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

IABM MediaTech Confidence Ratio

Confidence
Confidence slightly decreases compared to preliminary data in Q1 2023 when ratio was marginally higher

Confidence (2)
Even though confidence indicator is down, some anecdotal feedback signals more optimism for H2 2023 and 2024

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

### Business confidence: Topic analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Topic Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td><em>Pandemic Impact</em>&lt;br&gt;1</td>
</tr>
<tr>
<td>2021</td>
<td><em>Business Growth</em>&lt;br&gt;1</td>
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</tr>
<tr>
<td>2023</td>
<td><em>Macro Headwinds</em>&lt;br&gt;1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pandemic Impact</td>
<td>Business Growth</td>
<td>Business Growth</td>
<td>Macro Headwinds</td>
</tr>
<tr>
<td>2</td>
<td>Business Slowdown</td>
<td>Pandemic Impact</td>
<td>Supply Chain Issues</td>
<td>Business Slowdown</td>
</tr>
<tr>
<td>3</td>
<td>Remote Working</td>
<td>Supply Chain Issues</td>
<td>Macro Headwinds</td>
<td>Business Growth</td>
</tr>
<tr>
<td>4</td>
<td>Macro Headwinds</td>
<td>Business Slowdown</td>
<td>Business Slowdown</td>
<td>Supply Chain Issues</td>
</tr>
<tr>
<td>5</td>
<td>Business Growth</td>
<td>Macro Headwinds</td>
<td>Conflict</td>
<td>Streaming Maturity</td>
</tr>
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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)
Macro Headwinds
Macro headwinds: Impact on M&E business models

Consumers
Inflation continuing to affect consumers’ propensity to pay for entertainment

Content
Slowdown in investment exacerbated by impact of strikes

Revenues
Macro uncertainty affecting commercial, subscription and public revenues

Resources
Labor and supply chain shortages leading to resource inflation

Sources: IABM
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)
## MediaTech Roadmap

### MediaTech roadmap: Historical ranking

<table>
<thead>
<tr>
<th>Average 2020-2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cloud &amp; Virtualization</td>
<td>Cloud &amp; Virtualization</td>
</tr>
<tr>
<td>2. OTT &amp; Streaming</td>
<td>OTT &amp; Streaming</td>
</tr>
<tr>
<td>3. IP Transport &amp; Networking</td>
<td>AI/ML &amp; Analytics</td>
</tr>
<tr>
<td>4. Remote Production</td>
<td>IP Transport &amp; Networking</td>
</tr>
<tr>
<td>5. Imaging</td>
<td>Social Media</td>
</tr>
<tr>
<td>6. AI/ML &amp; Analytics</td>
<td>Imaging</td>
</tr>
<tr>
<td>7. Immersive</td>
<td>Remote Production</td>
</tr>
</tbody>
</table>

**Efficiency focus of media businesses & Generative AI buzz drive AI/ML & Analytics up**

**Remote Production declines along with IP and Imaging while Immersive disappears from the list**

Sources: IABM
## MediaTech Purchasing Drivers

**MediaTech purchasing drivers: Historical importance**

<table>
<thead>
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<th>Average 2020-2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total Cost of Ownership</td>
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</tr>
<tr>
<td>2. Future Roadmap</td>
<td>Training &amp; Support</td>
</tr>
<tr>
<td>3. Relationship with Vendor</td>
<td>Future Roadmap</td>
</tr>
<tr>
<td>4. Innovation Potential</td>
<td>Efficiency</td>
</tr>
<tr>
<td>5. Efficiency</td>
<td>Relationship with Vendor</td>
</tr>
<tr>
<td>6. Interoperability/Openness</td>
<td>Interoperability/Openness</td>
</tr>
<tr>
<td>7. Training &amp; Support</td>
<td>ROI</td>
</tr>
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</table>

**Sources:** IABM

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*Training & Support jumps to the top due to talent shortage while Efficiency and ROI rise due to cost reductions.*

*Innovation Potential drops as media businesses focus more on cost reduction and less on innovation.*
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.

Average % of technology insourced by media businesses

Sources: IABM
MediaTech Investment

Historical investment patterns show a deceleration of Cloud spending in 2023

Sources: IABM, NET investment consists of subtracting the % of companies saying that investment is decreasing from the % of companies saying that it is increasing

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

Deceleration of Cloud investment though investment in Cloud improves compared to the first half of the year

MediaTech investment by media businesses, NET investment

- Hardware
- Services
- SW (Permanent Licences)
- SW (Subscriptions)
- Software (On-Demand)
- Cloud computing

Average (2020-2022)  2023

-20%  -10%  0%  10%  20%  30%  40%  50%  60%

IABM Copyright 2023
MediaTech Investment
Cloud and other software investment has however grown in H2 2023

Cloud and other software investment significantly up compared to H1 2023, arguably driven by AI/ML

No categories decrease in H2 2023 which is consistent with more industry optimism and an increase in budgets

MediaTech investment by media businesses, NET investment

Sources: IABM, NET investment consists of subtracting the % of companies saying that investment is decreasing from the % of companies saying that it is increasing
MediaTech Investment
AI/ML may prove to be the main long-term driver of Cloud spending

Alphabet Q2 2023 earnings call

Turning to Google Cloud, we are particularly excited about the customer interest in our AI-optimized infrastructure, our large language models, our AI platform services and our new generative AI offerings such as Duet AI for Google Workspace, although we are still clearly in the early days. At the same time, we continued to experience headwinds in the second quarter from moderation in consumption growth as customers optimized their spend.

Ruth Porat
CFO
Alphabet
(July 2023)
MediaTech Investment
AI/ML application by content supply chain segment

AI/ML application by Content Supply Chain segment

AI/ML application in less mature segments such as Create and Produce increases

AI/ML application in more mature segments such as Manage and Monetize decreases

Sources: IABM
**MediaTech Investment**

**Hollywood strike set to impact MediaTech investment**

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**ITV Q2 2023 results**

And really *if it goes on, and we very much hope it doesn't go on, but if it does go on into the autumn of this year, then what it will do is just phase the deliveries differently because productions will be delayed next year, so you'll see some phasing into 2025*  

Carolyn McCall  
CEO  
ITV  
(July 2023)

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**EVS Q2 2023 results**

*We see customers struggling cash-wise because of the writers' strike in Hollywood. We're obviously helping those customers in providing that additional delay. One of our major customers, we're also helping them make sure that we accept extended payment terms*  

Veerle De Wit  
CFO  
EVS  
(August 2023)

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Sources: IABM, Company filings
MediaTech Transformation

Transformation pushes investment in technology despite financial pressure

Revenues & Budgets
MediaTech budgets are growing faster than revenues in 2023 which suggests that media companies see technology as strategic to their future success.

Revenues & Budgets (2)
Anecdotal feedback reveals that media companies are investing in new technologies such as AI/ML and this is pushing budgets.

Sources: IABM, NET growth consists of subtracting the % of companies saying that budgets/revenues are decreasing from the % of companies saying that they are increasing.
MediaTech Transformation
Transformation pushes investment in technology despite financial pressure

As announced during the full year 2022 goal and on the occasion of the Q1 results, we are optimizing our cost base to finance our digital acceleration program in a data-related economic context. In total, we target from 2025 onwards, more than €40 million in savings on operational costs in real estate, IT, procurement and organization costs, of course. Out of those savings, a portion of €10 million to €15 million will be reinvested in our digital plan, covering mostly tech, specifically dedicated to this acceleration program and HR in order to acquire or to integrate the new skills we need to perform that digital acceleration.

Rodolphe Belmer
CEO
TF1
(July 2023)
MediaTech Convergence

MediaTech suppliers are increasingly pivoting outwards to look for growth

Average % breakdown of MediaTech supplier revenues

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

Supplier responding to our MediaTech Business Tracker

MediaTech Supplier
Europe
(February 2023)

Sources: IABM
MediaTech Resilience
Supply chain shortages improve though talent shortage remains an issue

Issues with sourcing hardware components in MediaTech

- April 2021: Moderate + Severe 85%
- February 2022: Moderate + Severe 97%
- March 2023: Moderate + Severe 65%

Change in recruitment conditions over last two years

- Much easier: 0%
- Easier: 0%
- About the same: 20%
- More difficult: 80%
- Much more difficult: 0%
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!!!