

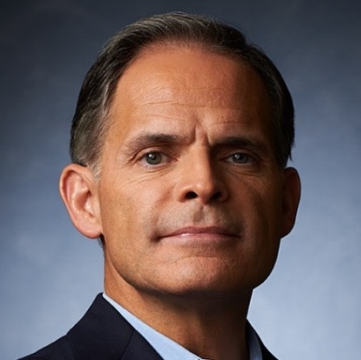


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THE FUTURE OF MEDIA & STREAMING

DECEMBER 2022

On December 14th, I gave a presentation at Simulmedia's #SimulmediaSalon on the Future of Media and Streaming with Sheila Spence of Spotify, moderated by Jon Werther. Here's my deck.



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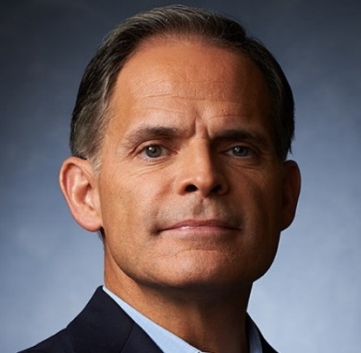


Jon Werther

Sheila Spence

Terry Kawaja

We had a lively discussion aided by my boozy holiday lunch that preceded which turned my usual unreserved nature even more unfiltered and lubricated. Sheila was cogent and astute as usual and Jon did a great job moderating.





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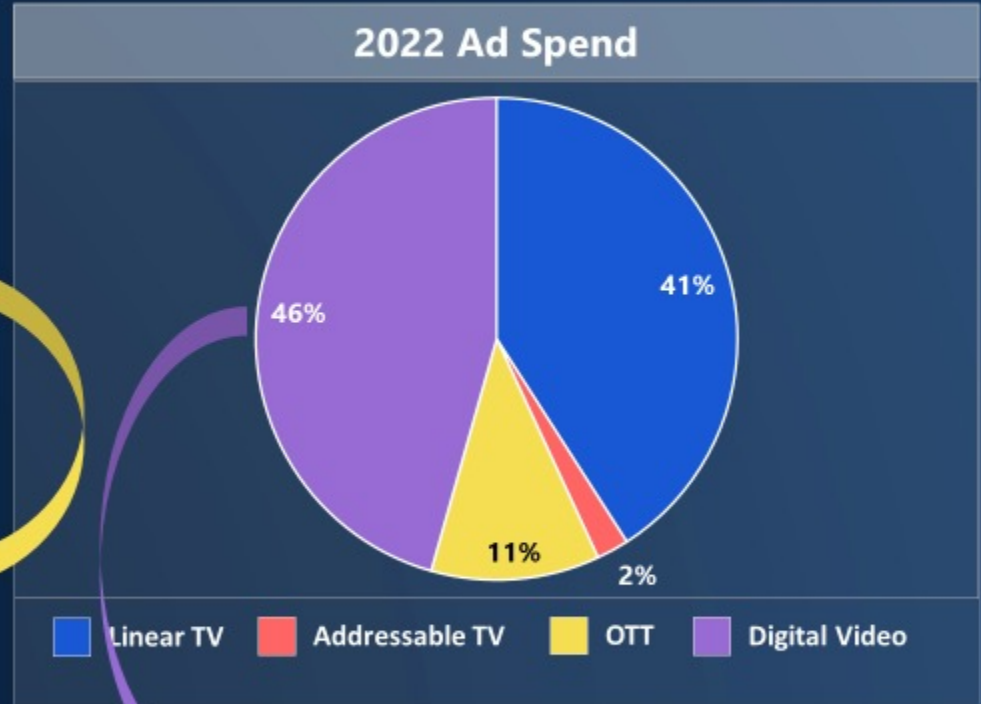
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I billed the event as a double-barrelled Canadian shotgun as Sheila and I share a common heritage from the Great White North and we've worked together for over 3 decades.



"Convergent TV" Growing Across All Subsectors

	2021 Ad Spend	Growth	2022 Ad Spend
Linear TV	\$65.7	4%	\$68.4
Addressable	\$2.9	27%	\$3.6
OTT	\$14.2	33%	\$18.9
Digital Video	\$60.3	26%	\$76.2
Total	\$143.0	17%	\$167.1



Fast Scaling Fast

pluto tv tubi
SAMSUNG TV Plus LG VIZIO
Roku freevee

Includes YouTube

Source: eMarketer 2022

All of the sub-channels of "Convergent TV" are growing, including linear (cue Monty Python Not Dead Yet). Streaming (OTT) garners much of the industry's attention and is the fastest growing sector as more cord cutters make the shift.



And Sports Rights Will Inflect Linear Down

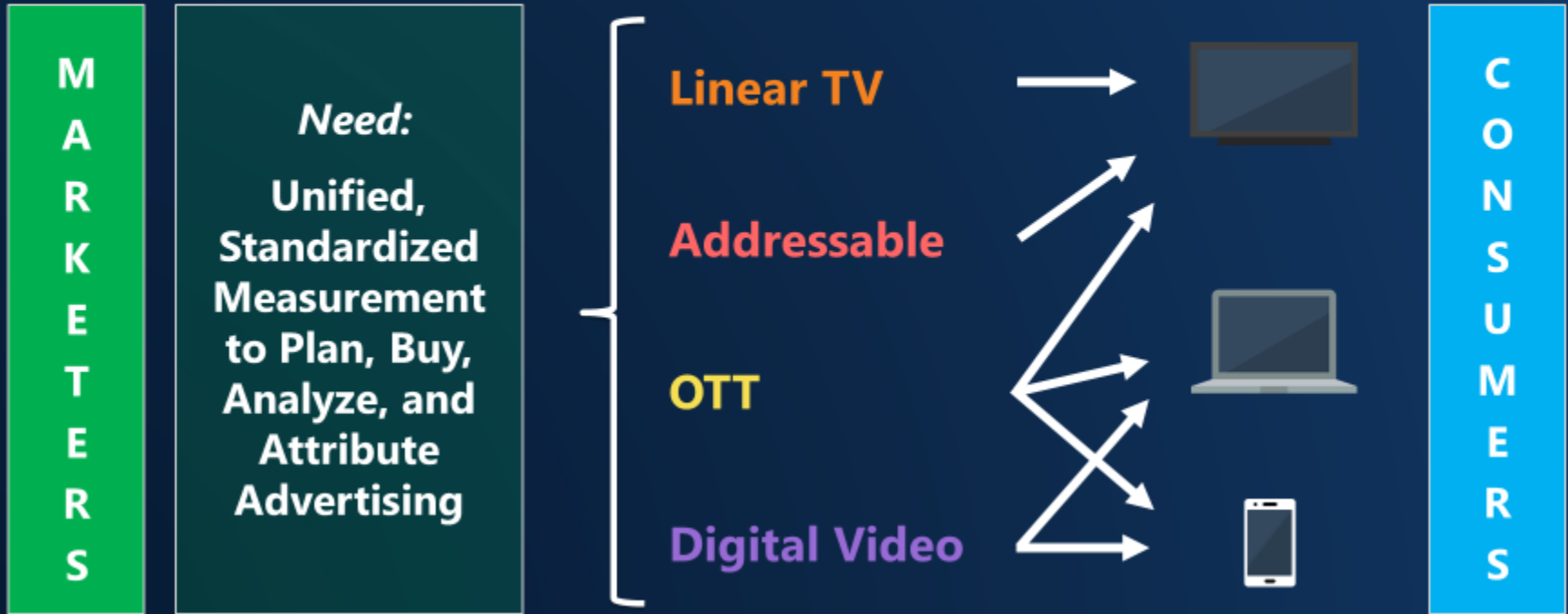


Linear TV is driven by live viewing which is mostly sports which is dominated by the NFL. So it's fair to say the NFL is the duct tape holding the cable bundle together. If a tech giant wins the Sunday Ticket currently up for bidding, linear TV will inflect down.



Managing Cross-Channel is Complex


Each sub-channel has different identity parameters, workflow and ad serving tech whereas the principals (Marketers and Consumers) view as “TV”



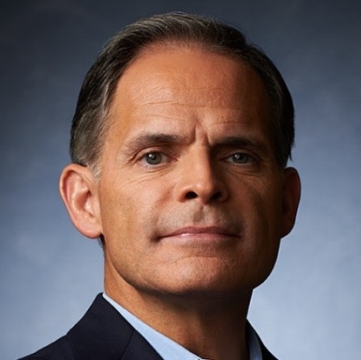
Meanwhile, it's a challenge for marketers who need to manage campaigns holistically among the sub-channels, each of which has distinct identity parameters, workflow and ad serving tech (whereas consumers view simply as “TV”).



Let's Define What's Being Disrupted

<u>Linear TV Bundle</u>			<u>Streaming</u>
Paid	\$80 Bn		SVOD
Advertising	68 Bn		AVOD / FAST
Affiliate Fees	12 Bn		NA
Total	<u><u>\$160 Bn</u></u>		<u><u>\$???</u></u>

Now let's think about the economic implications when streaming disrupts linear TV. SVOD's ARPU is lower than cable bundle so that will shrink. And affiliate fees go away altogether. No wonder the media companies are trading poorly!



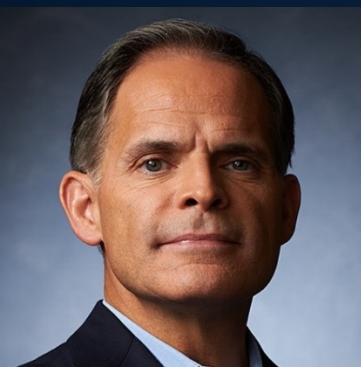
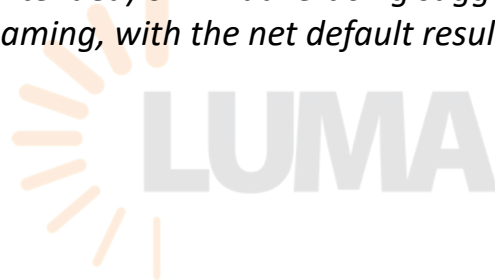
What Happens to the Advertising Pie With CTV?

\$68 Bn Linear TV Ad Economics

- + Targeting and personalization will produce higher CPMs
- + Addressability will bring long tail of new TV advertisers
- Loss of mass reach “water cooler” moments due to personalization
- Less available inventory due to lighter ad loads and shift to SVOD
- Lost efficiency to tech take rate

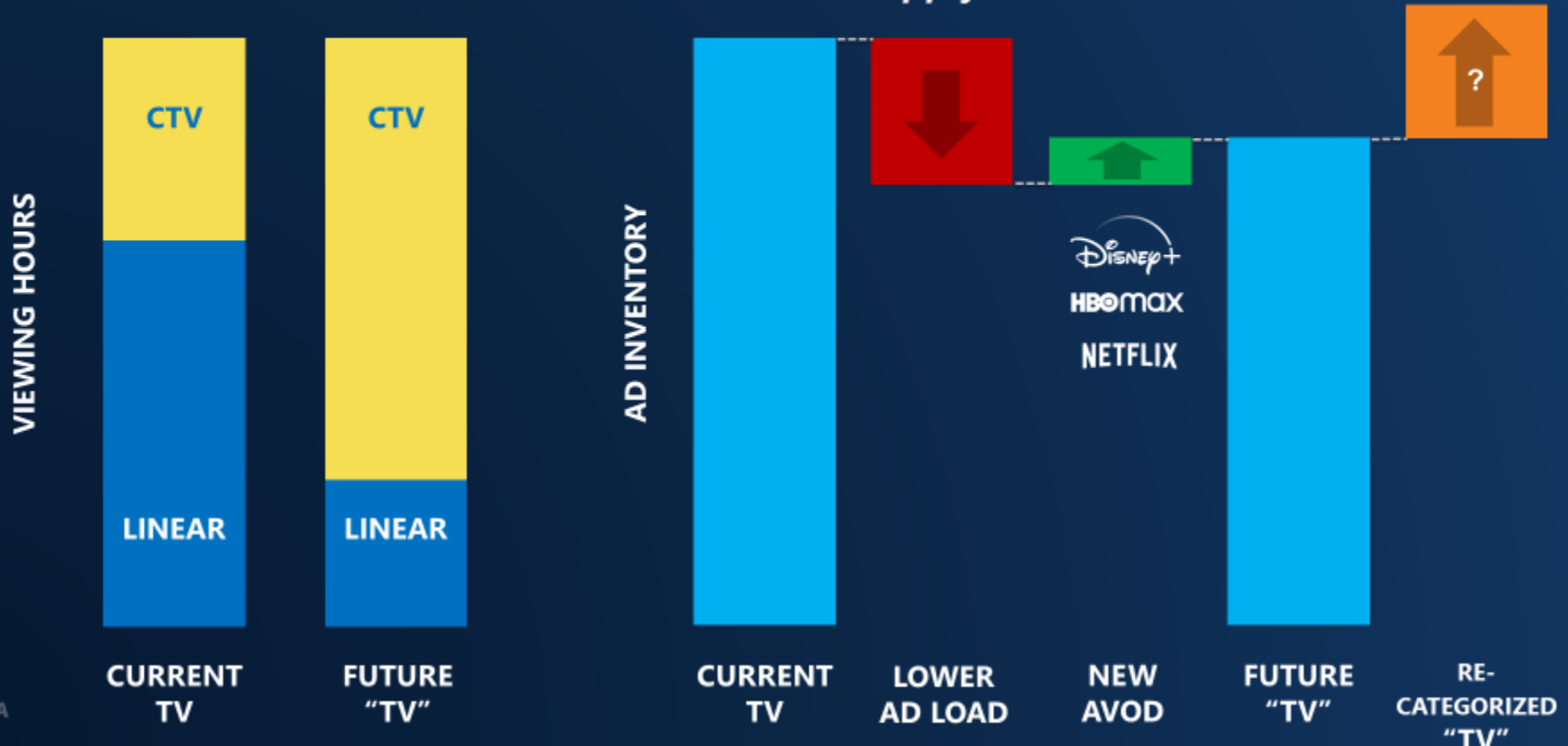
\$\$ Bn Streaming Ad Economics

Double clicking (pun intended) on TV advertising suggests that there are pluses and minuses to its economics under streaming, with the net default result being a shrinking of the revenue pie.



Bridging TV's Demand / Supply Imbalance

CTV, like TV and unlike digital, is a supply-constrained media channel and the market will balance itself with more "TV" supply












Viewing hours are shifting from linear to CTV but I suspect linear will have a floor due to lack of broadband (yes, still). Ad inventory will drop due to the materially lower ad loads (4-6 minutes vs. 16-18 minutes), mitigated by some new AVOD channels launching.

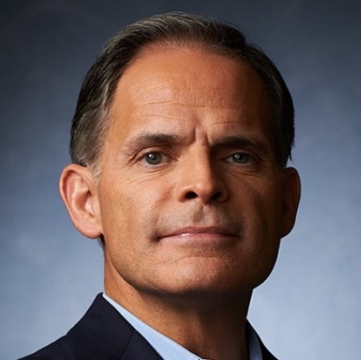
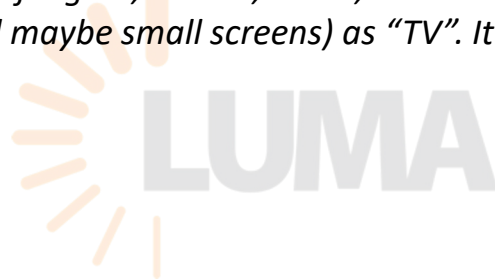
So, TV will go from a supply-constrained media channel to even more supply-constrained under CTV. But markets abhor imbalance and all parties are incentivized to satiate the excess demand by recategorizing other inventory as "TV".



"TV" Inventory Recategorization

Category	Sub Channel	Example	Expansion
TV	Linear TV		
	CTV - AVOD		
	CTV - FAST		
"TV"	Digital Video		
	Mobile		
	Audio		
	DOOH		
	Console Gaming		

Look to the channels of digital, mobile, audio, DOOH and gaming to recategorize what gets watched on large screens (and maybe small screens) as "TV". It's why YouTube does an Upfront!



The Shift to Streaming Requires Media Companies to Swap Engines in Flight



...Which Explains the Market Turbulence

Media companies are facing challenging times as the shift to streaming requires that they effectively swap engines in flight. Notably, the turbulence has caused some to lose altitude as they sort their go-to-market strategies and new economics of streaming.





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Invariably this will lead to more consolidation. And if you're shocked that an M&A advisor concludes suggesting more deal activity, I have a great movie classic to recommend for Holiday viewing.





When facing turbulent markets,
trust an experienced captain.

Fly the friendly skies.


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And remember, for media companies managing through turbulent markets, who better than Captain Morgan at the controls? Now that I've bookended this thread with alcohol references, the world is truly in balance!

