

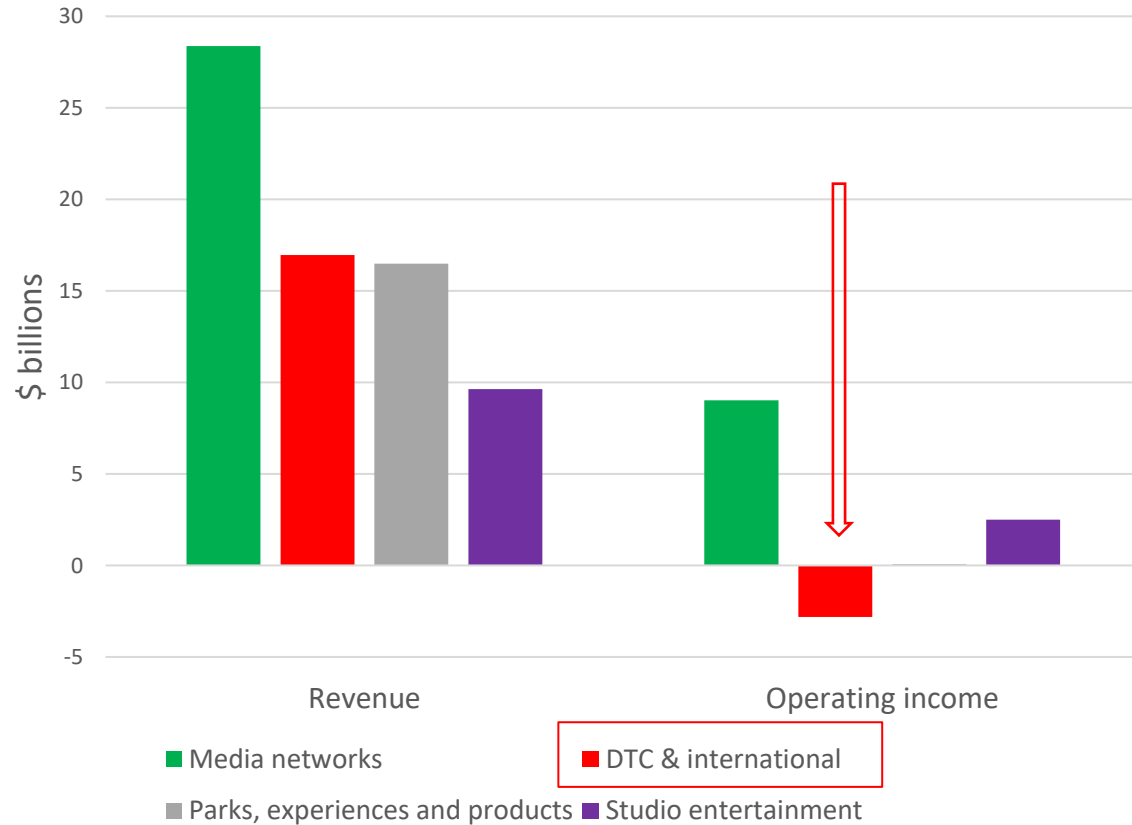
# Digital Transformation in M&E

Lorenzo Zanni, Head of Knowledge, IABM

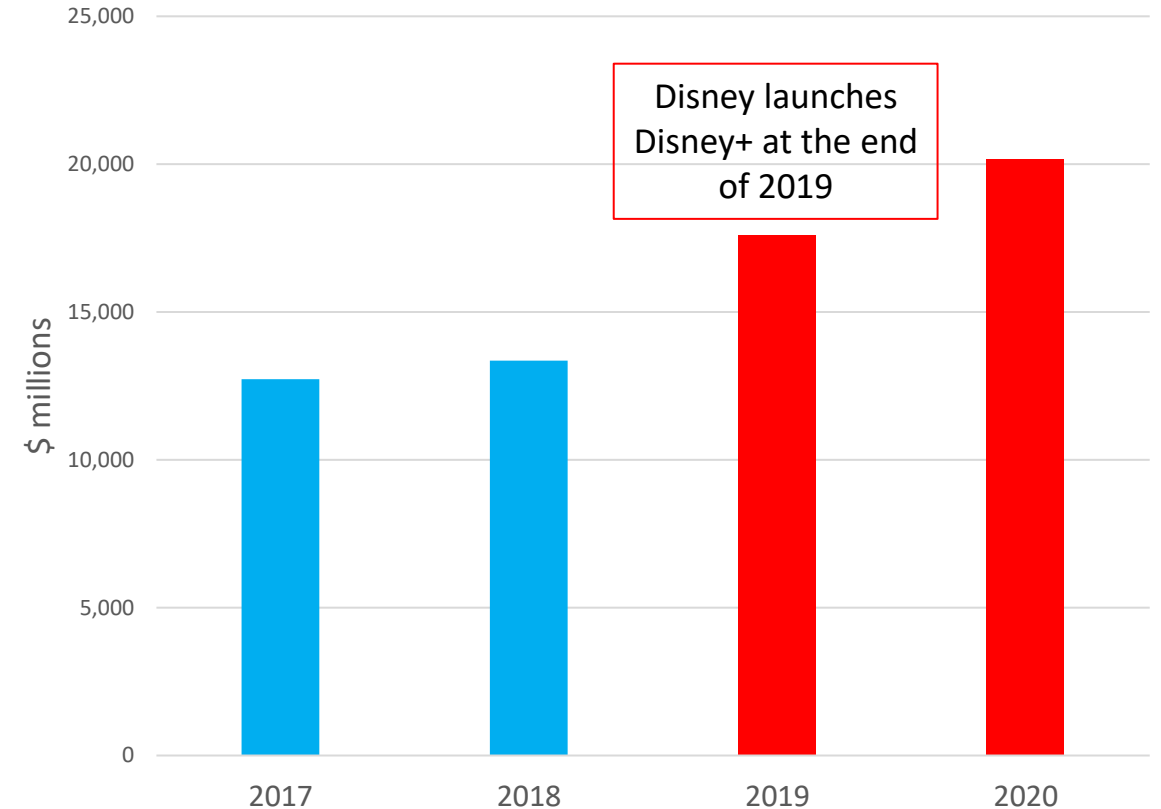
# Digital Transformation

## Moving to digital offerings - Disney case study

FY 2020 Disney Revenue by division



Spending on content rights, licenses and production at Disney



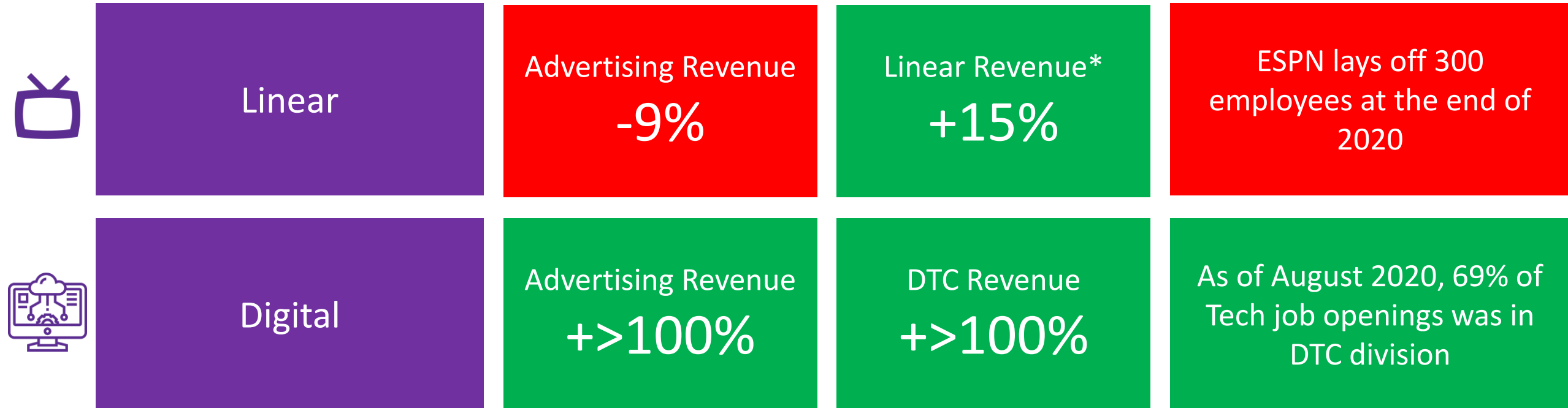
Sources: IABM, Company Filings

# Digital Transformation

## Moving to digital offerings - Disney case study

FY 2020 Disney Revenue by division

Staff investment



\* Excluding advertising, driven mainly by affiliate fees

Sources: IABM, Company Filings

# Digital Transformation

## Moving to digital offerings – Media hyper scalers



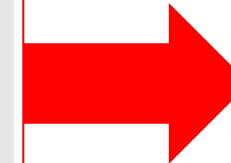
AT&T to merge WarnerMedia with Discovery



- WarnerMedia and Discovery to combine operations to create a global entertainment leader
- David Zaslav to be CEO of new company

### Transaction Rationale

- Unlocks significant value for AT&T shareholders
- Positions Discovery shareholders with enhanced long-term growth
- Accelerates HBO Max and discovery+'s global plans for direct-to-consumer
- Creates one of the deepest content libraries in the world
- Unites complementary content and brands across the most popular programming categories
- Expects to generate \$3B+/year in synergies that can be reinvested into content and DTC



Strategic Rationale mostly about content and reach

Amazon → MGM for \$9bn!

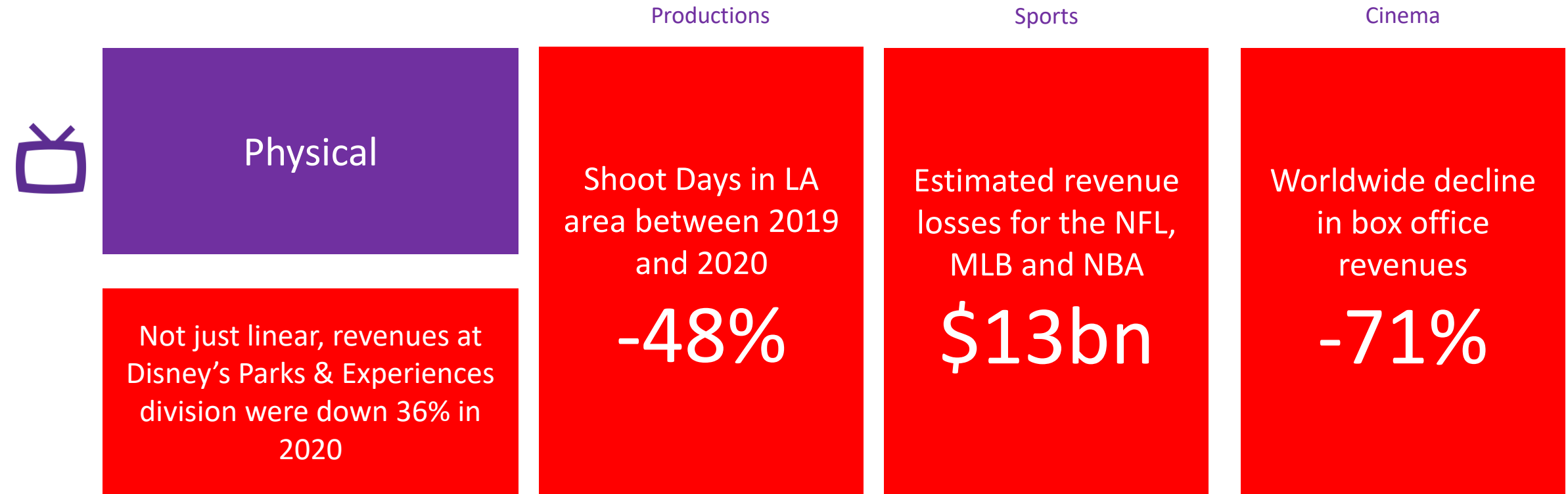
4



Sources: IABM, Company Filings

# Digital Transformation

Moving to digital offerings – Disruption to physical models adds pressure



Sources: IABM, Bloomberg, Comscore

# Digital Transformation

Moving to digital offerings – Transition management

Transition Management

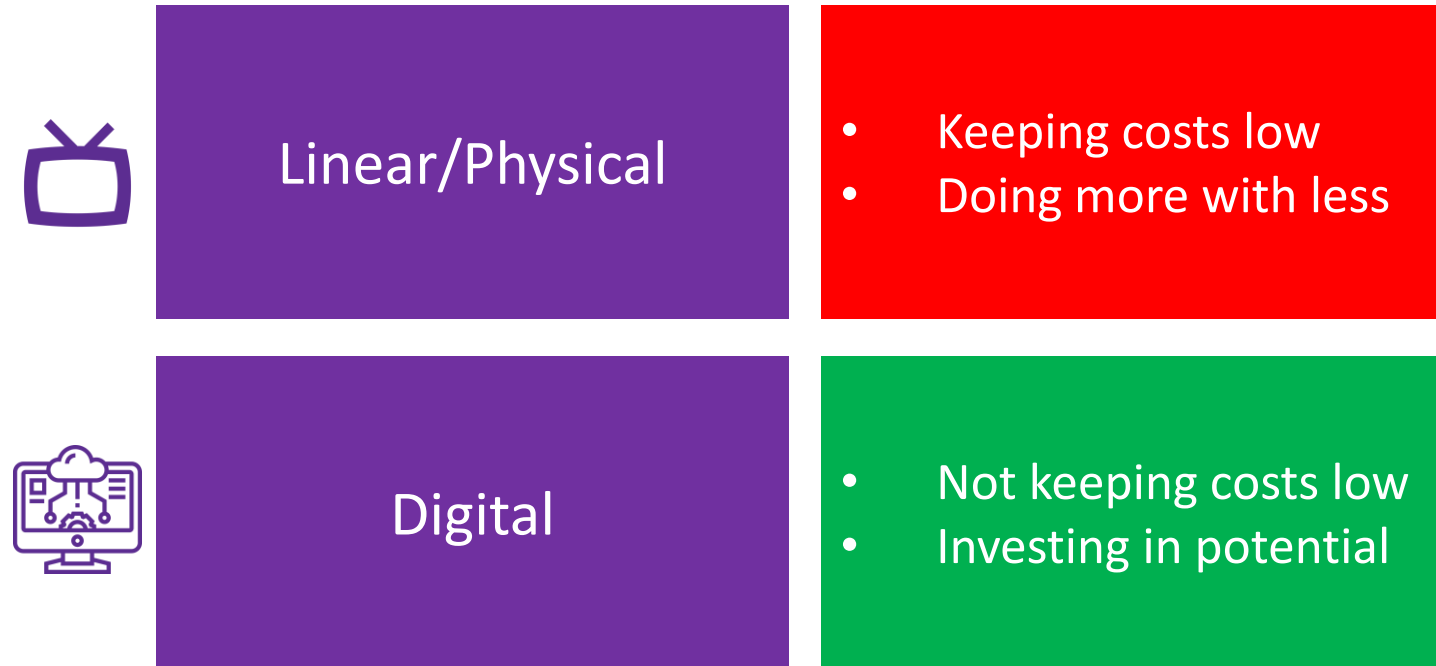


Sources: IABM

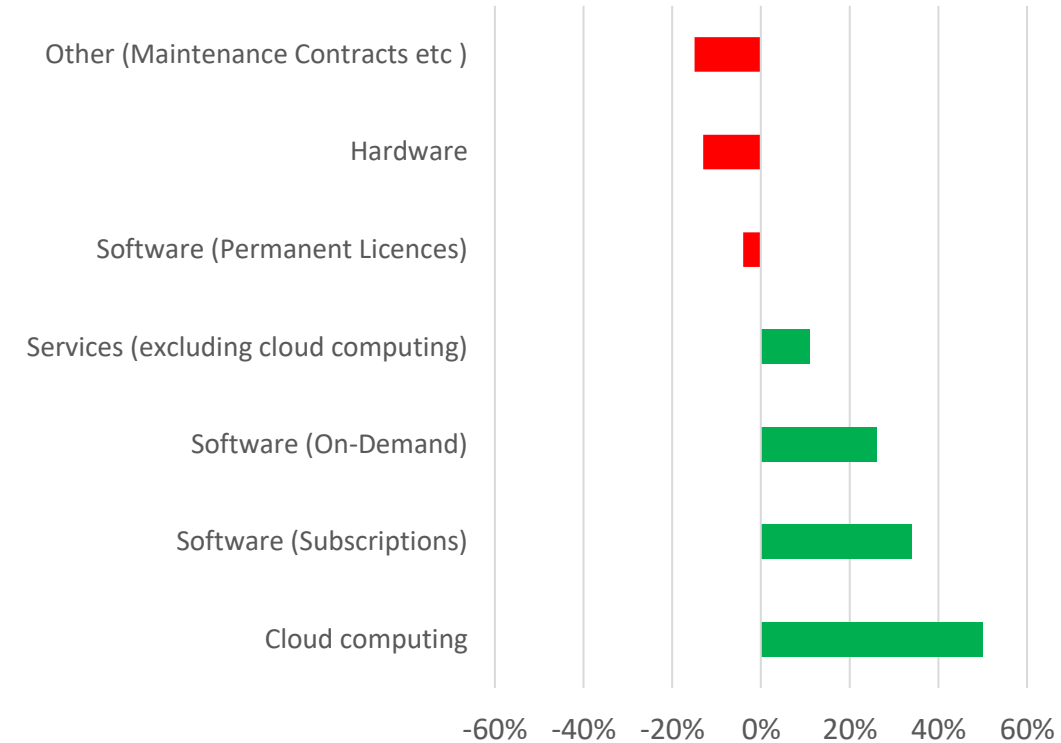
# Digital Transformation

## How does this translate into tech? - Prioritization

### Tech Decision-Making



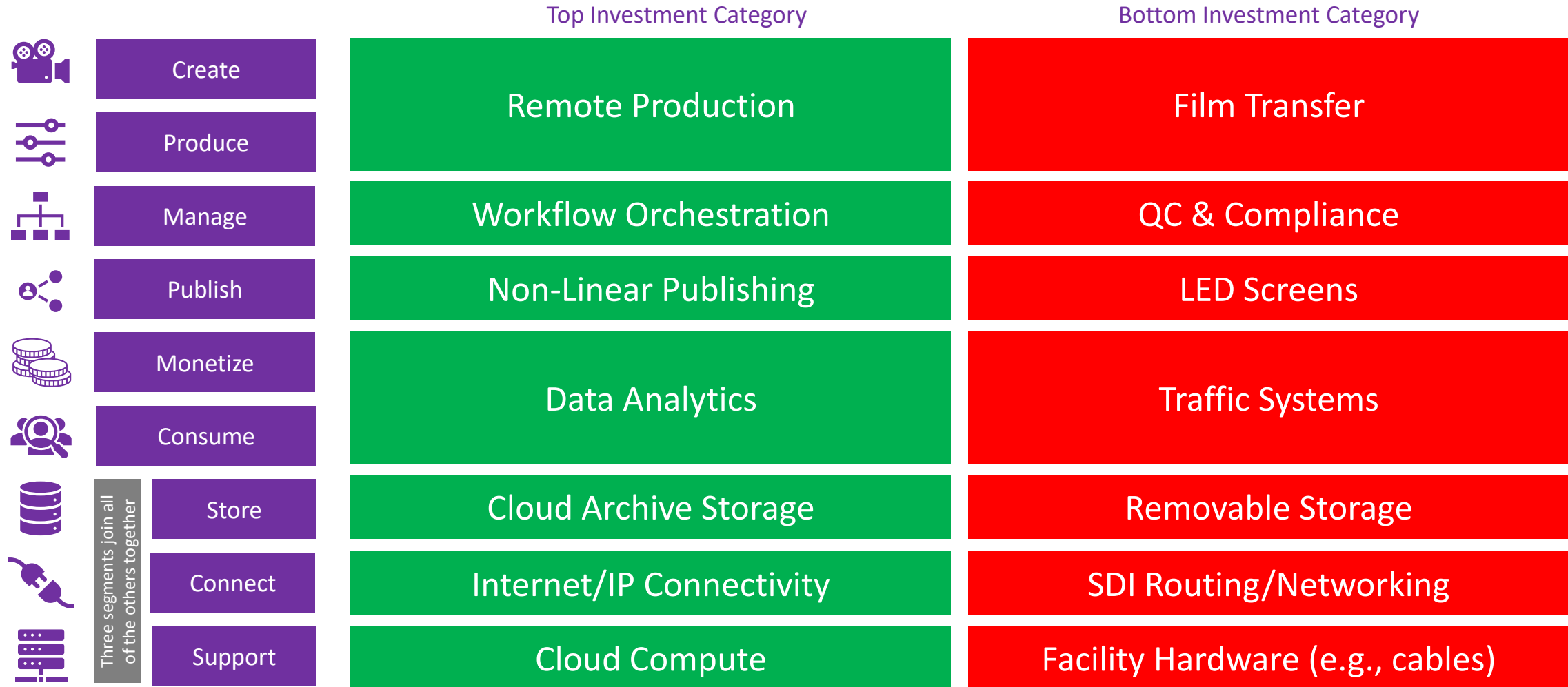
### Media tech investment outlook, NET difference in investment



Sources: IABM

# Digital Transformation

## Media tech investment outlook by segment - COVID-19 effect

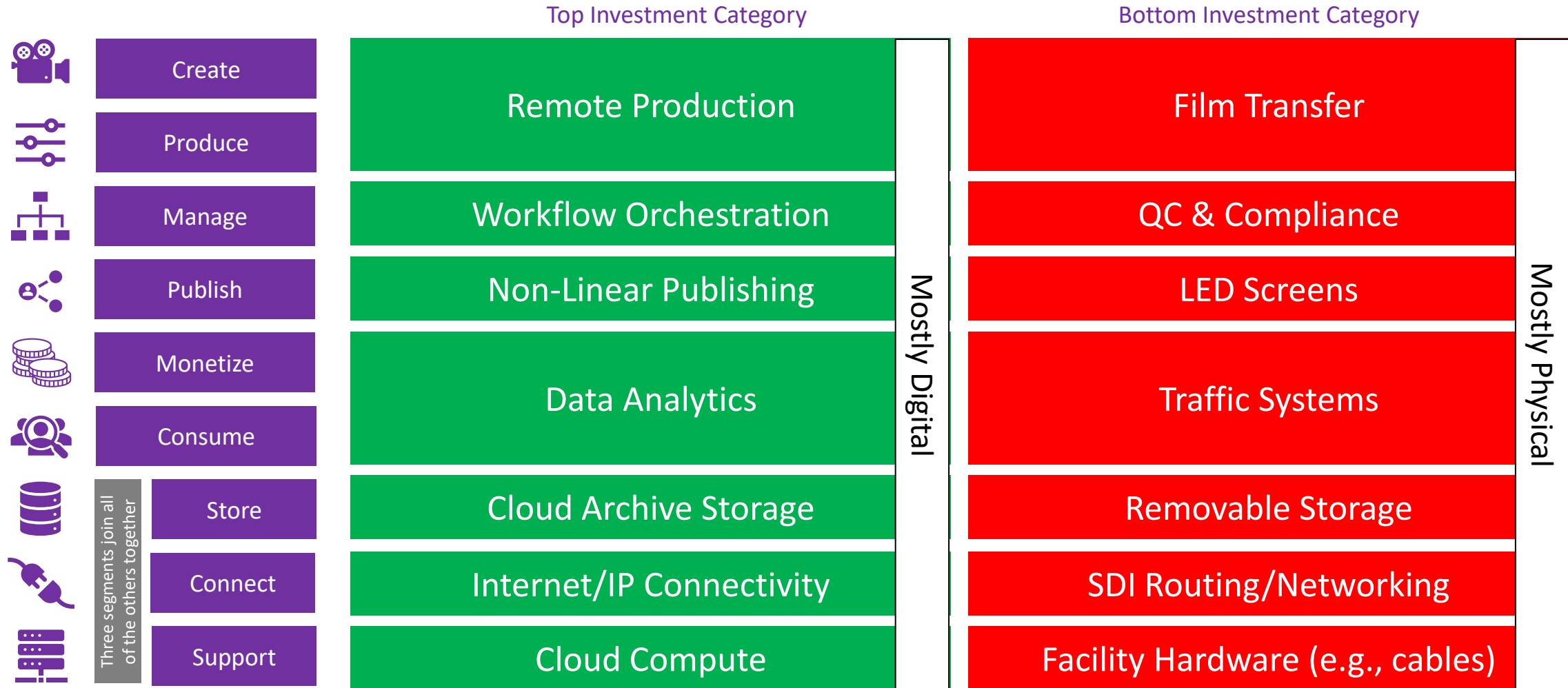


Sources: IABM



# Digital Transformation

## Media tech investment outlook by segment – Digital & Physical investment

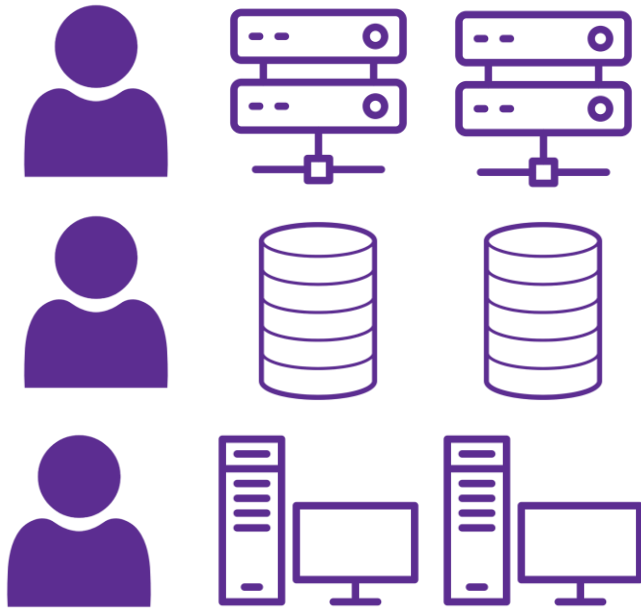


Sources: IABM

# Digital Transformation

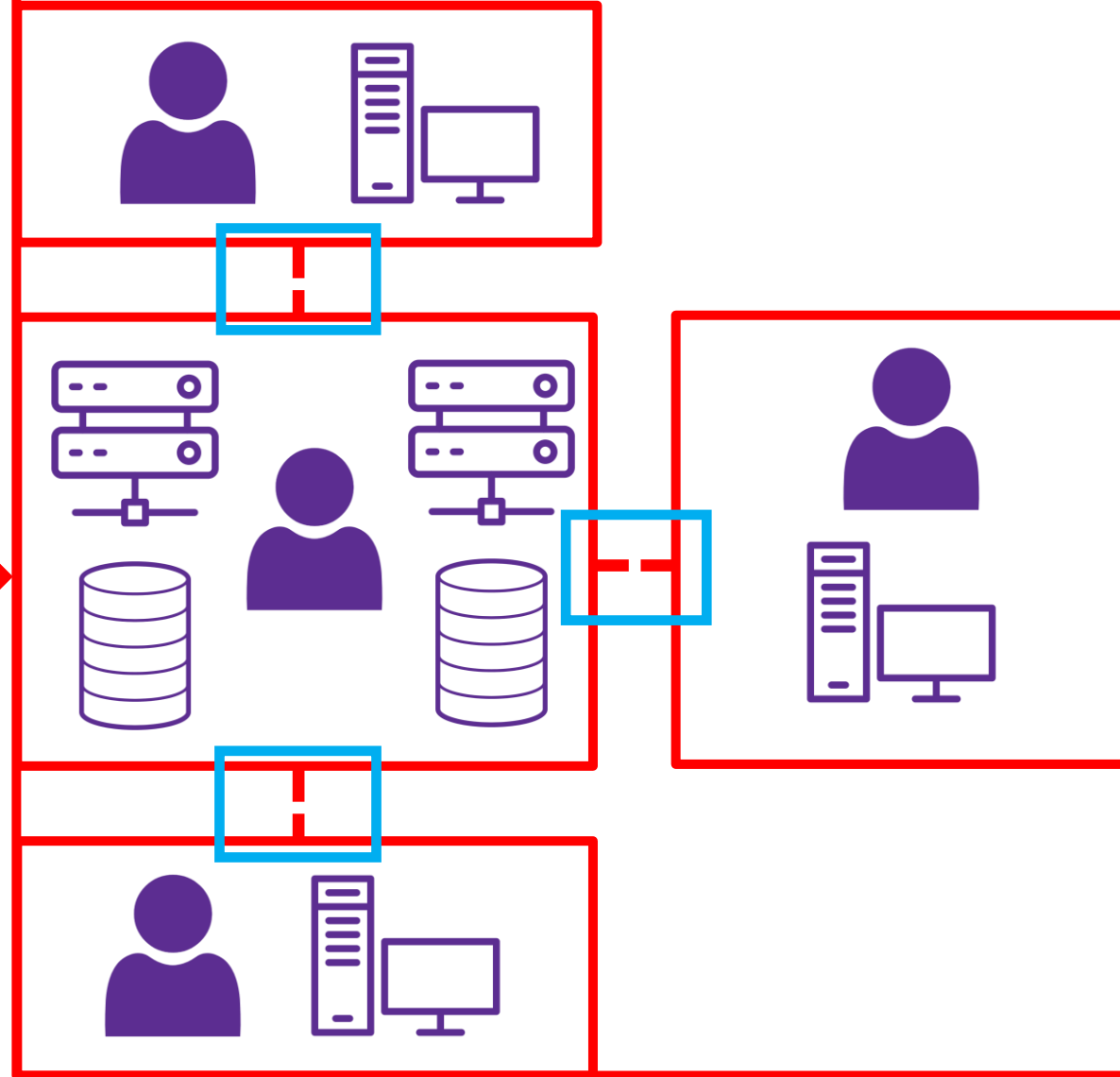
Create/Produce/Connect/Support

Pre-COVID Plans (Centralized Model)



Move to Remote Working

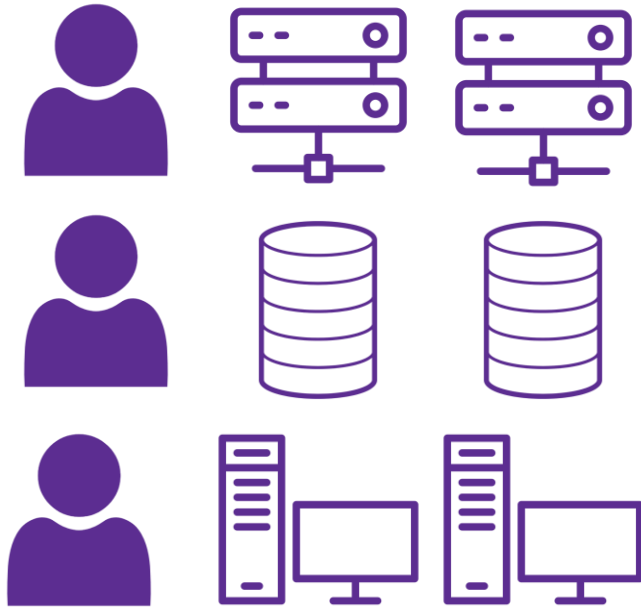
Post-COVID Reality (Decentralized Model)



# Digital Transformation

Create/Produce/Connect/Support

Pre-COVID Plans (Centralized Model)

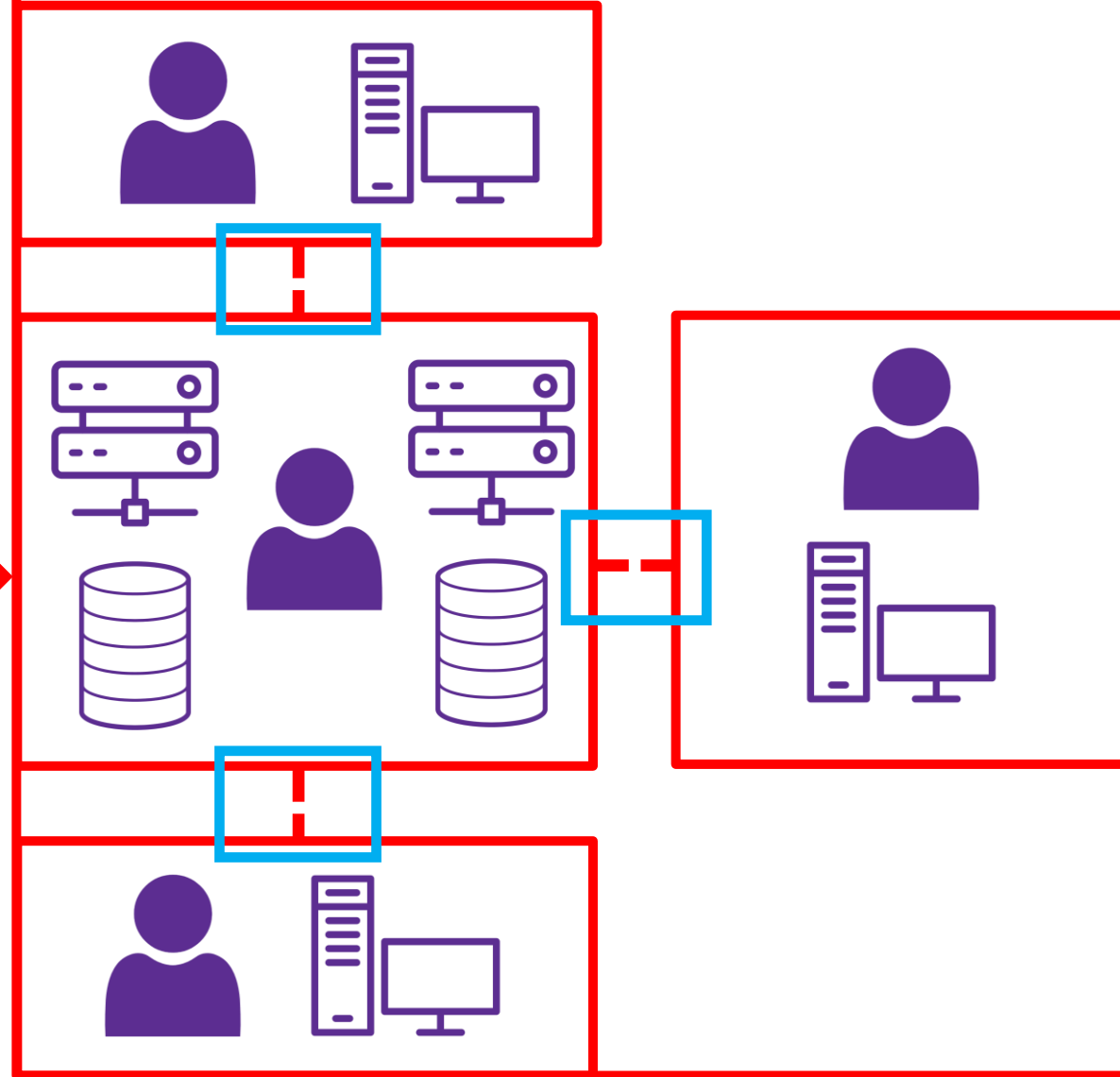


+ Inter-Facility/Access  
Connectivity  
(contributor feeds, bonded  
cellular, contribution over  
internet etc.)

Move to Remote Working

+ Security/  
Monitoring  
(cybersecurity, monitoring)

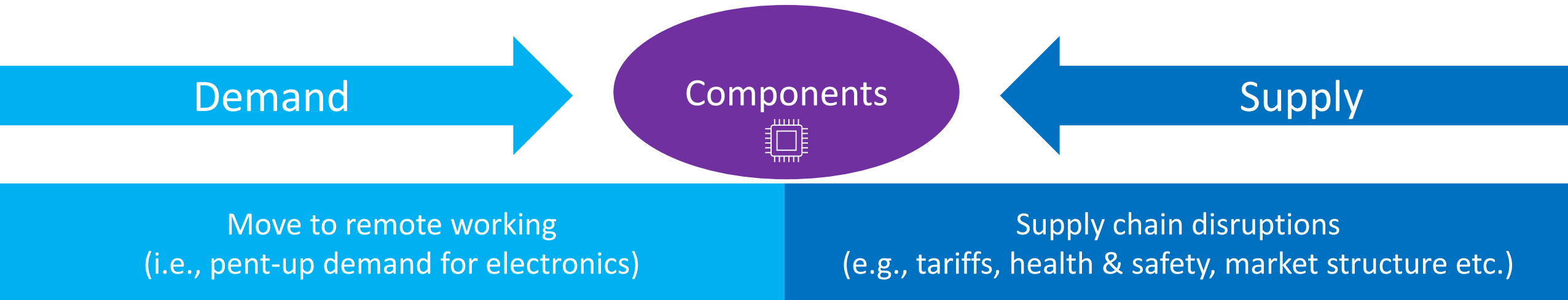
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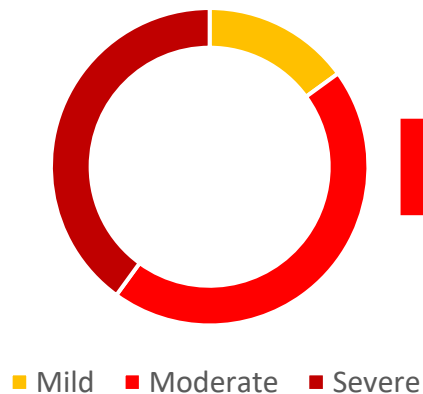
Sources: IABM

# Digital Transformation

## Components – Demand and supply disruption



Issues related to sourcing hardware components



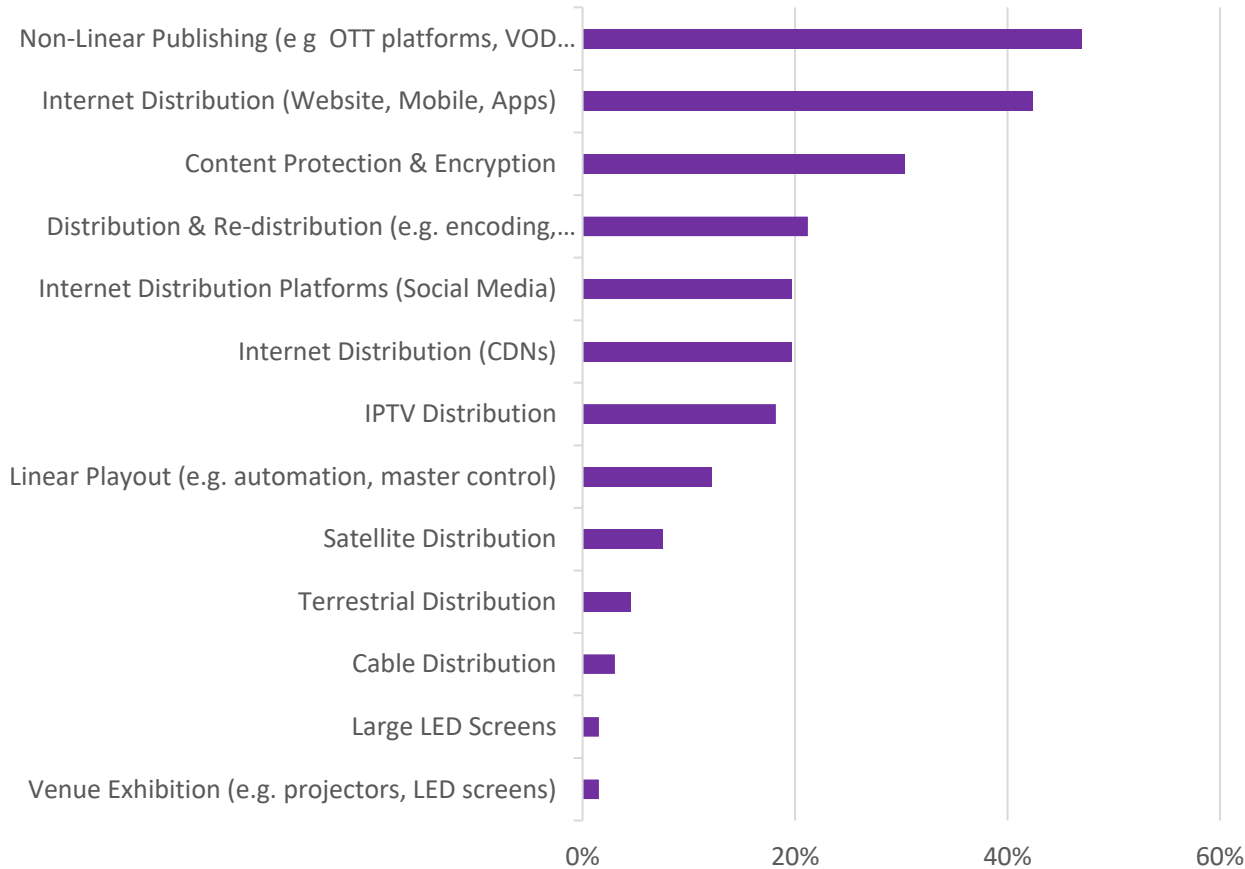
Media tech suppliers reporting  
Moderate/Severe issues with shortages

85%

# Digital Transformation

## Publish

Publish investment outlook



Sources: IABM, Company Filings

Harmonic Q4 Earnings Call

We've seen kind of a **stagnation of investment in traditional broadcast infrastructure**, as many companies have tried to figure out where to go, and we've seen **growth around streaming**, and in particular, the **SaaS component of streaming**.

...

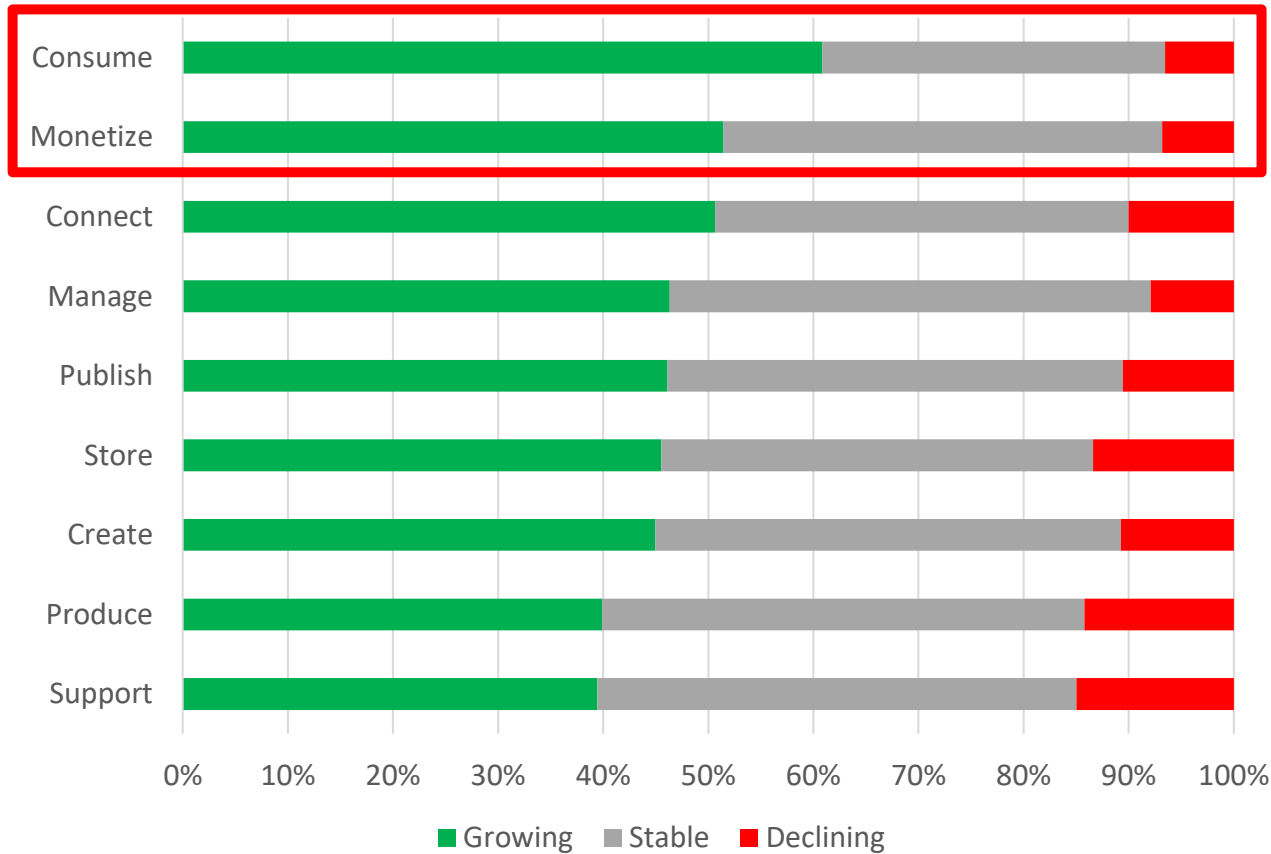
But keep in mind, **a lot of what we're talking about is simply about timing**. I think if you take a step back, **there are billions of dollars of advertising and subscription revenue, riding on this infrastructure**. It's not going anywhere. It's going to be around

Patrick Harshman  
CEO  
Harmonic  
(February 2021)

# Digital Transformation

## Consume/Monetize

Investment Outlook by Media Companies



Insourcing investment

Media companies saying that investment in internal SW Development is growing

39%

Insourcing drivers

Enabling customization

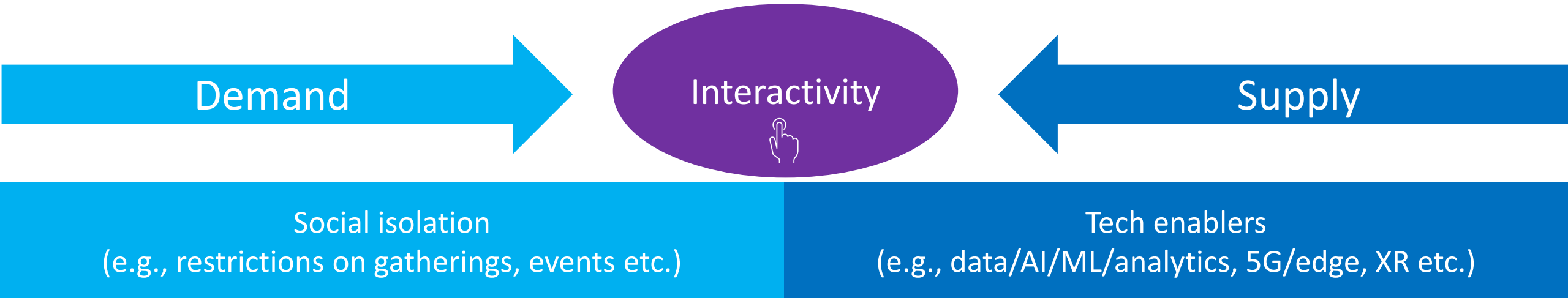
Enabling integration

Control over tech roadmaps

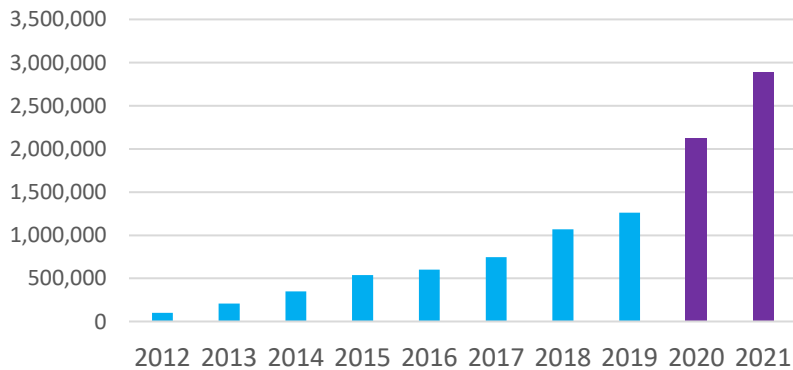
Sources: IABM

# Digital Transformation

Interactivity – Demand and supply disruption



Average concurrent Twitch viewers (in thousands)



Sources: IABM, Company Filings, Twitch Tracker

FuboTV acquires Vigtory in January 2021

*“We believe **online sports wagering** is a highly **complementary business** to our sports-first live TV **streaming** platform. We do not see wagering as simply an add-on product to FuboTV. Instead, we believe there is a real **flywheel opportunity with streaming video content and interactivity**. We not only expect sports wagering to become a new line of business and source of revenue, but we also expect that it **will increase user engagement on FuboTV resulting in higher ad monetization, better subscriber retention and reduced subscriber acquisition costs.**”*

David Gandler  
Co-founder and CEO  
FuboTV  
(January 2021)

# Digital Transformation

Is this the end of physical? - Not really

ViacomCBS Q4 2020 Earnings Call

*“Some people will tell you that a **company like ours has to choose**, that we're **either all in on linear or all in on streaming**. We think **that is a false choice**. We are not about only linear or only streaming. **We're about both linear and streaming**.”*

Shari E. Redstone  
Non-Executive Chair  
ViacomCBS  
(February 2021)

Sources: IABM, Company Filings

The future is Hybrid

Hybrid media offerings

Hybrid business models

Hybrid workplaces

Media businesses preferring hybrid cloud models

46%



# THANK YOU!!!

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## Questions?