MEDIENGRUPPE RTL DEUTSCHLAND

WHITE PAPER STREAMING BROADCASTERS

Locating the position of German BVOD providers in the growth market for streaming

Status report, April 2020

THE GERMAN STREAMING MARKET

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The streaming market in Germany is growing, driven by the SVOD consumption model: At the end of the fourth quarter of 2019, SVOD offers were reaching more than 50% of the German online population aged 14 and above. International and local streaming offers provide an increasing variety of genres and content that are in competition with each other and with the offers of the local TV networks. While growth amongst younger target groups was weaker in 2019 than in previous years, usage in older groups of users is showing significant growth. SVOD has arrived in the mainstream and appeals to increasingly broad target groups.

The German market will continue to change in 2020, driven by new suppliers – in particular Disney+. The coronavirus crisis is already having a profound impact on all aspects of economic and private life, including media consumption. An increasing need for information goes hand-in-hand with the desire for entertainment and distraction; there is additional time available for the consumption of video content across all user groups.

How do the streaming offers of local TV networks position themselves in this market? What makes them attractive to users? How does the interplay of TV and streaming work?

In this white paper, we provide an up-to-date analysis of these issues based on our own studies and an aggregation of the leading sources of data on the German streaming market.

Hereafter, we subsume streaming offers by German TV networks under the term ‘BVOD’ (‘Broadcaster Video on Demand’). BVOD is thus an overarching category for paid, on-demand video offers in a subscription model (SVOD offers such as TVNOW) and free offers by the public TV networks in Germany (media libraries). Hence, streaming broadcasters are TV networks in Germany that provide a BVOD service.

Insights into TVNOW, the streaming offer of Mediengruppe RTL Deutschland (MGRTLD), are marked separately by colour-coding.

Quelle: GfK SVOD Tracker 2019

THE GERMAN STREAMING MARKET:
high total usage of streaming, high share of BVOD offers

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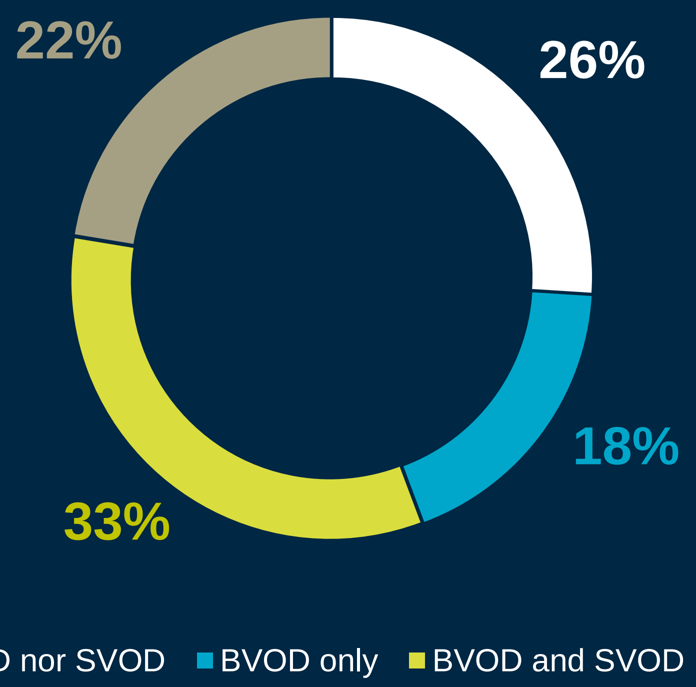
Usage of streaming overall
BVOD or SVOD offers at least monthly



Usage of streaming offers, and BVOD offers in particular, is very high:

- 74% of the German online population above 14 years of age use streaming services at least once a month.
- More than half of the German online population (51%) use the BVOD offers of the local TV networks.
- One-third of respondents use both BVOD and other SVOD offers; 22% are exclusive users of SVOD, and 18% are exclusive users of BVOD.
- For a more in-depth view of the SVOD subscription market, selected SVOD offers and the trends amongst SVOD users, please refer to Charts 4 and 5 below.

Source: forsa (German onliners 14 years of age and older), GfK SVOD Tracker 2019 (Basis: German-speaking residents aged 14 and over), SVOD not including Sky

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THE GERMAN STREAMING MARKET:

revenues, number of subscriptions, subscriptions per subscriber

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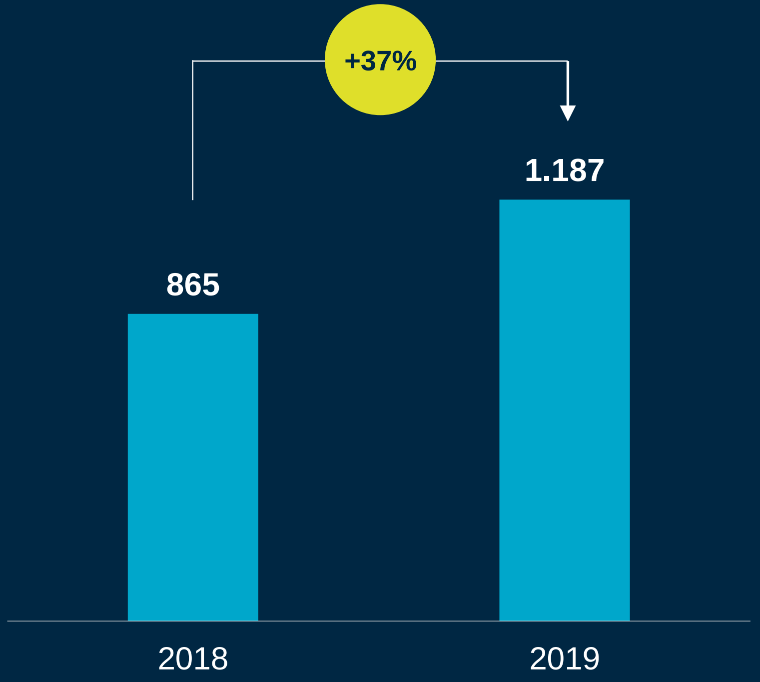
Expenditure in EUR (millions)

All periods Jan.-Dec.



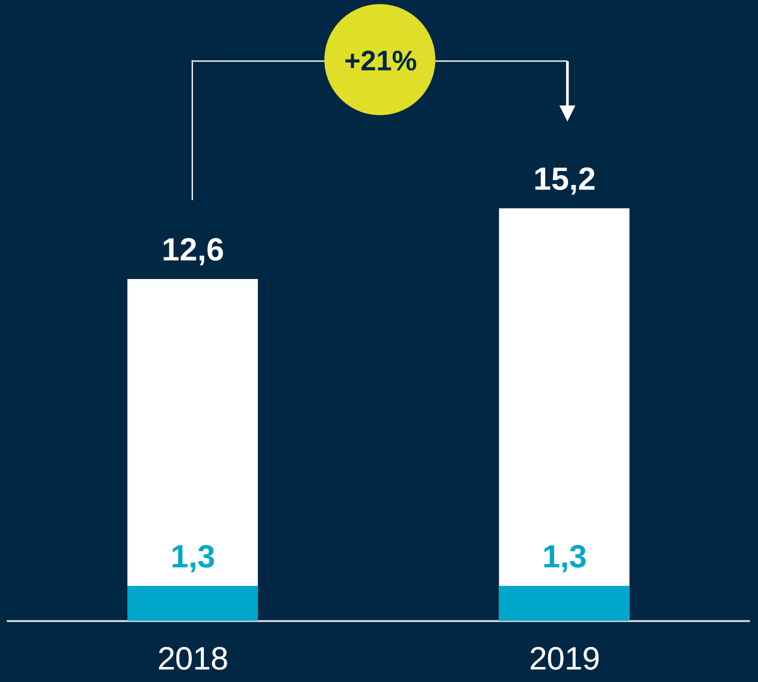
Subscriptions (millions/month)

All periods: Jan.-Dec.

Subscribers (millions)

Subscriptions per subscriber

Current as at: December 2019



OVERALL MARKET

SVOD selection: Netflix, Amazon prime video, Sky Ticket, maxdome

Source: Expenditures in EUR (millions): GfK Entertainment Panel 2019 | 4th quarter of 2019 | German population 10 years of age and older, subscribers and subscriptions: GfK SVOD Tracker 2019 | | 4th quarter of 2019 | German-speaking population 14 years of age and older

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GROWTH IN THE MAINSTREAM:

dynamic socio-demographic development amongst SVOD user groups

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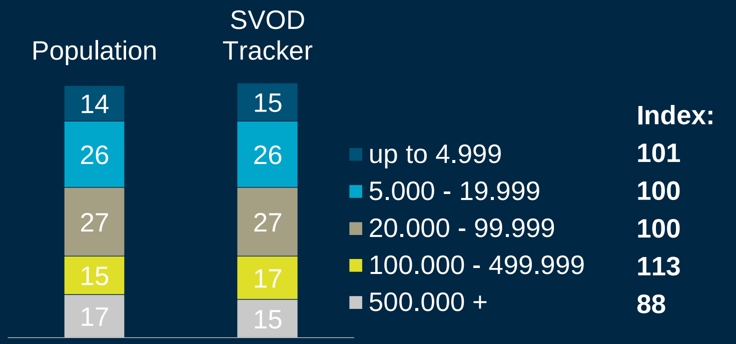
48%

Index: 97

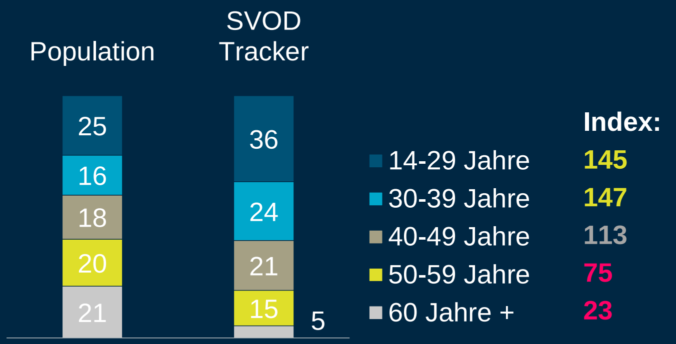
52%

Index: 102

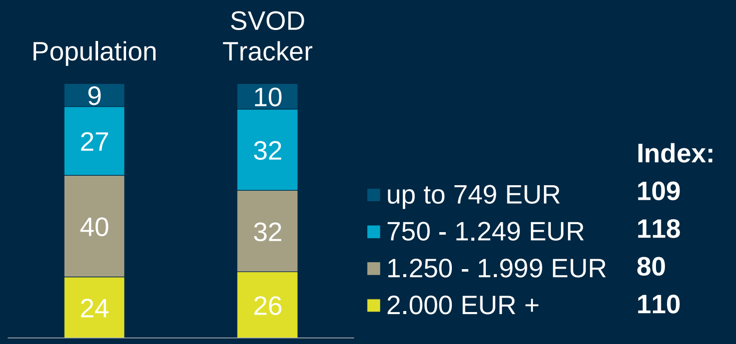
Size of town / city



Age



Monthly income



The analysis of sociodemographic data shows that SVOD offers have arrived in the mainstream:

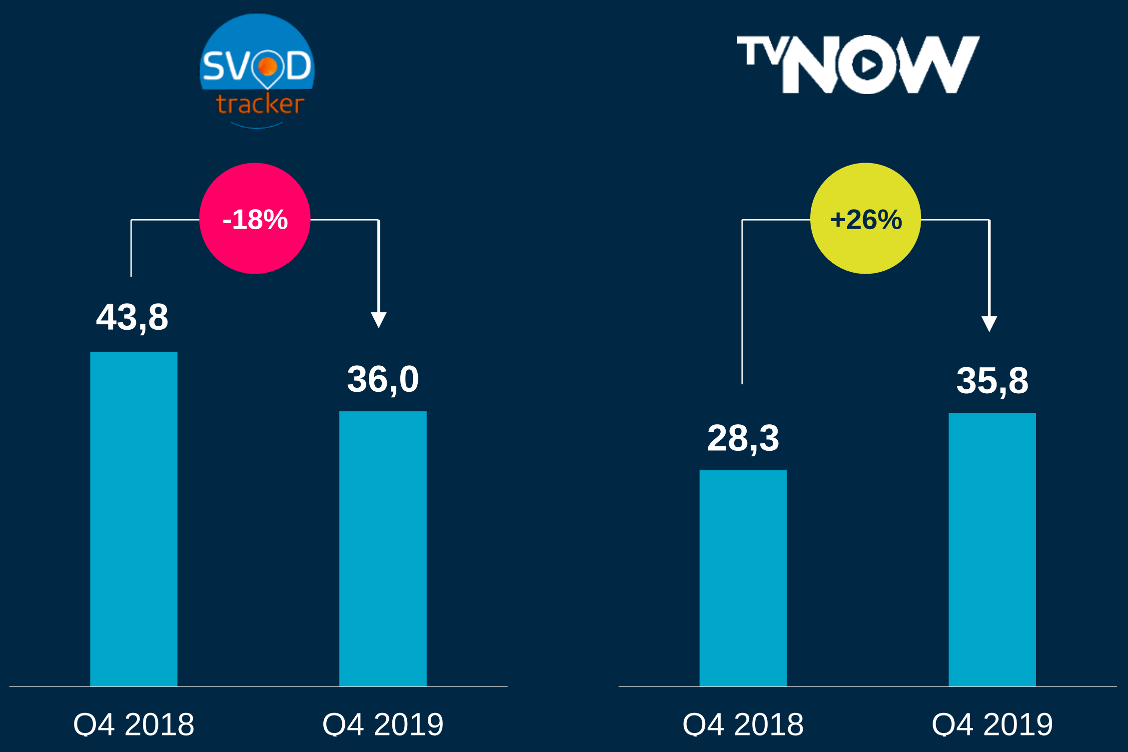
- 60% of users are up to 39 years old, 40% are 40 years of age and above.
- Year-on-year growth is very dynamic in the older target groups (40+) and is up by 33% in the 60+ target group.
- 48% of SVOD users are women, 52% are men.
- The distribution of SVOD users by urban and rural living situation largely reflects the distribution in the total population.
- The income distribution among SVOD users is also increasingly similar to the distribution in the total population.

Source: GfK SVOD Tracker 2019 | | 4th quarter of 2019

GROWTH IN THE MAINSTREAM:

usage duration per day increasing for TVNOW, against the market trend

Daily duration of usage per day and subscription, in minutes



In the SVOD market average, the expansion and diversification in the user base as described above is accompanied by a decreasing duration of use per subscription:

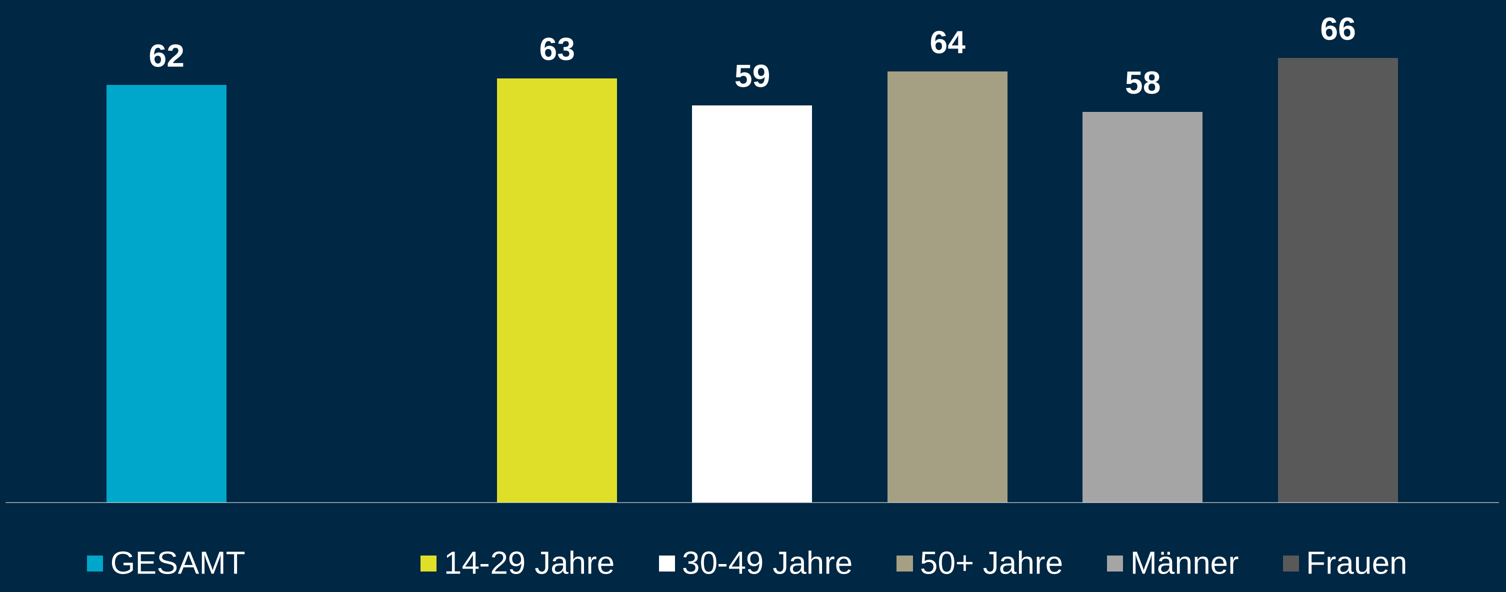
- The population of SVOD users has expanded beyond early adopters and intensive consumers of video content; consequently, less-intensive users of video content are included in the evaluation of average usage times. The number of SVOD views remains constant in a year-to-year comparison, which stands at 1,381 million views.
- Compared to the previous year, the market average of the daily SVOD usage time per subscription fell by 18% in the 4th quarter of 2019 and stood at 36.0 minutes.
  - Insight: Measured in terms of usage time, the SVOD offer of MGRTLD, TVNOW, is growing counter to the market trend: The usage time per day and subscription stood at 35.8 minutes in the 4^{th} quarter of 2019. Compared to the previous year's figure of 28.3 minutes, this represents a growth of 26%.

Source: MG RTL Data & Audience Intelligence; values for SVOD tracker: own calculation based on GfK SVOD Tracker 2019, incl. Netflix, Amazon prime Video, Sky Ticket, Sky on Demand, maxdome; values for TVNOW & Insight: incl. livestreams, internal measurement RTL interactive

LOCAL HEROES:

BVOD with local content well-positioned for growth across all target groups

Use of German series, German films in general as well as entertainment shows in TV networks' streaming offers*



The appeal of local content – German series, films and entertainment shows – in the BVOD offers is high across all target groups:

- Nearly two-thirds of all age groups regularly use local content.
- Local content is particularly popular amongst the younger set (14 to 29 years) and the 50+ target group, with usage in both groups above the average overall figure. Women are more intensive users of local content across all age groups.
  - Insight: The share of own-produced, local content in the video offers of MGRTLD, at 90% on RTL and 73% on VOX, is high and also shapes the SVOD offer of TVNOW.

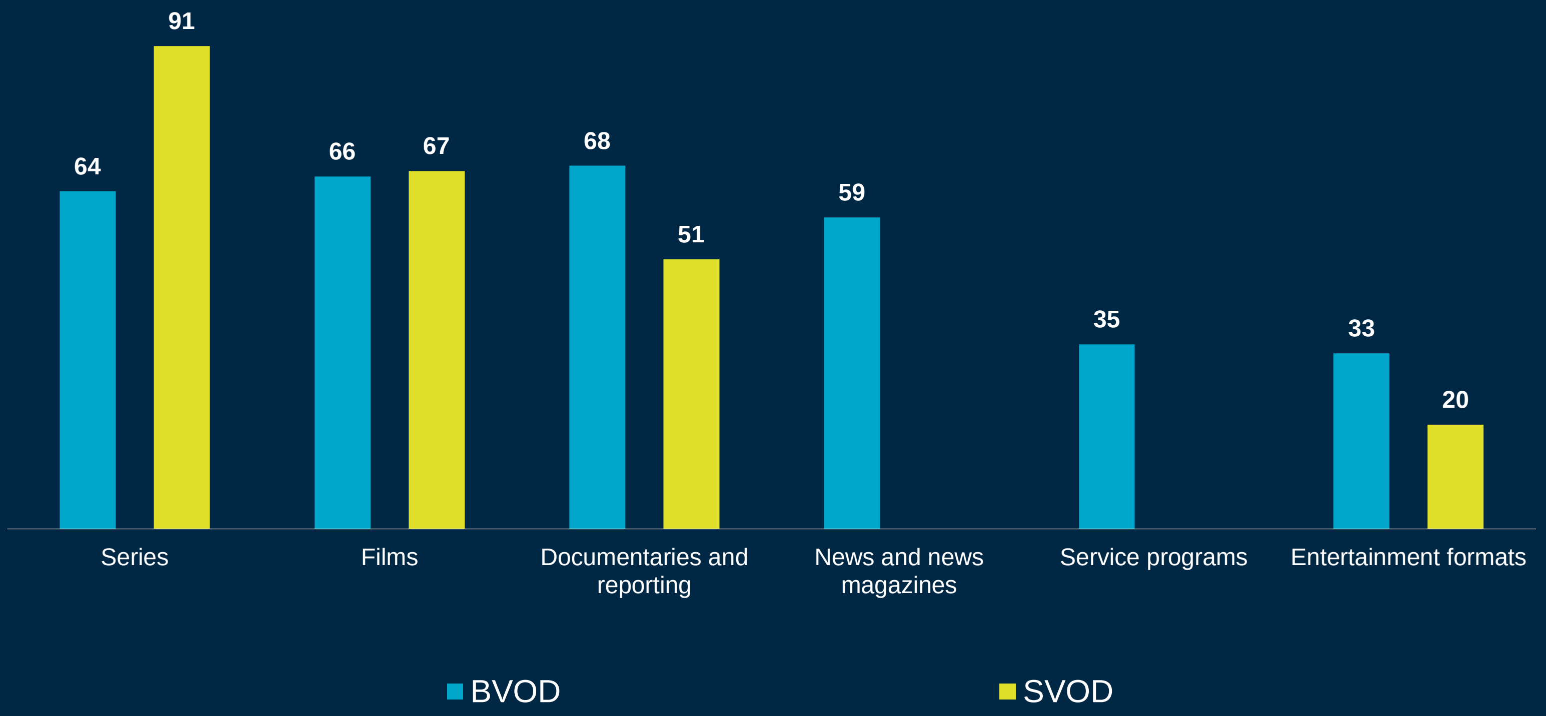
*Minimum monthly users of these offers: TVNOW, Joyn, ARD Mediathek und ZDF Mediathek

Source: forsa / MG RTL Data & Audience Intelligence | Insight: Basis: share (own, co-, commissioned production, co-financing according to AGF/GfK program coding) of total (excl. advertising) in %, Stations: RTL, VOX, Source: AGF Videoforschung in cooperation with GfK; videoSCOPE 1.2, 01.01.2019-30.11.2019, Market standard TV

LOCAL HEROES:

BVOD with a broad mix of content well-positioned against global competitors

How often do you view these types of shows/content on the following offers*? Regular or occasional use



*BVOD: TVNOW, Joyn, ARD mediathek, ZDF mediathek | SVOD: Netflix, Amazon Prime Video

Source: forsa / MG RTL Data & Audience Intelligence (Basis: at least monthly user of the respective offer) | Insight: internal measurement RTL interactive

As BVOD offers entail a broad mix of content, the usage pattern is diversified:

- Where the use of films is concerned, local BVOD offers are on a par with the international SVOD competition; in the use of series, the latter is in the lead.
- Greater use is made of documentaries and reportages in BVOD offers; the same is true of entertainment shows. Where news and service are concerned, BVOD offers have a unique selling point.
  - Insight: Daily soaps and innovative event formats dominated the usage of the TVNOW Premium offer in 2019 and contributed significantly to growth: The Top 10 formats posted a year-to-year usage increase of 59%.

COMPLEMENTARY, NOT COMPETING:

user needs and usage motivation for TV, BVOD segments

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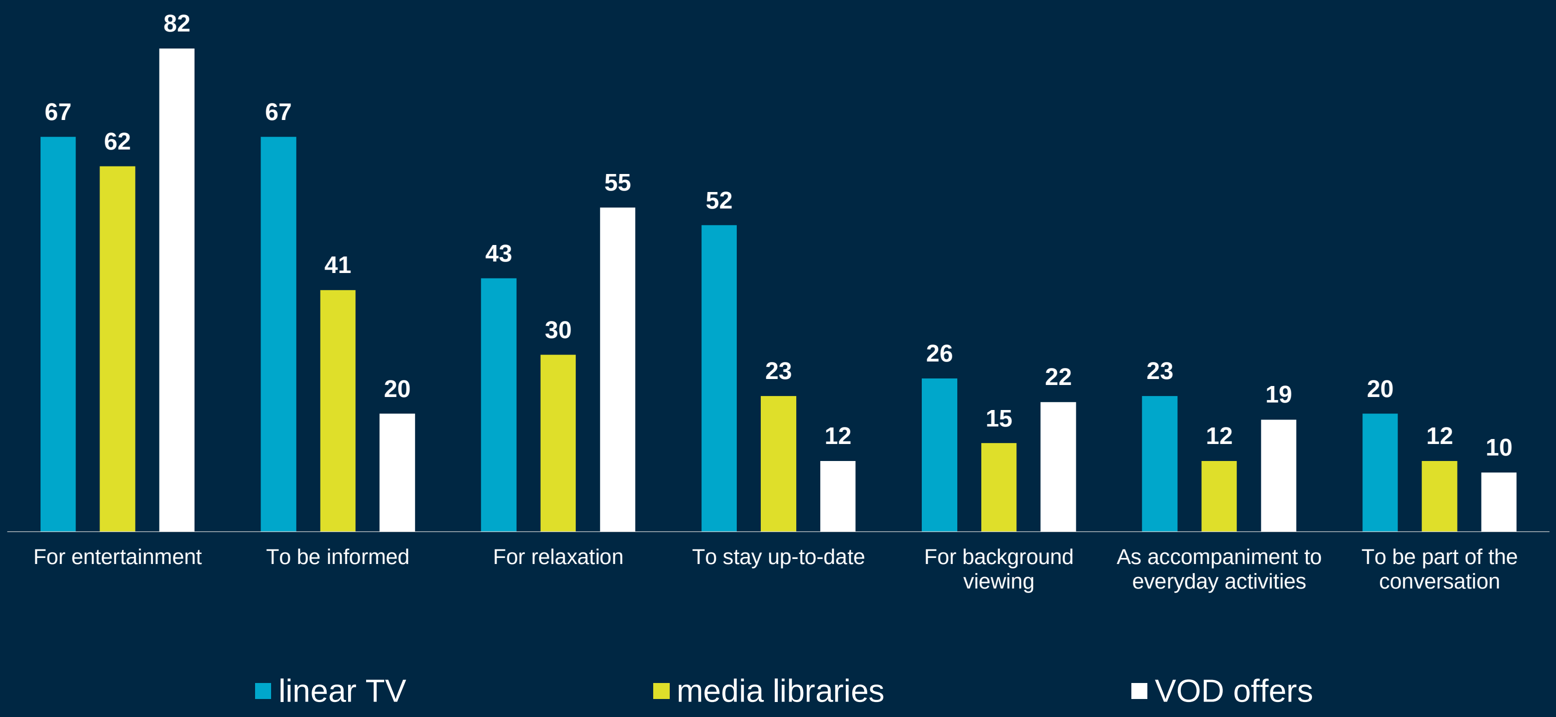
Why do you use current TV programming, media libraries and VOD/streaming? Which of the following alternatives applies to you?



Linear TV, media libraries and VOD offers serve a variety of user needs and usage motivations. Accordingly, we have analyzed the individual BVOD segments separately:

– VOD offers are primarily used for relaxation and entertainment – ahead of linear TV programming and ahead of media libraries.

– Linear TV leads in terms of information and the need to stay up-to-date; where these usage motivations are concerned, media libraries have a clear lead over VOD offers.

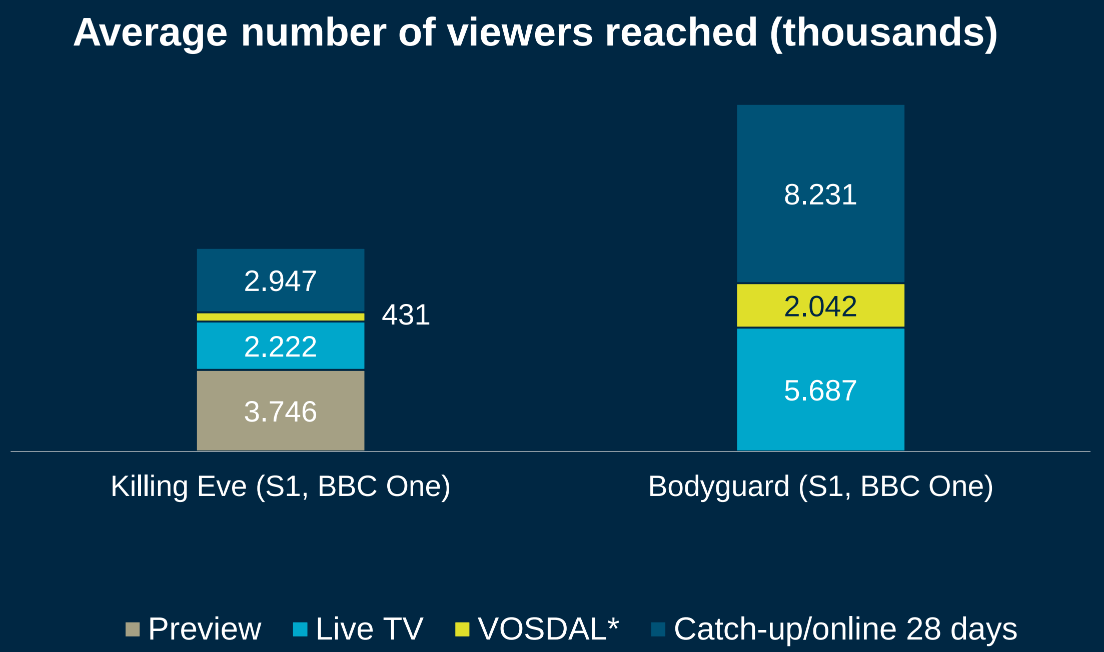
– In terms of passive use (‘background viewing’) and as an accompaniment to everyday activities, the level of relevance for linear TV programming and VOD offers is comparable. It is ahead of the figures for media libraries, those being designed for a more active use.

Source: forsa / MG RTL Data & Audience Intelligence (Basis: at least rare users of the respective channels)

COMPLEMENTARY, NOT COMPETING:

release strategies and usage patterns for on-demand

MEDIEN GRUPPE RTL DEUTSCHLAND



„KILLING EVE", SEASON 1
Preview: Release of the complete season 1 in the BBC iPlayer following broadcast of the 1st episode.

„BODYGUARD", SEASON 1
No preview release, catch-up available following broadcast of each respective episode.

In the UK market, Ofcom studied the interplay of linear and on-demand usage (previews, linear live TV, catch-up and time shift) based on selected formats and identified the importance of BVOD preview and catch-up functions for the overall reach of the respective format.

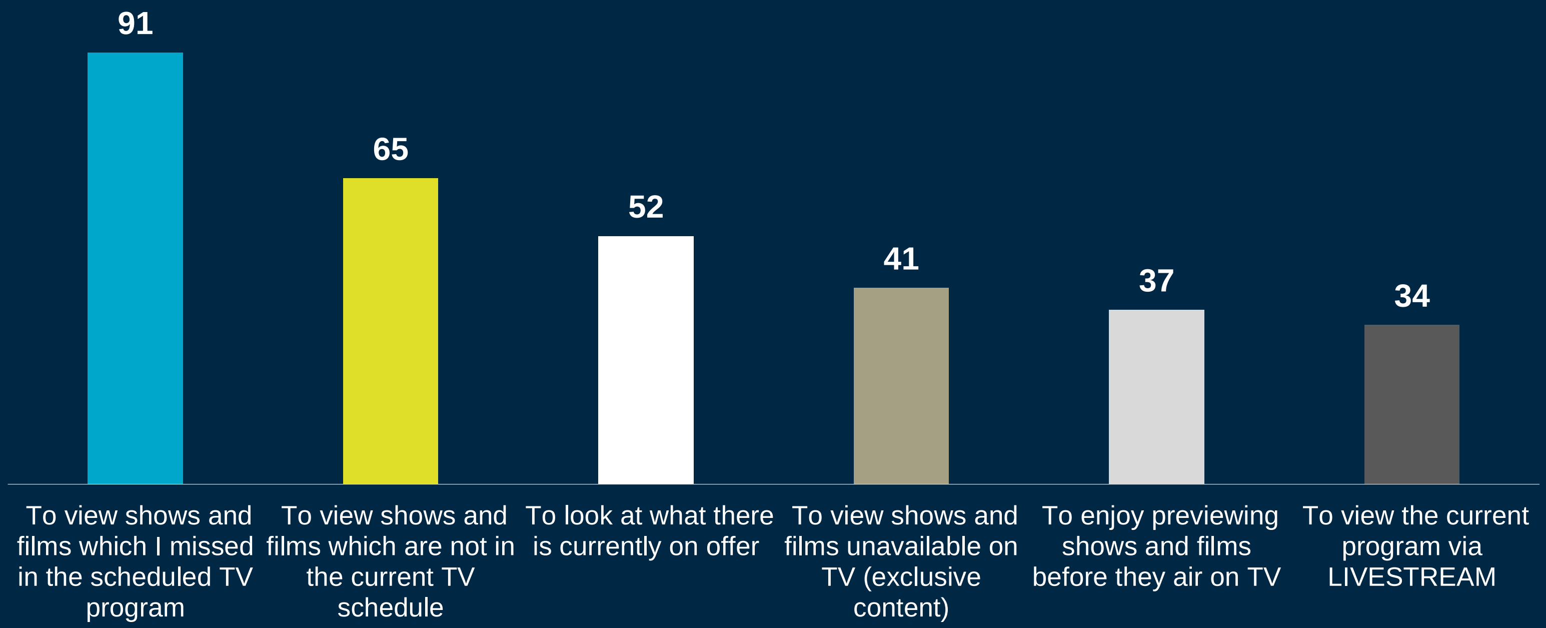
- The fictional formats analyzed by Ofcom, 'Killing Eve' and 'Bodyguard', were broadcast by BBC One with comparable TV time slots but with different on-demand strategies. The interplay of preview, linear live TV and catch-up leads to different patterns of usage:
- With a significantly lower total number of viewers, 'Killing Eve' reaches more viewers in total of preview and live TV usage than 'Bodyguard' (launched on live TV without a preview option) does in live TV usage.
- The impressive 'Bodyguard' audience is created mainly in catch-up and VOSDAL* usage.
- Inspired by the Ofcom analysis, we looked into the importance of preview and catch-up functions to users of BVOD offers of German TV broadcasters. The results are presented in the following charts.

Source: Ofcom Media Nations: UK 2019, MG RTL Data & Audience Intelligence. VOSDAL: Viewed on same day as live – use via time shift/recording

COMPLEMENTARY, NOT COMPETING:

diverse motivation for BVOD usage

Please describe the occasion on or intention with which you use BVOD offers.* Regular or occasional use reported



Streaming offers by German TV channels retain their users primarily via catch-up and library functions, but more than 50% of users are in search of interesting content without a specific TV reference.

- Exclusive content that is not available in linear TV programming is a relevant factor for more than 40% of users and reinforces a distinctive positioning of the BVOD offers.
- On-demand usage of content prior to its broadcast on TV (preview) is already an essential motivation for 37% of users.
  - Insight: Previews are gaining in relevance in the Premium offer of TVNOW, generating an average of 36% of all views of the SVOD offer.

Sources: forsa / MG RTL Data & Audience Intelligence (*Basis: all at least monthly users of at least one of the following offers: TV NOW, Joyn, ARD Mediathek, ZDF Mediathek) Insight: Internal measurement RTL interactive

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COMPLEMENTARY, NOT COMPETING:

motivation for SVOD sign-up

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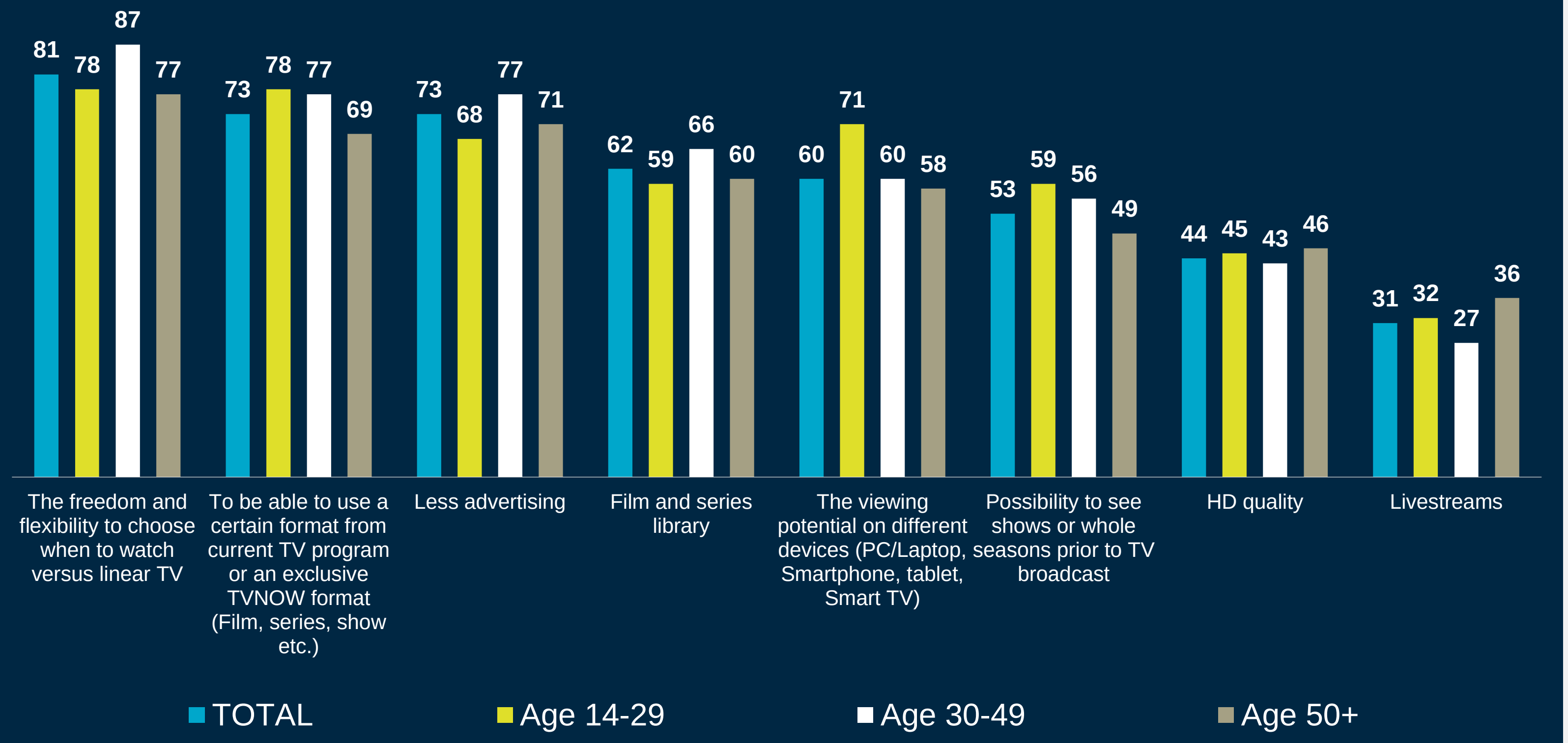
How important were the following aspects to you when you signed up for your TVNOW Premium subscription? Respondents indicating ‘very important’



For paid BVOD offers such as TVNOW, we asked users about their motivation for a sign-up:

– Across all age groups, the flexibility and independence of time provided by VOD was the most important motivator. With 87%, it is ranking highest in the 30 to 49 age group (high share of members of the workforce).

– Access to exclusive streaming formats or selected current formats from TV programming was just as important as lower amounts of advertising; both factors have a significant impact on users’ willingness to pay.

– Particularly among the young target group, previews are essential drivers of a willingness to pay, at the same level as access to archive content.

Source: MG RTL Data & Audience Intelligence, own survey of TVNOW Premium customers

IMPACT OF THE CORONAVIRUS CRISIS ON MEDIA USAGE

MEDIEN GRUPPE RTL DEUTSCHLAND

CW 11 to 13:
Survey of changes in media usage by GfK as well as MGRTLD and Ad Alliance

Enhanced measures in several countries, including Germany

December 2019
First signs of a new viral disease in Wuhan, China

January 2020
COVID develops into an epidemic in China, first infections registered in Germany

30 January 2020
WHO declares an international health emergency

15 February 2020
First death outside of China registered in France

11 March 2020
The WHO classifies COVID as a pandemic

12 March 2020
France decides to close all schools, US travel ban for Europeans

13 March 2020
Germany announces the closure of schools

16 March 2020
Border closures and other restrictions of public life in Germany

18 March 2020
German Chancellor Angela Merkel addresses citizens in a televised address

22 March 2020
German federal and state governments issue an extensive ban on contacts as part of a nine-point plan

25 March 2020
German Bundestag suspends the cap on sovereign debt to take on EUR 156 billion in fresh debt

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INCREASED TV „SWITCH ON“:

growing audiences and viewing time

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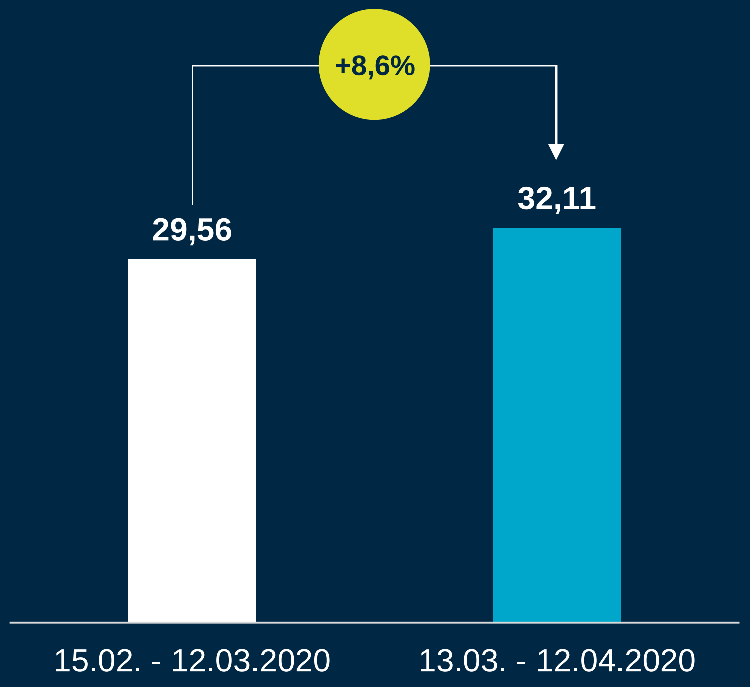
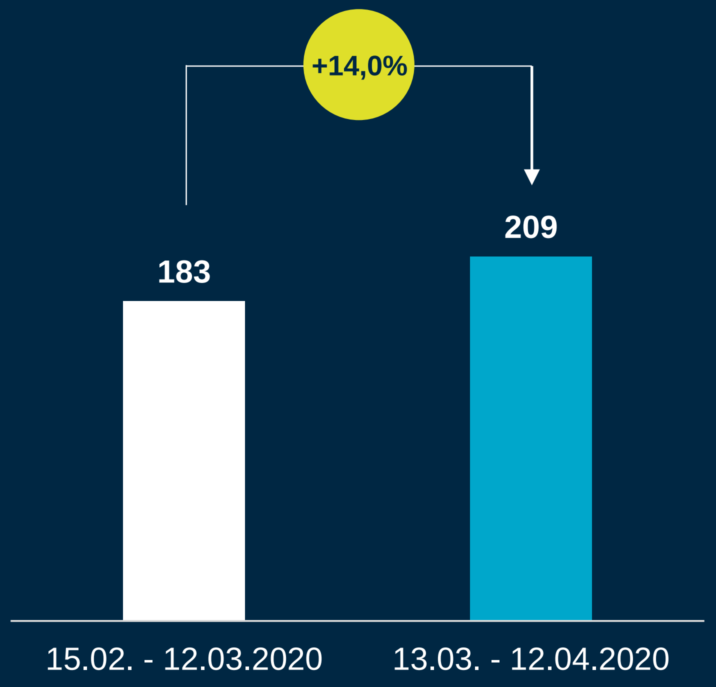
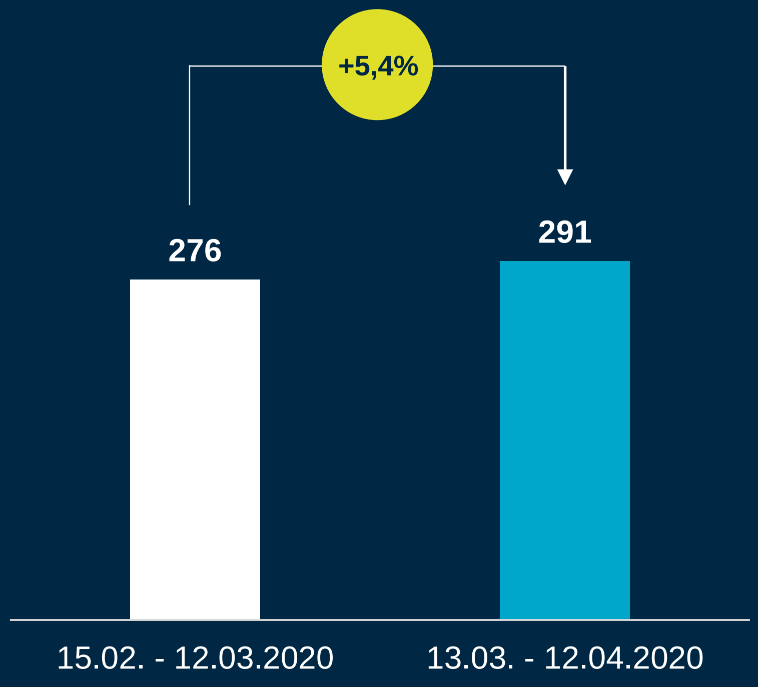
Viewers (millions)



Avg. Viewing Time per Person (including non-viewers, in minutes)



Avg. Viewing Time per Viewer (in minutes)

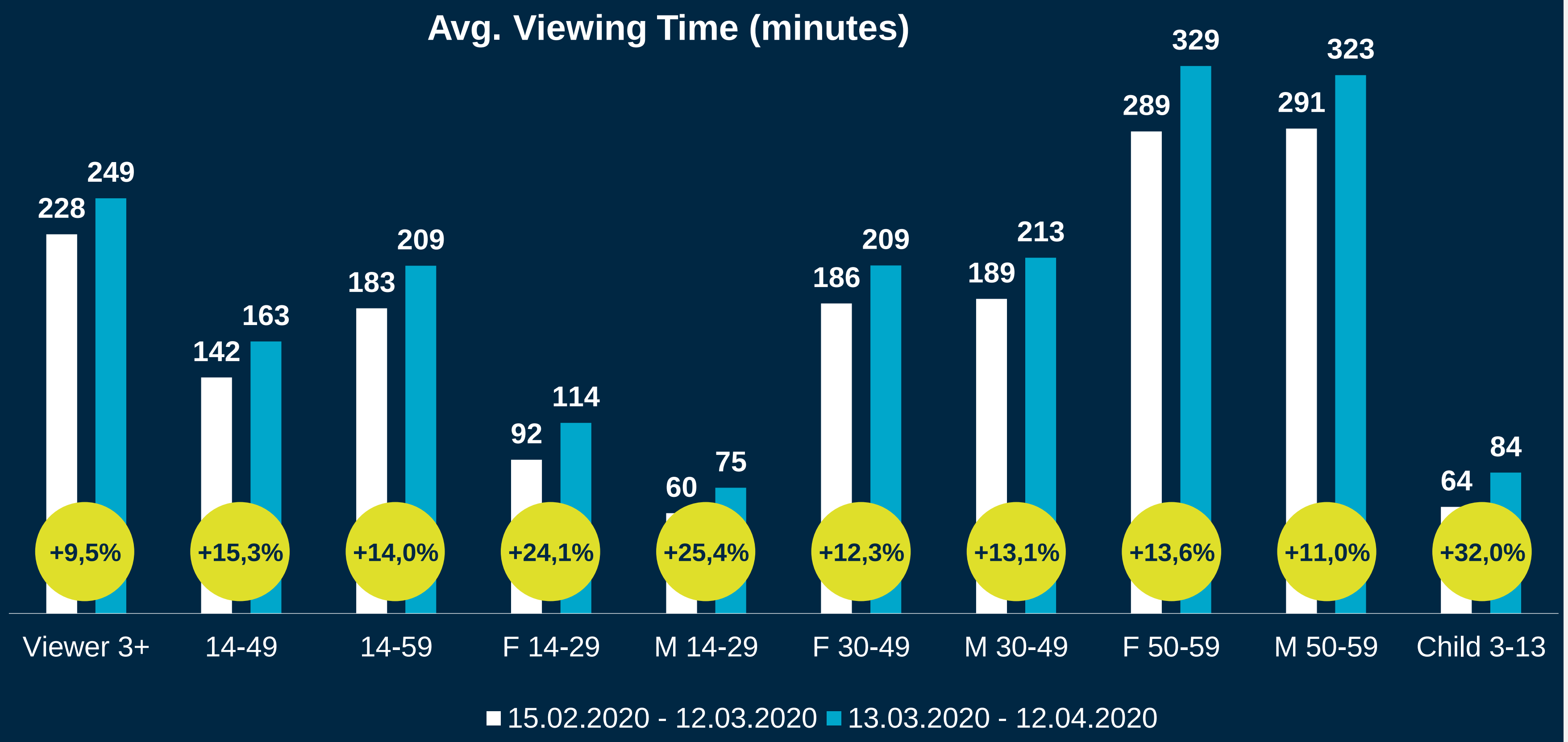


Adults age 14-59 | TV overall | 3:00 a.m.-3:00 a.m. | Monday to Sunday

Source: AGF in cooperation with GfK, DAP videoSCOPE, TV overall, adults 14-59 y., data provisionally weighted, market standard: TV, own calculations, Data & Audience Intelligence

SIGNIFICANT INCREASES IN TV USAGE:

growth in all target-group segments



With more stringent measures which came into effect in Germany on 13 March 2020, the amount of TV viewing rose significantly when compared to the previous month across all segments of the viewer market.

- With a rise of 32%, the closures of schools and daycare facilities have had an impact on the time spent TV viewing by children.
- With an increase of 24% respectively 25%, the growth in the target group of 14- to 29-year-olds is also significant.

Source: AGF in cooperation with GfK, DAP videoSCOPE, market standard: TV, avg. viewing time, TV overall, 3:00 a.m.-3:00 a.m., Mon-Sun, data provisionally weighted, own calculations, Data & Audience Intelligence

GFK – OVERALL INCREASE IN STREAMING:

significantly higher streaming usage amongst children

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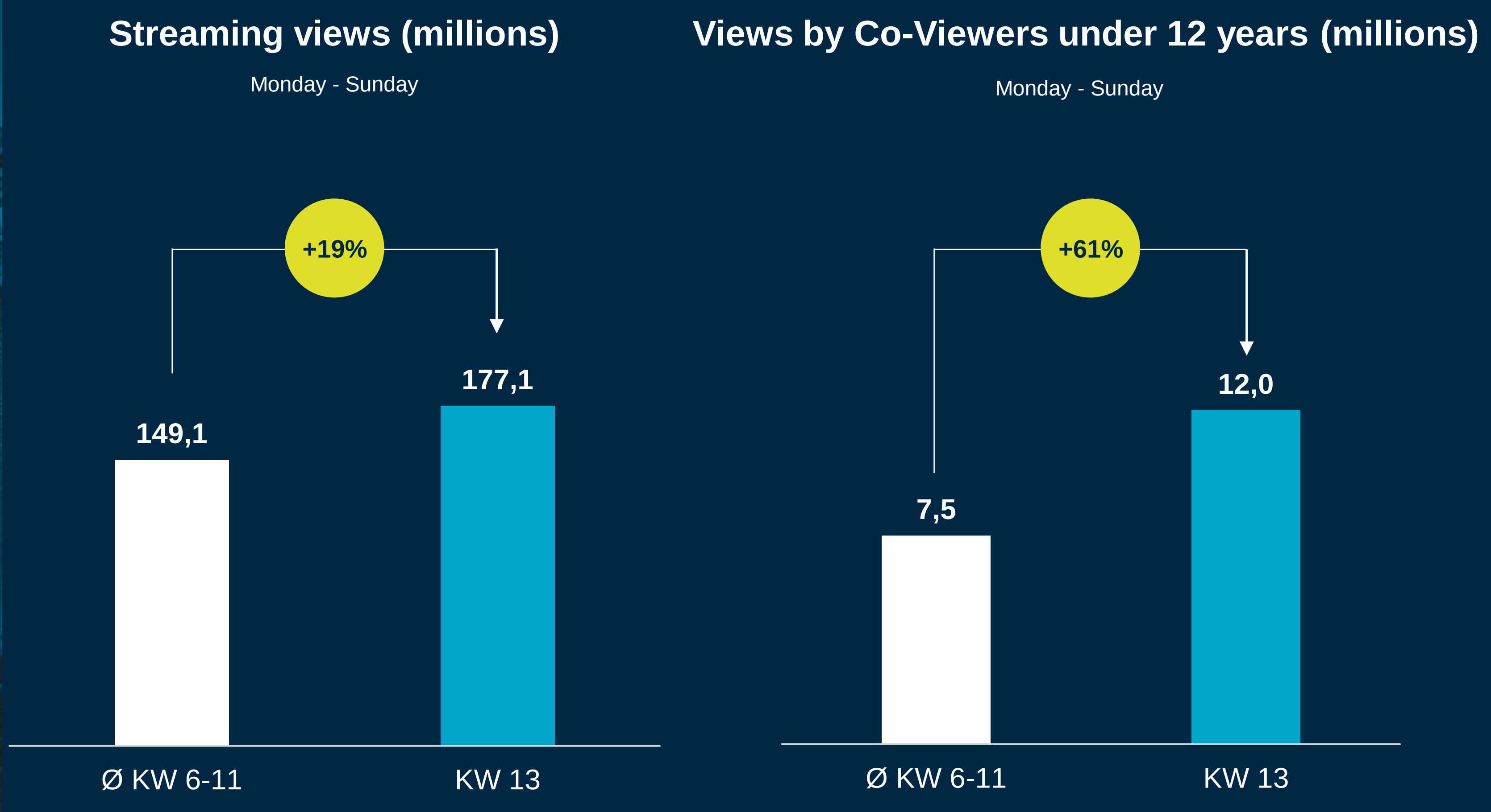

The more stringent measures which came into force on 13 March 2020 also had an impact on the number of streaming views and the usage of streaming by children (viewers under the age of 12). GfK evaluated both variables by comparing the average for CW 6 through 11 with the values for CW 13 (23-29 March):

– In CW 13, compared to the average of the reference period, there was an increase of 19% in streaming views.

– Schools, kindergartens and daycare centers were closed throughout Germany at the beginning of calendar week 12. Accordingly, CW 13 showed an increase of streaming by 61% in user households with children (viewers under the age of 12).

Source: GfK SVOD Tracker CW 6 – 13 2020, Mon – Sun, extrapolated viewing data for providers Amazon, Netflix, Sky and Maxdome

TV USAGE IN THE CORONAVIRUS CRISIS:
motivation

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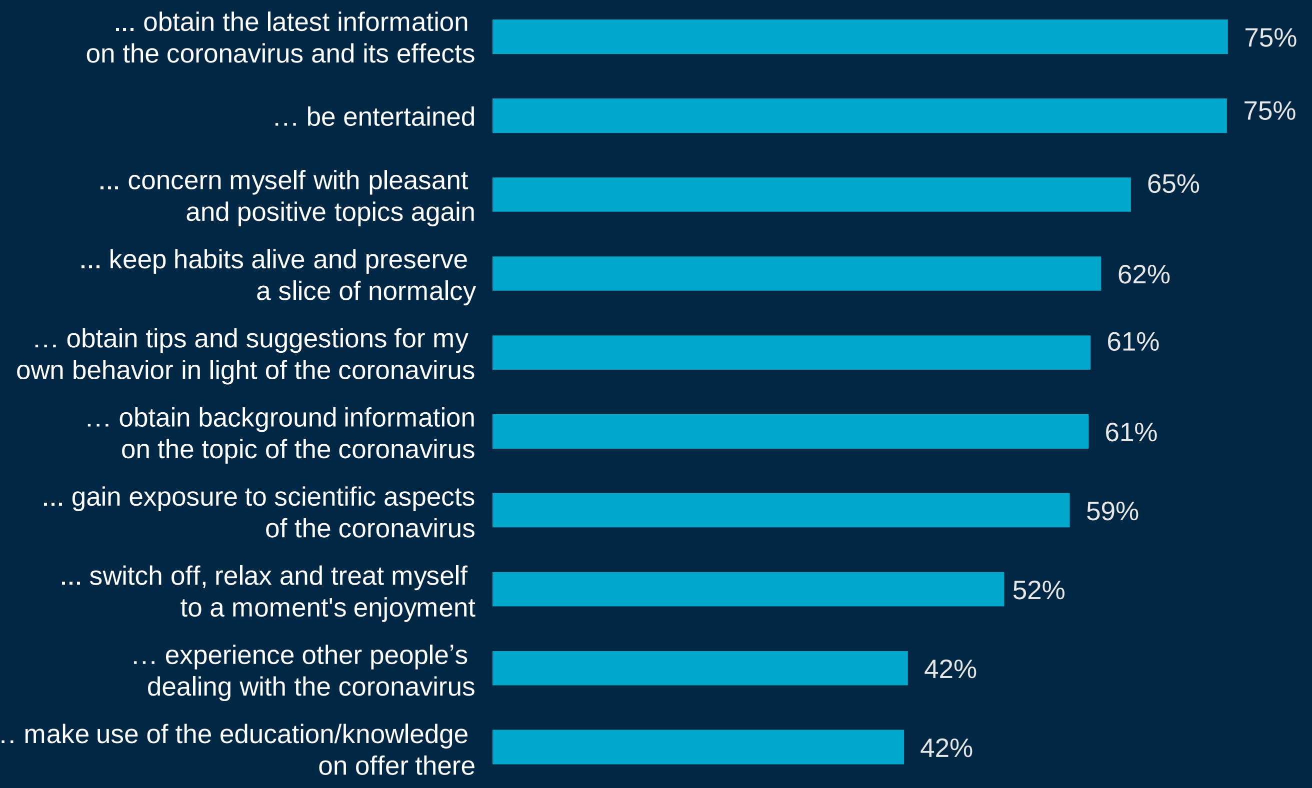
TV usage in times of the coronavirus pandemic in %

Survey question: I use classic (linear) TV to…



At 75% each, satisfaction of information needs and the desire for entertainment are equally important motivators of usage.

- Maintaining habits and the search for positive distraction, at 62% and 65%, respectively, are key drivers for TV usage, followed by reasons for usage that are attributable to the high demand for information.
- Background and scientific information, along with tips on the coronavirus, are relevant motivators, with around 60% of the respondents confirming each of these factors.

Source: MG RTL Data & Audience Intelligence; online survey; 20 – 22 March 2020 / Basis: n=1108; Question: 'Now we'd like to learn a little more about the purposes for which you currently use the media genres listed. Please indicate here which reasons are true of your usage of TV, magazines, the Internet, radio or podcasts.'

USAGE OF BVOD OFFERS:

development during the coronavirus crisis

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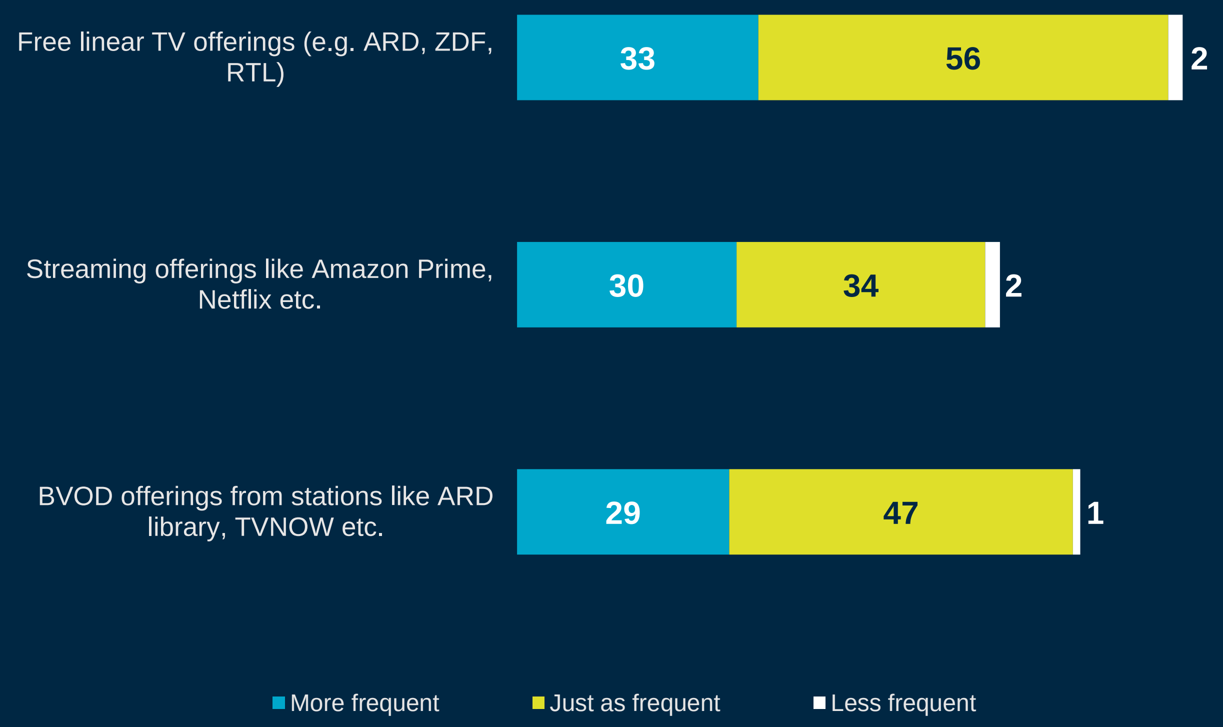
Change in usage of TV, SVOD, BVOD, in %



Finally, we examined the question of how the frequency of usage of TV, SVOD and BVOD offers have changed as a result of the coronavirus crisis:

– Against the backdrop of the results of charts 9 and 17, it is comprehensible that TV offers achieved the highest value for ‘more frequent usage’.

– BVOD and SVOD offers are almost tied in the share of ‘more frequent usage’ during the coronavirus crisis, however, BVOD offers reached a significantly higher proportion of users ‘just as often’ – the overall number of BVOD users being higher, too.

  – Insight: After 13 March, livestreams on TVNOW show a 55% growth compared to the previous month, mainly driven by the news and information programming of ntv.

Source: MG RTL Data & Audience Intelligence; online survey; 20 – 22 March 2020 / Basis: n=1108; Question: ‘Please indicate whether you are using these media channels less frequently, more frequently or as frequently during the coronavirus pandemic when compared to the previous periods.’ Difference between percentage shown and 100% owing to percentages missing or not shown: ‘not at all/does not apply’

CONCLUSION

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- Streaming has arrived in the German mainstream; SVOD reaches broad and socio-demographically diversified target groups. For these target groups, the BVOD offers of German TV networks provide an optimal fit of product and brand.

- Added value such as time flexibility – increasingly also in the form of previews – as well as longer content availability in the form of catch-up and the provision of library programmes translate into growing usage and reach. Those factors permit a complementary, overlap-free line-up to the respective linear TV offers.

- Local content and a strong entertainment competence are their key success factors.

- During the coronavirus crisis, BVOD offers benefit in equal measure from increased demand for up-to-date information and from the need for entertainment and distraction.

PUBLISHER'S DETAILS

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and GfK Consumer Panels & Services.

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