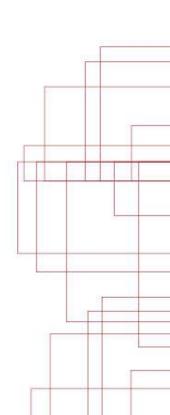


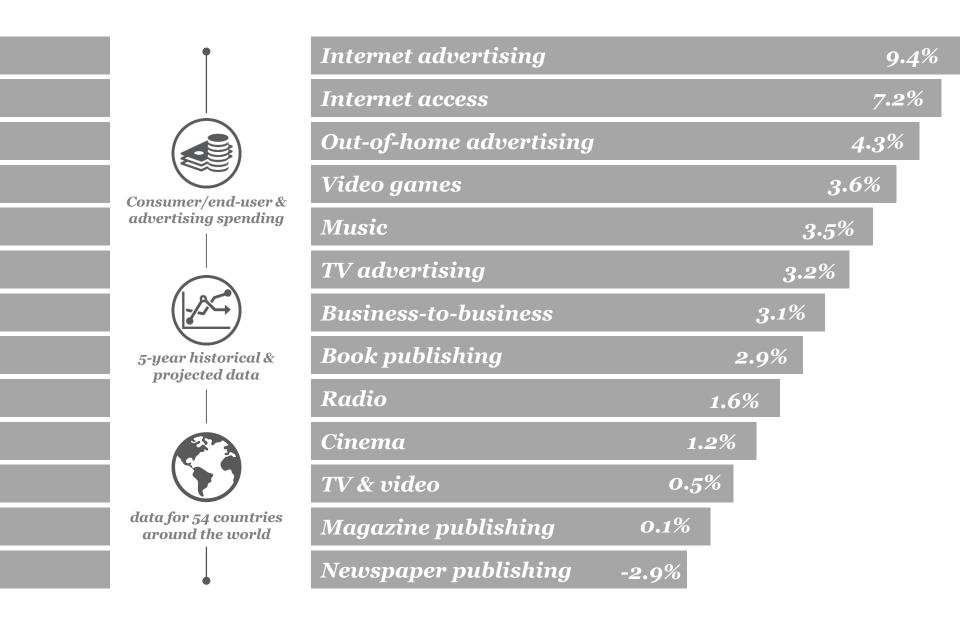
US Entertainment & Media Outlook

2016 - 2020





www.pwc.com/outlook







A world of differences: capturing attention and value in today's global multi-speed media landscape





















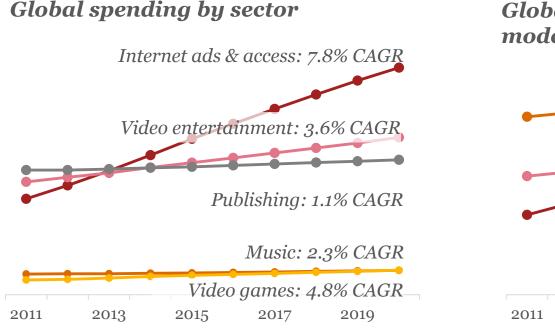


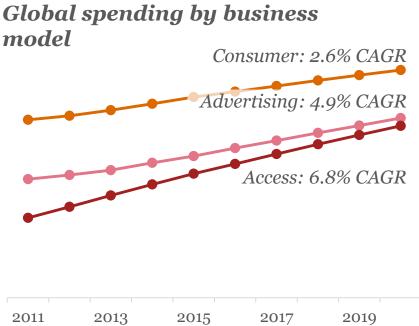




A world of differences

"Around the world, and in many areas of the industry, there are pockets of impressive growth and opportunities"





We've identified shifts in five dimensions of the global E&M landscape



Shift 1 | Demography: Youth will be served

"Our data suggests that the young will propel E&M growth through 2020" Nigeria **Philippines** India U.S.China Markets with * Each bubble represents a country more youthful populations * Size of bubble represents total E&M revenue *Markets with higher* E&M growth



Shift 2 | Competition: Content is still king

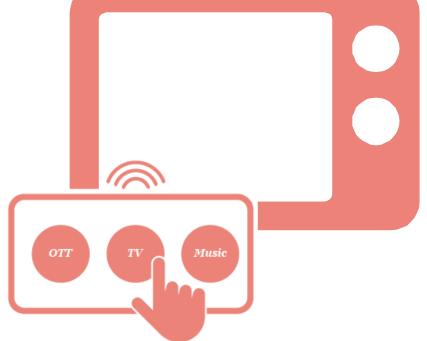
"Much of the E&M industry is growing more global, but cultures and tastes in content remain steadfastly local."



Shift 3 | Consumption: The joy of bundles

"The bundle isn't dead. Not by a long shot. Incumbents are offering their content on an integrated omnichannel basis."

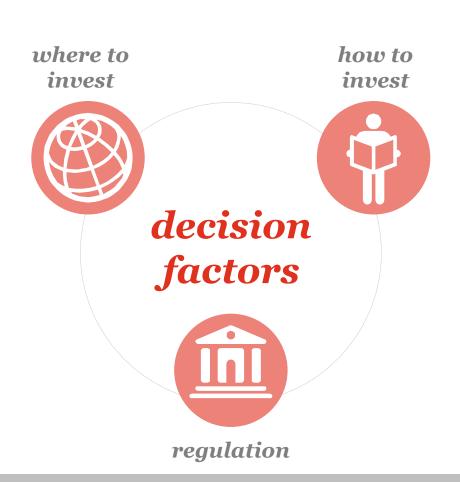
Consumers are also wanting slim bundles and flexible pricing models





Shift 4 | Geography: growth markets

"The divergences are being driven by several factors, including differential growth rates among sectors, regulation, the degree of protection offered to incumbents, and ease of access."





Shift 5 | Business models: Transforming with trust

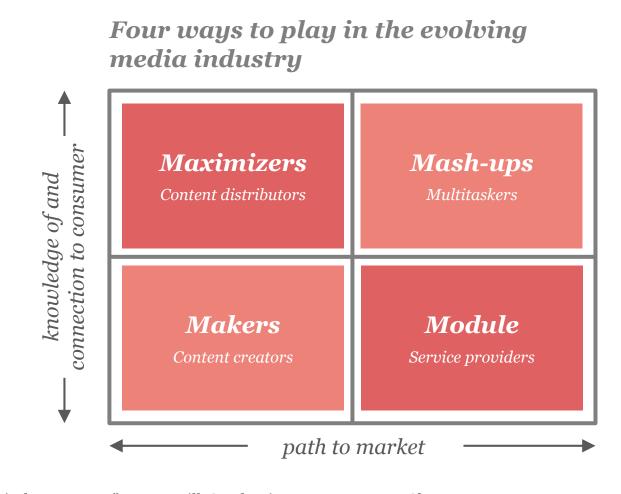
"In many areas, the growth of technology and digitization acts as a powerful centrifugal force — breaking up existing relationships; pushing large, generalist entities to give way to smaller specialists; and allowing smaller, nimble competitors to run circles around incumbents."





I'm a media company. Now what?

"Companies are now expanding their marketing playbooks to include more E&M-like capabilities."



Source: "Thriving in an Increasingly Digital Ecosystem," Peter Weill, Stephanie L. Woerner, MIT Sloan Management Review, Summer 2015.



I'm a media company. Now what?

Makers

These are content creators who may not have a direct relationship with the target consumer. They focus on creating distinctive, compelling intellectual property and then on selling it to other distributors and aggregators.

Maximizers

These enjoy a direct relationship with the customer while operating in a distribution environment characterized by their curation and control.

Module

These companies have little or no direct relationship with the end customer and exert less control over the distribution environment. Many are service providers who offer a technical set of plug-and-play products.

Mash-ups

These have direct customer relationships while exerting a high level of control over the user experience including the packaging of their own products and services alongside those from third parties.

Examples:

- Film & TV studios
- Music labels

Examples:

- Cable, satellite & mobile operators
- Theater chains

Examples:

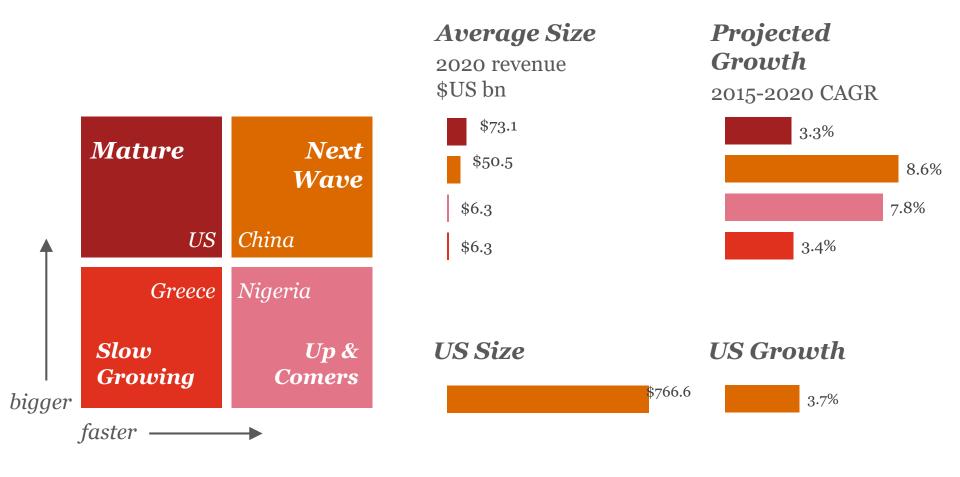
- Virtual reality company
- Audio tech company

Examples:

• Diversified ecommerce company

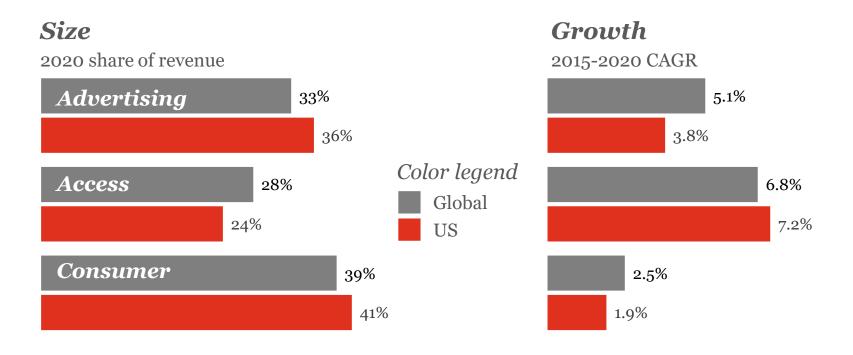


Quadrants





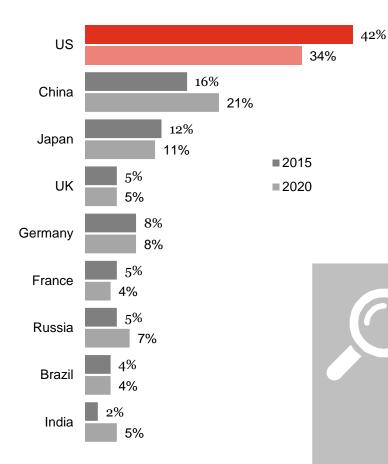
Sources of revenue growth





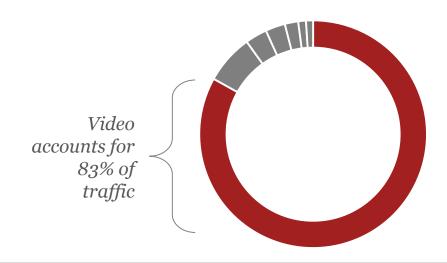
Sources of growth: advertising in-depth

Share of Internet traffic* volume among 9 territories



* wireless & fixed

Data traffic consumed in 2020, by content category



In 2016 we will see, for the first time, three markets (China, the UK and Denmark) generating more revenue from digital advertising than from non-digital advertising By 2020, this will be true for no less than 11 markets.



Sources of growth: advertising in-depth



Global data consumption on mobile devices is projected to grow by a CAGR of 36%

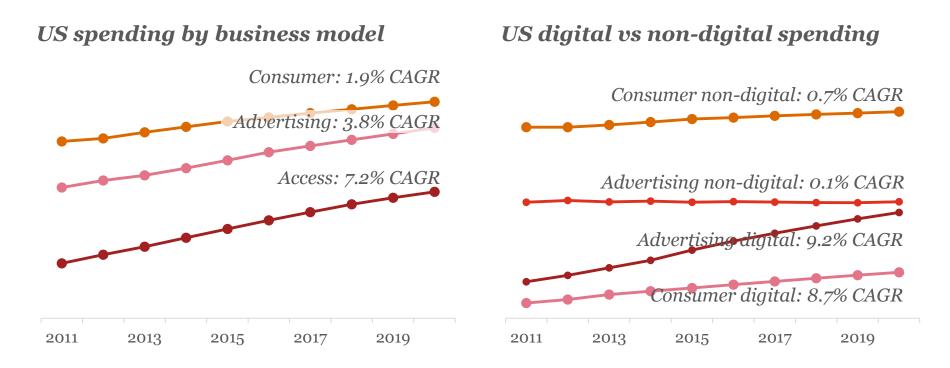


Consumers are engaging with media increasingly on their mobile phones, and even at work. The value of attention / ability to monetize advertising dollars is being challenged, and there is no one perfect metric to assure advertisers of the value they get when you consider the shifting consumer behaviors.



US spending by business model

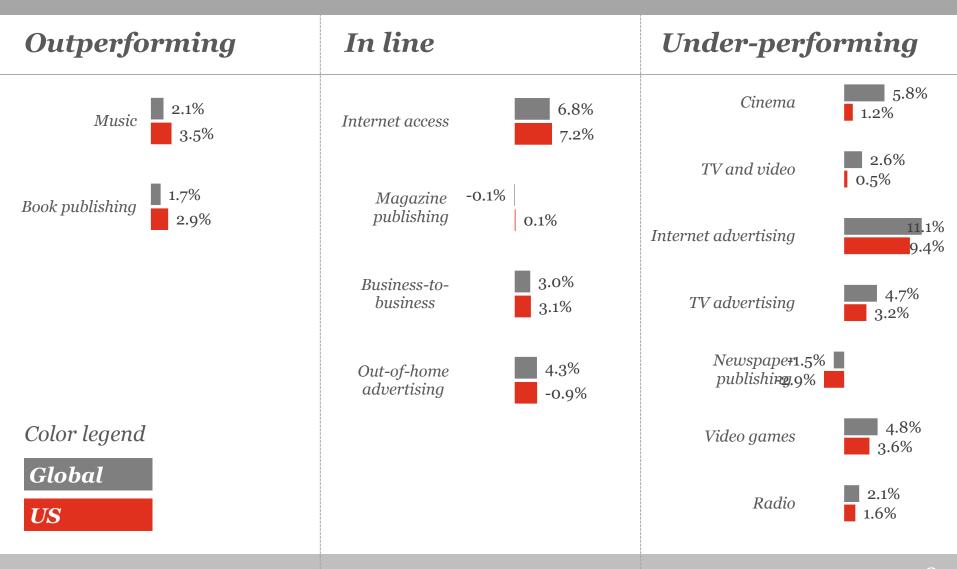
The gap between consumer spending and advertising is closing



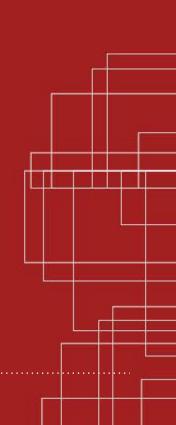
Consumer and advertising spending increasingly digital as non-digital remains relatively flat.



Segment benchmarking: Global vs US









Advertising within the Outlook



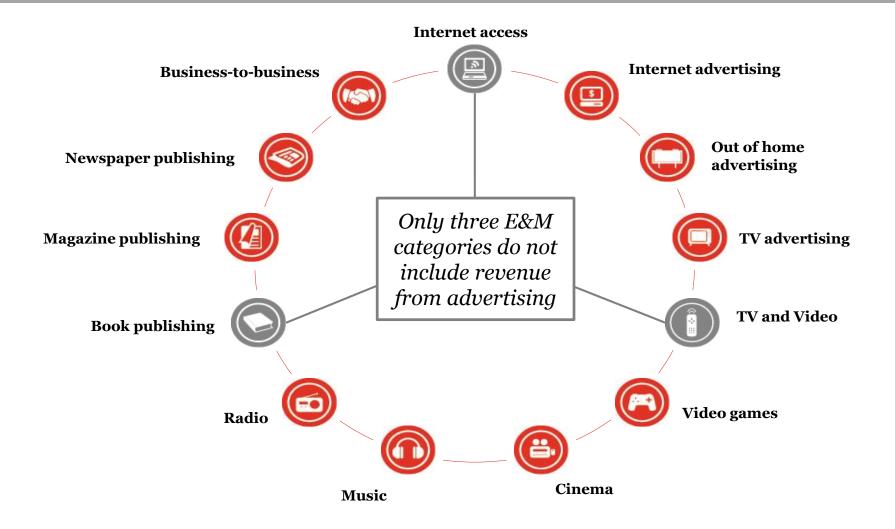
Methodology

Advertising revenue exists in 10 of the 13 segments included in the Outlook. Advertising is reflected in this deep dive across territories and segments. Net advertising figures are reflected, which represent gross advertising revenue less agency commission, discounts and production costs with knowledge-based assumptions used where applicable.

Digital advertising components, such as digital newspaper advertising, digital magazine advertising, digital trade directories and online radio and online TV advertising, are all included within their respective segments and also within Internet advertising. These are removed at a total level to avoid double counting.



Advertising Defined





Key themes / trends



Advertising growth is fueled by where consumers are increasingly spending their time – online, particularly mobile experiences



Internet advertising is the largest ad segment, fueled in part by television and video experiences (and ad revenue) moving online



Tracking consumer's location / experience and delivering ads at the right time throughout the day continues to be an area of innovation



Online ads have not replaced traditional ad revenues (both in total revenue and typical per unit ad rates), driving online subscription model popularity



Immersive and/or live experiences are growing in popularity through eSports, concerts and more creative "hybrid" (physical + digital) ad opportunities



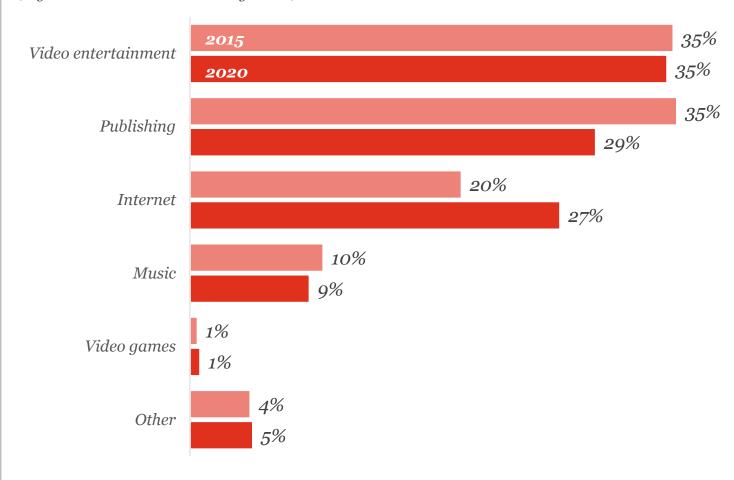
Advertising mix changes

What's new?

Internet across all included in this

Share of overall advertising revenues

(digital revenues included in segments)



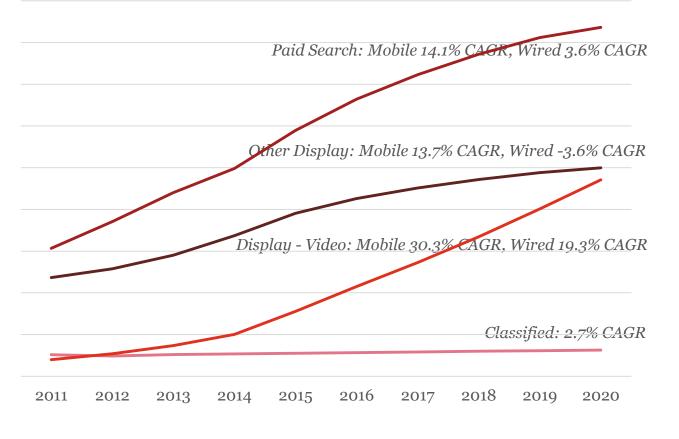


Growth drivers in Internet advertising

What's new?

Internet traditional models (classified to newer platforms. mobile ads are

Projected growth in US Internet advertising revenues, by the type of advertisement



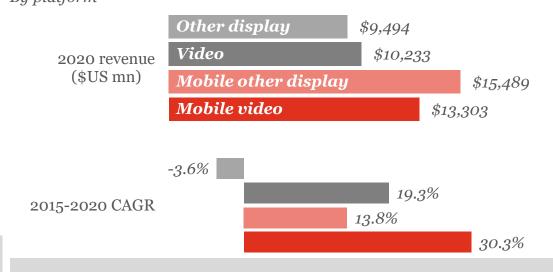


Increases in online (streaming) video entertainment are driving online video advertising growth

For both wired and mobile display internet advertising, video ads are growing at the fastest rate

Video Internet advertising includes revenue from both traditional broadcasters (also counted in "Online TV advertising") and Internetbased websites, including YouTube

US wired & mobile display advertising By platform



Internet video advertising not related to broadcasters is projected to represent 77% of total online video ad revenue highlighting that consumer behaviors are shifting toward alternative video consumption platforms

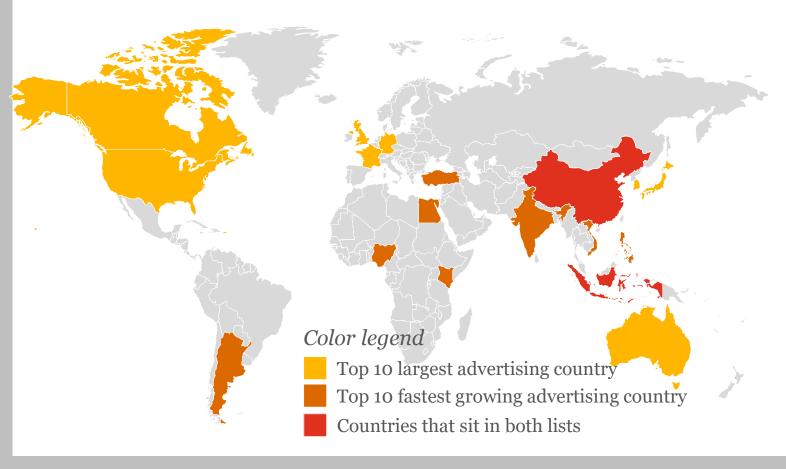


Ranking countries on advertising

What's new?

China &
Indonesia rank
in the top 10
among both the
largest and
fastest growing
advertising
markets,
making them
attractive
opportunities.

Country analysis of advertising revenue & growth





Returning to the 5 shifts











Demography: Youth will be served Competition: Content is still king Consumption: The joy of bundles

Geography:
Growth
markets

Business models: Transforming with trust

How do these shifts impact you?