State of MediaTech
Key drivers of change in 2023 and beyond

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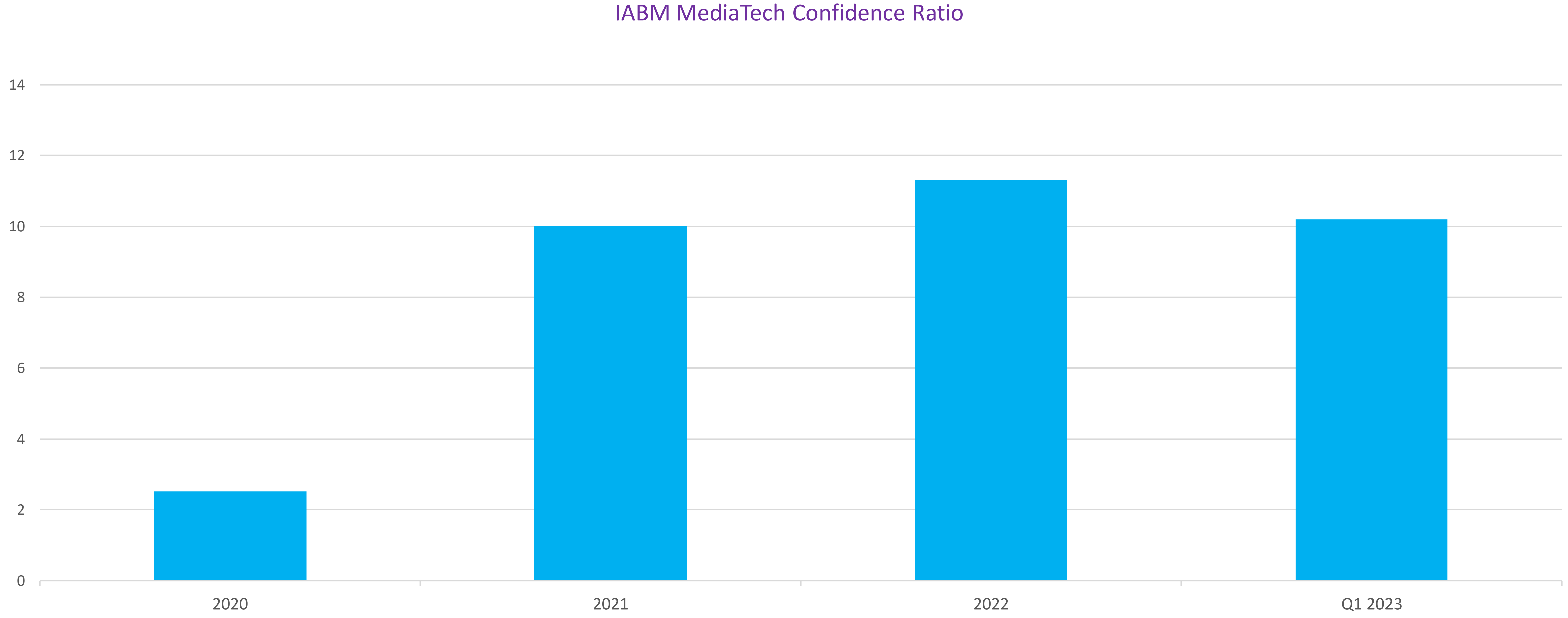
About this Report

Deep dive into the data

You can access the larger report this presentation is based on using the QR code on this slide

Business Confidence

Business confidence: Confidence ratio



Sources: IABM, The Confidence Ratio consists of a simple ratio of positive to negative responses

Business Confidence

Business confidence: Topic Analysis

	2020	2021	2022	Q1 2023
1	Pandemic Impact	Business Growth	Business Growth	Macro Headwinds
2	Business Slowdown	Pandemic Impact	Supply Chain Issues	Business Slowdown
3	Remote Working	Supply Chain Issues	Macro Headwinds	Business Growth
4	Macro Headwinds	Business Slowdown	Business Slowdown	Supply Chain Issues
5	Business Growth	Macro Headwinds	Conflict	Streaming Maturity

Sources: IABM, Only top 5 topics considered in the diagram above, based on a text analysis of survey comments, colors illustrate prevalent sentiment (red=negative, green=positive, grey=neutral)

Business Confidence

Business confidence: Macro headwinds become top topic as outlook darkens

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Macro Headwinds

Macro headwinds: Impact on M&E business models

Consumers

Inflation continuing to affect consumers' propensity to pay for different entertainment

Revenues

Macro uncertainty affecting commercial, subscription and public revenues

Content

Slowdown in investment signaled by rationalization of content investment

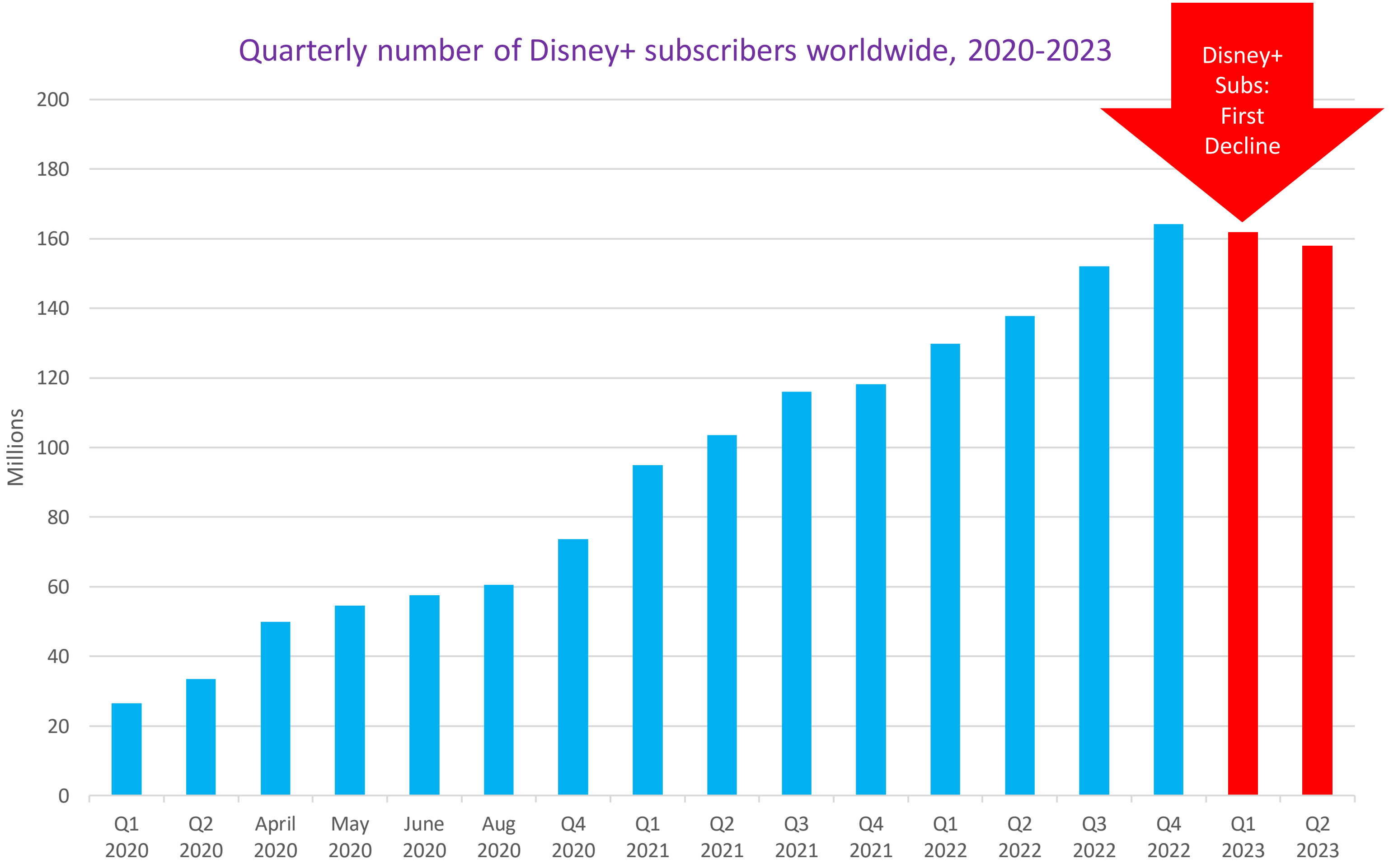
Resources

Labor and supply chain shortages leading to resource inflation

Sources: IABM

Macro Headwinds

Streamers' existential crisis



Subscriptions

Subscriber growth at major streaming platforms has slowed down, leading them to look for alternative growth levers such as ad-supported offerings (AVOD)

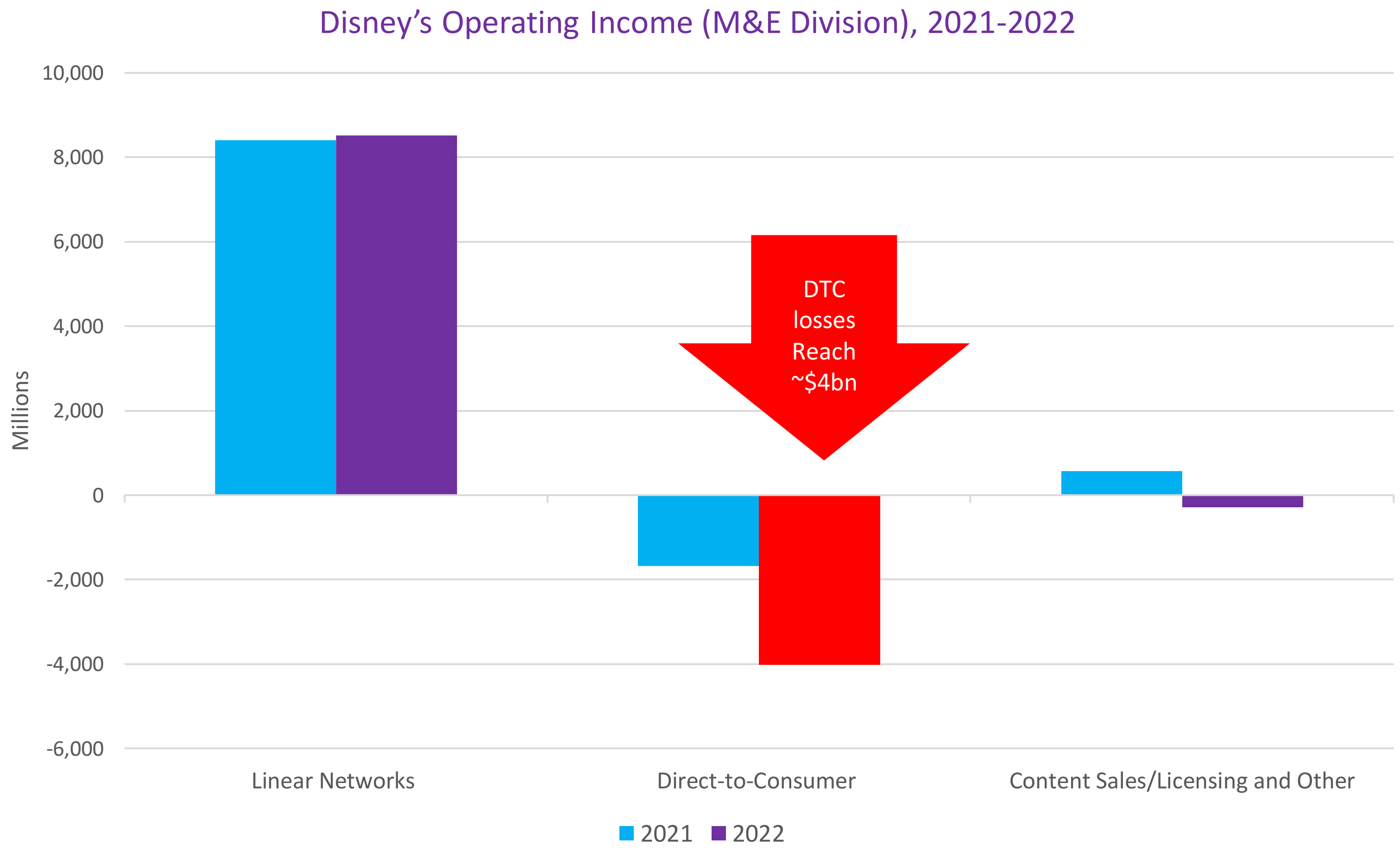
Advertising

However, the growth of AVOD has been slower than expected (Netflix had 5m monthly active users on the ad plan as of May 2023 - ~2% of its total paying users)

Sources: IABM, Company filings, Antenna

Macro Headwinds

Streamers cut costs to pursue profitability



Cost Reduction

In February 2023, Disney announced that it would cut 7,000 jobs (3% of its workforce) and plans to cut $5.5bn in costs, including $3bn in content savings

Cost Reduction (2)

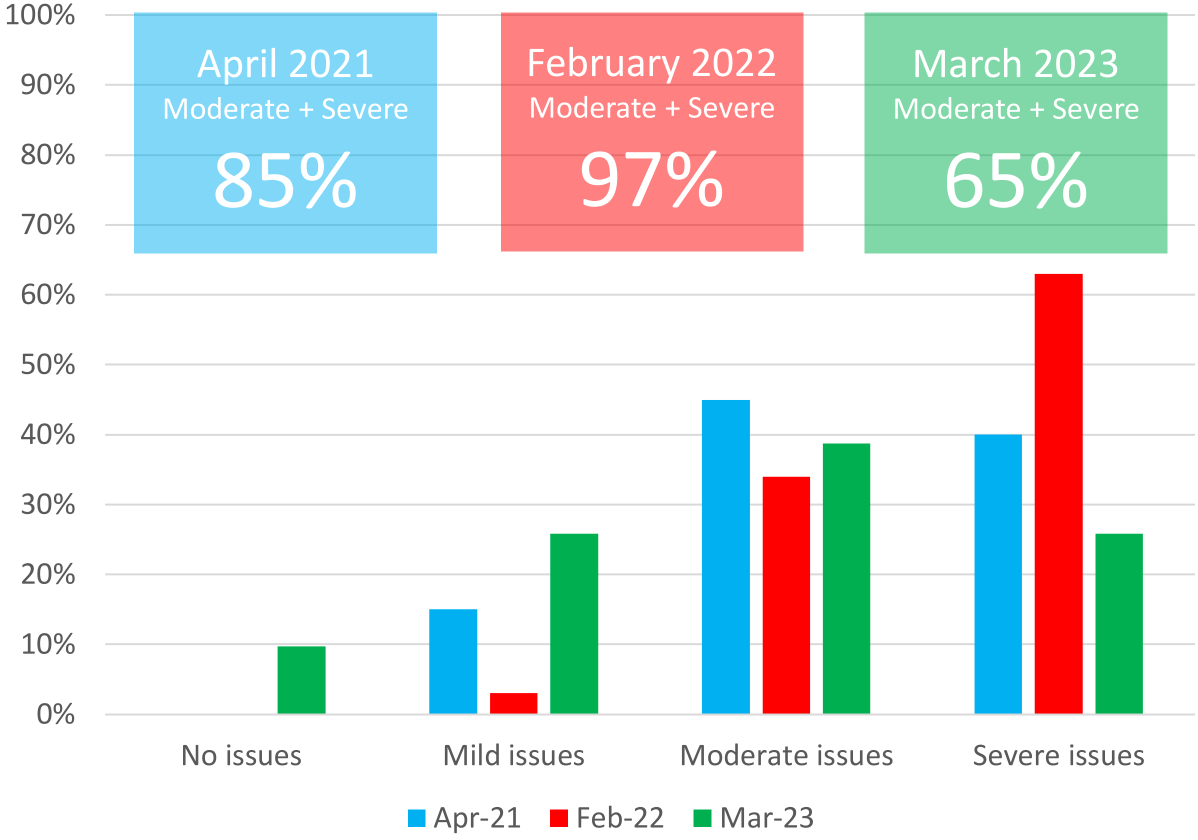
"We will take a very hard look at the cost of everything we make across television and film," CEO Bob Iger said in the earnings call announcing the measures

Sources: IABM, Company filings

Macro Headwinds

Supply chain shortages improve compared to 2021-2022, though are not gone

Issues with sourcing hardware components in MediaTech



Suppliers responding to our Disruption Poll

*The **supply chain** has certainly **stabilized**. **Things aren't completely back to normal**, but certainly **not total chaos like** it was **last year***

*It's **more manageable now** as we **have been forced to stockpile** but increase pricing from suppliers has forced our pricing up*

MediaTech Suppliers
Europe
(March 2023)

Sources: IABM

Macro Headwinds

Talent shortage remains a big issue

Ease of Recruitment (Now)
Respondents saying that it is Difficult/Very Difficult to recruit for technical roles

87%

Ease of Recruitment (Change)
Respondents saying that it has become More Difficult/Much More Difficult to recruit for technical roles

69%

Suppliers responding to our Disruption Poll

*The **layoffs at other tech companies** has **provided a pool** of highly **qualified candidates***

Less people entering the market** at the technical level due to **low salary, long** work **hours** and **high cost of living

MediaTech Suppliers
Europe
(March 2023)

Sources: IABM

Macro Headwinds

Macro headwinds: Challenge or opportunity?

Supplier responding to our MediaTech Business Tracker

> ***No longer heading into economic uncertainty, we are in it*** *today. Micro industry effects will take a while to discern. At a macro level, we are seeing the effects via* ***streamers and creators cutting spend and jobs****.* ***This could prove to be an opportunity*** *to those of us that can help fill in for* ***missing resources***

MediaTech Supplier
North America
(February 2023)

Sources: IABM

MediaTech Roadmap

MediaTech roadmap: Historical ranking

	Average 2020-2022	Q1 2023
1	Cloud & Virtualization	Cloud & Virtualization
2	OTT & Streaming	OTT & Streaming
3	IP Transport & Networking	AI/ML & Analytics
4	Remote Production	IP Transport & Networking
5	Imaging	Imaging
6	AI/ML & Analytics	Remote Production
7	Immersive	Social Media

Efficiency focus of media businesses & Generative AI buzz drive AI/ML & Analytics up to 3rd place priority

Remote Production declines compared to 2020 peak while Immersive disappears from top priorities

Sources: IABM

MediaTech Purchasing Drivers

MediaTech purchasing drivers: Historical importance

	Average 2020-2022	Q1 2023
1	Total Cost of Ownership	Total Cost of Ownership
2	Future Roadmap	Future Roadmap
3	Relationship with Vendor	Training & Support
4	Innovation Potential	Relationship with Vendor
5	Efficiency	ROI
6	Interoperability/Openness	Financial Viability/Scale
7	Training & Support	Efficiency

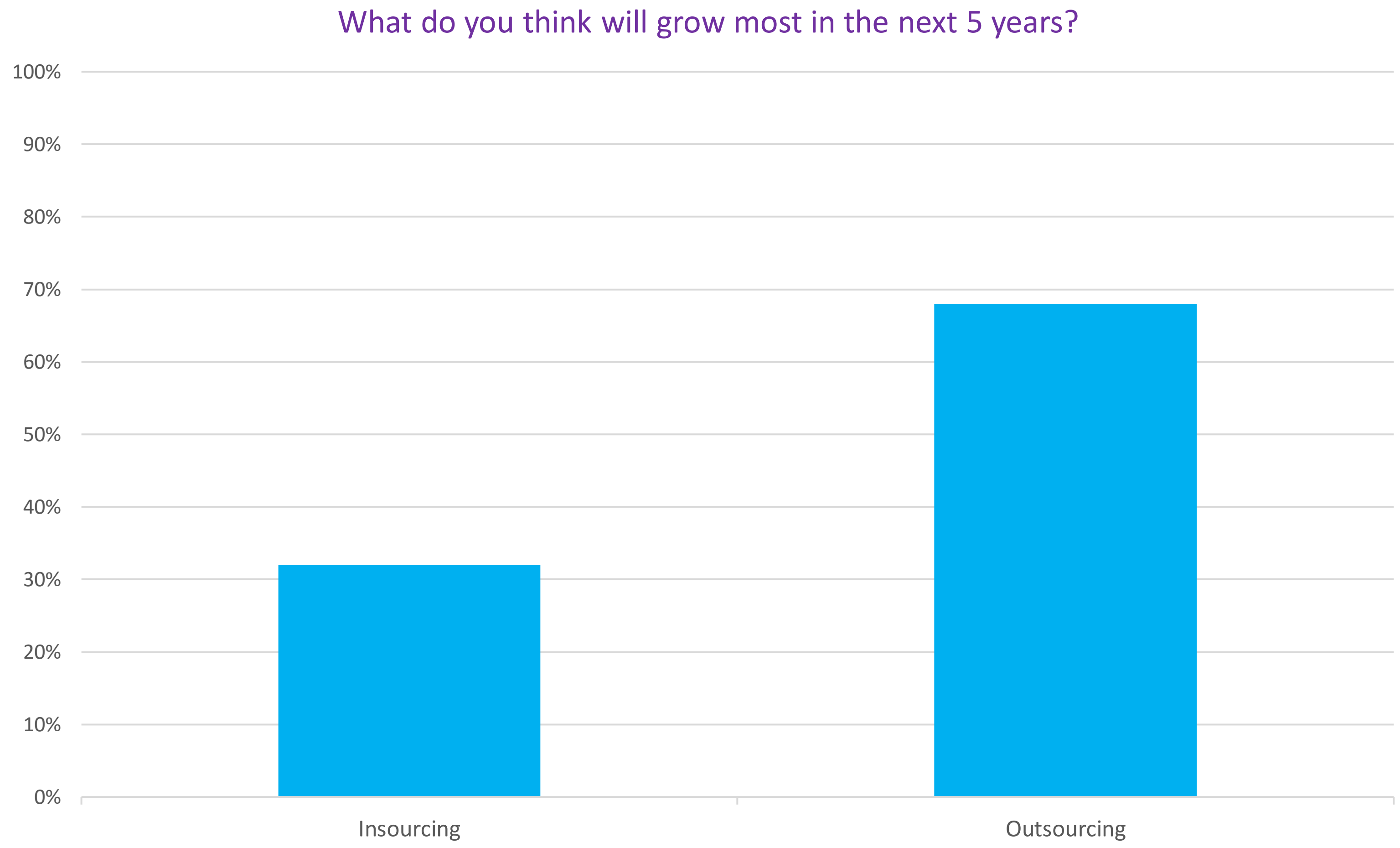
Training & Support jumps to the top due to talent shortage while efficiency focus drives ROI & Financial Viability

Innovation Potential down as media businesses focus more on cost reduction and less on innovation

Sources: IABM

MediaTech Sourcing

Macro headwinds may tilt the balance in favor of outsourcing



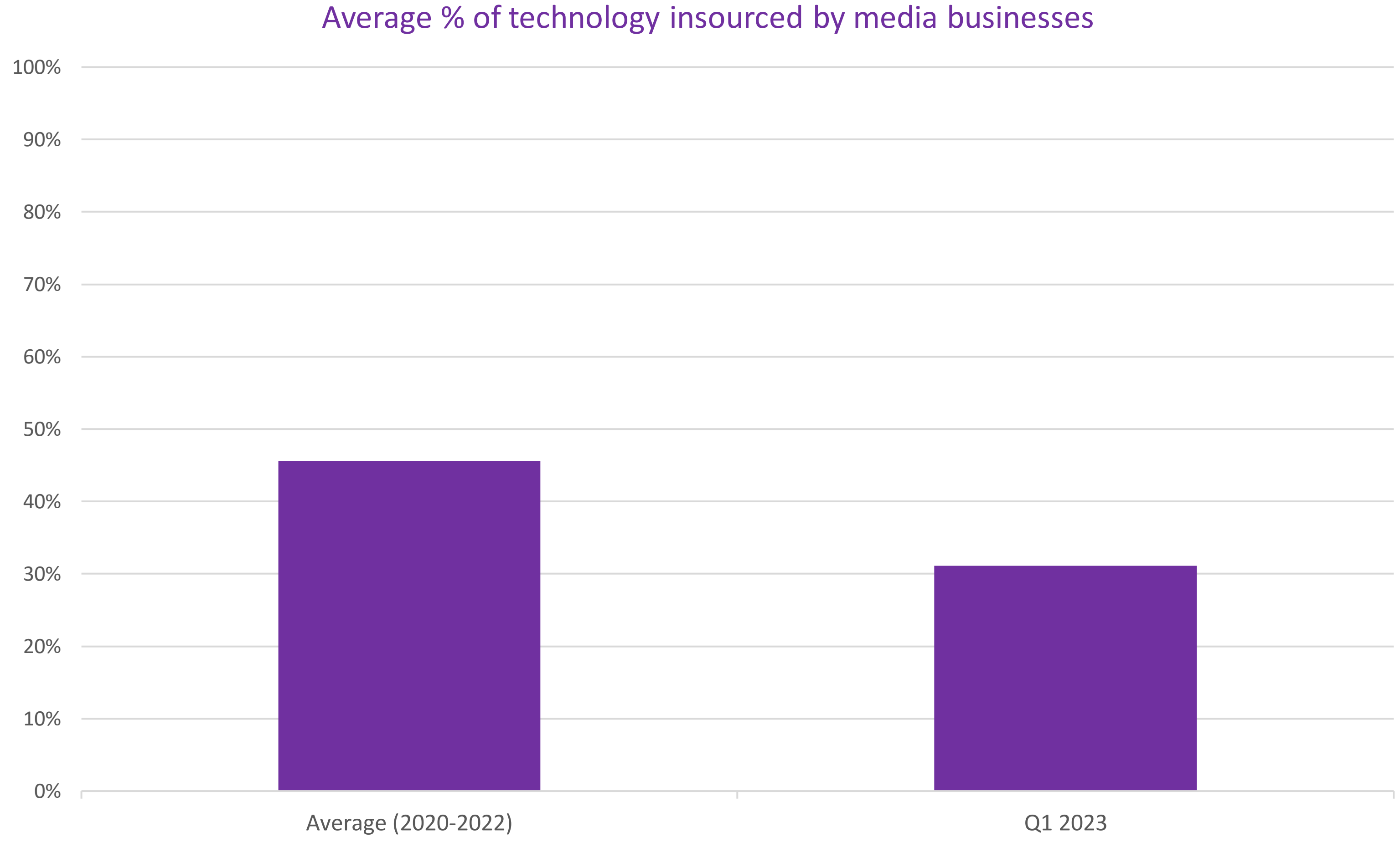
Cost Reduction
Macroeconomic uncertainty is leading more media businesses to focus on cost reduction, which is a major driver of outsourcing spend

Talent Scarcity
Lack of talent is an additional driver of outsourcing spend as investment in human capital is key to successful insourcing models

Sources: IABM, chart based on a poll of 40 MediaTech professionals conducted at BaM Live London™ (December 2022)

MediaTech Sourcing

Macro headwinds may tilt the balance in favor of outsourcing



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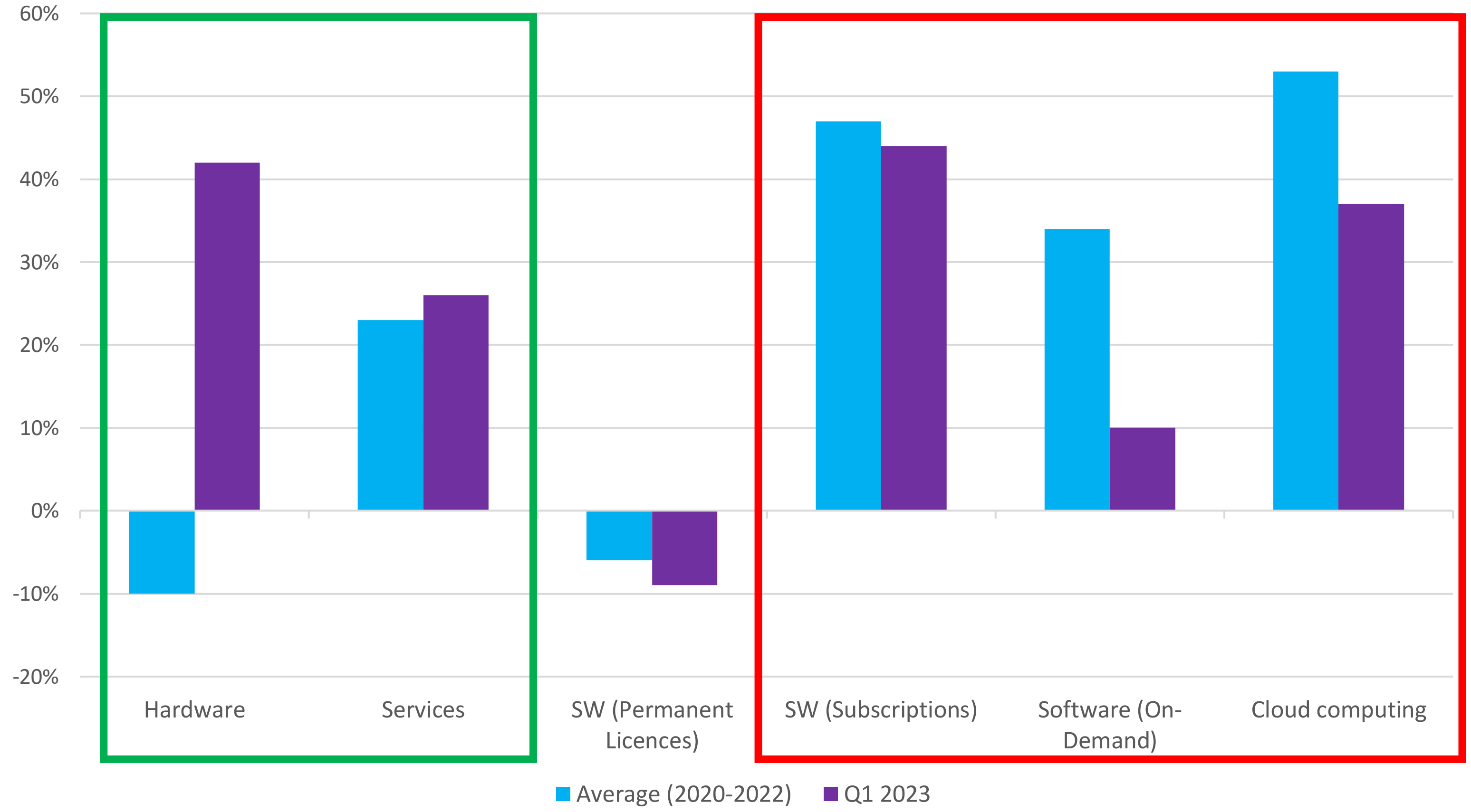
Sources: IABM

MediaTech Investment

Historical investment patterns show a deceleration of Cloud spending by media businesses

MediaTech investment by media businesses, NET outlook



Investment in Hardware up compared to the 2020-2022 triennium, Services slightly up possibly due to outsourcing

Investment deceleration of Software (On-Demand), Cloud Computing & Software (Subs) to a lesser extent

Sources: IABM

MediaTech Investment

Historical investment patterns show a deceleration of Cloud spending by media businesses

Amazon Q4 2022 earnings call

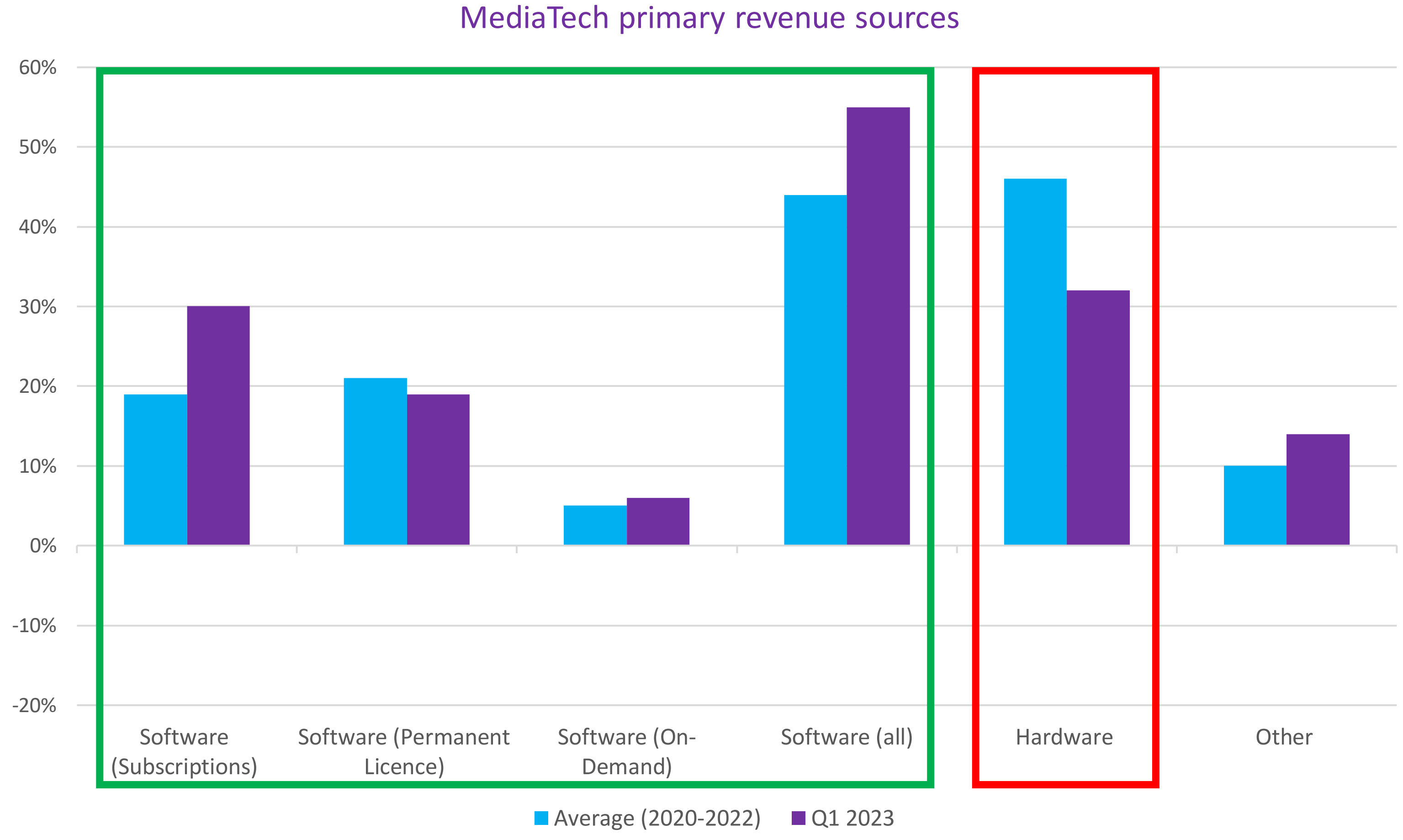
*Starting back in the middle of the third quarter of 2022, we saw our **year-over-year growth rates slow** as enterprises of all sizes evaluated ways to **optimize their cloud spending** in **response to the tough macroeconomic conditions**. As expected, these optimization efforts continued into the fourth quarter… As we look ahead, we expect these **optimization efforts will continue to be a headwind to AWS** growth in at least **the next couple of quarters***

Brian Olsavsky
CFO
Amazon
(February 2023)

Sources: IABM

MediaTech Transformation

Despite cloud slowdown, transformation at MediaTech suppliers continues



Software revenues, and particularly Subscriptions, are up and surpass Hardware as primary source

Hardware revenues markedly down compared to 2020-2022 period, becoming the 2nd primary source

Sources: IABM

MediaTech Transformation

Continuation of hybrid/remote work is a catalyst for continued transformation

Remote Production
% of media business that have adopted remote production models

42%

Hybrid Working
% of media businesses saying that their working environment is hybrid

75%

Broadcaster responding to our MediaTech Business Tracker

> ***The lockdown has opened the Pandora's box of remote work*** *capabilities and I believe we will have to explore* ***accommodating*** *these capabilities* ***to attract and retain talent***

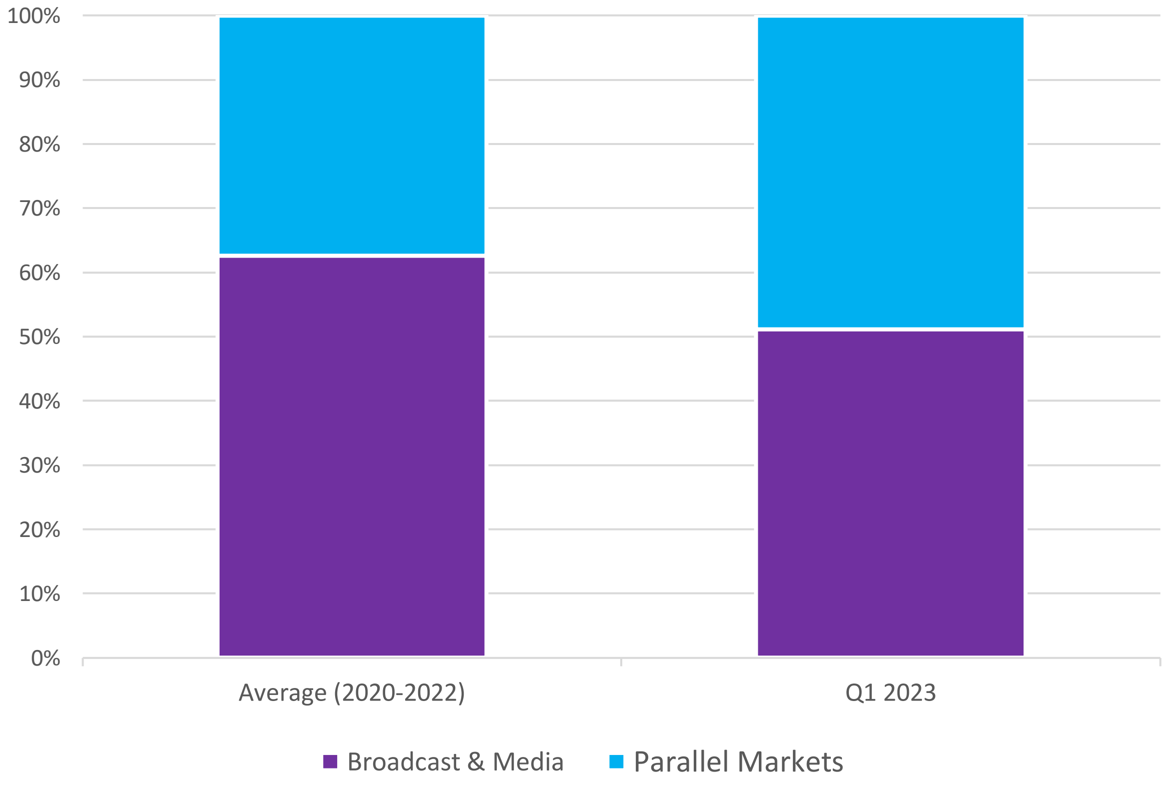
Broadcaster
North America
(February 2023)

Sources: IABM

MediaTech Transformation

MediaTech suppliers are increasingly pivoting outwards to look for growth

Average % breakdown of MediaTech supplier revenues



Supplier responding to our MediaTech Business Tracker

We are looking to ***migrate away from Media*** *to* ***engage*** *in high-margin sales in* ***industries*** *that do* ***not suffer the same budgeting constraints***

MediaTech Supplier
Europe
(February 2023)

Sources: IABM

MediaTech Change

Common threads in this research

Headwinds	Macro headwinds have negatively affected business confidence and M&E business models, leading to cost reduction initiatives
Efficiency	This environment is leading to a rationalization of investment, including MediaTech, and a prioritization of efficiency over other investment drivers
Scarcity	Scarcity of resources, and particularly of talent, remains a growth barrier for MediaTech businesses, and is influencing investment

Sources: IABM

THANK YOU!!!

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