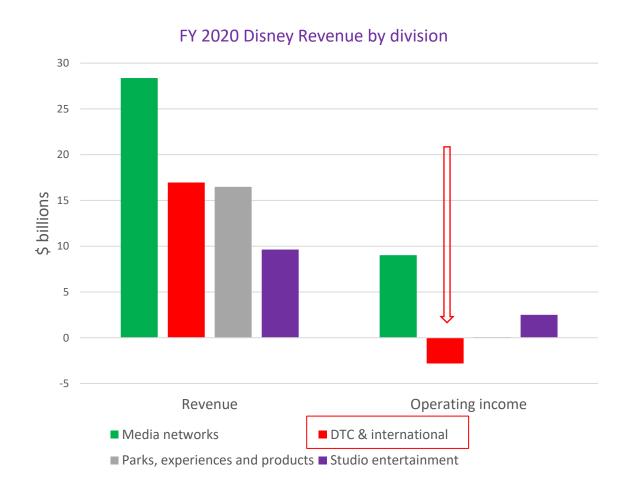
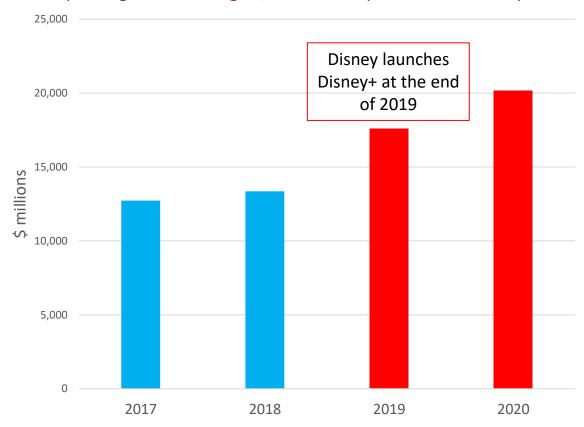
Digital Transformation in M&E

Lorenzo Zanni, Head of Knowledge, IABM

Moving to digital offerings - Disney case study







Sources: IABM, Company Filings





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Moving to digital offerings - Disney case study

FY 2020 Disney Revenue by division

Staff investment



Linear

Advertising Revenue -9%

Linear Revenue* +15%

ESPN lays off 300 employees at the end of 2020



Digital

Advertising Revenue

+>100%

DTC Revenue

+>100%

As of August 2020, 69% of Tech job openings was in DTC division

* Excluding advertising, driven mainly by affiliate fees

Sources: IABM, Company Filings





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









Hundreds of countries served

Hundreds of millions of subscribers served

Billions of content \$ invested

Strategic Rationale mostly about content and reach

Amazon → MGM for \$9bn!

Sources: IABM, Company Filings





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Moving to digital offerings – Disruption to physical models adds pressure



Physical

Not just linear, revenues at Disney's Parks & Experiences division were down 36% in 2020

Productions

Shoot Days in LA area between 2019 and 2020

Sports

Estimated revenue losses for the NFL, MLB and NBA

\$13bn

Cinema

Worldwide decline in box office revenues

-71%

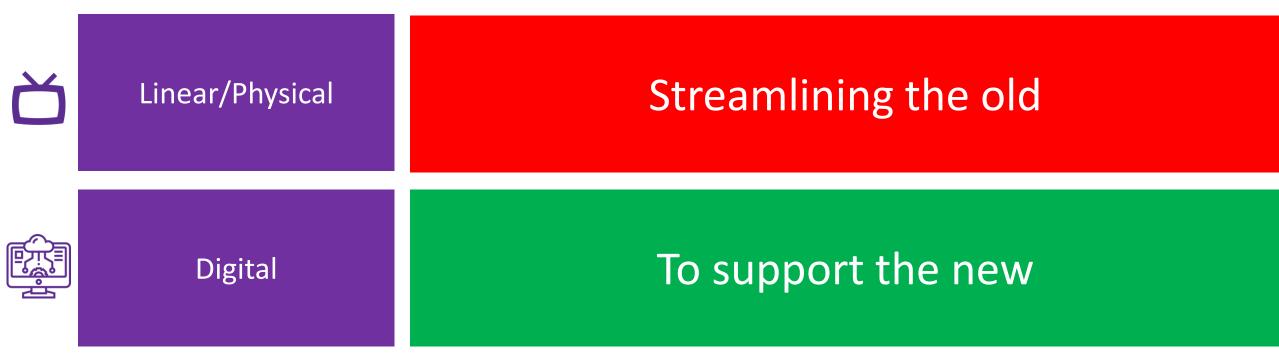
Sources: IABM, Bloomberg, Comscore





Moving to digital offerings – Transition management

Transition Management







How does this translate into tech? - Prioritization

Tech Decision-Making

Linear/Physical

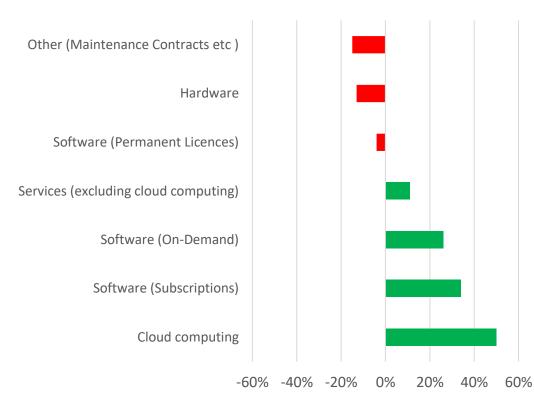
- Keeping costs low
- Doing more with less



Digital

- Not keeping costs low
- Investing in potential

Media tech investment outlook, NET difference in investment







Media tech investment outlook by segment - COVID-19 effect

		Top investment category	Bottom investment Category
88	Create	Remote Production	Film Transfer
•••	Produce		
4	Manage	Workflow Orchestration	QC & Compliance
Θ <	Publish	Non-Linear Publishing	LED Screens
	Monetize	Data Apalytics	Traffic Systems
	Consume	Data Analytics	Traffic Systems
	Store Store	Cloud Archive Storage	Removable Storage
The same	of the others together connect Connect Connect Support	Internet/IP Connectivity	SDI Routing/Networking
	of the Support	Cloud Compute	Facility Hardware (e.g., cables)
/			

Top Investment Category

Sources: IABM





Bottom Investment Category

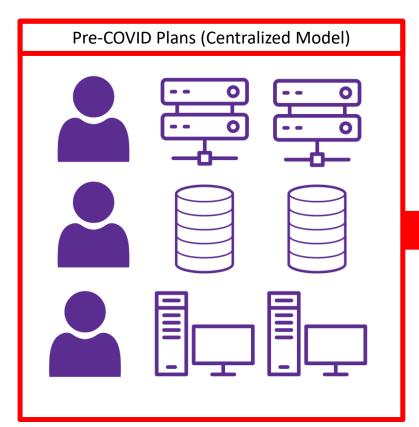
Media tech investment outlook by segment – Digital & Physical investment

Top Investment Category Bottom Investment Category Create **Remote Production** Film Transfer Produce **Workflow Orchestration** QC & Compliance Manage **Mostly Physica e**< Mostly Non-Linear Publishing **LED Screens Publish** Monetize Digital Data Analytics Traffic Systems Consume **Cloud Archive Storage** Removable Storage Three segments join all of the others together Store Internet/IP Connectivity SDI Routing/Networking Connect **Cloud Compute** Facility Hardware (e.g., cables) Support

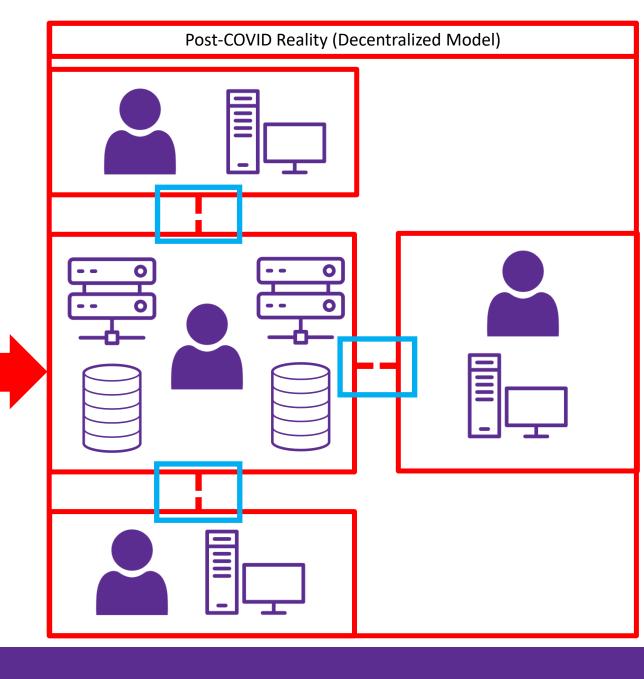




Create/Produce/Connect/Support



Move to Remote Working

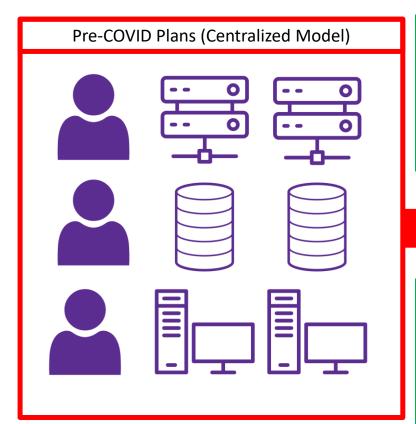






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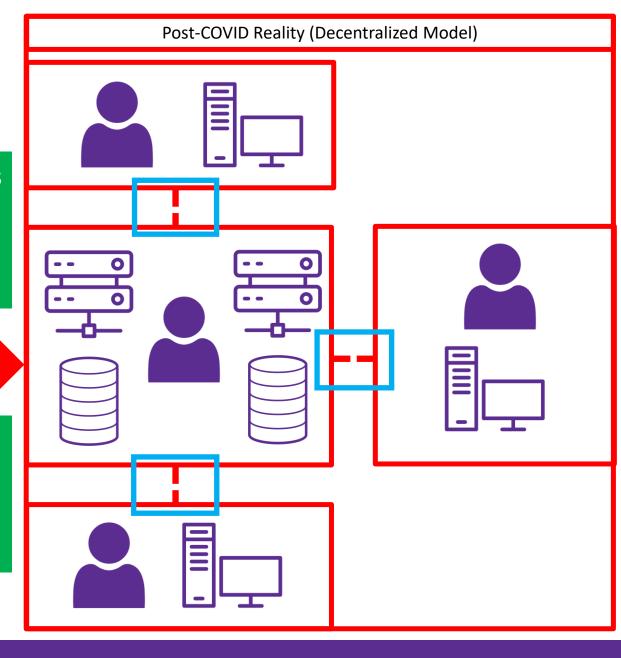
Create/Produce/Connect/Support



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

Move to Remote Working

+ Security/
Monitoring
(cybersecurity, monitoring)







Components – Demand and supply disruption

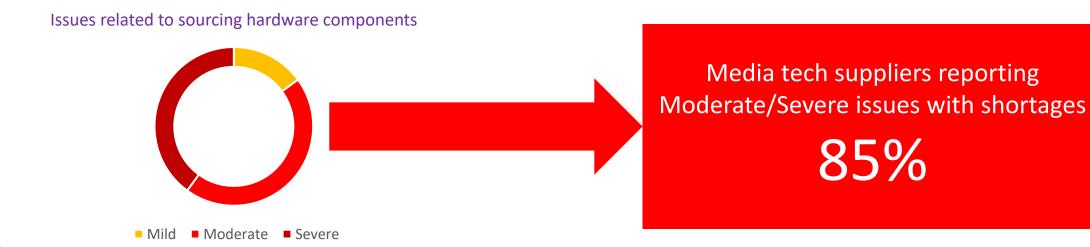
Demand

Components

Supply

Move to remote working (i.e., pent-up demand for electronics)

Supply chain disruptions (e.g., tariffs, health & safety, market structure etc.)



Sources: IABM

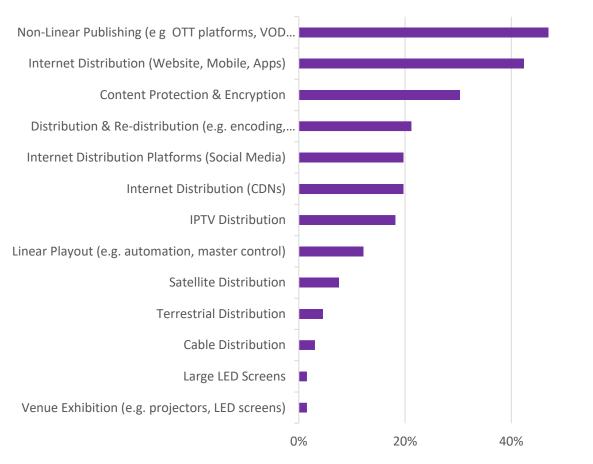




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Publish





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)

Sources: IABM, Company Filings



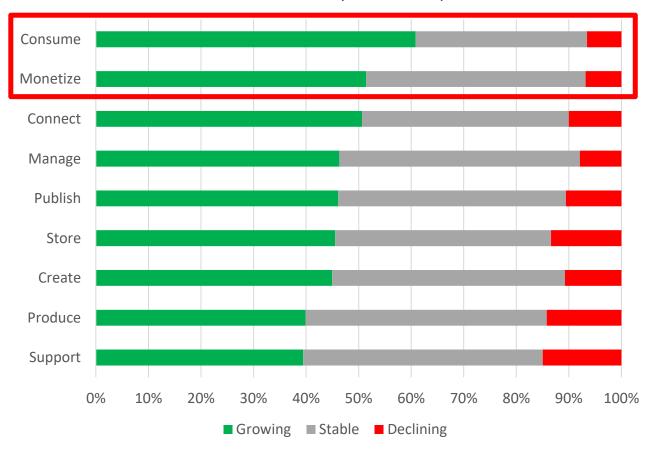


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60%

Consume/Monetize





Insourcing investment

Media companies
saying that
investment in
internal SW
Development is
growing

39%

Insourcing drivers

Enabling customization

Enabling integration

Control over tech roadmaps

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Sources: IABM





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Interactivity – Demand and supply disruption

Demand

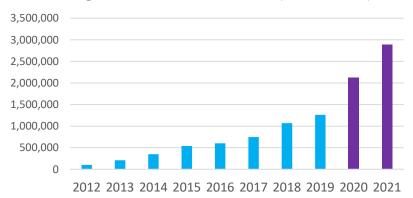


Supply

Social isolation (e.g., restrictions on gatherings, events etc.)

Tech enablers (e.g., data/AI/ML/analytics, 5G/edge, XR etc.)





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 CEC
FuboTV
(January 2021)

Sources: IABM, Company Filings, Twitch Tracker





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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)

The future is Hybrid

Hybrid media offerings

Hybrid business models

Hybrid workplaces

Media businesses preferring hybrid cloud models 46%

Sources: IABM, Company Filings



THANK YOU!!!

Email: lorenzo.zanni@theiabm.org

Questions?