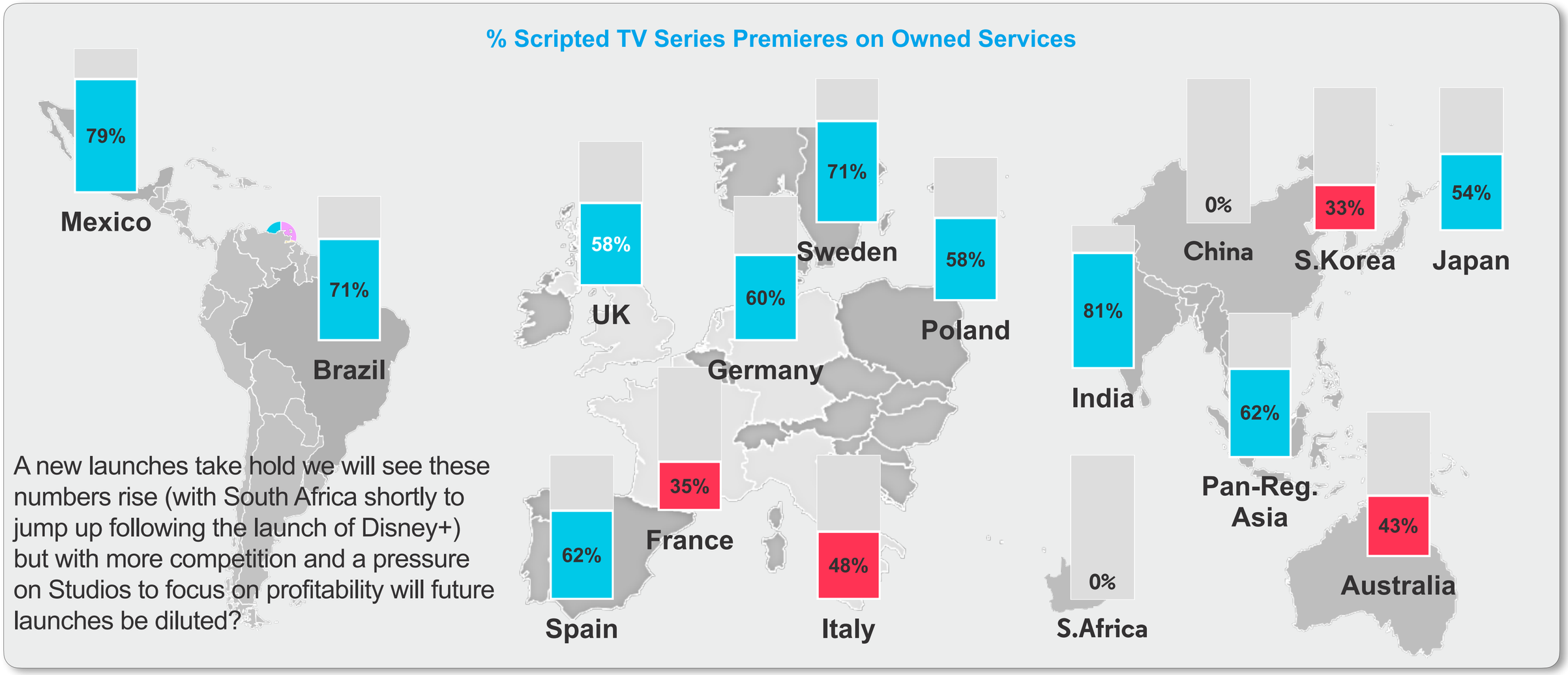

A new launches take hold we will see these numbers rise (with South Africa shortly to jump up following the launch of Disney+) but with more competition and a pressure on Studios to focus on profitability will future launches be diluted?

Source: 3Vision Show Tracker. First Season, First Window premieres of US Shows debuting in calendar years - Excludes Digital Originals.

The Direct-to-Consumer Model
Under pressure as investor headwinds grow

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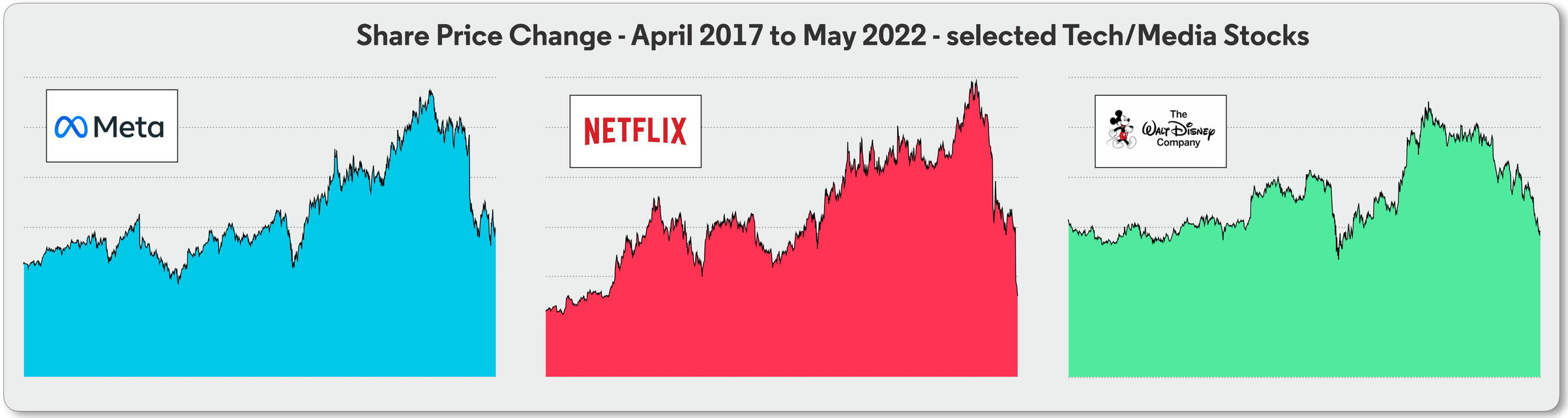
D2C Investor Pressures and Headwinds

Netflix Q1 2022 results clearly scared investors, shifting their herd mentality almost overnight when Netflix's first negative quarter fuelled investor fear. As pressures on the US Tech sector grow (hitting share prices hard) the sector in general is facing significant headwinds. Traditional media are now showing signs of qualifying their activity more and indicating that they will be selling content to 3rd parties in an effort to address profitability concerns in addition to subscriber growth. They can target this in many different ways, evolving the way they window content, carving up their portfolio in different ways and potentially approaching territories with different strategies.



Source: Company releases.

Wrap-up
Studios have pivoted but may mix it as they look at profitability

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Global Disruption

Global markets have seen disruption from the withholding of content by the US Studios for their own D2C services with the dynamics of the content distribution market significantly changed.

As digital services continue to grow, as does the competition for viewers, subscribers and content. All stakeholders need to think more strategically, innovate, diversify and evolve to keep up and thrive. Innovating with windowing as paradigms evolve further will be key to distributors' success.

Studio Sales

Illustrating a future perhaps where both 3rd party deals and selling-to-self may co-exist for a distribution business, there are deals still being done in key markets. Warner's recently announced deal in Germany with RTL - a long term exclusive deal for films and series, including HBO Max originals is an interesting one of note. Monetising Germany very differently.

Paramount have talked for some time about co-exclusivity, shorter windows and more windowing in general and we may see more studios offering clarity in terms of how their windowing paradigm will develop. They have already shown signs of holding on to Paramount+ Originals and Showtime content for their own services whilst openly selling CBS Network Shows to 3rd parties - illustrating the depth of their pipeline and the ability to carve it up.

Launch periods are never a full reflection of long term plans and although we expect ongoing withholding of content and prioritisation through owned services we also expect to see more sales in certain markets and innovation with different approaches and windows that will enable them to monetise some markets better.

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